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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, 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 to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the 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)

**DISCLOSEABLE TRANSACTION
ISSUE OF CONVERTIBLE PREFERENCE SHARES
BY A MAJOR SUBSIDIARY
RESULTING IN A POSSIBLE DEEMED DISPOSAL OF
EQUITY INTEREST IN SUCH SUBSIDIARY**

Financial advisor to the Company



CIMB-GK Securities (HK) Limited

A notice convening a special general meeting of the Company to be held at Room 2416, 24th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Monday, 25 September 2006 at 10:00 a.m. is set out on pages 23 to 24 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the principal place of business of the Company at Room 2416, 24th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

* For identification purpose only

Hong Kong, 8 September 2006

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DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Beijing Hi Sun ABS”	北京高陽金信信息技術有限公司 (Beijing Hi Sun Advanced Business Solutions Information Technology Limited), a wholly foreign owned enterprise incorporated in the PRC with limited liability and a wholly owned subsidiary of Emerging Technology
“Board”	the board of Directors
“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 and the shares of which are listed on the Stock Exchange
“Completion”	completion of the Subscription Agreement
“Conversion Price”	HK\$1.088 per Conversion Share, subject to adjustments
“Conversion Shares”	new Shares to be issued upon the HS Conversion
“Directors”	the directors of the Company
“Emerging Technology”	Emerging Technology Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“ET Conversion”	the exercise of the conversion rights to convert the ET Preference Shares of a principal amount of up to the entire Subscription Price into the ET Ordinary Shares at any time during a period of two years from Completion on the basis of one ET Preference Share into one ET Ordinary Share, subject to adjustments
“ET Ordinary Shares”	ordinary shares of US\$1.00 each in the share capital of Emerging Technology to be issued to the Subscribers pursuant to the ET Conversion

DEFINITIONS

“ET Preference Shares”	760,778 new convertible preference shares of US\$1.00 each in the share capital of Emerging Technology to be issued to the Subscribers pursuant to the Subscription Agreement, representing 9.0% of the issued share capital of Emerging Technology as enlarged by the Subscription
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HS Conversion”	the exercise of the conversion rights to convert the ET Preference Shares of a principal amount of up to the entire Subscription Price into the Conversion Shares at the Conversion Price, subject to adjustments
“Last Trading Day”	18 August 2006, being the last trading day prior to the suspension of trading in the Shares on 21 August 2006
“Latest Practicable Date”	4 September 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Committee”	the listing committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held to approve the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate
“Shareholders”	holders of the Shares
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into amongst the Company, the Subscribers and Emerging Technology upon Completion

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.0025 each in the issued share capital of the Company
“Specific Mandate”	the specific mandate proposed to be granted to the Directors at the SGM to issue the Conversion Shares to the Subscribers upon the HS Conversion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber A”	HTSS ET Capital Limited, a company incorporated in Samoa
“Subscriber B”	OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd., and OZ Global Special Investments Master Fund, L.P., companies incorporated in the Cayman Islands
“Subscribers”	Subscriber A and Subscriber B
“Subscription”	the subscription of the ET Preference Shares by the Subscribers pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 21 August 2006 and entered into among the Company, Emerging Technology and the Subscribers in relation to the Subscription
“Subscription Price”	the subscription price of US\$18 million (equivalent to approximately HK\$140 million) to be paid by the Subscribers pursuant to the Subscription Agreement
“TS Preference Shares”	the preference share(s) of US\$0.10 each in the share capital of Turbo Speed
“Turbo Speed”	Turbo Speed Technology Limited, a company incorporated in the British Virgin Islands and a 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
“%”	per cent.

Unless the context requires otherwise, translation of US\$ into HK\$ is made in this circular, for illustration purpose only, at the rate of US\$1.00 = HK\$7.78.

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:

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

Independent non-executive Directors:

Mr. TAM Chun Fai
Mr. LEUNG Wai Man, Roger
Mr. XU Sitao

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place
of business:*

Room 2416, 24th Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

8 September 2006

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
ISSUE OF CONVERTIBLE PREFERENCE SHARES
BY A MAJOR SUBSIDIARY
RESULTING IN A POSSIBLE DEEMED DISPOSAL OF
EQUITY INTEREST IN SUCH SUBSIDIARY**

INTRODUCTION

On 21 August 2006, Emerging Technology, a wholly owned subsidiary of the Company, and the Company entered into the Subscription Agreement with the Subscribers in relation to the subscription by the Subscribers of the ET Preference Shares at a total subscription price of US\$18 million (equivalent to approximately HK\$140 million). The ET Preference Shares represent approximately 9.9% of the existing issued share capital of Emerging Technology and 9.0% of the issued share capital of Emerging Technology as enlarged by the Subscription. The total subscription price of US\$18 million (approximately HK\$140 million) was determined after arm's length negotiations with reference to the business potential of Emerging Technology.

* For identification purpose only

LETTER FROM THE BOARD

THE SUBSCRIPTION AGREEMENT

- Date : 21 August 2006
- Issuer : Emerging Technology, a wholly owned subsidiary of the Company
- Subscribers :
 1. HTSS ET Capital Limited
 2. OZ Master Fund, Ltd.
 3. OZ Asia Master Fund, Ltd.
 4. OZ Global Special Investments Master Fund, L.P.

To the Directors' best knowledge, information and belief having made all reasonable enquiry, the Subscribers and their ultimate beneficial shareholders are third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company.

- Warrantor : The Company
- The Subscription : Pursuant to the Subscription Agreement, Emerging Technology will issue to the Subscribers the ET Preference Shares, which represent 9.0% of the total number of issued shares of Emerging Technology as enlarged by the Subscription, for a total consideration of US\$18 million (approximately HK\$140 million) in the following manner:
1. 380,389 ET Preference Shares, which represent 4.5% of the total number of issued shares of Emerging Technology as enlarged by the Subscription, will be issued to Subscriber A at a subscription price of US\$9 million (approximately HK\$70.0 million); and
 2. 380,389 ET Preference Shares, which represent 4.5% of the total number of issued shares of Emerging Technology as enlarged by the Subscription, will be issued to Subscriber B at a subscription price of US\$9 million (approximately HK\$70.0 million), of which approximately 40.72%, 42.18% and 17.10% will be allotted to OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd., and OZ Global Special Investments Master Fund, L.P., respectively.

LETTER FROM THE BOARD

- Subscription Price : The total subscription price of US\$18 million (approximately HK\$140 million) will be settled in cash by the Subscribers at Completion in the following manner:
1. as to US\$9 million (approximately HK\$70.0 million) by Subscriber A; and
 2. as to US\$9 million (approximately HK\$70.0 million) by Subscriber B (in the same proportion of ET Preference Shares to be allotted).
- Rights to income, capital and voting : (i) The ET Preference Shares will rank in priority to any other class of shares in the capital of Emerging Technology to the return of an amount equal to the aggregate initial subscription price of the ET Preference Shares and any dividends accumulated on the ET Preference Shares then in arrears (if any) on return of capital on a winding-up or otherwise of Emerging Technology. After the above aggregate sum is satisfied, any remaining funds and assets of Emerging Technology legally available for distribution to its shareholders would be distributed pro rata among the holders of the ET Preference Shares and the holders of ET Ordinary Shares.
- (ii) Holders of the ET Preference Shares shall be entitled the dividends that would be paid with respect to the ET Ordinary Shares on an “as converted” basis, which is non-cumulative in nature.
- (iii) Holders of the ET Preference Shares shall be entitled to vote as a separate class at the general meeting of Emerging Technology only in relation to matters that affect the rights attaching to the ET Preference Shares.
- Conversion rights : The Subscribers are entitled to convert the ET Preference Shares at any time during a period of two years from the date of Completion (such conversion rights will expire after two years) into:
- (i) ET Ordinary Shares on the basis of one ET Preference Share into one ET Ordinary Share (the “Conversion Ratio”). The Conversion Ratio will be adjusted:
 - (a) on consolidation or sub-division of ET Preference Shares or (as the case may be) ET Ordinary Shares in customary manner; and

LETTER FROM THE BOARD

- (b) if and when Emerging Technology issues any shares within 12 months after Completion at a price per share (the “Lower Price”) below the subscription price per ET Preference Share, so that the number of ET Ordinary Shares which fall to be issued on conversion will be increased by the same proportion the subscription price bears to the Lower Price; or
- (ii) Conversion Shares at the Conversion Price. The Conversion Price will be subject to the following adjustments:
 - (a) adjustment on consolidation or sub-division of the Shares or on issue of Shares by way of bonus issue or rights at a price less than 90% of the then market price in a customary manner to restore the implied intrinsic value of the HS Conversion immediately before such issue of Shares; and
 - (b) a temporary adjustment after notice (the “Notice”) by the Company of any issue of Shares (otherwise than pursuant to the HS Conversion or subscription conversion rights attaching to options or other securities in issue prior to the date of issue of the ET Preference Shares or options to be granted under the employee share option scheme of the Company) at a price (“Alternative Price”) which is lower than the then prevailing Conversion Price, whereupon the Subscribers are entitled to convert at the Alternative Price for a period of 20 Business Days after the issue of the Notice.

In addition, irrespective of whether the conversions rights under ET Conversion and HS Conversion as mentioned above have expired or not, the ET Preference Shares shall automatically be converted into ET Ordinary Shares at the prevailing Conversion Ratio after Emerging Technology has paid total dividends on each outstanding ET Preference Share which exceed the subscription price of US\$23.66 per ET Preference Share under the Subscription.

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- Conditions precedent : Completion is conditional upon the following conditions being fulfilled:
- (a) amendment to the Memorandum of Association of Emerging Technology as may be required to create the ET Preference Shares;
 - (b) permission to deal in the Conversion Shares having been granted by the Listing Committee;
 - (c) the approval of the Subscription Agreement and the transactions contemplated thereunder by the Shareholders in a manner as required under the Listing Rules; and
 - (d) the execution of all documents required to be duly executed on or before Completion.

If any of the conditions above has not been fulfilled or waived (save that item (b) and (c) above shall not be capable of being waived) in writing by the Subscribers on or prior to 16 October 2006 (or such later date as the Company, Emerging Technology and the Subscribers may agree in writing), then the Subscription Agreement shall terminate.

- Moratorium : The Company has agreed and undertaken to the Subscribers that it shall not at any time before Completion or (if earlier) termination of the Subscription Agreement issue any Shares without the consent of the Subscribers (other than pursuant to (i) the exercise of the conversion rights under the TS Preference Shares, (ii) the subscription rights attached to options or other securities already in issue before the date of the Subscription Agreement, and/or (iii) the issue of Shares pursuant to the employee share option scheme of the Company).

- Completion : Completion shall take place on the third Business Day following the day on which the conditions of the Subscription Agreement set out above have been satisfied or waived.

- Shareholders' Agreement : On Completion, the Company is required to enter into the Shareholders' Agreement which sets out the rights and obligations of the shareholders of Emerging Technology and includes, amongst others, the following terms:

- (a) Unless within 6 months from the date of Completion or such longer period as the Subscribers may agree in writing,

LETTER FROM THE BOARD

- (i) Emerging Technology raises further equity capital at a valuation of Emerging Technology of higher than US\$200 million (equivalent to approximately HK\$1,556 million); or
- (ii) Emerging Technology achieves progress in expanding the scale of operations and market position in the business activities which fall under the proposed use of proceeds plans, as set out under the section headed “Reasons for the Subscription and proposed use of proceeds” of this circular,

Emerging Technology will be required under the Shareholders’ Agreement to issue to the Subscribers at par an aggregate of up to 246,242 new ET Preference Shares, representing approximately 3% of its issued share capital (the “ET Adjustment”).

- (b) Subject to the Subscribers together holding an aggregate of not less than 5% of the ET Preference Shares in issue immediately upon Completion, the Subscribers together shall have 1 board seat in Emerging Technology and the right to have 1 board seat in each of the subsidiaries of Emerging Technology.

THE ET CONVERSION

Pursuant to the Subscription Agreement, at any time for a period of two years from Completion, the Subscribers are entitled to convert, at their discretion, the ET Preference Shares of a principal amount of up to the entire Subscription Price, in whole or part, into the ET Ordinary Shares on the basis of one ET Preference Share into one ET Ordinary Share subject to adjustments (please see the paragraph headed “Conversion Rights” above for further details). In addition, the ET Preference Shares shall automatically be converted into ET Ordinary Shares at the prevailing Conversion Ratio after Emerging Technology has paid total dividends on each ET Preference Share which exceed its original issue price.

Given that the ET Conversion is initially on the basis of one ET Preference Share to one ET Ordinary Share and the rights of the ET Preference Shares and the ET Ordinary Shares are substantially the same except mainly for the liquidation preference for the ET Preference Shares, the ET Conversion will not have any significant effect on the Company’s equity or economic interest in Emerging Technology.

LETTER FROM THE BOARD

THE HS CONVERSION

Pursuant to the Subscription Agreement, apart from the ET Conversion, at any time within a period of two years from Completion, the Subscribers are also entitled to convert, at their discretion, the ET Preference Shares of a principal amount of up to the entire Subscription Price, in whole or part, into the Conversion Shares at the Conversion Price, subject to adjustments (please see the paragraph headed "Conversion Rights" above for further details).

The Conversion Price represents:

- (i) a discount of approximately 8.6% to the closing price of HK\$1.19 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 9.9% over the average closing price of approximately HK\$0.99 per Share over the last 10 trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 10.8% to the closing price of approximately HK\$1.22 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (iv) a premium of approximately 677.1% over the net assets value of approximately HK\$0.14 per Share based on the audited consolidated net assets of the Company as at 31 December 2005, as adjusted for the net proceeds from the issue of new Shares by the Company in April 2006.

The Conversion Price was arrived at after commercial negotiation between the parties. The Directors consider that the Conversion Price of HK\$1.088 per Share, which is at a high premium to the net assets value per Share, is in the interests of the Company and the Shareholders as a whole.

Assuming the ET Preference Shares are fully converted into the Conversion Shares at the initial conversion price of HK\$1.088 per Share, a total of 128,713,235 Shares will be issued and based on the total number of issued Shares as at the Latest Practicable Date, the Subscribers will hold in aggregate approximately 7.3% of the share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares will be issued under the Specific Mandate proposed to be granted to the Board at the SGM.

APPLICATION FOR LISTING

The ET Preference Shares will not be listed on any stock exchange. No application will be made for the listing of the ET Preference Shares. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, there are 1,636,216,120 Shares in issue. The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the full conversion of the convertible preference shares issued by Turbo Speed in April 2005 (the “TS Convertible Preference Shares”) into new Shares, details of which were included in the announcement of the Company dated 11 November 2004, but before the HS Conversion; (iii) immediately after full HS Conversion but before the conversion of the TS Convertible Preference Shares; and (iv) immediately after the full conversion of the TS Convertible Preference Shares and the HS Conversion, assuming that there is no other changes to the share capital of or holding in the Company.

Shareholders	As at the Latest Practicable Date	%	Immediately after full conversion of the TS Convertible Preference Shares	%	Immediately after the HS Conversion	%	Immediately after full conversion of the TS Convertible Preference Shares and the HS Conversion	%
			Shares		Conversion		Conversion	
Rich Global Limited (Note 1)	757,083,636	46.3	757,083,636	43.5	757,083,636	42.9	757,083,636	40.5
Huge Rising Limited (Note 2)	264,000,000	16.1	264,000,000	15.2	264,000,000	15.0	264,000,000	14.1
Pacific Pilot Limited (Note 3)	120,000,000	7.3	120,000,000	6.9	120,000,000	6.8	120,000,000	6.4
Holder of TS Convertible Preference Shares (Note 4)	0	0.0	104,000,000	6.0	0	0.0	104,000,000	5.6
The Subscribers	0	0.0	0	0.0	128,713,235	7.3	128,713,235	6.9
Other public shareholders	495,132,484	30.3	495,132,484	28.4	495,132,484	28.0	495,132,484	26.5
Total	1,636,216,120	100.0	1,740,216,120	100.0	1,764,929,355	100.0	1,868,929,355	100.0

Notes:

- Mr. Kui Man Chun (“Mr. Kui”), a Director, holds 99.16% interest in Hi Sun Limited, which owns the entire issued share capital of Rich Global Limited.
- Huge Rising Limited is a substantial shareholder of the Company. To the Directors’ best knowledge, information and belief having made all reasonable enquiry, save for its interest in the Company, Huge Rising Limited and its ultimate beneficial shareholders are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.
- To the Directors’ best knowledge, information and belief having made all reasonable enquiry, Pacific Pilot Limited and its ultimate beneficial shareholders are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.
- Pursuant to the terms of the TS Convertible Preference Shares, the holders of the TS Convertible Preference Shares have the right to convert the principal amount of the TS Convertible Preference Shares of up to US\$4 million (equivalent to approximately HK\$31.1 million) for a period of 24 months from 29 April 2005 into new Shares at a conversion price of HK\$0.3 per Share (adjusted for the share sub-division of the Company on 29 June 2006).

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE SUBSCRIPTION ON THE GROUP

The Directors are of the view that under the current Hong Kong Financial Reporting Standards:

- (i) Upon Completion, no gain or loss will arise for the Subscription. The Subscription Price will be split between and initially recognized as financial liability and equity components separately in the consolidated balance sheet on the date of Completion. The financial liability component will be subsequently measured at amortized cost. Interest expenses on such financial liability component will be charged to the consolidated income statement using the effective interest method. The amount of the equity component will not be subsequently adjusted.

It is impracticable at present for the Directors to give an estimate of the amount of the Subscription Price to be recognised as financial liability because such calculation will involve the use of discounted cash flow method based on a detailed estimate of the future cash flows of Emerging Technology, which estimate has to be reviewed by the Company's auditors.

- (ii) Should the ET Conversion happen and all the ET Preference Shares be converted into the ET Ordinary Shares, a gain or loss on deemed disposal of Emerging Technology by the Group may arise. The gain or loss on deemed disposal will be calculated with reference to the Company's interest in Emerging Technology based on the then audited net assets value of Emerging Technology as compared to the Subscription Price.

Based on the Directors' understanding of Hong Kong Accounting Standard 27 – Consolidated and Separate Financial Statements, the gain or loss on such deemed disposal can be recognized in the consolidated income statement and it is the Company's present intention to recognize the gain or loss on such deemed disposal in the consolidated income statement.

Based on the issue of 760,778 ET Preference Shares (without the ET Adjustment), a gain on deemed disposal will arise if the net asset value of Emerging Technology immediately before the ET Conversion is below approximately HK\$1,416 million and a loss on deemed disposal will arise if such figure is above approximately HK\$1,416 million.

Based on the issue of 1,007,020 ET Preference Shares (including the additional ET Preference Shares to be issued pursuant to the ET Adjustment), a gain on deemed disposal will arise if the net asset value of Emerging Technology immediately before the ET Conversion is below approximately HK\$1,069 million and a loss on deemed disposal will arise if such figure is above approximately HK\$1,069 million.

LETTER FROM THE BOARD

The Directors consider that it is impracticable at present for them to give an estimate of the gain or loss on deemed disposal arising from the ET Conversion because the Directors are unable to (a) predict when and whether the ET Conversion will happen; or (b) estimate the net asset value of Emerging Technology at the time of the ET Conversion if it does occur. Any estimate made before the ET Conversion actually taking place will only be hypothetical and the Directors consider disclosure of such hypothetical calculation will be misleading to the Shareholders.

Nevertheless, for the purpose of complying with the Listing Rules, the Directors have calculated the hypothetical gain arising from the ET Conversion assuming the net assets of Emerging Technology at the time of the conversion is approximately HK\$40 million (being the audited net assets of Emerging Technology as at 31 December 2005). The resultant hypothetical gain is approximately HK\$124 million assuming no ET Adjustment and approximately HK\$119 million taking into account the ET Adjustment. The Directors would like to warn the Shareholders that the above calculation is hypothetical in nature and is presented for the sole purpose of complying with the Listing Rules. The gain may not materialize since the ET Conversion may not take place. Even if the ET Conversion does occur, the amount of gain or loss to be recognized by the Company will likely be different from the amounts illustrated above due to changes of the net assets of Emerging Technology prior to the conversion.

- (iii) Should the HS Conversion happen and all the ET Preference Shares be converted into the Conversion Shares, no gain or loss on the HS Conversion will arise. The carrying amount of the financial liability and equity components described in paragraph (i) above will be transferred to and allocated between the share capital and share premium accounts in the consolidated balance sheet upon HS Conversion.

Shareholders should note that if the conversion does occur, the calculation of gain or loss upon conversion is subject to review by the Company's auditors during the Company's annual audit or limited scope review prior to the publish of its annual or interim results (as the case may be).

Following Completion, the Company's interest in the issued ordinary share capital of Emerging Technology will remain as 100%, irrespective of the ET Adjustment. Assuming the Subscribers exercise the ET Conversion in full, upon completion of the ET Conversion, the Company's interest in the issued ordinary share capital of Emerging Technology will be reduced from 100% to 91%, or in case of ET Adjustment, to approximately 88%. Assuming the Subscribers exercise the HS Conversion in full, the Company's interest in the issued ordinary share capital in Emerging Technology will remain as 100%, irrespective of ET Adjustment. Under each scenario, Emerging Technology will remain as a subsidiary of the Company.

INFORMATION OF THE GROUP

The Group is principally engaged in the sales of information technology products and the provision of customized information system consultancy and integration services, and information technology operation value-added services.

LETTER FROM THE BOARD

Based on the audited financial statements of the Company, which are prepared in accordance with accounting principles generally accepted in Hong Kong, the consolidated net profit/loss (before and after taxation) for the two years ended 31 December 2005 and the consolidated net assets value of the Company as at 31 December 2004 and 2005 are as follows:

	For the year ended	
	31 December	
	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	279,695	438,763
Net profit/(loss) before taxation	(12,167)	66,942
Net profit/(loss) after taxation	(12,127)	62,304
	As at 31 December	
	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets value	48,631	127,434

INFORMATION OF EMERGING TECHNOLOGY

Emerging Technology, a wholly owned subsidiary of the Company, is a company incorporated in the British Virgin Islands with limited liability on 8 March 2000. It is an investment holding company with its sole investment being its ownership of the 100% equity interest in Beijing Hi Sun ABS. Beijing Hi Sun ABS, a wholly foreign owned enterprise established in the PRC on 28 June 2000, is principally engaged in the provision of financial solutions, services and related products.

Based on the audited financial statements of Emerging Technology, which are prepared in accordance with accounting principles generally accepted in Hong Kong, the consolidated net profit/loss (before and after taxation) for the two years ended 31 December 2005 and the consolidated net assets value of Emerging Technology as at 31 December 2004 and 2005 are as follows:

	For the year ended	
	31 December	
	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	118,815	148,026
Net profit/(loss) before taxation	(18,338)	9,505
	As at 31 December	
	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets value	29,399	39,796

LETTER FROM THE BOARD

INFORMATION OF THE SUBSCRIBERS

Subscriber A, HTSS ET Capital Limited, which is incorporated in Samoa, is owned by Hao Capital China Fund LP, whereas Subscriber B, being OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd., and OZ Global Special Investments Master Fund, L.P., are all companies incorporated in the Cayman Islands. The objective of Hao Capital China Fund LP, OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd., and OZ Global Special Investments Master Fund, L.P. is to seek medium to long-term capital appreciation and superior returns, principally by means of investment in early and mid-stage, high-growth private PRC enterprises.

To the Directors' best knowledge, information and belief having made all reasonable enquiry, each of the Subscribers and its ultimate beneficial owners are third parties independent of the Company, connected persons (as defined in the Listing Rules) of the Company, Pacific Pilot Limited and the holders of the TS Convertible Preference Shares.

REASONS FOR THE SUBSCRIPTION AND PROPOSED USE OF PROCEEDS

The Directors consider the terms of the Subscription Agreement, which were negotiated on an arm's length basis between the parties involved, fair and reasonable. The Directors also consider that the Subscription will provide new funding to Emerging Technology for its business expansion and is in the interests of the Shareholders as a whole. In particular, the Directors intend to apply the proceeds from the Subscription for the business expansion of Emerging Technology as follows:

- (i) approximately US\$5 million (equivalent to about HK\$39 million) for expansion of the ATM operation services business;
- (ii) approximately US\$3 million (equivalent to about HK\$23 million) for set up of electronic funds' transfer point-of-sales operation services business;
- (iii) approximately US\$2 million (equivalent to about HK\$16 million) for development and expansion of banking solution services business; and
- (iv) the balance for general working capital.

LISTING RULES IMPLICATIONS

Assuming the Subscribers exercise the ET Conversion in full, upon completion of the ET Conversion, the Company's interest in the issued ordinary share capital of Emerging Technology will be reduced from 100% to 91%. Emerging Technology is required, under the ET Adjustment, to issue to the Subscribers additional ET Preference Shares of up to approximately 3% of its issued share capital. Under such scenario and upon completion of the ET Conversion, the Company's interest in the issued ordinary share capital of Emerging Technology will be reduced from 100% to approximately 88%.

LETTER FROM THE BOARD

Accordingly, the Subscription constitutes a possible material dilution of the Company's interest in Emerging Technology pursuant to Rule 13.36(1) of the Listing Rules and the Subscription Agreement is subject to the approval of the Shareholders at the SGM. No Shareholder is required to abstain from voting under the Listing Rules.

The Subscription also constitutes a discloseable transaction for the Company pursuant to Rule 14.06(2) of the Listing Rules.

SGM

Set out on pages 23 and 24 of this circular is a notice convening the SGM to be held at Room 2416, 24th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Monday, 25 September 2006 at 10:00 a.m. for the purpose of considering and, if thought fit, pass the resolution to approve the Subscription Agreement and the transactions contemplated therein, including the Specific Mandate.

A form of proxy is herewith enclosed for use at the SGM. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the principal place of business of the Company at Room 2416, 24th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

PROCEDURES FOR DEMANDING A POLL AT GENERAL MEETING

Pursuant to Bye-Law 66 of the bye-laws of the Company, a resolution put to the vote of a general meeting shall be decided on a show of hands unless voting by way of a poll is required by the rules of the designated stock exchange or (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 by: (i) the chairman of the meeting; or (ii) at least three members present in person (or in the case of a member being a corporation by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or (iii) 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 (iv) 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 an 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; or (v) if required by the rules of the designated stock exchange by the chairman of the meeting and/or the Director or Directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at such meeting.

LETTER FROM THE BOARD

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 be the same as a demand by a member.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription are fair and reasonable and in the best interests of the Company and the Shareholders as a whole. The Directors recommend that the Shareholders vote in favour of the resolution for approving the Subscription Agreement and the transactions contemplated therein, including the Specific Mandate.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully
For and on behalf of the Board
Hi Sun Technology (China) Limited
LI Wenjin
Executive Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation(s) (within the meaning of Part XV of the SFO) which required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(i) Interests in ordinary shares of the Company

Name of Director	Capacity in which such interests are held	Number of Shares held (Note 1)	Approximately % of the issued share capital
Mr. KUI Man Chun	Corporate (Note 2)	757,083,636 (L)	46.3
Mr. XU Sitao	Personal	600,000 (L)	0.04

(ii) Interests in ordinary shares of the associated corporations

Name of Director	Capacity in which such interests are held	Name of associated corporation	Number of shares held (Note 1)
Mr. KUI Man Chun	Corporate	Rich Global Limited	2 (L)
Mr. KUI Man Chun	Personal	Hi Sun Limited	30,245,000 (L)
Mr. LI Wenjin	Personal	Hi Sun Limited	255,000 (L)

Notes:

1. The letter "L" denotes a long position in shares.
2. These shares are held by Mr. KUI Man Chun through Hi Sun Limited, a company which Mr. KUI Man Chun holds a 99.16% interest, and Rich Global Limited, a wholly-owned subsidiary of Hi Sun Limited.

(b) Interests of Directors in share options of the Company

As at the Latest Practicable Date, the Directors and their associates had the following beneficial interests in share options of the Company as recorded in the register required under Section 29 of the Securities (Disclosure of Interests) Ordinance:

Name of Director	Number of options granted	Number of options outstanding	Date of grant	Exercise price (HK\$)
Mr. KUI Man Chun	12,000,000	12,000,000	18 March 2004 (Note 1)	0.0935
	13,200,000	13,200,000	26 September 2005 (Note 2)	0.192
Mr. LO Siu Yu	13,200,000	13,200,000	18 March 2004 (Note 1)	0.0935
	13,200,000	13,200,000	26 September 2005 (Note 2)	0.192
Mr. XU Wensheng	13,200,000	13,200,000	18 March 2004 (Note 1)	0.0935
	13,200,000	13,200,000	26 September 2005 (Note 2)	0.192
Mr. LI Wenjin	13,200,000	13,200,000	18 March 2004 (Note 1)	0.0935
	13,200,000	13,200,000	26 September 2005 (Note 2)	0.192
Mr. XU Chang Jun	13,200,000	13,200,000	18 March 2004 (Note 1)	0.0935
	13,200,000	13,200,000	26 September 2005 (Note 2)	0.192
Mr. CHAN Yiu Kwong	6,000,000	6,000,000	18 March 2004 (Note 1)	0.0935
	4,000,000	4,000,000	26 September 2005 (Note 2)	0.192

Notes:

1. The exercisable period of the share options of the Company is from 18 March 2004 to 17 March 2014 (both dates inclusive).
2. The option period commences on 26 September 2005 and expires 10 years thereafter. Share options of the Company granted are vested as follows:

On 26 September 2005
On 26 September 2006

Up to 50%
Up to 100%

Save as disclosed in (a) and (b) above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short position in the shares, underlying shares and debentures of the Company and its associated corporations.

(c) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Name of Shareholder	Number of Shares held <i>(Note 1)</i>	Approximately % of the issued share capital
Rich Global Limited	757,083,636 (L)	46.3
Hi Sun Limited	757,083,636 (L) <i>(Note 2)</i>	46.3
Huge Rising Limited	264,000,000 (L)	16.1
Pacific Pilot Limited	120,000,000 (L)	7.3

Notes:

1. The letter "L" denotes a long position in shares.
2. Hi Sun Limited, the share capital of which is held as to 99.16% by Mr. KUI Man Chun, an executive Director, is interested in the share capital of the Company by virtue of its 100% shareholding in Rich Global Limited.

Save as disclosed herein, according to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors, there is no other person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had notified to the Company any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital.

(d) Particulars of executive Directors' service contracts

On 1 January 2004, each of Mr. KUI Man Chun, Mr. LI Wenjin, Mr. LO Siu Yu, Mr. XU Wensheng, Mr. XU Chang Jun and Mr. CHAN Yiu Kwong has entered into a service contract with the Company for a term of one year from 1 January 2004 and shall continue thereafter unless and until terminated by either the Company or the Directors giving to the other not less than a notice of three months.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation other than statutory compensation).

3. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claims which is in the opinion of the Directors of material importance and no litigation or claims which is in the opinion of the Directors of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

To the best knowledge of the Directors, none of the Directors or their respective associates has any interests in a business, which competes or may compete with the business of the Group.

5. GENERAL

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (b) The head office and principal office of the Company is at Room 2416, 24th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.
- (c) The secretary of the Company is Mr. CHAN Yiu Kwong, who is a fellow member of the Hong Kong Institute of Certified Public Accountants and is a fellow member of the Chartered Association of Certified Accountants in the United Kingdom.
- (d) The qualified accountant of the Company is Mr. CHAN Yiu Kwong, who is a fellow member of the Hong Kong Institute of Certified Public Accountants and is a fellow member of the Chartered Association of Certified Accountants in the United Kingdom (as required under Rule 3.24 of the Listing Rules).

- (e) The branch share registrar of the Company in Hong Kong is Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (f) The English text of this circular shall prevail over the Chinese text.

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 of the holders of the Shares of Hi Sun Technology (China) Limited (“the Company”) will be held at Room 2416, 24th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Monday, 25 September 2006 at 10:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

the conditional subscription agreement (the “Subscription Agreement”) dated 21 August 2006 and entered into between the Company, Emerging Technology Limited (“Emerging Technology”), HTSS ET Capital Limited, OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd. and OZ Global Special Investments Master Fund, L.P. and the transactions contemplated thereunder, including without limitation the entering into and the performance of the shareholders agreement upon completion of the Subscription Agreement and the issue of convertible preference shares of Emerging Technology and the issue and allotment of ordinary shares of the Company upon exercise of the conversion rights under the Subscription Agreement, be and are hereby approved and that the directors of the Company be and are hereby authorised to do all things and acts and sign all documents which they consider necessary, desirable or expedient in connection with the Subscription Agreement and the transactions contemplated thereunder.”

By Order of the Board

LI Wenjin

Executive Director

Hong Kong, 8 September 2006

Head office and principal place of Business:

Room 2416, 24th Floor

Sun Hung Kai Centre

30 Harbour Road

Wanchai

Hong Kong

* For identification purpose only

NOTICE OF SPECIAL GENERAL MEETING

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. Completion and delivery of the form of proxy will not preclude a shareholder from attending and voting at the meeting if the member so desires.
5. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority must be lodged at the principal place of the business of the Company at Room 2416, 24th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.