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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)**

**(1) CANCELLATION OF 2018 OPTIONS;  
(2) AMENDMENT OF MEGAHUNT SHARE OPTION SCHEME; AND  
(3) GRANT OF 2019 OPTIONS TO THE PROPOSED GRANTEES**

**1. CANCELLATION OF 2018 OPTIONS**

On 3 June 2019, pursuant to the terms of the Megahunt Share Option Scheme, the 2018 Grantees have given their written request to the Board of Megahunt to cancel their respective 2018 Options with effect from the date on which the grant of the 2019 Options to them have become unconditional.

**2. AMENDMENT OF MEGAHUNT SHARE OPTION SCHEME**

The Board of Megahunt proposed to amend certain terms of the Megahunt Share Option Scheme, which include, among other things, expanding the scope of eligible participants who may be granted the Options. Details of the proposed amendments are set out more particularly in the circular of the Company to be despatched to the Shareholders in due course. Pursuant to the Listing Rules and rules of the Megahunt Share Option Scheme, any alterations to the terms and conditions of the Megahunt Share Option Scheme which are of a material nature must be approved by the Shareholders, except where the alterations take effect automatically under the existing terms of the Megahunt Share Option Scheme. Accordingly, the proposed amendments shall be approved by the Shareholders at the SGM.

\* For identification purpose only

### 3. GRANT OF 2019 OPTIONS TO THE PROPOSED GRANTEEES

On 3 June 2019, the Board of Megahunt resolved to conditionally grant new Options (i.e. the 2019 Options) to Mr. Li, Mr. Liu, Mr. Xu CJ, Mr. Xu WS, Mr. Yang, Ms. Hui and Ms. Song (i.e. the Proposed Grantees) pursuant to the terms of Megahunt Share Option Scheme (as amended). The grant of the 2019 Options is conditional upon the Shareholders having approved the proposed amendments to the Megahunt Share Option Scheme, and the grant of the 2019 Options to certain Proposed Grantees is also subject to the approval by the Shareholders at the SGM.

### 4. SGM

A circular containing, among other things, details of the proposed amendments to the Megahunt Share Option Scheme, the grant of 2019 Options to the Proposed Grantees and the notice of the SGM will be despatched to the Shareholders in due course.

## 1. CANCELLATION OF 2018 OPTIONS

On 4 July 2018, the following 2018 Options were granted to the 2018 Grantees which were approved by the Shareholders at the special general meeting of the Company held on 10 August 2018:

2018 Grantees	Amount of Enlarged Registered Capital (HK\$)	Percentage of Enlarged Registered Capital (Approximate)
Mr. Li	1,800,000	10.00%
Mr. Liu	525,000	2.92%
Mr. Yang	525,000	2.92%
Ms. Song	150,000	0.83%
<b>Total:</b>	<b>3,000,000</b>	<b>16.67%</b>

None of the 2018 Options has been exercised, cancelled or has lapsed since the Date of Grant (being 4 July 2018) and all of such 2018 Options remain outstanding as at the date of this announcement. Pursuant to the terms of the Megahunt Share Option Scheme, the Board of Megahunt shall be entitled to cancel any Option in whole or in part by giving notice in writing to the Grantee stating that such Option is thereby cancelled with effect from the date specified in such notice when the Grantee makes a written request to the Board of Megahunt for the Option to be cancelled.

On 3 June 2019, pursuant to the terms of Megahunt Share Option Scheme, each of the 2018 Grantees has given his/her written request to the Board of Megahunt to cancel their respective 2018 Options with effect from the date on which the grant of the 2019 Options to them becomes unconditional. No compensation is or will be paid to the 2018 Grantees upon cancellation of the 2018 Options.

## **2. AMENDMENT OF MEGAHUNT SHARE OPTION SCHEME**

In order to allow the Board of Megahunt to have more flexibility in the administration of the Megahunt Share Option Scheme and to expand the scope of the Megahunt Share Option Scheme to include persons who have otherwise made contributions to the Group and improve the attractiveness of the Megahunt Share Option Scheme as incentive or reward, the Board of Megahunt proposed to amend the definition of eligible participants who may be granted Options (“**Participants**”) under the Megahunt Share Option Scheme to “the directors and senior management of the Company, Megahunt or its subsidiaries”, together with other terms and conditions of the Megahunt Share Option Scheme.

A summary of the proposed amendments are set out more particularly in the circular of the Company to be despatched to the Shareholders. Pursuant to the Listing Rules and rules of the Megahunt Share Option Scheme, any alterations to the terms and conditions of the Megahunt Share Option Scheme which are of a material nature must be approved by the Shareholders, except where the alterations take effect automatically under the existing terms of the Megahunt Share Option Scheme. Accordingly, the proposed amendments shall be approved by the Shareholders at the SGM.

## **3. GRANT OF 2019 OPTIONS TO THE PROPOSED GRANTEEES**

On 3 June 2019, the Board of Megahunt resolved to conditionally grant new Options (i.e. the 2019 Options) to Mr. Li, Mr. Liu, Mr. Xu CJ, Mr. Xu WS, Mr. Yang, Ms. Hui and Ms. Song (i.e. the Proposed Grantees) pursuant to the terms of Megahunt Share Option Scheme (as amended). The grant of the 2019 Options is conditional upon the Shareholders having approved the proposed amendments to the Megahunt Share Option Scheme, and the grant of the 2019 Options to certain Proposed Grantees is also subject to the approval by the Shareholders at the SGM.

## Details of the grant of Options

### *Proposed Grantees*

- Mr. Li – a director, the legal representative and the general manager of Megahunt
- Mr. Liu – the technology director of Megahunt
- Mr. Xu CJ – an executive Director
- Mr. Xu WS – an executive Director
- Mr. Yang – the deputy general manager of Megahunt
- Ms. Hui – the group financial controller and a joint secretary of the Company, and a director of certain subsidiaries of the Company
- Ms. Song – a director and the financial controller of Megahunt

Each of Mr. Xu CJ and Mr. Xu WS is a Director and is therefore a connected person of the Company. Other than Mr. Xu CJ and Mr. Xu WS, none of the Proposed Grantees is a director, chief executive or substantial shareholder of the Company or an associate of any of them.

### *Subscription price of Options granted*

RMB11.46 for every HK\$1.0 in the Registered Capital of Megahunt. The subscription price was determined in accordance with the terms of Megahunt Share Option Scheme with reference to the business performance and implied value of Megahunt of approximately RMB172 million. The subscription price of RMB11.46 is the result of RMB172 million divided by 15,000,000 (the Registered Capital of Megahunt). The implied value of RMB172 million is the product of the unaudited net profit of Megahunt of approximately RMB18.7 million for the year ended 31 December 2018 multiplied by a price-to-earning ratio (“**PE ratio**”) of approximately 9.2, which is determined with reference to the PE ratios of certain comparable companies publicly listed in the PRC or Hong Kong engaging in similar business as Megahunt.

### *Market price of the equity interest of Megahunt on the Date of Grant*

Not applicable as the equity interests of Megahunt are not listed.

*Amount of Enlarged Registered Capital subject to the 2019 Options*

<b>Proposed Grantees</b>	<b>Aggregate Subscription Price (RMB)</b>	<b>Amount of Enlarged Registered Capital subject to the 2019 Options (HK\$)</b>	<b>Percentage of the Enlarged Registered Capital (Approximate)</b>
Mr. Li	20,628,000	1,800,000	9.23%
Mr. Liu	6,016,500	525,000	2.69%
Mr. Xu CJ	7,735,500	675,000	3.46%
Mr. Xu WS	8,595,000	750,000	3.85%
Mr. Yang	6,016,500	525,000	2.69%
Ms. Hui	1,719,000	150,000	0.77%
Ms. Song	859,500	75,000	0.38%
<b>Total:</b>	<b>51,570,000</b>	<b>4,500,000</b>	<b>23.08%</b>

*Vesting Day and Exercise Period of Options*

50% and 50% of the 2019 Options granted to the Proposed Grantees shall be vested on the first and the second anniversary, respectively, from the Date of Grant. Subject to the approval of the amendments to the Megahunt Share Option Scheme, the Grantees may exercise his or her 2019 Options within the Exercise Period, which shall be commencing from the respective Vesting Day and ending on (i) the tenth anniversary from the Date of Grant; or (ii) the date on which such 2019 Options cease to be valid, whichever is earlier.

Unless with the prior written consent of the Board of Megahunt and all the shareholders of Megahunt, each Proposed Grantee shall only be entitled to exercise his/her respective 2019 Options once within the Exercise Period.

*Consideration for the grant of the Options*

HK\$1.00 to be paid by each Proposed Grantee upon the acceptance of the 2019 Options granted.

*Other covenants*

- (1) Each of the Proposed Grantees shall not transfer or sell, charge, pledge or dispose of or create any third party interests over, or enter into any agreement to effect the foregoing any of their respective Option Interests under the 2019 Options within 2 years of the exercise of the 2019 Options, unless prior written consent of Megahunt HK is obtained.
- (2) After the two-year lock-up period stipulated in (1) above, Megahunt HK shall have the pre-emptive rights over all other shareholders of Megahunt and other third parties to take up the Option Interests at the same price offered by the Proposed Grantees for any such sale or transfer of the Option Interests by the Proposed Grantees.
- (3) When a third party purchaser offers to purchase the entire equity interest of Megahunt and Megahunt HK agrees to sell its entire interests in Megahunt to such purchaser (“**Sale**”):
  - (i) all the then existing shareholders of Megahunt (including the Proposed Grantees who have acquired the Option Interests) shall agree to sell their entire interests in Megahunt to such third party purchaser at the same price at which Megahunt HK sells its entire interests in Megahunt; and
  - (ii) all the outstanding Options which have been granted but not exercised shall lapse on the date a sale and purchase agreement in respect of the Sale is signed.
- (4) When the purchase offer of a third party purchaser relates only to part of the equity interests in Megahunt, Megahunt HK may choose to sell its interests in Megahunt alone or request all other existing shareholders of Megahunt (including the Proposed Grantees who have acquired the Option Interests), who shall be obliged to act upon such request, to sell their interests in Megahunt to such third party purchaser together with it in proportion to their respective percentage holding in Megahunt at the same price at which Megahunt HK sells its equity interests in Megahunt.
- (5) After any Proposed Grantee has become a shareholder of Megahunt, where there shall be any increase in the Registered Capital in the future, each of such Proposed Grantees shall have the pre-emptive rights to contribute to the increased Registered Capital at the same subscription price and to the extent that their respective percentage holding in Megahunt remains the same before and after such increase.

- (6) Each of the Proposed Grantees shall remain in full time employment with the Company, Megahunt or its subsidiaries (as the case may be) for at least 12 months from the Exercise Date unless the Proposed Grantee is dismissed due to his or her violation of laws, breach of the constitutional documents of the Company, Megahunt or its subsidiaries (as the case may be), obvious wrongful conducts as an employee or otherwise.
- (7) Each of the Proposed Grantees shall not engage in any business which competes with the business of Megahunt during the term of his or her employment or 5 years from the Date of Grant, whichever is longer.

### Shareholding structure of Megahunt

The shareholding structure of Megahunt as at the date of this announcement and upon the exercise of the 2019 Options by the Proposed Grantees in full are as follows:

Name of shareholders	As at the date of this announcement		Upon the exercise of the 2019 Options by the Proposed Grantees in full	
	Amount of Registered Capital (HK\$)	Percentage of Registered Capital	Amount of Enlarged Registered Capital (HK\$)	Percentage of Enlarged Registered Capital (Approximate)
Megahunt HK	15,000,000	100%	15,000,000	76.92%
Mr. Li	–	–	1,800,000	9.23%
Mr. Liu	–	–	525,000	2.69%
Mr. Xu CJ	–	–	675,000	3.46%
Mr. Xu WS	–	–	750,000	3.85%
Mr. Yang	–	–	525,000	2.69%
Ms. Hui	–	–	150,000	0.77%
Ms. Song	–	–	75,000	0.38%
<b>Total:</b>	<b>15,000,000</b>	<b>100.00%</b>	<b>19,500,000</b>	<b>100.00%</b>

## **Scheme Mandate Limit and Individual Limit**

Under the rules of Megahunt Share Option Scheme, the total Registered Capital contributed and to be contributed upon exercise of the Options granted to each Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the Registered Capital (“**Individual Limit**”). Any further grant of Options to a Participant which would result in the Registered Capital contributed and to be contributed by a Participant upon exercise of all Options granted and to be granted to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of grant of such further Options exceeding the Individual Limit shall be subject to approval of the Shareholders in advance with such Participant and his or her close associates (or his or her associates if such Participant is a connected person) abstaining from voting. In addition, each grant of Options to any Director, chief executive or substantial shareholder of the Company (or any of their respective associates) shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of Options).

Where Megahunt cancels Options and issues new ones to the same Proposed Grantee, the issue of such new Options may only be made under Megahunt Share Option Scheme with available unissued Options (excluding the cancelled Options) within the Megahunt Scheme Mandate Limit or the new limits approved by Shareholders.

The Directors (including all the independent non-executive Directors but excluding Mr. Xu CJ and Mr. Xu WS who have abstained from voting) have approved the grant of 2019 Options to Mr. Xu CJ and Mr. Xu WS respectively.

The Date of Grant of the 2018 Options (being 4 July 2018) falls within the 12-month period immediately preceding the Date of Grant of the 2019 Options to the Proposed Grantees and as such, although the 2018 Options would be cancelled on the date on which the grant of the 2019 Options would become unconditional, such 2018 Options will be aggregated with those 2019 Options granted to the Proposed Grantees on 3 June 2019 when calculating the entitlement of the Proposed Grantees under the Megahunt Share Option Scheme.

The percentage of the Registered Capital and the Enlarged Registered Capital when aggregated with the 2018 Options (applicable to the 2018 Grantees only) attributable to Mr. Li (24%), Mr. Liu (7%), Mr. Xu CJ (4.5%), Mr. Xu WS (5%), Mr. Yang (7%) and Ms. Song (1.5%), respectively exceeds the Individual Limit. Therefore, the grant of 2019 Options to Mr. Li, Mr. Liu, Mr. Xu CJ, Mr. Xu WS, Mr. Yang and Ms. Song are subject to the Shareholders’ approval at the SGM.

In addition, under the rules of Megahunt Share Option Scheme, the total Registered Capital which may be contributed by the grantees upon exercise of all Options to be granted under Megahunt Share Option Scheme and other share option schemes of Megahunt shall not in aggregate exceed 10% of the Registered Capital of Megahunt as at the date of approval of the Megahunt Share Option Scheme which was 10 August 2018 (“**Megahunt Scheme Mandate Limit**”), being HK\$15,000,000 multiplied by 10% which equals to HK\$1,500,000.



Pursuant to note 1 to Rule 17.03(3) of the Listing Rules and the rules of Megahunt Share Option Scheme, Megahunt may also seek separate approval of the Shareholders in general meeting for granting Options beyond the Megahunt Scheme Mandate Limit provided the Options in excess of the Megahunt Scheme Mandate Limit are granted only to Participants specifically identified by the Company before such approval is sought. Where Megahunt cancels Options and issues new ones to the same Grantee, the issue of such new Options may only be made under Megahunt Share Option Scheme with available unissued Options (excluding the cancelled Options) within the Megahunt Scheme Mandate Limit or the new limits approved by Shareholders.

After granting Options to Mr. Xu WS, Mr. Yang, Ms. Hui and Ms. Song whose Option Interest represent in aggregate HK\$1,500,000 of the Registered Capital, the grant of Options to the remaining Proposed Grantees will exceed the Megahunt Scheme Mandate Limit. Therefore, the grant of Options to Mr. Li, Mr. Liu and Mr. Xu CJ exceeding the Megahunt Scheme Mandate Limit are subject to Shareholders' approval at the SGM.

### **Reasons for and benefits of the grant of the 2019 Options**

Megahunt is principally engaged in the sales of information security chips and solutions (“**Business**”). Driven by the significant growth of the payment market in the PRC, the information security chips business continued to expand rapidly in 2018 and the annual sales increased by 65% as compared with that for 2017. The Directors are of the view that the Proposed Grantees, being key employees and senior management of the Company or Megahunt, have made substantial contributions to the Company and Megahunt. In addition, the grant of 2019 Options to enable the Proposed Grantees to subscribe for the equity interest in Megahunt will motivate them to contribute to the success and long-term development of the Business. It is also beneficial to Megahunt and the Group as a whole as the interest of the senior management of the Company and Megahunt will be aligned with that of the Group by subscribing for equity interests in Megahunt themselves. In addition, the capital base of Megahunt will be enlarged and the Proposed Grantees will be more committed to the furtherance of the development of the Business.

As at the date of this announcement, neither the Company nor Megahunt has any plan to grant further Options in the future.

The Directors (including all the independent non-executive Directors but excluding Mr. Xu CJ and Mr. Xu WS being also Proposed Grantees) consider that the amendments to the Megahunt Share Option Scheme and the grant of 2019 Options to the Proposed Grantees are in the interests of Megahunt, the Company and the Shareholders as a whole. All the Directors (including the independent non-executive Directors but excluding Mr. Xu CJ and Mr. Xu WS being also Proposed Grantees) have approved the amendments to the Megahunt Share Option Scheme and the grant of the 2019 Options to the Proposed Grantees.

#### 4. SGM

A circular containing, among other things, details of the proposed amendments to the Megahunt Share Option Scheme, the grant of 2019 Options to the Proposed Grantees and the notice of the SGM will be despatched to the Shareholders in due course.

#### DEFINITIONS

“2018 Grantees”	Mr. Li, Mr. Liu, Mr. Yang and Ms. Song collectively
“2018 Options”	Options granted to the 2018 Grantees on 4 July 2018 pursuant to the terms of the Megahunt Share Option Scheme
“2019 Options”	Options granted to the Proposed Grantees as set out under the section headed “3. GRANT OF 2019 OPTIONS TO THE PROPOSED GRANTEEES” of this announcement
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Board of Megahunt”	the board of directors of Megahunt from time to time or its duly authorised committee for the purpose of administering Megahunt Share Option Scheme
“Business Day”	a working day other than Saturdays, Sundays and public holidays under the laws of the PRC, and a trading day of the Stock Exchange
“close associate(s)”	has the meaning ascribed to it in the Listing Rules
“Company”	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 in the Listing Rules
“Date of Grant”	in respect of an Option, subject to the conditions as set out in Megahunt Share Option Scheme and the approval of the Directors and Shareholders (if required), the date on which the Board of Megahunt resolves to make an offer of that Option to the Participant, which date must be a Business Day
“Director(s)”	director(s) of the Company

“Enlarged Registered Capital”	the maximum registered capital of Megahunt upon exercise of the Options by the Grantees in full
“Exercise Date”	the date on which the respective Grantee exercises his or her Option in accordance with the terms of Megahunt Share Option Scheme
“Exercise Period”	in respect of any particular Option, the period within which the Option must be exercised as determined and notified by the Board of Megahunt to the Grantee at the time of making the offer of the Option, and commencing from the date on which the Option becomes exercisable by the Grantee and ending on the tenth anniversary (subject to approval by the Shareholders at the SGM) from the Date of Grant or the date on which such Option ceases to be valid, whichever is earlier
“Grantee”	any Participant who accepts the offer of an Option in accordance with the terms of Megahunt Share Option Scheme, or (where the context so permits) any person who is entitled to any such Option in consequence of the death of the original Grantee, or the legal personal representative of such person
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Individual Limit”	has the meaning ascribed to it under the paragraph headed “3. GRANT OF 2019 OPTIONS TO THE PROPOSED GRANTEES – Scheme Mandate Limit and Individual Limit” of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Megahunt”	Mega Hunt Microelectronics (Beijing) Limited, a limited liability company incorporated in the PRC and a direct wholly-owned subsidiary of Megahunt HK
“Megahunt HK”	Mega Hunt Microelectronics Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Megahunt Scheme Mandate Limit”	has the meaning ascribed to it under the paragraph headed “3. GRANT OF 2019 OPTIONS TO THE PROPOSED GRANTEES – Scheme Mandate Limit and Individual Limit” of this announcement

“Megahunt Share Option Scheme”	the share option scheme of Megahunt adopted by Megahunt on 4 July 2018 and approved by the Shareholders on 10 August 2018, the principal terms of which are set out in the circular of the Company dated 11 July 2018, as amended (and if applicable, approved by the Shareholders) from time to time
“Mr. Li”	Mr. Li Li, a director, the legal representative and the general manager of Megahunt, and a Proposed Grantee
“Mr. Liu”	Mr. Liu Zhan-li, the technology director of Megahunt, and a Proposed Grantee
“Mr. Xu CJ”	Mr. Xu Changjun, an executive Director, and a Proposed Grantee
“Mr. Xu WS”	Mr. Xu Wensheng, an executive Director, and a Proposed Grantee
“Mr. Yang”	Mr. Yang Lei, the deputy general manager of Megahunt, and a Proposed Grantee
“Ms. Hui”	Ms. Hui Lok Yan, the group financial controller and a joint company secretary of the Company, a director of certain subsidiaries of the Company, and a Proposed Grantee
“Ms. Song”	Ms. Song Jie, a director and the financial controller of Megahunt, and a Proposed Grantee
“Option(s)”	the option(s) granted or to be granted to the eligible Participants under Megahunt Share Option Scheme
“Option Interests”	the equity interest of Megahunt to be held by the Grantees pursuant to the exercise of the Options
“Participants”	has the meaning ascribed to it under the section headed “2. AMENDMENT OF MEGAHUNT SHARE OPTION SCHEME” of this announcement
“PRC”	the People’s Republic of China
“Proposed Grantees”	Mr. Li, Mr. Liu, Mr. Xu CJ, Mr. Xu WS, Mr. Yang, Ms. Hui and Ms. Song collectively
“Registered Capital”	the registered capital of Megahunt from time to time
“RMB”	Renminbi, the lawful currency of the PRC

“SGM”	the special general meeting of the Company to be held for the Shareholders to consider, and if appropriate, approve the proposed amendment of the Megahunt Share Option Scheme and the grant of the 2019 Options to the Proposed Grantees
“Share(s)”	share(s) of HK\$0.0025 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vesting Day”	in respect of an Option granted to any Proposed Grantee, subject to the terms and conditions of Megahunt Share Option Scheme, the date on which the Option is vested on the Proposed Grantee and becomes exercisable by the Proposed Grantee
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

3 June 2019

*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 Changjun; three independent non-executive Directors, namely Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Chang Kai-Tzung, Richard.*