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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) DISCLOSEABLE AND CONNECTED TRANSACTION AS RESULT OF ISSUE OF CONVERTIBLE PREFERENCE SHARES BY, AND A POSSIBLE FURTHER TRANSFER OF FURTHER SHARES IN, A SUBSIDIARY AND (2) RESUMPTION OF TRADING**

Reference is made to the announcement of the Company dated 25 November 2009.

On 24 December 2009, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company shall procure the issue and allotment by Success Bridge of, and the Subscriber shall subscribe for the 600 SBL Preference Shares at a total Subscription Price of US\$60 million (equivalent to approximately HK\$465 million). The 600 SBL Preference Shares represent 6.0% of the issued share capital of Success Bridge, a wholly-owned subsidiary of the Company, as enlarged by the Subscription. The Subscription Price is to be paid by the Subscriber in cash at Completion.

SBL Preference Shareholders will at any time from the date of Completion (being the date on which the SBL Preference Shares are to be issued) until a Qualified IPO becoming unconditional, be entitled to convert all or part of the SBL Preference Shares into the SBL Ordinary Shares on the basis of one SBL Preference Share into one SBL Ordinary Share (subject to adjustments).

Pursuant to the Shareholders Agreement to be entered into between the Company, the Subscriber and Success Bridge, the Company will agree that at any time during the period from (and including) the day falling nine months after the date of the first issue of the SBL Preference Shares to (and excluding) the date falling on the third anniversary thereof, the Majority SBL Preference Shareholders shall be entitled to transfer to the Company all (but not some only) SBL Preference Shares then held together with all SBL Ordinary Shares (that have arisen from the conversion of the SBL Preference Shares) into new Shares at the initial Exchange Price of HK\$4.5 per Share (subject to adjustments). The Company will also agree, (i) if the 2010 SBL Net Profit is less than RMB450,000,000, the Company shall transfer to the SBL Preference Shareholders such aggregate number of Additional Shares equal to up to 3% of the aggregate number of SBL Shares in issue as at Completion at a consideration of HK\$1.00 (the "Ratchet Disposal"); and (ii) if the 2010 SBL Net Profit is RMB500,000,000 or more, the SBL Preference Shareholders shall transfer to the Company such aggregate number of Return Shares equal to up to 2% of the aggregate number of SBL Shares in issue as at Completion at a consideration of HK\$1.00 (the "Ratchet Acquisition"). **Shareholders and potential investors in the Company should note that there is no assurance that the 2010 SBL Net Profit will reach any of such amounts or that Success Bridge will record any profits for the year 2010.**

There will be no Ratchet Disposal or Ratchet Acquisition if (a) the volume weighted average price of the Shares exceeds HK\$4.5 for a period of thirty consecutive trading days during the period from (and including) the day falling nine months immediately following the Completion up to (and excluding) the day falling on the second anniversary of the date of Completion or (b) the SBL Preference Shareholders ceases to hold any shares in Success Bridge as a result of their exercise of the Exchange Rights in full and such transfer has been completed.

The proceeds raised from the Subscription will be used for the development of 3G mobile value-added solutions and services and wireless payment operation services in the PRC, and the general working capital of the Success Bridge Group (which immediately upon completion of the Reorganisation will include the Target Companies).

Immediately upon Completion, the Subscription will result in a reduction of the effective percentage equity interest of the Company in Success Bridge from 100% to 94% and therefore constitute a deemed disposal of the Company's interest in Success Bridge pursuant to Rule 14.29 of the Listing Rules. If the Company is required to transfer a maximum percentage (3%) of the Additional Shares pursuant to the Ratchet Disposal under the Shareholders Agreement, the Company's interest in Success Bridge will be reduced further down to 91%. The Ratchet Disposal (when aggregated with the deemed disposal of the Company's interest in Success Bridge as a result of the issue of the SBL Preference Shares) will constitute a discloseable transaction of the Company. The purchase of SBL Shares on the exercise of the Exchange Rights may also constitute a discloseable transaction of the Company, for example, if the Subscriber has then acquired 9% equity interest in Success Bridge through the Subscription and the Ratchet Disposal.

The Subscriber is wholly-owned by Hao Capital Fund II L.P., Hao Capital Fund II L.P. and Hao Capital China Fund L.P. (being funds under common control) through their wholly-owned subsidiaries are currently substantial shareholders of the Company's non-wholly owned subsidiary, PAX Technology Limited. Accordingly, each of the Subscription, the Ratchet Disposal, the Ratchet Acquisition, the purchase of SBL Shares on exercise of the Exchange Rights, constitutes a connected transaction of the Company, subject to reporting, announcement and Independent Shareholders approval requirement under Chapter 14A of the Listing Rules.

A circular containing, among other things, further details of the Subscription Agreement, recommendations from the independent board committee of the Company and the advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders will be sent to the Shareholders as soon as practicable, together with a notice convening a SGM at which an ordinary resolution will be proposed for the approval of the transactions contemplated under the Subscription Agreement.

Given that the Exchange Right entails an issue of new Shares and the transactions contemplated under the Subscription Agreement are price-sensitive, as required under the Listing Rules and at the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on Monday, 28 December 2009 pending release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on Thursday, 31 December 2009.

**This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares. Shareholders and potential investors should note that Completion is conditional and exercise caution when dealing in the Shares.**

## INTRODUCTION

On 24 December 2009, the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Company shall procure the issue and allotment by Success Bridge of, and the Subscriber shall subscribe for the 600 SBL Preference Shares at the Subscription Price of US\$60 million (equivalent to approximately HK\$465 million). The SBL Preference Shares represent 6.0% of the issued share capital of Success Bridge as enlarged by the Subscription.

## THE SUBSCRIPTION AGREEMENT

Date : 24 December 2009

Parties : the Company  
the Subscriber

The Subscription : Pursuant to the Subscription Agreement, the Company shall procure Success Bridge, a wholly-owned subsidiary of the Company, to issue to the Subscriber the 600 SBL Preference Shares, which represent 6.0% of the issued share capital of Success Bridge as enlarged by the Subscription, for a total consideration of US\$60 million (approximately HK\$465 million at the pre-agreed exchange rate of US\$1: HK\$7.7553) to be settled in cash on Completion.

The Subscription Price was arrived after arm's length negotiation between the Company and the Subscriber with reference to various factors including the current financial position, the historical financial performance and business prospect of the Target Companies (which upon completion of the Reorganisation will be directly or indirectly wholly-owned by Success Bridge).

Rights of the SBL : *As regards income*  
Preference Shares

The holder of SBL Preference Shares will be entitled to receive out of any legally available funds non-cumulative dividends at the rate equal to the dividends which would be declared and paid on each SBL Ordinary Share on an as-if-converted basis, at the same time as are paid with respect to SBL Ordinary Shares. No dividend or distribution shall be paid on any SBL Ordinary Shares or shares of any other class or series in Success Bridge unless and until all accrued and unpaid dividend payable on the SBL Preference Shares have been paid in full (calculated on an as-if-converted basis).

In the event that Success Bridge makes or issues a dividend or other distribution with respect to the SBL Ordinary Shares or share of any other class or series in Success Bridge payable in (i) securities of Success Bridge other than SBL Ordinary Shares, or (ii) assets, then and in each such event the holders of SBL Preference Shares shall receive, before such distribution is made with respect to SBL Ordinary Shares, the number of securities or such other assets of Success Bridge which they would have received had their SBL Preference Shares been converted into SBL Ordinary Shares or shares of any other class or series in Success Bridge immediately prior to the record date of such distribution.

*As regards capital*

In the event of (i) any return of capital, liquidation, dissolution or winding up of Success Bridge, either voluntary or involuntary, or (ii) a sale of all or substantially all of Success Bridge's assets, holders of SBL Preference Shares shall rank in priority to any other class of shares in Success Bridge and shall be entitled to receive in cash, an amount per SBL Preference Share equal to 150% of the Subscription Price per SBL Preference Share and all accrued or declared but unpaid dividend thereon (the "SBL Preference Amount"). Following the distribution of the SBL Preference Amount in full, any remaining assets of Success Bridge legally available for distribution shall be distributed pro rata among holders of SBL Preference Shares (on an as-if-converted basis) together with holders of SBL Ordinary Shares. If the assets lawfully available for distribution among the holders of SBL Preference Shares shall be insufficient to permit the payment in full of the SBL Preference Amount, the entire assets of Success Bridge shall be distributed rateably to the holders of SBL Preference Shares in proportion to the SBL Preference Amount each such holder would otherwise be entitled to receive.

*As regards conversion*

- (i) At any time from the issue date until the date which a Qualified IPO becoming fully unconditional, SBL Preference Shares are convertible into SBL Ordinary Shares at the conversion ratio of 1:1, which ratio will be adjusted on consolidation/sub-division of SBL Ordinary Shares.
- (ii) At any time from the issue date until the date which a Qualified IPO becoming fully unconditional, if Success Bridge issues any shares or any equity securities convertible into shares in Success Bridge for an issue price less than US\$100,000 per share (being the Subscriber's original Subscription Price per SBL Preference Share), the Company shall issue additional SBL Preference Shares to the SBL Preference Shareholders in accordance with the Shareholders Agreement, as set out in the paragraph headed "Anti-dilution protection" below.

*As regards voting rights*

Holders of SBL Preference Shares shall be entitled to full voting rights at general meetings of Success Bridge carrying the number of votes on an as converted basis. Except in relation to any resolution which if passed would abrogate or vary the rights or preferences attached to any SBL Preference Shares which SBL Preference Shareholders shall be entitled to vote as a separate class at a general meeting of Success Bridge, holders of SBL Preference Shares and SBL Ordinary Shares shall vote together as a single class.

- Conditions precedent : Completion is conditional upon, among other things:
- (i) the Reorganisation having been completed;
  - (ii) the Company and each of the Target Companies having obtained or procured to be obtained all approvals, consents and qualification (inducing but not limited to any Shareholder approval as required by the Listing Rules) necessary for it to undertake the transaction to be undertaken by it as contemplated by the Subscription Agreement and the Shareholders Agreement;
  - (iii) the Stock Exchange having granted the listing of, and the permission to deal in the Shares that may be allotted and issued upon the exercise of the Exchange Rights;
  - (iv) the adoption of the memorandum and articles of association of Success Bridge providing for, among other things, the rights, preferences and privileges of the SBL Preference Shares;
  - (v) the warranties contained in the Subscription Agreement shall be true and accurate on and as at Completion; and
  - (vi) there shall not have occurred any event or circumstance resulting, or which could reasonably be expected to result, in a material adverse effect (as defined in the Subscription Agreement).

Completion : Completion shall take place on the third Business Day following the day on which the last condition to the Subscription Agreement has been satisfied or waived, or a such other time as the parties to the Subscription Agreement may agree in writing, provided that Completion shall occur not later than sixty days after the date of the Subscription Agreement.

## **SHAREHOLDERS AGREEMENT**

On Completion, the Company is required to enter into the Shareholders Agreement with the Subscriber and Success Bridge which sets out the rights and obligations of the shareholders of Success Bridge, and includes the following provisions:

*(i) Board composition*

The board of Success Bridge shall consist of three directors. So long as the SBL Preference Shareholders hold in aggregate not less than 5% of the SBL Preference Shares in issue immediately upon Completion (or an equivalent number of SBL Ordinary Shares that have arisen from the conversion of the SBL Preference Shares), the Majority SBL Preference Shareholders will have one board seat in Success Bridge and each of Success Bridge's subsidiaries with prior written notice to Success Bridge.

So long as the Company remains directly or indirectly the single largest shareholder of the SBL Shares, it will have two board seats in Success Bridge and any of Success Bridge's subsidiaries as it may specify from time to time (or a simple majority on the number of directors if there are at any time more than three directors on the board of the relevant company).



(ii) *Ratchet Disposal and Ratchet Acquisition*

If the 2010 SBL Net Profit is less than RMB450,000,000, the Company shall transfer to the SBL Preference Shareholders such number of SBL Ordinary Shares (“Additional Shares”) equal to up to 3% of the aggregate number of SBL Shares in issue as at Completion at a consideration of HK\$1.00 (the “Ratchet Disposal”).

The number of Additional Shares is to be determined as follows:

<i>2010 SBL Net Profit</i>	<i>Additional Shares</i>
less than RMB375,000,000	3%
RMB375,000,000 or more but less than RMB400,000,000	2%
RMB400,000,000 or more but less than RMB450,000,000	1%

On completion of the transfer of the Additional Shares, such Additional Shares (being SBL Ordinary Shares) shall be re-designated into SBL Preference Shares on a one-to-one basis.

If the 2010 SBL Net Profit is RMB500,000,000 or more, the SBL Preference Shareholders shall transfer to the Company such number of SBL Preference Shares and/or SBL Ordinary Shares (“Return Shares”) equal to up to 2% of the aggregate number of SBL Shares in issue as at Completion at a consideration of HK\$1.00 (the “Ratchet Acquisition”). The number of Return Shares is to be determined as follows:

<i>2010 SBL Net Profit</i>	<i>Return Shares</i>
RMB500,000,000 or more but less than RMB550,000,000	1%
RMB550,000,000 or more	2%

If the 2010 SBL Net Profit is RMB450,000,000 or more but less than RMB500,000,000, then no Additional Shares shall be transferred to or Return Shares shall be transferred from the SBL Preference Shareholders.

There will be no Ratchet Disposal or Ratchet Acquisition if (a) the volume weighted average price of the Shares exceeds HK\$4.5 for a period of thirty consecutive trading days during the period from (and including) the day falling nine months immediately following the date of Completion up to (and excluding) the day falling on the second anniversary of the date of Completion or (b) the SBL Preference Shareholders ceases to hold or own any SBL Shares as a result of transfer of such SBL Shares on their exercise of the Exchange Rights and such transfer has been completed.

The targets for the 2010 SBL Net Profit which trigger the Ratchet Disposal and Ratchet Acquisition resulted from arms length negotiations between the Subscriber and the Company, as incentives to drive the future performance of Success Bridge. The Directors consider the terms of the Ratchet Disposal and Ratchet Acquisition to be fair and reasonable, having regard to the fact that in return for US\$60 million investment in Success Bridge, the Company would only have to part with a minimum of 1% and a maximum of 3% equity interests in Success Bridge.

**Shareholders and potential investors in the Company should note that there is no assurance that the 2010 SBL Net Profit will reach any of such amounts or that Success Bridge will record any profits for the year 2010.**

(iii) *Exchange Rights*

At any time during a period from (and including) the day falling nine months after the date of the first issue of the SBL Preference Shares to (and excluding) the date falling on the third anniversary thereof and subject to the number of SBL Preference Shares then outstanding exceeding 50% in number of the aggregate number of such SBL Preference Shares and SBL Ordinary Shares (that have arisen on the conversion of the SBL Preference Shares), the Majority SBL Preference Shareholders may, at their sole option, require the Company to acquire all SBL Preference Shares then in issue and SBL Ordinary Shares (that have arisen from the conversion of the SBL Preference Shares) and held by the SBL Preference Shareholders (other than the Company) in consideration of the issue to the relevant SBL Preference Shareholder or the person (not being a connected person of the Company) designated by it of such number of new Shares to be calculated by US\$60 million (or its HK\$ equivalent calculated at the exchange rate of US\$1 : HK\$7.7553) divided by the Exchange Price. The initial Exchange Price is HK\$4.5 per Share (subject to adjustments). The Exchange Price will be adjusted:

- (a) on consolidation/sub-division of the Shares;
- (b) on issue of new Shares by way of rights or the grant to all Shareholders of any options or warrants to subscribe for new Shares, at a price per new Share less than 90% of the then market price of the Shares; or
- (c) on issue of any Shares at any time after the first issue of the SBL Preference Shares but before expiry of nine calendar months thereof (other than any issue pursuant to the exercise of the Exchange Rights by SBL Preference Shareholders or subscription rights attaching to options granted before Completion pursuant to the Company's share option scheme adopted on 29 November 2001) at a price per Share ("Alternative Price") less than the then prevailing Exchange Price, to the Alternative Price.

The Company will comply with the applicable requirements under the Listing Rules if and when the Exchange Price (and thus the number of Shares to be issued on exercise of the Exercise Rights) is adjusted.

The initial Exchange Price represents:

- (i) a premium of approximately 12.5% over the closing price of HK\$4.00 per Share quoted on the Stock Exchange on 24 December 2009, being the last trading day prior to the suspension of trading in the Shares on the Stock Exchange pending the release of this announcement; and
- (ii) a premium of approximately 15.3% over the average closing price of approximately HK\$3.902 per Share over the last 5 trading days up to and including 24 December 2009.

The Exchange Price was arrived at after arms length negotiation between the parties with reference to the prevailing market price of the Shares. The Directors consider that the Exchange Price of HK\$4.5 per Share is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Assuming the SBL Preference Shares are fully exchanged into the Shares at the initial Exchange Price of HK\$4.5 per Share, a total of 103,404,000 Shares will be issued representing approximately 3.87% and 3.72% of the issued share capital of the Company as at the date of this announcement and as enlarged by the issue of such new Shares on the exercise in full of the Exchange Rights respectively.

New Shares to be issued on exercise of the Exchange Rights will be issued under a specific mandate to be approved by the Shareholders at the special general meeting of the Company.

(vi) *Anti-dilution protection*

If Success Bridge issues any New SBL Securities the effective issue price attributable to each share being less than the Subscriber's original Subscription Price per SBL Preference Share, the Company shall issue such number of additional SBL Preference Shares to make up any shortfall in SBL Preference Shares then held had the investment in those SBL Preference Shares been at the lower price.

In the event of any return of capital, issue of new shares or securities of Success Bridge by way of capitalisation of profits or reserves (other than a capitalisation issue in substitution for, or as an alternative to, a cash dividend which is available to the SBL Preference Shareholders), any consolidation or sub-division or any repurchase or redemption of SBL Shares (other than SBL Preference Shares), any variation in the subscription price or conversion rate applicable to any other outstanding shares of Success Bridge otherwise than pursuant to the terms of issue of such shares, the rate at which each SBL Preference Share may be converted into SBL Ordinary Shares shall also be subject to adjustment as may be agreed by Success Bridge and the SBL Preference Shareholders or certified by auditors of Success Bridge (after taking into consideration the anti-dilution provisions above). The Company will comply with the applicable requirements under the Listing Rules if and when such conversion ratio is adjusted.

(v) *Non-competition Undertaking*

The Company will give undertaking to Success Bridge and the SBL Preference Shareholders, so long as it is beneficially interested in any share in Success Bridge and for a period of one year after it ceases to be beneficially interest in any shares of Success Bridge, not to, and to procure its affiliates (as defined in the Shareholders Agreement) not to, engage in any business competing with the Business on a world-wide basis.

(vi) *Transfer of shares of Success Bridge*

The Shareholders Agreement contains provisions which are often found in agreements of this nature which includes right of first offer on issue of New SBL Securities, right of first refusal in the event of any transfer by any shareholder of Success Bridge and co-sale rights for the SBL Preference Shareholders in the event of any transfer of SBL Ordinary Shares by a SBL Ordinary Shareholder to a third party.



*(vii) Moratorium*

Neither the Company nor any person holding options to purchase SBL Ordinary Shares pursuant to an employee share option scheme of Success Bridge shall transfer any securities of Success Bridge (other than transfer by the Company to its wholly-owned subsidiaries) at any time prior to the fourth (4th) anniversary of the date of Completion without the prior written consent of the Majority SBL Preference Shareholders.

## **APPLICATION FOR LISTING**

The SBL Preference Shares will not be listed on any stock exchange. No application will be made for the listing of the SBL Preference Shares.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares that may be allotted and issued upon the exercise of the Exchange Rights.

## **FINANCIAL EFFECTS OF THE SUBSCRIPTION, THE RATCHET DISPOSAL AND THE RATCHET ACQUISITION ON THE GROUP**

The Directors are of the view that under the current accounting standard:

- (i) Upon Completion, no gain or loss to the Group will be recorded. Instead, the consideration of the Subscription will be booked as financial liability and equity components.
- (ii) Upon the completion of either the Ratchet Disposal or the Ratchet Acquisition, no gain or loss to the Group will be recorded.
- (iii) Should all SBL Preference Shares be converted into SBL Ordinary Shares, upon completion of such conversion, a deemed disposal will be recorded, which will be calculated with reference to the Company's interest in Success Bridge based on the then audited net assets value of Success Bridge as compared to the Subscription Price. In addition, as the deemed disposal arising from the Subscription and the Ratchet Disposal do not result in a loss of control, these would be accounted for as an equity transaction and would not lead to any gain or loss to the Group.
- (iv) If the Exchange Rights are exercised in full, no gain or loss to the Group will be recorded.

Following Completion, assuming that the Ratchet Disposal and the Ratchet Acquisition do not take place, the Company's interest in the issued ordinary share capital of Success Bridge will remain as 100%. Assuming that all SBL Preference Shares are converted into SBL Ordinary Shares, the Company's interest in the issued ordinary share capital of Success Bridge will immediately upon such conversion be reduced from 100% to 94%, or (if the 2010 SBL Net Profit is less than RMB375,000,000 and the Ratchet Disposal has taken place) 91%, or (if the 2010 SBL Net Profit is RMB550,000,000 or more and the Ratchet Acquisition has taken place) 96%. Assuming the SBL Preference Shareholders exercise the Exchange Rights in full and neither the Ratchet Disposal nor the Ratchet Acquisition takes place, the Company's interest in the issued ordinary share capital in Success Bridge will remain as 100%. Under each scenario, Success Bridge will remain as a subsidiary of the Company.

Nevertheless, Shareholders should note that the exact financial effect of (i) the deemed disposal as a result of the Subscription and the Ratchet Disposal and (ii) the Ratchet Acquisition to the Group is subject to the Company's auditors' review and approval.

## INFORMATION OF THE GROUP AND THE TARGET COMPANIES

The Company is an investment holding company and its subsidiaries are principally engaged in the sales of electronic payment products and services, sales of electronic power meters and solutions, provision of telecommunication solutions and value-added services, provision of financial solutions, services and related products and provision of payment solutions and services.

Success Bridge, a wholly owned subsidiary of the Company, is an investment holding company incorporated in the British Virgin Islands with limited liability. Upon completion of the Reorganisation and immediately before Completion, Success Bridge will directly and indirectly hold all the Company's interests in the Target Companies, further information relating to which is set out below.

Turbo Speed, an indirect wholly owned subsidiary of the Company, is a company incorporated in the British Virgin Islands with limited liability. It is an investment holding company holding (i) 100% equity interest in Mega Peak, an investment holding company, and (ii) 100% equity interest in Beijing WFOE, which is a wholly foreign owned enterprise in the PRC principally engaged in the provision of telecommunication solutions and operation value-added services in the PRC.

Based on the audited consolidated financial statements of Turbo Speed, which are prepared in accordance with accounting principles generally accepted in Hong Kong, the consolidated turnover and net profit (before and after taxation) for the two years ended 31 December 2008 are as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2007</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	213,038	251,028
Net profit before taxation	116,422	125,575
Net profit after taxation	101,223	94,348

The unaudited consolidated net asset value of Turbo Speed as at 30 November 2009 is approximately HK\$270,609,000.

Max Ascent, an indirect wholly owned subsidiary of the Company, is a company incorporated in Hong Kong with limited liability on 15 January 2009. It is an investment holding company with its sole investment being its ownership of the 100% equity interest in Hunan WFOE, which is a wholly-foreign-owned enterprise established in the PRC on 11 March 2009 principally engaged in the provision of mobile payment solutions and services in the PRC. Based on the unaudited consolidated financial statement of Max Ascent, which are prepared in accordance with the accounting principles generally accepted in Hong Kong, the consolidated net loss for the period from its incorporation to 30 November 2009 is approximately HK\$36,377,000.

The unaudited consolidated net liability of Max Ascent as at 30 November 2009 is approximately HK\$36,485,000.

## SHAREHOLDING STRUCTURE

As at the date of this announcement, there are 2,673,429,835. The table below sets out the shareholding structure of the Company (i) at the date of this announcement; and (ii) immediately after the exchange in full of the SBL Preference shares into Shares at the initial Exchange Price of HK\$4.5 assuming that there is no other changes to the share capital of or holding in the Company from the date of this announcement to the date of such exchange.

Shareholders	As at date of this announcement	%	Immediately after exercise of the Exchange Rights in full at the initial Exchange Price of HK\$4.5	%
Mr. Kui Man Chun (Note 1)	642,283,636	24.02%	642,283,636	23.13%
Directors other than Mr. Kui Man Chun (Note 2)	30,566,000	1.14%	30,566,000	1.10%
The Subscriber and its associates (Note 3)	36,267,618	1.36%	139,671,618	5.03%
Other public shareholders	1,964,312,581	73.48%	1,964,312,581	70.74%
Total	<u>2,673,429,835</u>	<u>100%</u>	<u>2,776,833,835</u>	<u>100%</u>

### Notes:

- (1) 617,083,636 Shares are held by Rich Global Limited is wholly owned by Hi Sun Limited, which is in turn held as to 99.16% by Mr. Kui Man Chun, a Director of the Company.
- (2) Each of Mr. Li Wenjin, Mr. Xu Chang Jun, Mr. Xu Sitao and Mr. Xu Wensheng holds 6,400,000, 18,900,000, 700,000 and 4,566,000 Shares respectively.
- (3) The Company has been informed that each of the Subscriber and its beneficial owner, Hao Capital Fund II L.P., does not hold any Shares. However, Hao Capital China Fund L.P., being a fund under the same control as Hao Capital Fund II L.P., through its wholly-owned subsidiary, is interested in 36,267,618 Shares as at the date of this announcement.

## REASONS FOR THE SUBSCRIPTION AND PROPOSED USE OF PROCEEDS

The Directors consider that the Subscription represent an opportunity to raise capital for Success Bridge to provide additional funding to the Success Bridge's business. The Directors (excluding the independent non-executive directors whose views will be included in the Company's circular to be published in connection with, among other things, the Subscription, the Ratchet Disposal, the Ratchet Acquisition and the Exchange Rights) consider that the terms of the Subscription Agreement (including but not limited to the Subscription, the Ratchet Disposal, the Ratchet Acquisition and the Exchange Rights), which were negotiated on an arm's length basis and agreed on normal commercial terms between the parties involved, to be fair and reasonable, and that the transactions contemplated under the Subscription Agreement (including but not limited to the entering into of the Shareholders Agreement, the Exchange Rights, the Ratchet Disposal and the Ratchet Acquisition) are in the interests of the Company and the Shareholders as a whole.

The aggregate gross and net proceeds (after deducting the estimated expenses incurred in relation to the Subscription) to be raised from the Subscription are estimated to amount to HK\$465 million and approximately HK\$463 million, respectively.

The aggregate net proceeds from the Subscription of approximately HK\$463 million will be utilized as to approximately HK\$200 million for the development of 3G mobile value-added solutions and services; and approximately HK\$200 million for the development of wireless payment operation services in the PRC; and the remaining balance as general working capital of the Success Bridge Group.

## **GENERAL**

Immediately upon Completion, the Subscription will result in a reduction of the effective percentage equity interest of the Company in Success Bridge from 100% to 94% and therefore constitute a deemed disposal of the Company's interest in Success Bridge pursuant to Rule 14.29 of the Listing Rules. If the Company is required to transfer a maximum percentage (3%) of the Additional Shares pursuant to the Ratchet Disposal under the Shareholders Agreement, the Company's interest in Success Bridge will be reduced further down to 91%. The Ratchet Disposal (when aggregated with the deemed disposal of the Company's interest in Success Bridge as a result of the issue of the SBL Preference Shares) will constitute a discloseable transaction of the Company. The purchase of SBL Shares on the exercise of the Exchange Rights may also constitute a discloseable transaction of the Company, for example, if the Subscriber has then acquired 9% equity interest in Success Bridge through the Subscription and the Ratchet Disposal.

The Subscriber is an investment holding company wholly owned by Hao Capital Fund II L.P., Hao Capital Fund II L.P. and Hao Capital China Fund L.P. (being funds under common control) through their wholly-owned subsidiaries are currently substantial shareholders of the Company's non-wholly owned subsidiary, PAX Technology Limited. Accordingly, each of the Subscription, the Ratchet Disposal, the Ratchet Acquisition and the purchase of SBL Shares on exercise of the Exchange Rights will constitute a connected transaction of the Company, and is subject to reporting, announcement and Independent Shareholders approval requirements under Chapter 14A of the Listing Rules. The Company has been informed that Hao Capital China Fund L.P., through its wholly-owned subsidiary, is interested in 36,267,618 Shares as at the date of this announcement. Each of Hao Capital Fund II L.P. and Hao Capital China Fund L.P. and their respective associates is required to abstain from voting on resolution approving the Subscription, the Ratchet Disposal, the Ratchet Acquisition and the purchase of SBL Shares on exercise of the Exchange Rights.

New Shares to be issued on the exercise of the Exchange Rights will be issued under a specific mandate to be put forward for the Shareholders' approval at the special general meeting.

A circular containing, among other things, further details of the Subscription Agreement, recommendations from the independent board committee of the Company and the advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders will be sent to the Shareholders as soon as practicable, together with a notice convening a special general meeting of the Company at which an ordinary resolution will be proposed for the approval of the transactions contemplated under the Subscription Agreement (including but not limited to the Subscription, the issue of new Shares upon exercise of the Exchange Rights, the Ratchet Disposal and the Ratchet Acquisition).

Given that the Exchange Right entails an issue of new Shares and the transactions contemplated under the Subscription Agreement are price-sensitive, as required under the Listing Rules and at the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on Monday, 28 December 2009 pending release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on Thursday, 31 December 2009

**This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares. Shareholders and the investing public should note that Completion is conditional and they should exercise caution when dealing in the Shares.**

## **DEFINITIONS**

In this announcement, the following terms have the following meanings:

“2010 SBL Net Profit”	the audited consolidated net profit after taxation of the Success Bridge Group for the financial year ending 31 December 2010 ((i) excluding any extraordinary exceptional, one-off or non-recurring gain or losses; and (ii) after sufficient provisions on receivables and other contingent liabilities as are deemed appropriate by the auditors and the management adopting a prudent approach, and (iii) excluding any accounting effect of signing of the Subscription Agreement and Completion of the transactions contemplated thereunder, including without limitation the issue of the SBL Preference Shares and the transactions contemplated under the Shareholders Agreement (including without limitation any transfer, conversion or exchange of any SBL Preference Shares)
“associate”	has the meaning ascribed to it under the Listing Rules
“Beijing WFOE”	北京高陽聖恩園信息技術有限公司 (Beijing Hi Sunray Information Technology Limited), a wholly foreign-owned enterprise established in the PRC wholly owned by Turbo Speed
“Board”	the board of Directors
“Business”	provision of telecom value-added services and related services in the world (including software development and system maintenance and operation in relation to telecom value added service and the provision of telecom outsourcing service
“Business Day”	a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for business
“Company”	Hi Sun Technology (China) Limited, a company incorporated in Bermuda with limited liability whose Shares are listed on the Stock Exchange
“Completion”	completion of the Subscription Agreement
“Directors”	the directors of the Company
“Exchange Price”	HK\$4.5 per Share, subject to adjustments



“Exchange Rights”	the rights of SBL Preference Shareholders (other than the Company) to require by the Company to acquire all the SBL Preference Share and all SBL Ordinary Shares (that have arisen from the conversion of the SBL Preference Shares) then in issue and held by such SBL Preference Shareholders in consideration of the issue by the Company of Shares, as set out in the paragraph headed “Exchange Right” in the section headed “Shareholders Agreement” in this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hunan WFOE”	湖南高陽聯信息技術有限公司 (Hunan Hi Sun Mobile Pay IT Ltd.), a wholly foreign-owned enterprise in the PRC wholly-owned by Max Ascent
“Independent Shareholder”	Shareholders other than Hao Capital Fund II L.P. and Hao Capital China Fund L.P. and their respective associates
“Listing Committee”	the listing sub-committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Majority SBL Preference Shareholder”	SBL Preference Shareholders in aggregate holding through their SBL Preference Shares more than 50% of the voting rights of SBL Preference Shares in issue on an as converted basis and the SBL Ordinary Shares that have arisen from the conversion of SBL Preference Shares
“Max Ascent”	Max Ascent Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company
“Mega Peak”	Mega Peak Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Turbo Speed

“New SBL Securities”	shares of Success Bridge of any class, rights, options or warrants to subscribe any shares in the share capital of Success Bridge, or securities or any type whatsoever that are or may become convertible into or exchangeable for any shares in the share capital of Success Bridge, other than (a) any shares issued pursuant to the anti-dilution provisions in the Shareholders Agreement, (b) any SBL Ordinary Shares issued or to be issued upon conversion of SBL Preference Shares, (c) any SBL Ordinary Shares or options, warrants or rights therefor granted or issued pursuant to a employee share option scheme of Success Bridge, (d) any SBL Shares issued in connection with the acquisition by Success Bridge duly approved in writing by Majority SBL Preference Shareholders, (e) any shares issued in connection with any share split, share dividend or distribution, (f) any securities offered pursuant to a Qualified IPO, (g) any shares when issued when aggregated with all other shares issued after the first issue of the SBL Preference Shares be less than 20% of the shares in issue on the date of first issue of the SBL Preference Shares and provided that such share are issued at a price per share not less than 1.3 times the Subscriber’s original Subscription Price per SBL Preference Share, for the sole purpose of raising working capital of Success Bridge, and duly approved in writing by Majority SBL Preference Shareholders
“Qualified IPO”	means a firm commitment underwritten initial public offering of (i) SBL Ordinary Shares or (ii) (A) shares in the holding company of Success Bridge (except for the Company, the shares in which are already listed on the Stock Exchange) or (B) shares in such company holding the Business, in each case of (A) and (B) through a restructuring of Success Bridge, on a recognised stock exchange at a price per SBL Ordinary Share that values Success Bridge at no less than US\$2 billion immediately prior to such public offering
“PRC”	People’s Republic of China
“Reorganisation”	means the incorporation of Success Bridge and the alteration of the shareholding structure of each of the Target Companies as a result of which Success Bridge shall hold directly and indirectly all of the Company’s interests in the Target Companies
“SBL Ordinary Shares”	the ordinary share(s) of US\$0.001 each in the share capital of Success Bridge as at Completion
“SBL Ordinary Shareholder”	holder(s) of SBL Ordinary Shares (other than holder of SBL Ordinary Shares that have arisen on conversion of the SBL Preference Shares)
“SBL Preference Shares”	the preference share(s) of US\$0.001 each in the share capital of Success Bridge as at Completion
“SBL Preference Shareholder”	holder(s) of SBL Preference Shares or SBL Ordinary Shares that have arisen from the conversion of the SBL Preference Shares, other than the Company

“SBL Shares”	SBL Ordinary Shares and SBL Preference Shares
“Shareholders”	holders of the Shares
“Shareholders Agreement”	the shareholders agreement to be entered into amongst the Company, the Subscriber and Success Bridge upon Completion
“Share(s)”	ordinary share(s) of HK\$0.0025 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Wise World Group Limited, a company incorporated in the British Virgin Islands with limited liability, and is wholly-owned by Hao Capital Fund II L.P.
“Subscription”	the subscription of the 600 SBL Preference Shares by the Subscribers pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 24 December 2009 and entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	aggregate subscription price of US\$60 million (equivalent to approximately HK\$465 million) for the 600 SBL Preference Shares pursuant to the Subscription Agreement
“Success Bridge”	Success Bridge Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement
“Success Bridge Group”	Success Bridge and its subsidiaries from time to time (which will include the Target Companies upon completion of the Reorganisation)
“Target Companies”	Turbo Speed, Beijing WFOE, Max Ascent, Hunan WFOE and Mega Peak
“Turbo Speed”	Turbo Speed Technology Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America

*Unless the context requires otherwise, translation of US\$ and RMB into HK\$ are made in this announcement, for illustration purpose only, at the rate of US\$1.00 = HK\$7.7553. No representation is made that any amount in US\$ has been or could be converted at the above rates, or at any other rates or at all.*

By Order of the Board  
**Li Wenjin**  
*Executive Director*

Hong Kong, 30 December 2009

*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 purpose only*