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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) VOLUNTARY ANNOUNCEMENT: INVESTMENT IN MEGAHUNT BY THE INVESTORS AND (2) RECORD DATE FOR SGM

THE INVESTMENT AGREEMENT

The Board wishes to announce that after trading hours on 4 December 2019, Megahunt, Megahunt HK, the Company, the Management Team Members and the Investors entered into the Investment Agreement, pursuant to which the Investors have conditionally agreed to invest an aggregate amount of RMB80 million (equivalent to approximately HK\$88.8 million) in Megahunt (out of which HK\$3,319,148 as registered capital and the remaining as capital reserve) for approximately 14.55% of the Enlarged Registered Capital.

As at the date of this announcement, Megahunt is wholly-owned by Megahunt HK, which is an indirect wholly-owned subsidiary of the Company. Upon completion of the Investment (assuming the 2019 Options are exercised in full), Megahunt will be owned as to approximately 65.73% by the Company, as to approximately 19.72% by the Management Team Members and as to approximately 14.55% by the Investors.

IMPLICATION UNDER THE LISTING RULES

The transactions contemplated under the Investment Agreement do not constitute a notifiable transaction and therefore is not subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL AND RECORD DATE FOR SGM

The SGM is proposed to be held at Room 2515, 25/F, Sun Hung Kai Centre, 30 Harbour Road Wanchai, Hong Kong on Monday, 30 December 2019 at 11:00 a.m. for the Shareholders to consider, and if thought fit, approve the Proposed Amendment.

* For identification purpose only

Record date (being the last date for registration of any share transfer given there will be no book closure) for determining the entitlement of the Shareholders to attend and vote at the SGM will be Friday, 20 December 2019. All transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 20 December 2019.

A circular containing details of the Proposed Amendment and the notice convening the SGM together with a form of proxy will be despatched to the Shareholders in due course.

This is a voluntary announcement made by the Company.

After trading hours on 4 December 2019, Megahunt, Megahunt HK, the Company, the Management Team Members and the Investors entered into the Investment Agreement. The major terms of the Investment Agreement are set out below:

THE INVESTMENT AGREEMENT

Date

4 December 2019

Parties

- (1) Megahunt (a wholly-owned subsidiary of the Company);
- (2) Megahunt HK (a wholly-owned subsidiary of the Company);
- (3) the Company;
- (4) the Management Team Members; and
- (5) the Investors.

The Management Team Members are joined as parties to the Investment Agreement to give certain representations and warranties in favour of the Investors.

Subject matter

Subject to the terms and conditions of the Investment Agreement, the Investors have conditionally agreed to invest an aggregate of RMB80 million (equivalent to approximately HK\$88.8 million) in Megahunt (out of which HK\$3,319,148 as registered capital and the remaining as capital reserve) for approximately 14.55% of the Enlarged Registered Capital (assuming the 2019 Options are exercised in full) in the following proportion:

Name of Investors	Amount of Investment	% of Enlarged Registered Capital
Ju Xin Fund	RMB40 million	7.27%
Wonder Pax	RMB20 million	3.64%
Xin Lian Xin	RMB20 million	3.64%

Investment Price

The aggregate Investment Price of RMB80 million is determined after arm's length negotiation between Megahunt and the Investors, after taking into account the business prospects, business expansion and financial performance of Megahunt.

Conditions precedent

The Investment is conditional on the following conditions being satisfied or waived (where applicable):

- (1) originals of all related transaction documents ("**Transaction Documents**"), including but not limited to the Investment Agreement, the amended articles of association of Megahunt and any other documents incidental to the completion of the Investment, having been signed by each of the parties to the Investment Agreement and all approvals in connection to the Investment and the signing of the Transaction Documents having been obtained by the board of directors and/or any other decision making authority(ies) of each of the parties to the Investment Agreement;
- (2) written consents having been given by the existing shareholders of Megahunt in waiving their respective pre-emption rights on the new registered capital of Megahunt to be increased under the Investment;
- (3) (i) the Investment; (ii) the signing and execution of the Investment Agreement by Megahunt; and (iii) the amendments to be made to the articles of association of Megahunt in accordance with the Investment Agreement having been approved by the Board of Megahunt and/or any other decision making authority(ies) of Megahunt;
- (4) all labour contracts, intellectual property agreements, confidentiality agreements and non-competition agreements, each for a term of not less than 3 years, having been signed by Megahunt and each of Mr. Li, Mr. Liu, Mr. Yang and Ms. Song; and
- (5) all 2019 Options having been exercised by the Management Team Members in full and all subscriptions thereunder have been fully paid by the Management Team Members and the registration in respect of the new registered capital of Megahunt increased upon the aforesaid exercise of 2019 Options at the relevant registration authority having been completed.

The exercise of the 2019 Options is subject to the approval of the Shareholders on the proposed amendment to the terms of the 2019 Options ("**Proposed Amendment**") at the SGM. In the event that the Proposed Amendment has not been approved by the Shareholders at the SGM, the parties to the Investment Agreement shall agree an alternative plan in due course to procure the fulfillment of such condition. Whereas if the parties to the Investment Agreement could not reach a mutual consensus on the alternative plan after 3 months of the date of the SGM, unless during which such condition is being waived by the Investors by written notice, any parties to the Investment Agreement may give notice in writing to the other parties to terminate the Investment Agreement and no party shall have any claim against the other parties thereunder.

Completion

Within seven (7) Working Days after the conditions precedent as stated above have been satisfied or waived (where applicable), the Investors shall pay the Investment Price to Megahunt.

Within twenty (20) Working Days after the Investors have paid the Investment Price, Megahunt shall procure the completion of registration in respect of the Investment at the relevant PRC registration authority.

The Investment shall be treated as completed on the date when all of the following events have been completed: (i) the Investment Price has been paid by the Investors; (ii) the certificates in respect of the Investment have been issued to the Investors by Megahunt; and (iii) the Investment has been registered with the relevant PRC authority.

If any of the Investors (“**Defaulted Investor**”) has not paid their respective part of the Investment Price within 20 Working Days after the date of fulfilment of all the above conditions precedent (“**Non-completion**”), Megahunt shall have the right to terminate the relevant provisions of the Investment Agreement (save and except for certain clauses relating to termination) with the Defaulted Investor within 20 Working Days upon the occurrence of the Non-completion. Other parties shall have the right to claim for damages against the Defaulted Investor, including but not limited to the loss of profit and legal costs incurred, as a result of the Non-completion.

Grant of exit option

Pursuant to the Investment Agreement, it is agreed that each of the Investors shall have the right to exercise an exit option to require Megahunt HK to repurchase shares of Megahunt from the relevant Investor under certain circumstances as detailed below:

(A) No Qualified IPO

Under the Investment Agreement, Megahunt, the Management Team Members and Megahunt HK undertake to complete a Qualified IPO no later than 31 December 2023. In the event that a Qualified IPO is not completed before 31 December 2023, each of the Investors shall have the right to exercise an exit option (“**Exit Option A**”) by serving an exit notice to require Megahunt HK to repurchase all or some of the Megahunt Shares held by the relevant Investor at that time on or before 31 December 2025 at a cash consideration in RMB being the sum of the total investment amount paid by the relevant Investor and an investment return at 8% per annum (“**Exit Price A**”), provided that in any event, the maximum amount of the Exit Price A and Exit Price B (as defined below) in aggregate payable to each of Ju Xin Fund, Wonder Pax and Xin Lian Xin shall not exceed RMB75 million, RMB37.5 million and RMB37.5 million respectively. Each of the Investors shall only serve one exit notice under such Exit Option A and unless otherwise agreed by Megahunt HK, exit notice served under Exit Option A is irrevocable.

The Exit Price A shall be payable by Megahunt HK to the relevant Investor within 60 Working Days after the receipt of the exit notice, failing which Megahunt HK shall pay an overdue interest at the rate of 0.03% of the outstanding amount for each day of overdue.

It is expected that the Exit Price A will be funded by the internal resources of Megahunt HK Group.

It is also agreed that Megahunt will provide a guarantee in favour of the Investors for all amounts payable by Megahunt HK under the exercise of the Exit Option A by the Investors (including but not limited to the Exit Price A, overdue interest, default interest and any other expenses incurred by the Investors as a result of exercising the Exit Option A). Such guarantee will be valid for a period of 24 months upon signing of the relevant share transfer agreement in respect of the exercise of the Exit Option A. If no relevant share transfer agreement has been signed after 20 days of the delivery of the exit Notice by the Investors, the aforesaid guarantee will be valid for a period of 24 months after the expiry of 60 days upon receipt of the exit notice by the Megahunt Shareholders.

(B) Occurrence of a material event

If any of the following material event occurs after the completion of the Investment and before the completion of a Qualified IPO:

- (i) there being off-book sales revenue that is unknown to the Investors incurred by Megahunt;
- (ii) the principal operating asset(s) or business(es) of Megahunt is/are being diverted by means of merger, division or transfer that is unknown to the Investors;
- (iii) the funds of Megahunt are being misappropriated by the Management Team Members;
- (iv) the Management Team Members and Megahunt HK have taken advantage(s) of the business opportunity(ies) belong to Megahunt for the benefit of the competing business operated by them or others without the consent of the Investors;
- (v) the financial information provided to the Investors by Megahunt is false or has material omission which would affect the valuation of the Investment conducted by them;

- (vi) Megahunt is being penalized by the PRC government due to material violations of laws and regulations in connection to its operation, resulting in its inability to continue operations or to obtain financing or to achieve a Qualified IPO;
- (vii) the proceeds of the Investment is being utilized by Megahunt for purpose inconsistent with its business plan without the consent of the Investors;
- (viii) action(s) having been performed by Megahunt HK and the Company that might cause change(s) to the actual controlling power of Megahunt or a material impact on the stability of the shareholding structure of Megahunt without the consent of the Investors,

each of the Investors shall have the right to exercise an exit option (“**Exit Option B**”) by serving an exit notice to require Megahunt HK to repurchase all Megahunt Shares held by Ju Xin Fund at a consideration determined based on the same formula of Exit Option A (“**Exit Price B**”), provided that in any event, the maximum amount of the Exit Price A and Exit Price B in aggregate payable to each of Ju Xin Fund, Wonder Pax and Xin Lian Xin shall not exceed RMB75 million, RMB37.5 million and RMB37.5 million respectively.

Megahunt HK shall pay the Exit Price B to the relevant Investor within 3 months upon receipt of the exit notice served by the relevant Investor to them. It is expected the Exit Price B will be funded by the internal resources of Megahunt HK Group.

The Company’s Undertakings

Prior to the completion of the Qualified IPO, so long as Ju Xin Fund, Wonder Pax and Xin Lian Xin respectively holds not less than 2%, 1% and 1% of the Registered Capital of the Megahunt, the Company (including its subsidiaries) shall not directly or indirectly transfer its equity interest in Megahunt HK (save that the direct or indirect transfer of its Registered Capital of Megahunt within its wholly-owned subsidiaries is not subject to this limitation), breaching which the Company shall be liable to pay a total of RMB20 million as liquidated damages to the Investors in proportion to their respective percentages of Registered Capital of Megahunt.

Prior to the completion of the Qualified IPO (or before 31 December 2025, whichever is the earlier), so long as Ju Xin Fund holds not less than 2% of the Registered Capital of Megahunt, unless otherwise agreed by Ju Xin Fund in writing, Megahunt HK’s percentage of Registered Capital of Megahunt shall not be less than 50%.

SHAREHOLDING STRUCTURE OF MEGAHUNT

The below table sets out the shareholding structure of Megahunt (a) as at the date of this announcement, (b) immediately after the exercise of 2019 Options in full and immediately before completion of the Investment and (c) immediately after the completion of the Investment:

	As at the date of this announcement		Upon the exercise of 2019 Options in full and immediately before completion of the Investment		Upon completion of the Investment	
	Amount of Registered Capital (HK\$)	Approximate percentage of the Registered Capital (%)	Amount of Enlarged Registered Capital (HK\$)	Approximate percentage of the Enlarged Registered Capital (%)	Amount of Enlarged Registered Capital (HK\$)	Approximate percentage of the Enlarged Registered Capital (%)
Megahunt HK Management	15,000,000	100.00	15,000,000	76.92	15,000,000	65.73
Team Members	–	–	4,500,000	23.08	4,500,000	19.72
<i>Mr. Li</i>	–	–	1,800,000	9.23	1,800,000	7.89
<i>Mr. Xu WS</i>	–	–	750,000	3.85	750,000	3.29
<i>Mr. Xu CJ</i>	–	–	675,000	3.46	675,000	2.95
<i>Mr. Liu</i>	–	–	525,000	2.69	525,000	2.30
<i>Mr. Yang</i>	–	–	525,000	2.69	525,000	2.30
<i>Ms. Hui</i>	–	–	150,000	0.77	150,000	0.66
<i>Ms. Song</i>	–	–	75,000	0.38	75,000	0.33
The Investors	–	–	–	–	3,319,148	14.55
<i>Ju Xin Fund</i>	–	–	–	–	1,659,574	7.27
<i>Wonder Pax</i>	–	–	–	–	829,787	3.64
<i>Xin Lian Xin</i>	–	–	–	–	829,787	3.64
Total	15,000,000	100	19,500,000	100	22,819,148	100

INFORMATION OF THE INVESTORS

The Investors are Ju Xin Fund, Wonder Pax and Xin Lian Xin.

Ju Xin Fund is a RMB private equity investment fund, which mainly makes equity investment in the integrated circuit field and its upstream and downstream fields.

Wonder Pax is principally engaged in the research and development of computer software and hardware systems and their external equipment, financial electronic equipment, automated systems and related equipment; software product development; consulting services for financial electronic equipment and its related technology.

Xin Lian Xin is a RMB private equity investment fund, which mainly makes equity investment in the integrated circuit field and its upstream and downstream fields.

Wonder Pax is a wholly-owned subsidiary of PAX Global. As at the date of this announcement, the Company is a controlling shareholder of PAX Global holding approximately 33.09% of PAX Global's issued share capital.

Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Ju Xin Fund, Wonder Pax and Xin Lian Xin and their ultimate beneficial owner is an Independent Third Party.

REASONS FOR AND BENEFITS OF THE INVESTMENT

The Company is an investment holding company and the Group is principally engaged in provision of payment processing solutions, provision of financial solutions, sales of electronic power meters and solutions, sales of information security chips and solutions and provision of platform operation solutions.

The Group has been carrying out its business in the sales of information security chips and solutions through Megahunt, which principally involves in the sales of information security chips and solutions, computer hardware and software, system integration and the development of system on a chip (SOC).

Driven by the significant growth of the payment market in the PRC, the overall turnover of the information security chips and solutions segment has been increasing since 2018, among which, the sales of mag-stripe card security decoder chips remained stable while that of security micro-controller (MCU) achieved remarkable growth. Although the development of the payment market in the PRC has been growing stably in the first half of 2019, the competition in the information security chips and solutions market has becoming more intense. In view of such intensified market competition, while securing sales from its existing customers, Megahunt HK Group has been actively looking for business opportunities to expand its customer base and market share in the industry.

The proceeds from the Investment will be used as the general working capital of Megahunt and will provide funding for further expansion of business, thereby reinforcing comprehensive strength and growth potential of Megahunt HK Group's business. Besides, the introduction of the Investors is expected to bring strategic benefit. Through establishing and enhancing the cooperative relationship between the Company and the Investors, two of which are mainly investing in integrated circuit field and Wonder Pax is one of the customers of Megahunt, such relationship is expected to benefit the information security chips and solutions segment to leverage on the experience and reputation of the Investors to further develop Megahunt HK Group's business network.

The Directors consider that the terms of the Investment Agreement were determined after arm's length negotiations between the parties thereto and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

The transactions contemplated under the Investment Agreement do not constitute a notifiable transaction and therefore is not subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL AND RECORD DATE FOR SGM

The SGM is proposed to be held at Room 2515, 25/F, Sun Hung Kai Centre, 30 Harbour Road Wanchai, Hong Kong on Monday, 30 December 2019 at 11:00 a.m. for the Shareholders to consider, and if thought fit, approve the Proposed Amendment.

Record date (being the last date for registration of any share transfer given there will be no book closure) for determining the entitlement of the Shareholders to attend and vote at the SGM will be Friday, 20 December 2019. All transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 20 December 2019.

A circular containing details of the Proposed Amendment and the notice convening the SGM together with a form of proxy will be despatched to the Shareholders in due course.

DEFINITIONS

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

“2019 Options”	Options granted to the Grantees pursuant to the Megahunt Share Option Scheme
“Board”	the board of Directors
“Board of Megahunt”	the board of directors of Megahunt from time to time
“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
“Directors”	the directors of the Company
“Enlarged Registered Capital”	the registered capital of Megahunt as enlarged after (i) the exercise of the 2019 Options by the Grantees in full and (ii) the completion of the Investment, as the case may be
“Grantees”	Mr. Li, Mr. Liu, Mr. Xu CJ, Mr. Xu WS, Mr. Yang, Ms. Hui and Ms. Song collectively, each a “Grantee”

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party”	means third party independent of the Company and its connected persons (having the meaning ascribed to it under the Listing Rules)
“Investment”	the investment of RMB80 million in Megahunt by the Investors for approximately 14.55% of the Enlarged Registered Capital pursuant to the Investment Agreement
“Investment Agreement”	the agreement dated 4 December 2019 entered into by and among Megahunt, Megahunt HK, the Company, the Management Team Members and the Investors in relation to the Investment
“Investment Price”	the consideration payable by the Investors to Megahunt for the Investment pursuant to the Investment Agreement
“Investors”	Ju Xin Fund, Wonder Pax and Xin Lian Xin collectively, each an “Investor”
“Ju Xin Fund”	上海聚源聚芯集成電路產業股權投資基金中心(有限合伙)(unofficial English translation being Shanghai Ju Yuan Ju Xin Integrated Circuit Industry Equity Investment Fund Centre (Limited Partnership)), a limited partnership incorporated in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Team Members”	Mr. Li, Mr. Liu, Mr. Xu CJ, Mr. Xu WS, Mr. Yang, Ms. Hui and Ms. Song collectively, each a “Management Team Member”
“Megahunt”	Mega Hunt Microelectronics (Beijing) Limited (兆訊恒達微電子技術(北京)有限公司), a company incorporated in the PRC with limited liability 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 HK Group”	Megahunt HK and its subsidiaries
“Megahunt Shares”	the shares (registered capital) of Megahunt

“Megahunt Share Option Scheme”	the share option scheme of Megahunt adopted by Megahunt, as amended (and if applicable, approved by the Shareholders) from time to time, the principal terms of which are set out in the circular of the Company dated 11 July 2018 and 6 June 2019
“Mr. Li”	Mr. Li Li, a director, the legal representative and the general manager of Megahunt, a Management Team Member and a Grantee
“Mr. Liu”	Mr. Liu Zhan-li, the technology director of Megahunt, a Management Team Member and a Grantee
“Mr. Xu CJ”	Mr. Xu Changjun, an executive Director, a Management Team Member and a Grantee
“Mr. Xu WS”	Mr. Xu Wensheng, an executive Director, a Management Team Member and a Grantee
“Mr. Yang”	Mr. Yang Lei, the deputy general manager of Megahunt, a Management Team Member and a 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, a Management Team Member and a Grantee
“Ms. Song”	Ms. Song Jie, a director and the financial controller of Megahunt, a Management Team Member and a Grantee
“Option(s)”	options granted or to be granted to the eligible participants under the Megahunt Share Option Scheme
“PAX Global”	Pax Global Technology Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock code: 327)
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Qualified IPO”	the listing of the Megahunt Shares on Shanghai Stock Exchange, Shenzhen Stock Exchange or such other stock exchange as agreed by all shareholders of Megahunt
“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 at Room 2515, 25th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Monday, 30 December 2019 at 11:00 a.m.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wonder Pax”	萬達百匯科技(深圳)有限公司 (unofficial English translation being Wonder Pax Technology (Shenzhen) Co., Ltd., a company incorporated in the PRC with limited liability)
“Working Days”	a working day other than Saturdays, Sundays and public holidays under the laws of the PRC, and a trading day of the Stock Exchange
“Xin Lian Xin”	芯聯芯(平潭綜合實驗區)科技投資中心(有限合夥)(unofficial English translation being Xin Lian Xin (Pingtan Integrated Laboratory District) Technology Investment Centre (Limited Partnership)), a limited partnership incorporated in the PRC
“%”	per cent.

By order of the Board
HI SUN TECHNOLOGY (CHINA) LIMITED
Hui Lok Yan
Company Secretary

Hong Kong, 4 December 2019

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.11. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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.