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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
THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF
PAX GLOBAL TECHNOLOGY LIMITED
ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED,
PROPOSED ADOPTION OF THE PAX SHARE OPTION SCHEME AND
CLOSURE OF REGISTER**

**PROPOSED SPIN-OFF AND PROPOSED ADOPTION OF PAX SHARE
OPTION SCHEME**

Reference is made to the announcements of the Company dated 15 March 2010, 31 March 2010, 6 July 2010, 19 August 2010 and 17 September 2010 in relation to the Proposed Spin-off.

The Proposed Spin-off is expected to be effected by way of the Share Offer which will comprise the Public Offer, the Placing and the Preferential Offer of new PAX Shares for subscription or purchase in cash.

In view of the Proposed Spin-off, the Board proposes to adopt the PAX Share Option Scheme for the benefit of PAX.

A circular containing, among others, further details of the Proposed Spin-off and the PAX Share Option Scheme, recommendations of the Independent Board Committee together with a letter of advice from Guangdong Securities on the Proposed Spin-off as well as a notice of the SGM to be convened by the Company to approve the Proposed Spin-off, related transactions and the adoption of the PAX Share Option Scheme has been dispatched to the Shareholders on 8 November 2010.

As at the date of this announcement, the Board has not yet finalised whether and when the Proposed Spin-off and the Share Offer will be effected. There is no assurance that the approval for the Proposed Spin-off and the listing of, and permission to deal in, PAX Shares on the Main Board of the Stock Exchange will be granted by the Listing Committee of the Stock Exchange. Further announcement(s) will be made by the Company in relation to the Proposed Spin-off and the Share Offer as and when appropriate.

LISTING RULES IMPLICATIONS

Under the current structure of the Proposed Spin-off which contemplates a minimum Share Offer of 26% new PAX Shares and taking no account of the IPO Sale Shares or any PAX Shares which may be issued pursuant to the exercise of the Over-allotment Option, Hi Sun's interest in PAX will initially be reduced from 100% to about 44.4% immediately following implementation of the Proposed Spin-off, and will be further reduced to about 42.73% if the Over-allotment Option is exercised in full. In order to facilitate the settlement of over-allotments in connection with the Share Offer, Hi Sun may enter into a customary stock borrowing agreement with the stabilising manager of the Share Offer, pursuant to which the stabilising manager may borrow PAX Shares representing up to 15% of PAX Shares initially being offered under the Share Offer). The borrowing and return of shares constitute a disposal and an acquisition of PAX Shares. The Proposed Spin-off will constitute a deemed disposal under Rule 14.29 of the Listing Rules. Given that the applicable percentage ratios calculated in accordance with the Listing Rules are more than 25% but less than 75%, the deemed disposal Proposed Spin-off and any disposal pursuant to any stock borrowing arrangement, if it proceeds, will require shareholders approval as a major transaction for Hi Sun under Chapter 14 of the Listing Rules and under PN 15.

Hi Sun will seek approval from the Shareholders for the issue and the sale of such number of PAX Shares under the Share Offer (including PAX Shares under the Over-allotment Option) as may be approved by the Board, provided that (i) the percentage of shareholding interest of Hi Sun in PAX immediately after the completion of the Proposed Spin-off will be no less than 40% taking no account of the effect of any disposal of PAX Shares under stock borrowing arrangements; and (ii) any stock borrowing arrangements be on customary terms in compliance with the Listing Rules; (iii) the actual or deemed disposal by Hi Sun of its interests in PAX Shares will not result in any of Hi Sun's "percentage ratios" under Rule 14.07 of the Listing Rules to exceed 75%, using for this purpose, the market capitalisation of Hi Sun as at the date of the circular of the Company despatched to the Shareholders on 8 November 2010.

In addition, the PAX Share Option Scheme requires the approval of the Shareholders under Chapter 17 of the Listing Rules.

CLOSURE OF REGISTER

The register of members of Hi Sun will be closed from Monday, 22 November 2010 to Wednesday, 24 November 2010 (both dates inclusive) (or such other date(s) as the Board may determine and announce) for the purpose of determining the entitlement of Qualifying Shareholders to the Preferential Offer and the eligibility of Shareholders to attend and vote at the SGM. No transfer of Shares may be registered during that period. In order to qualify for the Preferential Offer and be eligible for attending and voting at the SGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Registrar by no later than 4:30 p.m. on Friday, 19 November 2010 (or such later date as the Board may determine and announce). The last day for dealing in the Shares cum-entitlements to the Preferential Offer is expected to be on Wednesday, 17 November 2010. Further announcement will be made by Hi Sun if there is to be any change to the Record Date.

WARNINGS

Shareholders and potential investors should note that the Proposed Spin-off and the Share Offer are subject to, among others, the final decision of the Board and the board of directors of PAX and the approvals from the Shareholders and the Stock Exchange, and may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

INTRODUCTION

Reference is made to the announcements of the Company dated 15 March 2010, 31 March 2010, 6 July 2010, 19 August 2010 and 17 September 2010 in relation to the Proposed Spin-off.

The Board announced on 19 August 2010 that the Company submitted a spin-off proposal to the Stock Exchange pursuant to PN 15 in relation to the Proposed Spin-off of PAX. The Stock Exchange has approved that PN 15 submission on 15 September 2010 and confirmed that the Company may proceed with the Proposed Spin-off.

On 17 September 2010, PAX submitted a listing application form (for equity securities and debt securities) (Form A1) to the Stock Exchange for an application for the listing of, and permission to deal in, PAX Shares in issue or to be issued as at the date of the Prospectus pursuant to the Prospectus, PAX Shares to be issued under the Share Offer (including PAX Shares to be issued upon the exercise of the Over-allotment Option), and PAX Shares to be issued upon the exercise of the options that may be granted under the PAX Share Option Scheme, on the Main Board of the Stock Exchange.

Given that the applicable percentage ratios calculated in accordance with Rule 14.06 of the Listing Rules are expected to be more than 25% but less than 75%, the Proposed Spin-off, if it proceeds, will constitute a major transaction for the Company under Chapter 14 of the Listing Rules. It will also constitute a deemed disposal of a subsidiary by the Company under Rule 14.29 and pursuant to PN 15 of the Listing Rules, it will be subject to the approval of the Shareholders. In connection with the Proposed Spin-off, PAX will seek to adopt the PAX Share Option Scheme which will also require approval of the Shareholders under Chapter 17 of the Listing Rules.

A circular containing, among others, further details of the Proposed Spin-off and the PAX Share Option Scheme, recommendations of the Independent Board Committee together with a letter of advice from Guangdong Securities on the Proposed Spin-off as well as a notice of the SGM to be convened by the Company to approve the Proposed Spin-off, related transactions and the adoption of the PAX Share Option Scheme has been dispatched to the Shareholders on 8 November 2010.

As at the date of this announcement, the Board has not yet finalised whether and when the Proposed Spin-off and the Share Offer will be effected. There is no assurance that the approval for the Proposed Spin-off and the listing of, and permission to deal in, PAX Shares on the Main Board of the Stock Exchange will be granted by the Listing Committee of the Stock Exchange. Further announcement(s) will be made by the Company in relation to the Proposed Spin-off and the Share Offer as and when appropriate.

WARNINGS

Shareholders and potential investors should note that the Proposed Spin-off and the Share Offer are subject to, among others, the final decision of the Board and the board of directors of PAX and the approvals from the Shareholders and the Stock Exchange, and may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE PROPOSED SPIN-OFF

The Proposed Spin-off is expected to be effected by way of the Share Offer which will comprise the Public Offer, the Placing and the Preferential Offer of new PAX Shares for subscription or purchase in cash. It will be accompanied by a separate listing of PAX Shares (and in effect the EFT-POS Terminal Solutions Business of the Group) on the Main Board of the Stock Exchange.

Hi Sun confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, under the Share Offer, PAX Shares are expected to be offered to third parties independent of Hi Sun except that (i) the Preferential Offer (further details relating to which is set out in the section headed "Preferential Offer") will be available only to Qualifying Shareholders who are not also connected persons of Hi Sun or connected persons of PAX and (ii) these shareholders may also participate in the Public Offer or the Placing on terms that apply generally to all applicants or potential placees of PAX Shares. The final structure of the Proposed Spin-off, including the size of the Share Offer and the exact apportionment among the Public Offer, the Placing and the Preferential Offer will be decided by the Board and the board of directors of the PAX. A further announcement will be made in respect of the final structure of the Share Offer as and when appropriate.

It is also expected that the Over-allotment Option will be granted by PAX to the underwriters under the Placing, pursuant to which PAX may be required to allot and issue additional PAX Shares (representing up to an aggregate of 15% of PAX Shares to be initially offered under the Share Offer) at the Offer Price to cover over-allocations in the Placing.

It is currently contemplated that the Share Offer (and therefore the public float of PAX) will comprise new PAX Shares representing approximately 26% of the issued share capital of PAX immediately after the Proposed Spin-off, taking no account of any PAX Shares which may be allotted and issued pursuant to the Over-allotment Option.

The Proposed Spin-off is conditional on the fulfillment of the conditions set out in the sub-section headed “Conditions precedent for the Proposed Spin-off” below. Hi Sun is required to comply with the requirements under PN 15. The Directors confirm that Hi Sun will comply with all the requirements of the Listing Rules in respect of the Proposed Spin-off including those under PN 15, subject to the Shareholders passing an ordinary resolution at the SGM to approve the Proposed Spin-off.

As the controlling shareholder of PAX, Hi Sun will be subject to restrictions on disposal of PAX Shares both under the Listing Rules and the underwriting agreements to be entered into by Hi Sun, PAX and underwriters of the Share Offer, amongst others, for a specified period after Listing. In particular, save for limited exceptions, Hi Sun may not (i) at any time during the period commencing from the date of the Listing and ending on the date which is six months from the date of the Listing, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any PAX Shares in respect of which it is shown by the Prospectus to be the beneficial owner; and (ii) at any time during the period of six months from the date on which the period referred to in (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any PAX Shares referred to in (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would then cease to be a controlling shareholder of PAX. The above restriction will not apply to any stock borrowing or lending arrangement that Hi Sun enters into pursuant to an agreement in relation to the Share Offer to facilitate settlement of over-allocations particulars of which is to be disclosed in the Prospectus. The maximum number of PAX Shares which are to be subject to such stock borrowing or lending arrangement will not exceed 15% of the total number of PAX Shares initially available for subscription or purchase under the Share Offer. Accordingly, Hi Sun will continue to hold its PAX Shares for at least the above mentioned periods to the extent required to comply with the terms of such restrictions.

The Shares will continue to be listed on the Main Board of the Stock Exchange after the implementation of the Proposed Spin-off. Upon successful completion of the Proposed Spin-off, PAX Shares will also be listed on the Stock Exchange. New PAX Shares issued pursuant to the Share Offer will, when issued, rank pari passu with all PAX Shares then in issue.

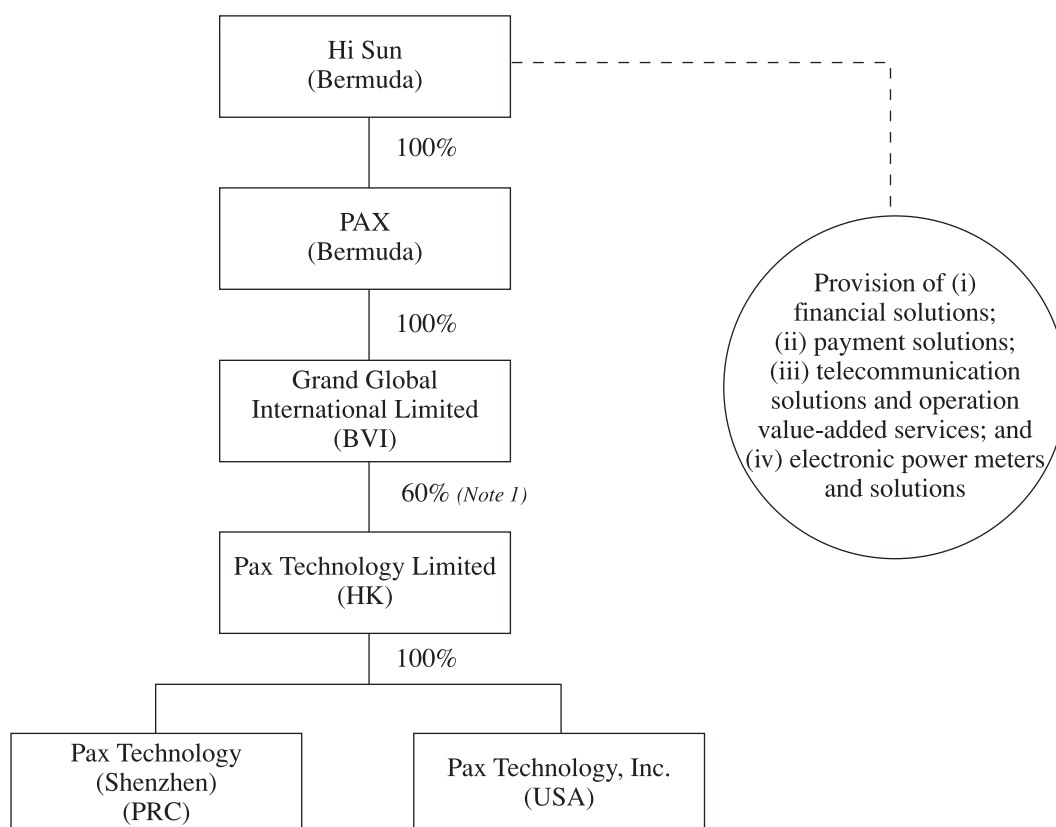
Subject to the grant of the listing of, and permission to deal in, PAX Shares on the Main Board of the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, PAX Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of listing of PAX Shares or such other date as may be determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Changes in the shareholding of PAX Group in connection with the Proposed Spin-off

PAX Group is to comprise PAX and Grand Global International Limited, both being investment holding companies, and three operating subsidiaries, namely PAX Technology Limited, PAX Technology (Shenzhen) and PAX Technology, Inc.

The shareholding structure of PAX Group as at the date of this announcement is as follows:



Note:

1. The remaining 40% interest in Pax Technology Limited is held as to 20% in the form of series A preference shares by Digital Investment Limited and as to 20% in the form of series B preference shares by Dream River Limited. Their acquisition of interests in Pax Technology Limited and the rights attached to their shares were the subject of Hi Sun's announcements dated 11 April 2007 and 1 April 2009 and shareholders circular dated 27 April 2007 and 8 April 2009.

In order to achieve the listing of 100% interest in the EFT-POS Terminal Solutions Business (which Hi Sun believes would be more attractive to investors than the listing of only a 60% attributable interest in that business with a significant minority interest) through a Bermuda incorporated company (such as PAX) which is more commonly used vehicle for listing in Hong Kong than Hong Kong incorporated companies (such as PAX Technology Limited), it was necessary to transfer all of the shareholding interests of the existing shareholders of PAX Technology Limited to PAX. Hence, the Company, Digital Investment Limited and Dream River Limited (all being the existing shareholders of PAX Technology Limited) entered into the Hao Share Swap Agreement on 5 November 2010. The Hao Share Swap Agreement does not confer upon Digital Investment Limited and Dream River Limited additional rights that they would not otherwise have enjoyed under their shareholders agreement with the Company in respect of PAX Technology Limited, had PAX Technology Limited been the company that is to be listed under the Proposed Spin-off. In other words, the sole purpose of the Hao Share Swap Agreement is to change the shareholding structure of the PAX Group shown in the diagram above, to that shown in the next diagram below. Given the purpose of the Hao Share Swap Agreement described above and that PAX has been incorporated for the sole purpose of the Proposed Spin-off and does not have any business activities or assets other than its 60% interest in PAX Technology Limited, its implementation will have no material impact on the Group.

Digital Investment Limited and Dream River Limited have agreed conditionally (under the Hao Share Swap Agreement) on 5 November 2010 to transfer their aggregate 40% interest in Pax Technology Limited to PAX or its nominee(s) in consideration for aggregate 40% interest in PAX. Completion of this transfer is expected to occur on the date of Listing or shortly before the Listing. Completion of the Hao Share Swap Agreement is conditional upon, among others, the following conditions being fulfilled: (a) unconditional approval from the Stock Exchange of Hi Sun's spin-off application which forms the subject matter of the announcement of Hi Sun dated 19 August 2010; (b) the approval from the Bermuda Monetary Authority of the issue and (if applicable) free transferability, of the PAX Shares constituting the said 40% interest in PAX; (c) the registration of the Prospectus by the Registrars of Companies in Hong Kong and in Bermuda; (d) subject to Digital Investment Limited and/or Dream River Limited having duly notified PAX of their proposal to sell some of their shares in PAX as part of the Share Offer in accordance with the Hao Share Swap Agreement, the relevant selling shareholder having entered into one or more underwriting agreements in respect of the Share Offer; (e) the Offer Price and the number of IPO Sale Shares being acceptable to Digital Investment Limited and Dream River Limited; and (f) the Capitalisation Issue having been approved by sole shareholder of PAX (being Hi Sun). If Hi Sun withdraws its spin-off application or the Stock Exchange rejects PAX's listing application for whatsoever reason, the Hao

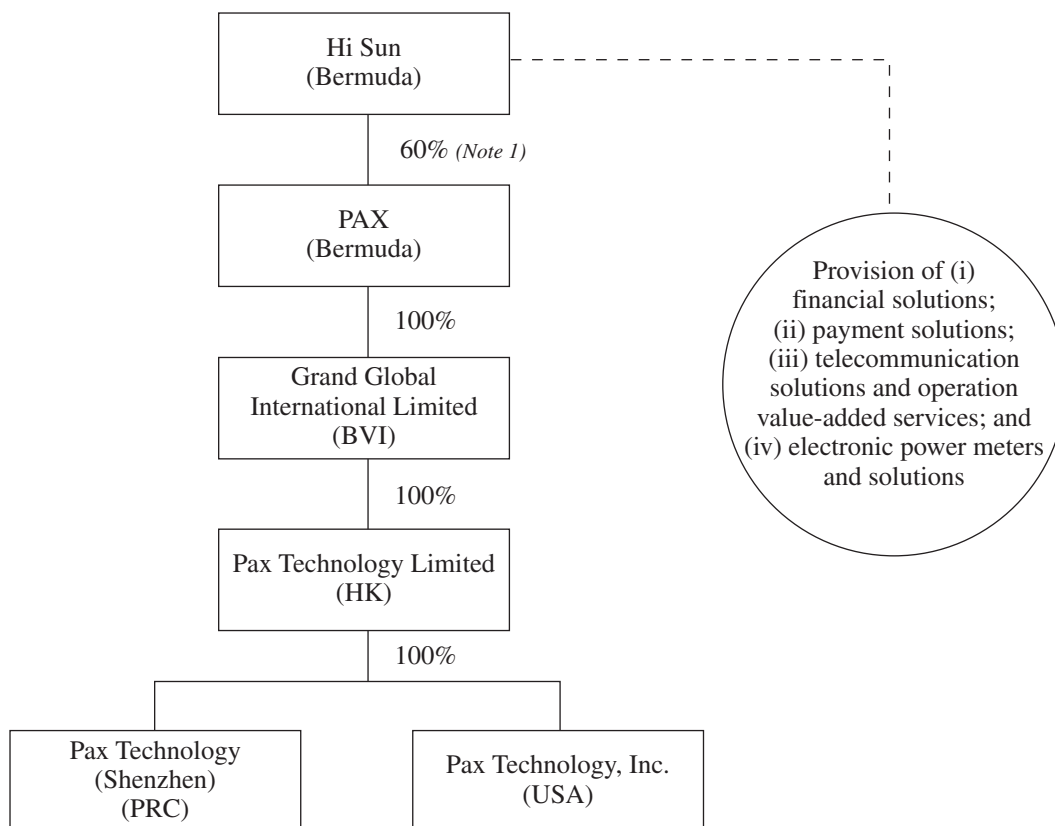
Share Swap Agreement may be terminated by the parties thereto. If the conditions set out above are not fulfilled on or before 5:00 p.m. on 31 December 2010 (or such later date as the parties to the Hao Share Swap Agreement may agree in writing), the Hao Share Agreement shall terminate and neither party shall have any claim against the other save in respect of any antecedent breach of this agreement. In this case, the Share Offer will also not proceed.

In addition, Digital Investment Limited and Dream River Limited may also terminate the Hao Share Swap Agreement (i) at any time on or before 6:00 p.m. on the date on which the Listing Committee of the Stock Exchange meet to consider PAX's listing application, there is material adverse change to the business and financial position of PAX Group; or (ii) if the registration of the Prospectus by the Registrars of Companies in Hong Kong and in Bermuda has not yet taken place within 45 days after Digital Investment Limited and/or Dream River Limited having notified PAX and the global coordinator of the Share Offer (being the investment bank that will lead and co-ordinate the underwriters of the Share Offer) the final number of IPO Sale Shares, such that they should be released from their obligations under that agreement to ensure the preservation of their rights under their investment agreements with Pax Technology Limited. If Digital Investment Limited and Dream River Limited exercise their termination rights under the Hao Share Swap Agreement, they will remain shareholders of PAX Technology Limited and the Share Offer will not proceed.

PAX has agreed to facilitate the offer and sale by Digital Investment Limited and/or Dream River Limited as part of the Share Offer of up to 20% of their holding of PAX Shares on completion, if Digital Investment Limited and/or Dream River Limited should decide to participate in the Share Offer. The IPO Sale Shares may be offered as part of the Public Offer, the Placing or both. All transactional costs in respect of the sale of such PAX Shares (such as underwriting and selling commission, SFC transaction levy, Stock Exchange trading fee) will be borne by Digital Investment Limited and/or Dream River Limited. Digital Investment Limited and Dream River Limited have indicated that they will sell at least one board lot of PAX Shares. If they were to participate in the Share Offer, they must confirm the number of PAX Shares they wish to sell by no later than the bulk-print of the "red herring" version of the Prospectus which will be used for the international roadshow that will be undertaken as is customary prior to the publication of the Prospectus. Whether or not Digital Investment Limited and Dream River Limited sell any of their PAX Shares under the Share Offer has no material effect on the Company's Proposed Spin-off. The announcement by the Company of the final structure of the Share Offer will include information regarding the number of PAX Shares to be offered by Digital Investment Limited and Dream River Limited.

Completion of the Hao Share Swap Agreement is expected to take place on the fixing of the Offer Price, assuming that all conditions precedents are fulfilled (unless otherwise waived with the agreement of all parties to that agreement). If, however, the listing of the PAX Shares does not take place within 30 days after such completion or if the underwriters of the Share Offer exercise their rights to terminate the underwriting agreement for the Share Offer, the Hao Share Swap Agreement provide for the share swap that has been effected to be unwound on the third business day after the expiry of such 30 days or (as the case may be) termination (or such other date as may be agreed between the parties). This is to be effected by the repurchase by PAX of all shares issued to Digital Investment Limited and Dream River Limited under the Hao Share Swap Agreement in consideration of PAX transferring back to them all of their original 40% interest in PAX Technology Limited. The unwinding of the share swap under the Hao Share Swap Agreement will not have any material effect on the Group. The effect of it is to enable the various parties to the Hao Share Swap Agreement to revert to the shareholding structure of the PAX Group as shown above.

The shareholding structure of PAX Group immediately after completion of the Hao Share Swap Agreement will be as follows:

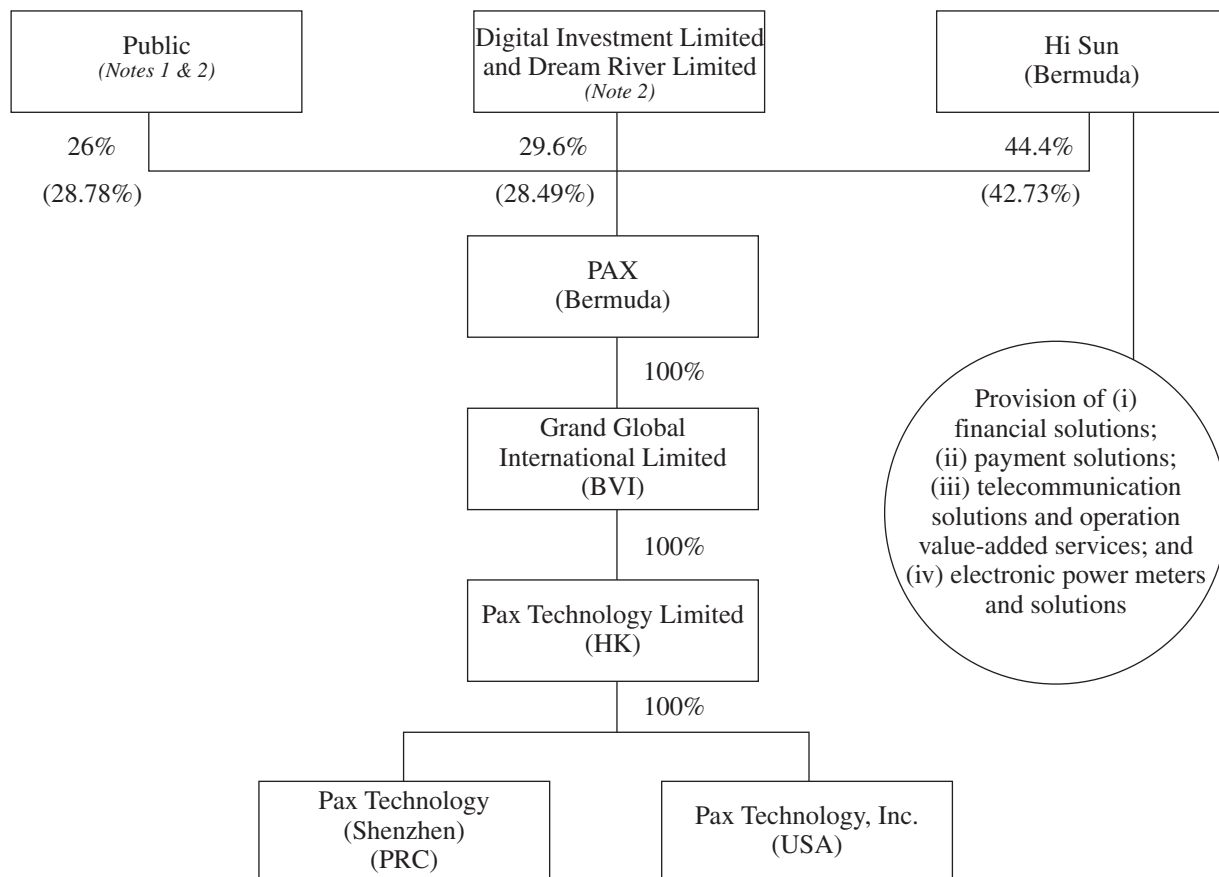


Note:

1. The remaining 40% interest in PAX is held as to 20% by Digital Investment Limited and as to 20% by Dream River Limited, all in the form of Ordinary Shares. Under the Hao Share Swap Agreement, PAX has undertaken to observe the rights of Digital Investment Limited and Dream River Limited under the shareholders agreement in respect of PAX Technology, brief particulars of which have been set out in the shareholders' circular dated 8 April 2009 notwithstanding completion of the share swap contemplated thereunder, up to (but not beyond) the listing of the PAX Shares.

Given that the total number of PAX Shares in issue by PAX as a private company immediately prior to the Share Offer will be small, compared to the number of PAX Shares that are to be offered under the Share Offer, PAX will as commonly done by other new listing applicants, prior to the issue of the Prospectus approve the Capitalisation Issue. The Capitalisation Issue will involve the allotment and issue of new PAX Shares to be made by applying part of the amount that will be credited to reserve within equity of PAX upon the issue of new PAX Shares under the Share Offer to pay up in full at par new PAX Shares pro rata to the holders of PAX Shares as at a record date which will fall after the completion of the Hao Share Swap Agreement but before completion of the Share Offer (i.e. Hi Sun, Digital Investment Limited and Dream River Limited) to ensure that they will together hold the intended majority shareholding of PAX immediately after the Listing. For example, if 26% new PAX Shares are issued under the Share Offer, the Capitalisation Issue will ensure that the remaining 74% will be held by Hi Sun (as to 44.4%) and Digital Investment Limited and Dream River Limited (together as to 29.6%).

The shareholding structure of our Group immediately upon completion of the Hao Share Swap Agreement and the Share Offer and in any event without taking into account of any PAX Shares which may be issued upon the exercise of the Over-allotment Option or any PAX Shares that may be offered for sale by Digital Investment Limited and/or Dream River Limited and on the assumption that approximately 26% new PAX Shares are offered under the Share Offer is to be as follows (percentages in brackets show the position if the Over-allotment Option is exercised in full):



Note:

1. This represents the successful applicants and places under the Share Offer.
2. A minimum of 26% PAX Shares will be offered for subscription under the Share Offer. If Digital Investment Limited and Dream River Limited elect to sell as part of the Share Offer the maximum of 20% of their holding of PAX Shares on Completion (or 5.92% PAX Shares being 20% of the 29.6% shown in the diagram above), then a total of 31.92% PAX Shares will be offered for subscription and sale under the Share Offer. All percentages in this note do not take into account any exercise of the Over-allotment Option.

As stated in the section headed “Listing Rules Implications” below, Hi Sun seeks the approval from Shareholders for the issue and sale of such PAX Shares under Share Offer (including PAX Shares under the Over-allotment Option) as may be approved by the Board, provided amongst other things that the percentage of shareholding interest of Hi Sun in PAX immediately after the completion of the Proposed Spin-off will be no less than 40%, taking no account of the effect of any disposal of PAX Shares under stock borrowing arrangements entered into on customary terms in compliance with the Listing Rules.

Business Overview Of PAX Group

PAX Group is an electronic fund transfer point-of-sale (EFT-POS) terminal solutions provider principally engaged in the development and sale of EFT-POS products and provision of related services.

It develops and sells countertop and mobile EFT-POS terminals which are able to process a wide range of electronic payment types including signature and PIN-based debit cards, credit cards, contactless/radio frequency identification cards, RF (radio frequency)-enabled mobile phones, IC cards, pre-paid gift and other stored-value cards. It also develops and sells consumer activated devices, contactless devices and EFT-POS software (which is installed in its EFT-POS products and not sold independently). Save for product assembly and processing which it outsources, PAX Group designs and develops its products and manufacturing procedures, carries out research and development, sources raw materials and components, implements quality control in-house, and sells and distributes its products (with the support of its distributors in some of its overseas markets) and provides after sales services. Through its subcontractors, it also provides contract-based maintenance services to certain of our customers in Hong Kong and Macau, whereas, in China, it also provides maintenance services by its own service team.

Remaining Group and PAX Group after the Spin-off

Hi Sun is an investment holding company and its subsidiaries are principally engaged in the EFT-POS Terminal Solutions Business, the businesses of provision of financial solutions, payment solutions, telecommunication solutions and operation value-added services and electronic power meters and solutions. The EFT-POS Terminal Solutions Business is held and operated by PAX Group. After the Proposed Spin-off the Remaining Group will focus on the provision of financial solutions, payment solutions, telecommunication solutions and operation value-added services and electronic power meters and solutions, whilst PAX Group will focus on the EFT-POS Terminal Solutions Business.

Pursuant to a deed of non-competition to be signed shortly before the issue of the Prospectus, Hi Sun will undertake among other things, to PAX that, Hi Sun will not, and will procure that its subsidiaries (other than PAX Group) will not directly or indirectly engage or otherwise be interested in the design, manufacture and/or sale of EFT-POS products and provision of related services in the PRC, Hong Kong or any part of the world in which any member of the PAX Group may from time to time operate, at any time during which PAX Shares are listed on the Stock Exchange or any stock exchange recognized under the SFO and for so long as Hi Sun, whether or not together with its associates, directly or indirectly remain the controlling shareholder of PAX.

Hi Sun will also undertake to PAX that, if any time that PAX or PAX's independent non-executive directors have reasonable cause to believe that Hi Sun may be in breach of the Deed of Non-competition, against PAX's undertaking to keep the information received confidential except for disclosures of such information as may be necessary to comply with its legal or regulatory obligations, or such information that is already in the public domain other than as a result of PAX's breach of its confidentiality undertaking or for the purposes of enforcement of the Deed of Non-competition, Hi Sun will at PAX or PAX's independent non-executive directors' request provide all such information that it possesses and may be lawfully disclosed pertaining to such request so as to enable PAX or its independent non-executive directors to make an informed assessment as to whether or not there has in fact been a breach of the Deed of Non-competition. Hi Sun will also undertake to PAX that it will give PAX an annual declaration that it has complied with the non-compete undertaking given above.

If Hi Sun breaches its obligations under the Deed of Non-competition, then it may be liable for damages to PAX arising from such breach and Hi Sun may also be subject to alternative remedies that may be available to PAX, such as court injunction against Hi Sun from continuing with the competing business or a court order for specific performance of its obligations under the Deed of Non-competition.

In view of the clear delineation of business between the Remaining Group and the PAX Group and the non-competition undertaking that Hi Sun will give in favour of PAX Group, the Directors do not foresee any competition between the Remaining Group and PAX Group.

Independence of directorship and management of the Company and PAX

The following table shows the existing composition of the Board and the proposed composition of the Board and the board of directors of PAX upon completion of the Proposed Spin-off respectively.

Existing composition of the Board	Proposed composition upon completion of the Proposed Spin-off	
	Board	PAX's board of directors
<i>Executive Directors</i>	<i>Executive Directors</i>	<i>Executive Directors</i>
Cheung Yuk Fung	Cheung Yuk Fung	Nie Guoming
Kui Man Chun	Kui Man Chun	Jiang Hongchun
Xu Wensheng	Xu Wensheng	Li Wenjin
Li Wenjin	Li Wenjin	
Xu Chang Jun	Xu Chang Jun	
<i>Non-executive Directors</i>	<i>Non-executive Directors</i>	
Yang Lei, Raymond	Yang Lei, Raymond	
Chang Kai-Tzung, Richard	Chang Kai-Tzung, Richard	
<i>Independent non-executive Directors</i>	<i>Independent non-executive Directors</i>	<i>Independent non-executive Directors</i>
Tam Chun Fai	Tam Chun Fai	Yip Wai Ming
Xu Sitao	Xu Sitao	Wu Min
Leung Wai Man, Roger	Leung Wai Man, Roger	Man Kwok Kuen, Charles

The final composition of the board of directors of PAX will be set out in the Prospectus.

With the exception of Mr. Li Wenjin who is also a director of Hi Sun and certain of its subsidiaries, none of the members of the Board are directors of the PAX Group and that none of the senior management of Hi Sun hold any position in PAX Group.

PAX's board of directors will consist of 6 members, comprising 3 executive directors and 3 independent non-executive directors. With the exception of Mr. Li Wenjin, who is a director of Hi Sun and certain of its subsidiaries, none of the members of the board of PAX are directors of the Remaining Group and none of the senior management of PAX Group hold any position in the Remaining Group. The Directors believe that PAX Group is, and will immediately after the Listing be, able to operate independently of the Remaining Group notwithstanding Mr. Li Wenjin's offices in the Remaining Group for the following reasons:

- PAX Group companies are all of the subsidiaries of Hi Sun which engage in the EFT-POS Terminal Solutions Business. As explained above, the business activities of PAX Group are completely different from those of the Remaining Group. The proposed directors of PAX Group (with the exception of Mr. Jiang Hongchun) and all of their senior management team (other than the Group financial controller who joined PAX Group in January 2010) have been working for PAX Group during most of the Track Record Period and are expected to continue to work together to manage the business of PAX Group. Mr. Jiang Hongchun has been transferred to PAX Group from the Remaining Group to help Mr. Nie Guoming manage the continued growth of PAX Group's business.
- As one of the executive directors of PAX, Mr. Li Wenjin is and will continue to be closely involved in the management decisions of PAX Group, with specific responsibilities for investment activities and transactions of PAX Group. Mr. Li Wenjin is responsible for (i) management of risk assessment, including the assessment of industry, operational and financial risks of the business of PAX Group, (ii) overseeing investment activities and transactions, (iii) approving annual planning and budgeting policy, treasury and funds management; (iv) overseeing operations of Pax Technology Limited in Hong Kong (including administration, staffing and internal control) and (v) being a member of PAX's nomination and remuneration committees, one of PAX's authorised representatives and overseeing PAX's Listing Rules compliance, whereas his role in Remaining Group would be less active as described below. The daily operation of PAX Group will principally be overseen and managed by Mr. Nie Guoming (its Chairman) and Mr. Jiang Hongchun (its Chief Executive Officer), neither of whom hold any material position in the Remaining Group.
- Mr. Li Wenjin expects to spend approximately 70% of his time in PAX Group after the Listing and the remainder of his time with the Remaining Group. After Listing, Mr. Li Wenjin would not be involved in the daily operations and related management decisions of Hi Sun. His responsibilities with Hi Sun Group will be

limited to (i) the monitoring of the Remaining Group's treasury and funds management; and (ii) his membership with Hi Sun's nomination and remuneration committees, his role as one of Hi Sun's authorized representatives, and overseeing Hi Sun's Listing Rules compliance.


- If any conflict of interest arises, such as connected transactions with the Remaining Group or vice versa, Mr. Li Wenjin (for so long as he is both a Hi Sun director and a PAX director) and any PAX director with an interest in the relevant transaction(s) (including by virtue of his directorship in the other listed issuer) will be required to abstain from voting on the relevant resolution(s) in the relevant meeting of the board of directors of Hi Sun or (as the case may be) PAX. PAX's remaining directors who do not hold office with Hi Sun, including Mr. Nie Guoming (its Chairman) and Mr. Jiang Hongchun (its Chief Executive Officer) who are responsible for the daily operation of PAX Group, could still properly attend, be counted in the meeting quorum, and vote on any matter that involves the interests of Hi Sun without impeding the operations of PAX Group.

Details of the composition of the management of PAX Group will be set out in the Prospectus.

Reasons for and benefits of the Proposed Spin-off

The Board considers that the Proposed Spin-off is in the interests of the Company and the Shareholders taken as a whole, after taking into account the fact that the business interests of the Remaining Group which are operating and, will immediately after the Share Offer continue to operate, independence of the PAX Group as described in the section "Remaining Group and PAX Group after the Proposed Spin-off" and the financial effects of the Proposed Spin-off as described in the section headed "Financial effects of the Proposed Spin-off", and PAX Group based on the following reasons:

- (i) the Proposed Spin-off will, upon its implementation, allow the Company to focus on the business of financial solutions, payment solutions, telecommunication solutions and operation value-added services and electronic power meters and solutions. PAX Group will focus on the EFT-POS Terminal Solutions Business, which has now grown to a size which warrants a separate listing. This will enable the two separate management teams to adopt different business strategies in order to better suit their businesses and with clearer segregation of roles and enhance their ability to focus on opportunities specific to the business of the relevant company, from which both the Remaining Group and PAX Group could benefit;

- (ii) in terms of profile for listing, the Proposed Spin-off of PAX Group from the Group will enable each of Hi Sun and PAX to establish its own profile thereby attracting different investors. The Share Offer and separate listing of PAX can enhance awareness of, and strengthen, the “” brand which can facilitate PAX Group’s efforts in developing overseas markets for its products; and
- (iii) since Hi Sun will remain as a controlling shareholder of PAX, Hi Sun will continue to benefit from the growth and the business prospects of PAX Group through its equity interest in the results of and potential dividends, if any, from PAX.

Conditions precedent for the Proposed Spin-off

The Proposed Spin-off will be conditional on, among others, the following:

- (i) the Listing Committee of the Stock Exchange granting approval for the Proposed Spin-off and the listing of, and permission to deal in, PAX Shares in issue and to be issued under the Share Offer (including PAX Shares to be issued upon the exercise of the options that may be granted under PAX Share Option Scheme and the Over-allotment Option, if any);
- (ii) the Shareholders passing an ordinary resolution by way of poll at the SGM approving the implementation of the Proposed Spin-off and other related matters;
- (iii) completion of the Hao Share Swap Agreement; and
- (iv) the obligations of the underwriters under the underwriting agreements to be entered into among Hi Sun, PAX and, amongst others, the underwriters in respect of the Share Offer becoming unconditional in all respects and the underwriting agreements not being terminated in accordance with their respective terms or otherwise, on or before the dates and times to be specified therein.

If any of these and other applicable conditions are not fulfilled or waived, if applicable, prior to the dates and times to be specified, the Proposed Spin-off will not proceed and the Stock Exchange will be notified immediately and an announcement will be published by Hi Sun as soon as practicable thereafter.

Intended use of proceeds

The Share Offer will involve only an issue of new PAX Shares by PAX and may be an offer for sale of IPO Sale Shares by Digital Investment Limited and Dream River Limited. It will not include any offer for sale of PAX Shares by Hi Sun, and therefore, Hi Sun will not receive any proceeds from the Share Offer.

Set out below is, for illustration purpose only, the minimum and maximum amount of expected net proceeds from the Proposed Spin-off (assuming that the Over-allotment Option is not exercised):

	Minimum	Maximum
Illustrative Consideration	HK\$390,000,000	HK\$700,000,000
Less: Expected transaction costs to be incurred for the Proposed Spin-off	<u>HK\$68,000,000</u>	<u>HK\$78,000,000</u>
Amount of net proceeds from the Proposed Spin-off	<u>HK\$322,000,000</u>	<u>HK\$622,000,000</u>

PAX currently intends to use the net proceeds from the Share Offer in the following manner:

- (i) approximately 40% of the net proceeds for enhancing PAX's research and development efforts. PAX plans to build stronger and larger in-house research and development teams through recruitment or other strategic acquisitions, investments in new equipment and technologies for EFT-POS products.
- (ii) approximately 15% of the net proceeds for expanding PAX's distribution network;
- (iii) approximately 35% of the net proceeds for potential merger and acquisition opportunities, in respect of which, PAX does not have any identified target or developed plan as at the Latest Practicable Date; and
- (iv) approximately 10% of the net proceeds for funding the working capital requirements of PAX Group's operations, including PAX's general corporate purposes.

The Prospectus will contain further details as to the proposed deployment of such proceeds.

The preliminary minimum and maximum amount of expected net proceeds and the percentages above are for illustration purpose only, and are subject to change. PAX will not receive any proceeds from the offer of the PAX Shares by Digital Investment Limited or Dream River Limited. The final offer price range and the proposed allocation of net proceeds from the Proposed Spin-off will be set out in the Prospectus.

UNAUDITED FINANCIAL INFORMATION OF PAX GROUP

The following table sets forth the unaudited combined results of operations and other financial information of PAX Group.

	Year ended 31 December			Six months ended	
	2007	2008	2009	30 June	
	HK\$'000	HK\$'000	HK\$'000	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	323,143	493,589	492,942	196,221	267,698
Gross profit	112,520	190,890	192,860	69,220	108,950
Profit before income tax	69,011	116,766	100,083	29,336	58,662
Income tax expense	<u>(4,796)</u>	<u>(10,704)</u>	<u>(15,532)</u>	<u>(4,723)</u>	<u>(8,489)</u>
Profit for the year/period attributable to equity holders of PAX	<u>64,215</u>	<u>106,062</u>	<u>84,551</u>	<u>24,613</u>	<u>50,173</u>
					As at
					30 June
					2010
					HK\$'000
Total assets	357,639	490,149	565,707		585,382
Total liabilities	(134,441)	(151,639)	(142,646)		(106,419)

Financial effects of the Proposed Spin-off

Net tangible asset value

The unaudited consolidated net assets of the Group was approximately HK\$2,496,785,000 as at 30 June 2010. The unaudited combined net asset value of PAX Group as at 30 June 2010 was approximately HK\$478,963,000.

Gain expected to accrue to the Group as a result of the Proposed Spin-off

During the year ended 31 December 2009, the profit attributable to the equity holders of the Company was approximately HK\$86 million. The Board expects to recognise a gain from the Proposed Spin-off of approximately HK\$908 million, which is calculated on the assumption that the Proposed Spin-off was effected on 30 June 2010, the estimated market capitalisation of the PAX Group at that time was HK\$2,692 million (or 26% new PAX Shares were offered initially for gross proceeds of HK\$700 million being the maximum illustrative consideration shown under the section headed "Intended use of proceeds" above), without taking into account any exercise of the Over-allotment Option or any disposal under any stock borrowing or

lending arrangement) and with reference to the Company's share of the unaudited combined net asset value of the PAX Group as at 30 June 2010 of HK\$287 million, which is calculated based on 60% of the unaudited net asset value of the PAX Group as at 30 June 2010 of HK\$479 million. With an estimated market capitalisation of HK\$2,692 million, the fair value of the PAX Group as an associate of the Group which held 44.4% of its equity interest is therefore estimated to be HK\$1,195 million. Based on the same assumptions except that the assumed market capitalisation of the PAX Group at the time of the Proposed Spin-off was HK\$1,500 million (or 26% new PAX Shares were initially offered under the Share Offer for gross proceeds of HK\$390 million, being the minimum illustrative consideration shown under the section headed "Intended use of proceeds" above), inferring that the fair value of the PAX Group as an associate of the Group would be HK\$666 million, the gain from the Proposed Spin-off would instead be approximately HK\$379 million. However, the actual gain from the Proposed Spin-off may differ as it is estimated based on a number of assumptions and the amount will be calculated upon completion of the Proposed Spin-off. There will be no impact on the gain to be recognised from the Proposed Spin-off, should the Over-allotment Option or any disposal under any stock borrowing or lending be exercised.

Effects on assets and liabilities of the Group

Upon completion of the Proposed Spin-off, Hi Sun's percentage holding in the issued share capital of PAX will be reduced to not less than 40% (assuming the Over-allotment Option is not exercised and without taking into account the effect of any stock borrowing arrangements) and the PAX Group will cease to be a subsidiary of the Group and its financial results will no longer be consolidated into the Group's financial statements. Its assets and liabilities will be deconsolidated from the Group's consolidated financial statements upon completion of the Proposed Spin-off. The Group will account for its interests in the PAX Group as investments in associates initially at their fair values upon completion of the Proposed Spin-off and will share the results of the PAX Group using the equity method of accounting going forward. The excess of the fair value of the PAX Group as an associate of the Group over the combined net asset value of the PAX Group upon completion of the Proposed Spin-off will represent an increase in net asset value of the Group by that amount. The actual amount of gain and/or increase in net assets value will only be finalised upon completion of the Share Offer.

Underwriting Agreement, Stock Borrowing Agreement and Indemnities

In connection with the Proposed Spin-off, Hi Sun will enter into underwriting agreements on customary terms with respect to the Share Offer with amongst others, PAX, the underwriters and the global co-ordinator of the Share Offer. The purpose of

the underwriting agreements is to ensure that PAX will, subject to the fulfilment of the conditions precedent in the underwriting agreements (including typically, the registration of the Prospectus, the agreement of the final offer price with the underwriters, the granting by the Listing Committee of the Stock Exchange of listing and permission to deal in the PAX Shares) and the underwriters not terminating the underwriting agreements in specified events, including force majeure events and material breaches of representations and warranties with respect to the PAX Group which are designed to ensure that the circumstances of the PAX Group are consistent with the information included in the Prospectus, receive the aggregate issue price of the PAX Shares initially offered under the Share Offer. As the controlling shareholder of PAX, as described under the section headed “The Proposed Spin-off” above, Hi Sun will also give in favour of the underwriters customary undertakings which restricts its ability to dispose of its PAX Shares over the 12 months period from the date of Listing. In addition, Hi Sun will enter into a stock borrowing agreement with the stabilising manager of the Share Offer to facilitate settlement of over-allocation of PAX Shares under the Share Offer and the stabilisation of the price of PAX Shares during the period permitted, and within the limits specified under, the Securities and Futures (Price Stabilising) Rules.

In addition, Hi Sun will provide to PAX for itself and on behalf of other members of the PAX Group certain indemnities to PAX Group in relation to certain tax liabilities of PAX Group which will, subject to certain exemptions, include but will not be limited to the following tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) falling on any member of PAX Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company. The tax indemnities do not apply to taxation liabilities already accounted for in the PAX Group’s financial statements to be included in the Prospectus, those arising in the ordinary course of business (other than as a result of acts or omissions of the PAX Group as a subsidiaries of Hi Sun) or as a result in any retrospective changes in laws.

Hi Sun will also provide to PAX for itself and on behalf of other members of the PAX Group indemnities from and against any liability in respect of the failure by PAX Technology (Shenzhen):


- (i) to make contributions to the housing provident funds for employees with registered residence in Shenzhen as at 30 June 2010; and/or

(ii) in respect of certain PRC properties leased by the Group, to comply with the requirements as to the use of the leased premises designated under the relevant tenancy agreements and/or the landlord's title certificates in respect of that leased PRC property, to comply with the requirements under the Measures of Administration of the Leasing of Urban Premises (城市房屋租賃管理辦法) to register with relevant housing authorities the lease of a PRC property; and/or to the failure of one of its landlords to obtain a title certificate in respect of a property in the PRC leased by the Group, for the term of each of those tenancy agreements.



The indemnities referred to in paragraph (ii) above arose because PAX Group members has used as office premises leased under tenancy agreements where the tenancy agreements or the landlord's title certificates to those premises provide instead that those premises should be for residential or factory use, and one of the landlords of the premises leased to the relevant PAX Group member does not have a title certificate for those premises to show that it has the right to lease the property to PAX Group. In each of these cases, whilst the relevant members of the PAX Group has not received any notice of any objections to their use of the relevant premises, there remains a risk that the relevant member of the PAX Group may be evicted from the premises because of such compliance failures. As these occur during the time when PAX Group is a subsidiary of Hi Sun, it is customary as part of the Hong Kong listing process for the holding company, in this case Hi Sun, to provide indemnities for losses that may arise from such compliance failures.

Further details of the underwriting agreements, stock borrowing agreement and the indemnities will be set out in the Prospectus.

Exempt connected transaction

In preparation for the Proposed Spin-off, Hi Sun Limited, a substantial shareholder of Hi Sun will enter into two licence agreements pursuant to which it will grant to PAX for a nominal consideration of HK\$1 its corporate logo and its trademarks “” from the controlling shareholder of Hi Sun, Hi Sun Limited. The licences will allow PAX Group to use exclusively the marks (i) as part of the corporate logo of PAX or any of its subsidiaries and (ii) on and in respect of the goods and services related to classes 9 and 42 for which the mark are registered, including for the ETF-POS Terminal Solutions Business of the PAX Group in any territory in the world. The term of the licences is co-terminus with the validity period of the existing (and subsequent renewed) registration of each mark. Current registrations (which are in Hong Kong, PRC, United States of America and Korea) expire between September 2012 to April 2020 and renewals of trademark registration in those jurisdictions are normally for 10 years. PAX is also permitted to sub-license the marks to third parties

including its subsidiaries for the purposes of carrying on the EFT-POS Terminal Solutions Business. The licences may be terminated by Hi Sun Limited as a result of material breaches of their terms by PAX or upon the occurrence of insolvency events of PAX. The purpose of these licences are to formalise the terms upon which the trademarks (currently used by the PAX Group with the permission of Hi Sun) can continue to be used after the Proposed Spin-off.

The word “PAX” or “百富” is being used or proposed to be used by the PAX Data Limited and New Concept Services Limited (both subsidiaries of Hi Sun) and their respective subsidiaries, at no charge. Hi Sun Limited will reserve the right under the trademark licence agreements to license to PAX Data Limited and New Concept Services Limited and their respective subsidiaries to use the word “PAX” or “百富” (i) in the case of PAX Data Limited and its subsidiaries, in their legal names (in English and Chinese) and for their data processing business, services or products, and (ii) in the case of New Concept Services Limited and its subsidiaries, in their legal names (in English and Chinese) and for their electronic power meters business and ancillary products. Hi Sun Limited has confirmed that the use and exploitation of the “” trademarks in compliance with the trademark licence agreements shall not infringe the “” device also registered in its name and owned by it. The Prospectus will contain further details of these two licence agreements.

As Hi Sun Limited is a substantial shareholder of Hi Sun, and at the time of the signing of the licence agreements PAX will still be a Hi Sun subsidiary, the licence agreements will constitute exempt connected transactions under Rule 14A.33(3) of the Listing Rules.

PREFERENTIAL OFFER

Subject to the Stock Exchange granting approval for the listing of, and permission to deal in, PAX Shares on the Main Board of the Stock Exchange, under the current structure of the Proposed Spin-off, assuming that a minimum of approximately 26% and a maximum of approximately 31.92% of the PAX Shares are initially offered pursuant to the Share Offer (taking into account, for the purposes of determining the maximum number of IPO Sale Shares which may be offered for sale) and that Qualifying Shareholders are to be offered the right to subscribe such number of Reserved Shares on an assured basis at the Offer Price for one Reserved Shares for every whole multiple of 3,000 Shares (being one board lot of Shares), the Board expects, based on a maximum total of approximately 891,143 board lots of Shares held by Qualifying Shareholders as at the Latest Practicable Date, that PAX will make available Reserved Shares representing about 0.568% and 0.478% of the PAX Shares initially available under the Share Offer (taking no account of any PAX Shares which may be allotted and issued by PAX pursuant to the exercise of the

Over-allotment Option) respectively for subscription or purchase by the Qualifying Shareholders at the Offer Price under the Preferential Offer. The size of the Preferential Offer has taken into account the potential size of the Share Offer and gives each Qualifying Shareholder who holds a board lot of Shares the opportunity to participate in the Preferential Offer. To the opportunity of the public shareholders of Hi Sun to participate in the Preferential Offer, those directors and substantial shareholders of Hi Sun and PAX who are also holders of Shares will waive their entitlements to participate or in any event not participate in the Preferential Offer and therefore no Reserved Shares will be offered to them to the extent they are Qualifying Shareholders. No consideration has been or will be paid to those waiving Shareholders. Instead, Reserved Shares to which they would have been entitled will be reallocated and offered to the other Qualifying Shareholders under the Preferential Offer on an equitable basis.

It is expected that the remaining Qualifying Shareholders will be entitled to subscribe such number of Reserved Shares on an assured basis at the Offer Price for one Reserved Share for every whole multiple of 3,000 Shares (being one board lot of Shares) held by them as of 5 p.m. on the Record Date, provided that any Qualifying Shareholder holding less than 3,000 Shares (one board lot of Shares) as of 5 p.m. on the Record Date will not be entitled to apply for the Reserved Shares. However, the final assured entitlement will depend on the number of Shares held by the Qualifying Shareholders at the close of business on the Record Date. Hi Sun will publish an announcement on or after the Record Date confirming the Qualifying Shareholders' entitlement to the Reserved Shares.

In addition to the Reserved Shares, the Qualifying Shareholders (other than those who are connected persons of either Hi Sun or PAX) will also be entitled to subscribe for PAX Shares pursuant to the Public Offer or the Placing, but not both. Qualifying Shareholders wishing to participate in the Public Offer may make one application under the Public Offer.

Overseas Shareholders who are excluded in compliance with the requirements set out in Rule 13.36(2) of the Listing Rules will not be entitled to apply for any Reserved Shares. Any Qualifying Shareholder holding less than 3,000 Shares (one board lot of Shares) will not be entitled to apply for the Reserved Shares on an assured basis.

According to the register of members of the Company as at the Latest Practicable Date, the Company had Shareholders with addresses outside Hong Kong, in Australia, Malaysia, New Zealand, Papua New Guinea and Singapore. The Company has made enquiries with the legal counsels of each of these overseas jurisdictions. In light of the legal restrictions under the applicable laws of the relevant countries and the costs and timing in complying with the applicable registration or filing

requirements, the Board considers that it would be necessary or expedient to exclude Shareholders whose addresses on the register of the Company are outside Hong Kong as at 5:00 p.m. on the Record Date (other than those in Singapore if there remains only a very small number of shareholders whose addresses in the registered of the Company is located there) from the Preferential Offer.

Any Qualifying Shareholder who holds the Shares as a nominee, trustee or registered holder in any other capacity will not be treated differently from any other registered holder. Any beneficial owner of the Shares whose Shares are registered in the name of a nominee, trustee or registered holder in any other capacity should make arrangements with such nominee, trustee or registered holder in relation to the Assured Entitlement. Any such person may consider whether it wishes to arrange for the registration of the relevant Shares in the name of the beneficial owner prior to the Record Date.

A BLUE Application Form together with a copy of the Prospectus will be despatched to each Qualifying Shareholder whereas a copy of the Prospectus will be dispatched to each Overseas Shareholders for information only. Qualifying Shareholders will be permitted to apply for a number of Reserved Shares which is equal to or less than their Assured Entitlements under the Preferential Offer. A valid application in respect of a number of Reserved Shares less than or equal to a Qualifying Shareholder's Assured Entitlement will be accepted in full, subject to the terms and conditions set forth in the Prospectus and the BLUE Application Form. If an application is made for a number of Reserved Shares which is greater than the Assured Entitlement of a Qualifying Shareholder, the Assured Entitlement will be satisfied in full but the excess application will only be met to the extent that there are sufficient Reserved Shares resulting from other Qualifying Shareholders declining to take up all or some of their Assured Entitlements. If an application is made for a number of Reserved Shares less than the Assured Entitlement of a Qualifying Shareholder, the applicant is recommended to apply for a number in one of the multiples of full board lots stated in the table of multiples and payments on the back page of the BLUE Application Form which also states the amount of remittance payable on application for each multiple of full board lots of Reserved Shares; if such applicant does not follow this recommendation when applying for less than the Assured Entitlement, the applicant must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the formula set out in the table of multiples and payments on the back page of the BLUE Application Form. Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Reserved Share will be allotted to such applicant.

Shareholders should note that Assured Entitlements to Reserved Shares may not represent a multiple of a full board lot of PAX Shares. Further, the Reserved Shares allocated to the Qualifying Shareholders will be rounded down to the closest whole number if required, and that dealings in odd lots of PAX Shares may be at a price below the prevailing market price for full board lots. No assurance is given as to whether or not there will be any market for odd lots of PAX Shares.

Assured Entitlements of Qualifying Shareholders to Reserved Shares will not be transferable and there will be no trading in nil-paid entitlements on the Stock Exchange. Any Assured Entitlement not taken up by Qualifying Shareholders will be allocated first to satisfy the excess applications for Reserved Shares from Qualifying Shareholders on a fair and reasonable basis and thereafter, to the Placing.

CLOSURE OF REGISTER

The register of members of Hi Sun will be closed from Monday, 22 November 2010 to Wednesday, 24 November 2010 (both dates inclusive) (or such other date(s) as the Board may determine and announce) for the purpose of determining the entitlement of Qualifying Shareholders to the Preferential Offer and the eligibility of Shareholders to attend and vote at the SGM. No transfer of Shares may be registered during that period. In order to qualify for the Preferential Offer and be eligible for attending and voting at the SGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Registrar by no later than 4:30 p.m. on Friday, 19 November 2010 (or such later date as the Board may determine and announce). The last day for dealing in the Shares cum-entitlements to the Preferential Offer is expected to be on Wednesday, 17 November 2010. Further announcement will be made by Hi Sun if there is to be any change to the Record Date.

TERMINATION OF PAX TECHNOLOGY SHARE OPTION SCHEME AND ADOPTION OF PAX SHARE OPTION SCHEME

On 27 April 2009, Pax Technology Limited, a subsidiary of Hi Sun, adopted the Pax Technology Share Option Scheme. In view of the Proposed Spin-off, the board of directors of Pax Technology Limited will terminate in accordance with its scheme rules the operation of the Pax Technology Share Option Scheme. No options had been granted under the Pax Technology Share Option Scheme nor will any Option be granted before the termination of the PAX Technology Share Option Scheme. The Board proposes to adopt the PAX Share Option Scheme for the benefit of PAX.

At the SGM, an ordinary resolution will be proposed for Hi Sun to approve the adoption of the PAX Share Option Scheme. So far as the Directors are aware of, as at the Latest Practicable Date, none of the Shareholders is required to abstain from

voting for the ordinary resolution to approve the adoption of the PAX Share Option Scheme. With respect to the operation of the PAX Share Option Scheme, Hi Sun and PAX Global will, where applicable, comply with the relevant requirements under Chapter 17 of the Listing Rules.

The purpose of the PAX Share Option Scheme is to reward participants who have contributed or will contribute to the PAX Group and to encourage participants to work towards enhancing the value of PAX and the PAX Shares for the benefit of PAX and its shareholders as a whole.

The PAX Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Listing Rules. As the directors of PAX are entitled to determine any performance targets and minimum holding period which apply to an option on a case by case basis, and fix the subscription price, it is expected that grantees of an option will have an incentive to contribute to the development of PAX Group.

Pursuant to Note (1) of Rule 17.03(3) of the Listing Rules, the total number of securities which may be issued upon exercise of all options to be granted under a share option scheme and any other schemes must not in aggregate exceed 10% (“General Scheme Limit”) of the relevant class of securities of the listed issuer (or the subsidiary) in issue as at the date of approval of the scheme.

Taking into consideration the fact that: (i) the PAX Share Option Scheme shall not become effective until (and unless there is) the Listing and the PAX Share Option Scheme will lapse if Listing does not take place; (ii) the significant difference between the number of issued shares of PAX as at the date of SGM and that upon the Listing date, it is impracticable to set the General Scheme Limit of the PAX Share Option Scheme as at the date of SGM.

Hi Sun has therefore applied for and the Stock Exchange has granted a waiver from strict compliance with the requirement under Note (1) to R17.03(3) of the Listing Rules that the General Scheme Limit be based on the total number of PAX Shares in issue at the time when dealings in PAX Shares first commence on the Stock Exchange.

A summary of the principal terms of the PAX Share Option Scheme is set out in Appendix III to the circular of the Company despatched to the Shareholders on 8 November 2010. The adoption of the PAX Share Option Scheme is conditional on: (i) the Shareholders passing an ordinary resolution at the SGM to approve the PAX Share Option Scheme and the shareholders of PAX passing an ordinary resolution to approve and adopt the PAX Share Option Scheme; (ii) the Listing Committee of the

Stock Exchange granting the listing of, and permission to deal in, such number of PAX Shares to be issued pursuant to the exercise of any options which may be granted under the PAX Share Option Scheme; and (iii) the commencement of dealings in PAX Shares on the Main Board of the Stock Exchange.

The Directors consider it inappropriate to disclose the value of options which may be granted under the PAX Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted as at the Latest Practicable Date, certain variables are not available for calculating the value of options. The Directors and the directors of PAX believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

LISTING RULES IMPLICATIONS

Under the current structure of the Proposed Spin-off which contemplates a minimum Share Offer of 26% new PAX Shares and taking no account of the IPO Sale Shares or any PAX Shares which may be issued pursuant to the exercise of the Over-allotment Option, Hi Sun's interest in PAX will initially be reduced from 100% to about 44.4% immediately following implementation of the Proposed Spin-off, and will be further reduced to about 42.73% if the Over-allotment Option is exercised in full. In order to facilitate the settlement of over-allotments in connection with the Share Offer, Hi Sun may enter into a customary stock borrowing agreement with the stabilising manager of the Share Offer, pursuant to which the stabilising manager may borrow PAX Shares representing up to 15% of PAX Shares initially being offered under the Share Offer). The borrowing and return of shares constitute a disposal and an acquisition of PAX Shares. The Proposed Spin-off will constitute a deemed disposal under Rule 14.29 of the Listing Rules. Given that the applicable percentage ratios calculated in accordance with the Listing Rules are more than 25% but less than 75%, the deemed disposal Proposed Spin-off and any disposal pursuant to any stock borrowing arrangement, if it proceeds, will require shareholders approval as a major transaction for Hi Sun under Chapter 14 of the Listing Rules and under PN 15.

Hi Sun will seek approval from the Shareholders for the issue and the sale of such number of PAX Shares under the Share Offer (including PAX Shares under the Over-allotment Option) as may be approved by the Board, provided that (i) the percentage of shareholding interest of Hi Sun in PAX immediately after the completion of the Proposed Spin-off will be no less than 40% taking no account of

the effect of any customary stock lending arrangements; and (ii) any stock borrowing arrangements be on terms in compliance with the Listing Rules; (iii) the actual or deemed disposal by Hi Sun of its interests in PAX Shares will not result in any of Hi Sun's "percentage ratios" under Rule 14.07 of the Listing Rules to exceed 75%, using for this purpose, the market capitalisation of Hi Sun as at the date of the circular of the Company despatched to the Shareholders on 8 November 2010.

In addition, as mentioned above, the PAX Share Option Scheme requires the approval of the Shareholders under Chapter 17 of the Listing Rules.

SGM

As no Shareholder has a material interest in the Proposed Spin-off and the PAX Share Option Scheme different from other Shareholders, all Shareholders are entitled to vote on the ordinary resolutions to approve the Proposed Spin-off and the adoption of the PAX Share Option Scheme at the SGM.

A notice convening the SGM to be held at Room 2515, 25/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong, on Wednesday, 24 November 2010 at 10.30 a.m., Hong Kong is set out on pages 63 to 65 of the circular of the Company despatched to the Shareholders on 8 November 2010.

VOTING BY POLL

Pursuant to rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all the resolutions put to the vote at the SGM will be taken by way of poll. After the conclusion of the SGM, the poll results will be published on the respective websites of the Stock Exchange and Hi Sun.

RECOMMENDATIONS

The Directors (excluding the independent non-executive Directors) are of the view that the terms of the Proposed Spin-off are fair and reasonable so far as the Shareholders are concerned and in the interests of Hi Sun and the Shareholders as a whole. The Directors are also of the view that the Hao Share Swap Agreement and the proposed Capitalisation Issue and the proposed Deed of Non-competition, underwriting agreement, stock borrowing arrangements, indemnities, trademark licences and other arrangements or agreements that a member of the Group may enter into in connection with the Share Offer are fair and reasonable and in the interests of the Company and its shareholders as a whole, given that (i) in the case of the Hao Share Swap Agreement and the Capitalisation Issue they are necessary and desirable steps in a pre-listing reorganisation as explained above; (ii) in other cases customary

and therefore, the Directors believe, expected by investors in and underwriters of initial public offerings in Hong Kong generally and necessary for the delineation of the businesses of the PAX Group and the Remaining Group in order to satisfy the requirements of PN15.

The Directors (including the independent non-executive Directors) are of the view that the proposed adoption of the PAX Share Option Scheme is fair and reasonable so far as the Shareholders are concerned and in the interests of Hi Sun and the Shareholders as a whole. An Independent Board Committee has been formed to advise the Shareholders in connection with the Proposed Spin-off. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders on the same. Guangdong Securities considers that the Proposed Spin-off is in the interest of Hi Sun and the Shareholders as a whole and the terms thereof are fair and reasonable as far as Hi Sun and the Shareholders are concerned. Accordingly, Guangdong Securities advises the Independent Board Committee to recommend, and Guangdong Securities themselves recommend, the Shareholders to vote in favour of the resolution in relation to the Proposed Spin-off. The letter from Guangdong Securities containing its advice in relation to the Proposed Spin-off, together with the factors and reasons it considered in arriving at its opinion, is set out on pages 32 to 42 of the circular.

The Independent Board Committee, having taken into account the advice of Guangdong Securities, considers that the terms of the Proposed Spin-off are fair and reasonable and are in the interests of Hi Sun and its shareholders as a whole. Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of the ordinary resolution to approve the Proposed Spin-off as set out in the notice of SGM on pages 63 to 65 of the circular of the Company despatched to the Shareholders on 8 November 2010.

GENERAL

The Board expects that the Prospectus containing, among other matters, details of the Preferential Offer (including the basis of allocation) will be despatched to Qualifying Shareholders in due course.

In connection with the Share Offer, the price of PAX Shares may be stabilised in accordance with the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong). Details of any intended stabilisation and how it will be regulated under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) will be contained in the Prospectus which is proposed to be issued in connection with the Share Offer.

DEFINITIONS

“associate”	has the meaning ascribed to it under the Listing Rules
“Assured Entitlement”	the entitlements of Qualifying Shareholders to apply for such number of Reserved Shares under the Preferential Offer
“BLUE Application Form(s)”	the form of application for the Reserved Shares for use by the Qualifying Shareholder under the Preferential Offer
“Board”	the board of directors of the Company
“Bye-laws”	the bye-laws of the Company as amended from time to time
“Capitalisation Issue”	the allotment and issue of new PAX Shares to be made upon capitalization of part of the moneys standing to the credit of the reserve within equity share premium account of PAX as a result of the issue of new PAX Shares pursuant to the Share Offer by applying such sum to pay in full at par new PAX Shares to the holders of PAX Shares after the completion of the Hao Share Swap Agreement but before the completion of the Share Offer, pro rata to their shareholding (or as they may direct), further particulars relating to which will be included in the Prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company” or “Hi Sun”	Hi Sun Technology (China) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deed of Non-competition”	deed of non-competition to be entered into between the Company and PAX in favour of PAX
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries (including the PAX Group)

“EFT-POS Terminal Solutions Business”	the business of the development and sale of electronic fund transfer point of sale terminal solutions
“Hao Share Swap Agreement”	the share swap agreement dated 5 November 2010 between PAX, Digital Investment Limited and Dream River Limited pursuant to which PAX has agreed to purchase or procure the purchase of, and Digital Investment Limited and Dream River Limited have agreed to sell their aggregate 40% interest in Pax Technology Limited to be satisfied by the issue and allotment to Digital Investment Limited and Dream River Limited of such number of PAX Shares credited as fully paid that would represent 40% of the issued share capital of PAX immediately after completion of this share swap agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee formed by the independent non-executive Directors to advise the Shareholders on the Proposed Spin-off
“Independent Financial Adviser” or “Guangdong Securities”	Guangdong Securities Limited, a corporation licensed to carry out business in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and is the independent financial adviser to the Independent Board Committee and the Shareholders in connection with the Proposed Spin-off
“IPO Sale Shares”	PAX Shares (if any) that may be offered for sale by Digital Investment Limited and/or Dream River Limited as part of the Share Offer
“Latest Practicable Date”	4 November 2010, being the latest practicable date prior to the printing of the circular of the Company dated 8 November 2010
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)

“Listing”	the initial listing of PAX Shares on the Main Board of the Stock Exchange
“Offer Price”	the final offer price per PAX Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the PAX Shares are to be issued pursuant to the Share Offer, as described in the Prospectus
“Over-allotment Option”	the option to be granted by PAX to the underwriters under the Placing, pursuant to which PAX may be required to allot and issue additional PAX Shares (representing up to an aggregate of 15% of the PAX Shares to be initially offered by PAX under the Share Offer) at the Offer Price to cover over-allocations in the Placing
“Overseas Shareholders”	registered holders of the Shares whose addresses on the register of members of the Company are outside Hong Kong as at 5:00 p.m. on the Record Date
“PAX Controlling Shareholder”	the Company
“PAX Group”	PAX and those companies in the Group that will be its subsidiaries at the time of the Share Offer
“PAX Share Option Scheme”	the share option scheme proposed to be adopted by PAX which will take effect subject to, among others things, the commencement of dealings in the PAX Shares on the Main Board of the Stock Exchange
“PAX Shares”	ordinary shares of HK\$0.10 each in the share capital of PAX
“Pax Technology Limited Share Option Scheme”	the share option scheme of Pax Technology Limited, a 60% indirectly owned subsidiary of Hi Sun, approved by Shareholders at the special general meeting of Hi Sun dated 27 April 2009
“PAX”	PAX Global Technology Limited, a company incorporated in Bermuda on 15 February 2010 with limited liability

“Pax Technology (Shenzhen)”	百富計算機技術(深圳)有限公司 (Pax Computer Technology (Shenzhen) Limited*), a company incorporated in the PRC on 13 July 2001 with limited liability
“Placing”	the conditional placing of the PAX Shares with institutional, professional and other investors as described in the Prospectus
“PN 15”	Practice Note 15 of the Listing Rules
“PRC”	the People’s Republic of China excluding, for the purpose of the circular of the Company in relation to the Proposed Spin-off, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Preferential Offer”	the preferential offer to the Qualifying Shareholders of the Reserved Shares at the Offer Price, subject to and in accordance with the terms and conditions of the Prospectus and the BLUE application form
“Proposed Spin-off”	the proposed disposal of the Company’s interest in PAX by way of an offer of new PAX Shares pursuant to or in connection with the Share Offer accompanied by a separate listing of PAX Shares on the Main Board of the Stock Exchange
“Prospectus”	the prospectus to be issued by PAX in relation to the Share Offer
“Public Offer”	the offer of PAX Shares for subscription or purchase by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in the Prospectus and the related application forms
“Qualifying Shareholder(s)”	Shareholder(s) whose names appear on the register of members of the Company at 5:00 p.m. on the Record Date with a holding equal to or more than 3,000 shares, other than the Overseas Shareholders, who shall be entitled to subscribe for the PAX Shares under the Preferential Offer

“Record Date”	24 November 2010, being the record date for ascertaining the Qualifying Shareholders who shall be entitled to the Assured Entitlement and the Shareholders who shall be eligible to attend and vote at the SGM
“Registrar”	the Hong Kong branch share registrar of the Company, Tricor Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Remaining Group”	the Group excluding the PAX Group
“Reserved Shares”	the PAX Shares available under the Share Offer being offered pursuant to the Preferential Offer
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGM”	the special general meeting to be held on Wednesday, 24 November 2010 by the Company for the purpose of, among other matters, approving the Proposed Spin-off and the adoption of the PAX Share Option Scheme
“Share Offer”	the Public Offer, the Placing and the Preferential Offer.
“Shareholders”	the shareholders of the Company
“Shares”	shares of HK\$0.0025 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

As at the date of this announcement, the Board consists of five executive Directors, namely Mr. Cheung Yuk Fung, Mr. Kui Man Chun, Mr. Xu Wensheng, Mr. Li Wenjin and Mr. Xu Chang Jun; two non-executive Directors, namely Mr. Yang Lei, Raymond and Mr. Chang Kai-Tzung, Richard and three independent non-executive Directors, namely Mr. Tam Chun Fai, Mr. Xu Sitao and Mr. Leung Wai Man, Roger.

* For identification only

By Order of the Board of
Hi Sun Technology (China) Limited
Li Wenjin
Executive Director

Hong Kong, 8 November 2010