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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)**

### **CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 5% INTEREST IN NEW CONCEPT SERVICES LIMITED**

**Financial adviser to the Company**



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

On 8 April 2008, the Company entered into the Agreement with the Vendor pursuant to which the Company conditionally agreed to purchase, and the Vendor agreed to sell the Sale Shares, representing 5% of the entire issued share capital of New Concept, for a cash consideration of approximately HK\$15.5 million.

The Company currently owns 95% of the entire issued share capital of New Concept. Mr. Li Ningchuan, the sole shareholder of the Vendor, was a past director of Pacific Sheen. Accordingly, Mr. Li Ningchuan is a connected person of the Company and the Vendor is therefore an associate of a connected person of the Company. Given that the revenue ratio exceeds 2.5% and the consideration for the Acquisition exceeds HK\$10 million, the Acquisition contemplated under the Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and approval by the Independent Shareholders at the SGM. Mr. Li Ningchuan and his associates, which beneficially owned 4,341,194 Shares as at the date of this announcement, will abstain from voting at the SGM.

An Independent Board Committee has been formed to advise the Independent Shareholders in relation to the Acquisition and Nuada Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, further details of the Agreement, the respective advice of the Independent Board Committee and the independent financial adviser in relation to the Agreement and a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

\* For identification purpose only

## **THE AGREEMENT**

**Date:** 8 April 2008

### **Parties:**

- (1) Vendor : Universal Star Group Ltd., an investment holding company incorporated in Samoa with limited liability
- (2) Purchaser : the Company
- (3) Guarantor : Mr. Li Ningchuan is the sole shareholder of the Vendor and was a past director of Pacific Sheen. Accordingly, Mr. Li Ningchuan is a connected person of the Company and the Vendor is therefore an associate of a connected person of the Company. Mr. Li Ningchuan has undertaken to guarantee the performance of the Vendor's obligation under the Agreement.

### **Assets to be acquired**

The Sale Shares, representing 5% of the entire issued share capital of New Concept.

### **Consideration**

The consideration of approximately HK\$15.5 million for the Acquisition shall be paid by the Company to the Vendor by delivery of banker's draft upon fulfillment of the conditions of the Agreement at Completion.

The consideration for the Acquisition was determined after arm's length negotiations between the parties to the Agreement with reference to acquisition price paid by the Company for the Previous Acquisition. The Company intends to finance the consideration for the Acquisition from its internal resources.

### **Conditions to Completion**

Completion is conditional upon the fulfillment of conditions including, among others, the following:

- (i) approval of the Agreement, the Acquisition and the transactions contemplated thereunder by the Independent Shareholders in a general meeting as required under the Listing Rules; and
- (ii) the obtaining of all relevant approvals and consents from the relevant authorities in relation to the Acquisition and the transaction contemplated under the Agreement.

In the event that any of the above conditions has not been fulfilled on or before 6 May 2008 (or such later date as is otherwise agreed by the Vendor and the Company in writing), the Agreement shall terminate and the parties to the Agreement shall have no further claim against each other save and except for any antecedent breach.

## THE PREVIOUS ACQUISITION

In February 2007, the Company entered into an agreement with the founders (including Mr. Li Ningchuan) of the Hualong Group (the “Founders”) to effectively acquire 95% interest of New Concept at a consideration of RMB270,650,000 (equivalent to approximately HK\$279.7 million) (the “Previous Acquisition”). For details of the Previous Acquisition, please refer to the circular of the Company dated 30 March 2007 (the “Previous Circular”).

As disclosed in the Previous Circular, as part of the Previous Acquisition, the Company would dispose of 5% interest in the Hualong Group to the Founders for a consideration of approximately RMB15.0 million upon completion of the Previous Acquisition. The Directors wish to state that the Company had disposed of the entire 5% interest in the Hualong Group to the Vendor, a company wholly-owned by Mr. Li Ningchuan. Accordingly, after completion of the Previous Acquisition in July 2007, New Concept became the immediate holding company of the Hualong Group and is owned by the Company and the Vendor as to 95% and 5% respectively.

## INFORMATION ON NEW CONCEPT

New Concept, a company incorporated in British Virgin Islands and the immediate holding company of the Hualong Group, is a 95% owned subsidiary of the Company. Save for its shareholding interest in the Hualong Group, New Concept has no other material assets and liabilities. The Hualong Group, having a history of over a decade, is principally engaged in the design, manufacture and sale of electronic power meters and provision of management and automation solutions for the electric power industry. The Hualong Group’s electronic power meters are primarily used to measure the transfer of electricity between power stations, power companies and end users of electricity such as residential and industrial users, and can be custom-made according to customers’ requirements and specifications. The Hualong Group comprises of Hangzhou PAX Electric Technology Company Limited and Pacific Sheen and their respective subsidiaries. Save for its shareholding interest in Hangzhou PAX Electric Technology Company Limited and Pacific Sheen and their respective subsidiaries, the Hualong Group has no other material assets and liabilities.

Set out below are the audited financial information of Hangzhou PAX Electric Technology Company Limited and Pacific Sheen for the two years ended 31 December 2006 which are prepared in accordance with accounting principles generally accepted in Hong Kong:

### Hangzhou PAX Electric Technology Company Limited:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2005</b>	<b>2006</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Turnover	313,502	394,579
Net profit before taxation	34,191	59,320
Net profit after taxation	36,672	43,345
	<b>As at 31 December</b>	
	<b>2005</b>	<b>2006</b>
	<i>RMB’000</i>	<i>RMB’000</i>
Net assets	166,651	164,761

## Pacific Sheen:

	For the year ended	
	31 December	
	2005	2006
	RMB'000	RMB'000
Turnover	—	—
Net profit before taxation	(299)	(619)
Net profit after taxation	(299)	(619)
	As at 31 December	
	2005	2006
	RMB'000	RMB'000
Net assets	3,478	3,815

## REASONS FOR AND BENEFITS OF THE ACQUISITION

Prior to the Previous Acquisition in 2007, the Group has been principally engaged in the sales of information technology products, provision of business process operation services, provision of information system consultancy and integration services, and information technology operation value-added services. With the acquisition of New Concept, the Group has further expanded its business activity to the electronic power meters industry.

The Directors consider that the Acquisition constitutes a good opportunity to further consolidate its interest in New Concept, thereby enabling it to consolidate a 100% of New Concept's financials into the financial statements of the Group, without having to account for the 5% minority interest of the Vendor. The Directors (the view of the Independent non-executive Director will be expressed in the letter from the Independent Board Committee to be contained in the circular) also consider that the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## GENERAL

The Company currently owns 95% of the issued share capital of New Concept. Mr. Li Ningchuan, the sole shareholder of the Vendor, was a past director of Pacific Sheen. Accordingly Mr. Li Ningchuan is a connected person of the Company and the Vendor is an associate of a connected person of the Company. Given that the revenue ratio exceeds 2.5% and the consideration for the Acquisition exceeds HK\$10 million, the Acquisition contemplated under the Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and approval by the Independent Shareholders at the SGM. Mr. Li Ningchuan and his associates, which beneficially owned 4,341,194 Shares as at the date of this announcement, will abstain from voting at the SGM.

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A circular containing, among other things, further details of the Agreement, the respective advice of the Independent Board Committee and the independent financial adviser in relation to the Agreement and a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Company from the Vendor pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 8 April 2008 entered into between the Company, the Vendor and Mr. Li Ningchuan in relation to the Acquisition as more particularly set out under the section headed “The Agreement” of this announcement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Hi Sun Technology (China) Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Completion”	completion of the Acquisition as contemplated under the Agreement
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hualong Group”	the group of companies comprising 杭州百富電力技術有限公司 (Hangzhou PAX Electric Technology Company Limited) (formerly known as 杭州百富控股有限公司 (Hangzhou Baifu Holding Company Limited)), Pacific Sheen and their respective subsidiaries
“Independent Board Committee”	a committee of the Board comprising Mr. Tam Chun Fai, Mr. Xu Sitao and Mr. Leung Wai Man, Roger established to advise the Independent Shareholder in relation to the Agreement
“Independent Shareholder(s)”	Shareholders other than the Vendor, Mr. Li Ningchuan and their respective associates (if any)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Concept”	New Concept Services Limited, a 95% owned subsidiary of the Company as at the date of this announcement and the immediate holding company of the Hualong Group

“Mr. Li Ningchuan”	Mr. Li Ningchuan (李寧川), a sole shareholder of the Vendor, a past director of Pacific Sheen and the guarantor under the Agreement
“Pacific Sheen”	Pacific Sheen International Limited (富順國際有限公司), a company incorporated in Hong Kong, and a wholly-owned subsidiary of New Concept and an indirect subsidiary of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Sale Shares”	5 ordinary shares of nominal value USD1.00 each in New Concept, representing 5% of the entire issued share capital of New Concept, owned by the Vendor as at the date of this announcement
“SGM”	the special general meeting of the Company to be convened and held to consider and if thought appropriate, to approve the Acquisition and the transaction contemplated under the Agreement by the Independent Shareholders
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Universal Star Group Ltd., a company incorporated in Samoa with limited liability, the entire issued share capital of which is owned by Mr. Li Ningchuan
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

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

Hong Kong, 10 April 2008

*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 and three independent non-executive Directors, namely Mr. Tam Chun Fai, Mr. Xu Sitao and Mr. Leung Wai Man, Roger.*