

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hi Sun Technology (China) Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**PROPOSAL TO REFRESH THE LIMIT ON GRANT OF OPTIONS
UNDER THE SHARE OPTION SCHEME
AND
NOTICE OF SPECIAL GENERAL MEETING**

A notice convening the SGM (as defined herein) of Hi Sun Technology (China) Limited to be held at Suite 2316, 23rd Floor, One International Finance Centre, No.1 Harbour View Street, Central, Hong Kong on Wednesday, 17 August 2005 at 10:00 a.m. is set out on pages 9 to 10 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of the Company at Suite 2316, 23rd Floor, One International Finance Centre, No.1 Harbour View Street, Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not prevent shareholders from attending and voting at the SGM or any adjournment thereof if they so wish.

* For identification purposes only

CONTENTS

| | <i>Page</i> |
|---|-------------|
| DEFINITIONS | 1 |
| LETTER FROM THE BOARD | |
| 1. Introduction | 3 |
| 2. Background | 4 |
| 3. Proposal to refresh the limit on grant of options under the Share Option Scheme | 4 |
| 4. Reason and benefits of refreshment of the 10 per cent limit on grant of options under the Share Option Scheme | 6 |
| 5. Special general meeting | 6 |
| 6. Action to be taken | 6 |
| 7. Procedures for demanding a poll | 7 |
| 8. Responsibility statement | 7 |
| 9. Recommendation | 8 |
| NOTICE OF SPECIAL GENERAL MEETING | 9 |

DEFINITIONS

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

| | |
|---------------------------|---|
| “Board” | the board of directors of the Company |
| “Bye-Laws” | the bye-laws of the Company as may be amended from time to time |
| “Company” | Hi Sun Technology (China) Limited (高陽科技(中國)有限公司*), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange |
| “Directors” | the directors of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | The Hong Kong Special Administrative Region of the People’s Republic of China |
| “Latest Practicable Date” | 28 July 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Refreshed Limit” | the refreshment of the limit on grant of options under the Share Option Scheme |
| “SGM Notice” | notice convening the SGM as set out on pages 9 to 10 of this circular |
| “SGM” | the special general meeting of the Company to be held at Suite 2316, 23rd Floor, One International Finance Centre, No.1 Harbour View Street, Central, Hong Kong on Wednesday, 17 August 2005 at 10:00 a.m. to consider and, if thought fit, to refresh the limit on grant of options under the Share Option Scheme of the Company, or any adjournment thereof |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |

* For identification purposes only

DEFINITIONS

| | |
|-----------------------|--|
| “Share Option Scheme” | the share option scheme adopted by the Company pursuant to the resolutions of the Shareholders on 29 November 2001 |
| “Shareholder(s)” | registered holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |

LETTER FROM THE BOARD



HI SUN TECHNOLOGY (CHINA) LIMITED

高陽科技(中國)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code : 818)

Executive Directors:

CHEUNG Yuk Fung (*Chairman*)
KUI Man Chun
LO Siu Yu
XU Wensheng
LI Wenjin
CHAN Yiu Kwong
XU Chang Jun
ZHOU Jian

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-Executive Director:

LIU Yangsheng, Charles

Independent Non-Executive Directors:

TAM Chun Fai
XU Sitao
LEUNG Wai Man, Roger

Head Office and Principal

Place of Business:
Suite 2316, 23rd Floor
One International Finance Centre
No.1 Harbour View Street
Central, Hong Kong

1 August 2005

To the Shareholders

Dear Sir or Madam,

**PROPOSAL TO REFRESH THE LIMIT ON GRANT OF OPTIONS
UNDER THE SHARE OPTION SCHEME
AND
NOTICE OF SPECIAL GENERAL MEETING**

1. INTRODUCTION

An ordinary resolution will be proposed at the SGM to be held on Wednesday, 17 August 2005 to approve the refreshment of the limit on grant of options under the Share Option Scheme. The purpose of this circular is to provide you with further details in respect of the above proposal and to seek your approval of the ordinary resolution at the SGM.

* *For identification purposes only*

LETTER FROM THE BOARD

2. BACKGROUND

In a circular of the Company dated 13 June 2005 (the "1st Circular"), the Board proposed to extend the limit on grant of options under the Share Option Scheme to facilitate the grant of options to subscribe for an aggregate of 33,300,000 Shares to the specified grantees which included executive Directors and/or senior management of the Company (the "Proposed Grant"). Ordinary resolutions were passed by Shareholders at the special general meeting on 28 June 2005 (the "1st SGM") approving the Proposed Grant. As the Proposed Grant did not exceed the thresholds as stipulated in Rules 17.03(4) and 17.04(1) of the Listing Rules respectively, the Board had not arranged for the proposed grantees who are also shareholders of the Company or his associates or connected persons of the Company to abstain from voting at the 1st SGM and no statement regarding the abstention of voting by certain proposed grantees of the Proposed Grant was made in the 1st Circular. The Company was, however, subsequent to the 1st SGM notified by the Stock Exchange that the ordinary resolutions passed at the 1st SGM were not valid since certain shareholders who had voted at the 1st SGM had material interest in the Proposed Grant and thus should have abstained from voting at the 1st SGM and that the vote should have been taken on a poll pursuant to Rules 2.15 and 13.39(4) of the Listing Rules respectively. In view of the aforesaid, the ordinary resolutions proposed to be passed at the 1st SGM are not duly passed and hence the Company intends to reconvene a special general meeting for the purpose of approving the Refreshed Limit in order to offer the Company flexibility to grant options under the Share Option Scheme.

3. PROPOSAL TO REFRESH THE LIMIT ON GRANT OF OPTIONS UNDER THE SHARE OPTION SCHEME

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme is 33,305,403 Shares, being 10 per cent of the Shares in issue as at 26 May 2003, being the date of approval of the previous refreshment of the limit on grant of options in general meeting of the Company.

As at the Latest Practicable Date, the Company has granted options carrying rights to subscribe for 33,000,000 Shares, of which no granted option has lapsed nor has been exercised after the date of grant. As a result, only 305,403 options may be granted under the Share Option Scheme prior to the refreshment of the 10 per cent limit. Upon refreshing the 10 per cent limit on grant of options under the Share Option Scheme, 33,305,403 Shares may be issued pursuant to the grant of further options under the Share Option Scheme.

As at the Latest Practicable Date, the Company does not have any specified grantees in respect of the grant of options under the Refreshed Limit.

It is therefore proposed that subject to the approval of the Shareholders at the SGM and upon complying with other requirements under the Listing Rules, the limit on grant of options under the Share Option Scheme will be refreshed to 10 per cent of the Shares in issue as at the date of approval by the Shareholders at the SGM. Options previously granted under any share option scheme(s) of the Company (including those outstanding, cancelled, lapsed in accordance with such scheme(s) or exercised options) will not be counted for the purpose of calculating the limit as refreshed.

LETTER FROM THE BOARD

Pursuant to the Listing Rules, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme at any time must not exceed 30 per cent of the Shares in issue from time to time. No options will be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30 per cent limit being exceeded.

As at the Latest Practicable Date, there were 333,054,030 Shares in issue. Assuming that no further Shares will be issued between the period from the Latest Practicable Date and the date of approval of the Refreshed Limit by the Shareholders, the maximum number of Shares which may fall to be issued pursuant to exercise of options under the Refreshed Limit pursuant to the Share Option Scheme would be 33,305,403, representing 10 per cent of the Shares in issue as at the date of the SGM.

Conditions

As required by the Share Option Scheme and the Listing Rules, an ordinary resolution will be proposed at the SGM to approve the Refreshed Limit of the Share Option Scheme such that the total number of Shares which may be issued upon exercise of all options to be granted under the Refreshed Limit must not exceed 10 per cent of the total number of Shares in issue as at the date of approving the Refreshed Limit.

The adoption of the Refreshed Limit of the Share Option Scheme is conditional upon:

- (a) the Shareholders passing an ordinary resolution to approve the increase in the limit on grant of options under the Share Option Scheme at the SGM; and
- (b) the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options granted under the Refreshed Limit.

Application for Listing

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in 33,305,403 Shares (representing 10 per cent of the Shares in issue as at the date of the SGM) which may fall to be issued upon the exercise of options that may be granted under the Refreshed Limit.

LETTER FROM THE BOARD

4. REASON AND BENEFITS OF REFRESHMENT OF THE 10 PER CENT LIMIT ON GRANT OF OPTIONS UNDER THE SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 29 November 2001. The purpose of the Share Option Scheme is to enable the Company to attract, retain and motivate talented employees to strive for future developments and expansion of the Group. As such, it is important that the Company should continue to provide such employees and other participants under the Share Option Scheme with an additional incentive and encouragement by offering them an opportunity to obtain an ownership interest in the Company and to enjoy the results of the Company attained through their effort and contribution.

As the Company has nearly exhausted the 10 per cent limit on the number of options that can be granted under the Share Option Scheme, the Company considers it necessary to refresh the 10 per cent limit in order to afford the Company greater scope to grant options to the employees should the Company so wishes. In refreshing the 10 per cent limit on grant of options under the Share Option Scheme, the Company will correspondingly benefit in having much greater flexibility in attracting and retaining the talented employees to work for the overall betterment and expansion of the Company.

5. SPECIAL GENERAL MEETING

A notice convening the SGM to be held at Suite 2316, 23rd Floor, One International Finance Centre, No.1 Harbour View Street, Central, Hong Kong on Wednesday, 17 August 2005 at 10:00 a.m. is set out on pages 9 to 10 in this circular.

6. ACTION TO BE TAKEN

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to be present at the meeting, you are requested to complete the form of proxy and return it to the Company in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy will not prevent you from subsequently attending and voting at the SGM or any adjournment thereof if you so wish.

LETTER FROM THE BOARD

7. PROCEDURES FOR DEMANDING A POLL

Pursuant to Bye-Law 66 of the Bye-Laws, a resolution put to the vote of a general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:-

- (a) by the chairman of the meeting; or
- (b) by at least three members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by a member or members present in person (or in the case of a member being a corporation by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
- (d) by a member or members present in person (or in the case of a member being a corporation by its duly authorized representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which the aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorized representative shall be deemed to the same as a demand by a member.

If a poll is not demanded by virtue of any of the aforesaid situation, since the Company does not have any specified grantees under the Refreshed Limit, no Shareholders shall be required to abstain from voting and the ordinary resolution to be proposed at the SGM can be decided on a show of hands.

8. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

LETTER FROM THE BOARD

9. RECOMMENDATION

The Directors consider that the proposal for refreshment of the limit on grant of options under the Share Option Scheme is in the interest of the Company and is fair and reasonable to the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders should vote in favour of the ordinary resolution to be proposed at the SGM.

Yours faithfully,
By Order of the Board
Li Wenjin
Executive Director

NOTICE OF SPECIAL GENERAL MEETING



HI SUN TECHNOLOGY (CHINA) LIMITED

高陽科技(中國)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code : 818)

NOTICE IS HEREBY GIVEN that a special general meeting (the “Special General Meeting”) of Hi Sun Technology (China) Limited (the “Company”) will be held at Suite 2316, 23rd Floor, One International Finance Centre, No.1 Harbour View Street, Central, Hong Kong on Wednesday, 17 August 2005 at 10:00 a.m. for the purposes of considering and, if thought fit, passing with or without amendments the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in shares of HK\$0.01 each in the capital of the Company (the “Shares”) to be issued pursuant to the exercise of options which may be granted under the Refreshed Limit (as defined below), the refreshment of the scheme limit of the share option scheme of the Company adopted on 29 November 2001 (“Share Option Scheme”), up to 10 per cent of the number of Shares in issue as at the date of passing of this resolution (“Refreshed Limit”) be and is hereby approved and that the directors be and are hereby authorized, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of subscription rights under any options and to do all such acts and execute all such documents, as they consider necessary or desirable to implement the Share Option Scheme, to effect the Refreshed Limit and to vote on any matter connected therewith.

By Order of the Board
Li Wenjin
Executive Director

Hong Kong, 1 August 2005

* For identification purposes only

NOTICE OF SPECIAL GENERAL MEETING

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong:

Suite 2316, 23rd Floor
One International Finance Centre
No.1 Harbour View Street
Central, Hong Kong

Notes: –

- (1) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) Where there are joint holders of any share any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- (3) A form of proxy for use at the meeting is enclosed.
- (4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the Company's principal place of business at Suite 2316, 23rd Floor, One International Finance Centre, No.1 Harbour View Street, Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- (5) Completion and return of the form of proxy will not preclude a member from attending and voting at the meeting if the member so desires.