

IMPORTANT

If you are in any 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 advisers.

If you have sold or transferred all your shares in Hi Sun Technology (China) Limited, you should hand this circular at once 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)

MAJOR TRANSACTION DISPOSAL OF SUBSIDIARY

Financial adviser to the Company



CIMB-GK Securities (HK) Limited

A letter from the Board is set out on pages 4 to 9 of this circular.

A notice convening the special general meeting of the Company to be held at 10:00 a.m. on Wednesday, 13 December 2006 at Room 2416, 24th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong is set out on pages 23 to 24 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and, in any event not later than 48 hours before the time for the meeting or any adjournment thereof to the principal place of business of the Company at Room 2416, 24th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

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DEFINITIONS

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

| | |
|----------------------|--|
| “Agreement” | the sale and purchase agreement dated 6 November 2006 entered into between the Company, the Purchaser and the Guarantor in relation to the Disposal as more particularly set out under the section headed “The Agreement” of this circular |
| “associate” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Company” | Hi Sun Technology (China) Limited (高陽科技(中國)有限公司*), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange |
| “Completion” | the completion of the Disposal pursuant to the terms and conditions of the Agreement |
| “Completion Account” | the unaudited consolidated balance sheet of PAX as at the Reference Date prepared by PAX |
| “Completion Date” | 31 May 2007 or such earlier date as may be agreed in writing between the Parties |
| “Conditions” | the conditions precedent to Completion, as more particularly set out under the sub-section headed “Conditions to Completion” of this circular |
| “Consideration” | the consideration under the Agreement as more particularly set out under the sub-section headed “Consideration” of this circular |
| “Deposit” | a deposit of HK\$5.0 million paid by the Purchaser to the Company under the Agreement as described in the section headed “The Agreement” of this circular |
| “Director(s)” | the directors of the Company |
| “Disposal” | the disposal of the Sale Shares by the Company pursuant to the terms of the Agreement |
| “Group” | the Company and its subsidiaries |

* For identification purpose only

DEFINITIONS

| | |
|---------------------------|--|
| “Guarantor” | Mr. MO Ying San, who owns the entire issued share capital of the Purchaser |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Latest Practicable Date” | 24 November 2006, 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 |
| “Parties” | the parties to the Agreement being the Company, the Purchaser and the Guarantor |
| “PAX” | Pax Technology Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company |
| “PRC” | the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan |
| “Purchaser” | Keen Ambition Enterprise Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is owned by the Guarantor |
| “Reference Date” | (a) 30 April 2007, if Completion Date is 31 May 2007 or (b) if Completion Date is a date earlier than 31 May 2007 as agreed between the Parties means: (i) the last calendar day of the month immediately preceding the Completion Date, if the Completion Date falls on or after the 15th day of that calendar month; or (ii) the last calendar day of a month falling two months prior to the Completion Date, if the Completion Date falls before the 15th day of that calendar month |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Sale Shares” | the entire issued share capital of PAX to be sold by the Company to the Purchaser pursuant to the terms and conditions under the Agreement |

DEFINITIONS

| | |
|------------------|---|
| “SFO” | The Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) |
| “SGM” | the 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 Wednesday, 13 December 2006 at 10:00 a.m. to consider and if thought appropriate, to approve, among other matters, the Disposal and all transactions contemplated under the Agreement |
| “Shareholders” | shareholders of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “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. |



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. XU Wensheng

Mr. LI Wenjin

Mr. CHAN Yiu Kwong

Mr. XU Chang Jun

Independent non-executive Directors:

Mr. TAM Chun Fai

Mr. XU Sitao

Mr. LEUNG Wai Man, Roger

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

27 November 2006

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION DISPOSAL OF SUBSIDIARY

INTRODUCTION

On 6 November 2006, the Company entered into the Agreement with the Purchaser who, together with its ultimate beneficial shareholder, are third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company, for the disposal of the Sale Shares for a consideration of HK\$200 million, which is to be satisfied by cash.

The Disposal constitutes a major transaction for the Company pursuant to Rule 14.06(3) of the Listing Rules and is therefore subject to the approval of the Shareholders.

* For identification purpose only

LETTER FROM THE BOARD

The purposes of this circular are to provide you with further details of the Agreement and a notice convening the SGM at which an ordinary resolution will be proposed for the approval of the Disposal and all transactions contemplated under the Agreement.

THE AGREEMENT

Date

6 November 2006

Parties

Vendor : The Company

Purchaser : Keen Ambition Enterprise Limited, the entire issued share capital of which is owned by the Guarantor

Guarantor : Mr. MO Ying San, as guarantor of the obligations of the Purchaser under the Agreement

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

Assets to be disposed of

The Sale Shares, being 35,000,000 ordinary shares of HK\$1.00 each in the share capital of PAX, representing the entire issued share capital of PAX, which is indirectly wholly owned by the Company.

Following Completion, PAX will cease to be a subsidiary of the Company.

Consideration

The aggregate consideration of HK\$200,000,000 for the Disposal will be settled in cash by the Purchaser in the following manner:

- (i) a deposit of HK\$5,000,000 payable upon signing of the Agreement; and
- (ii) the remaining balance upon Completion.

The aggregate consideration of HK\$200,000,000 for the Disposal was determined after arm's length negotiations between the Parties with reference to the historical profit of PAX.

LETTER FROM THE BOARD

Conditions to Completion

Completion of the Disposal is conditional upon the fulfillment of the following conditions:

- (i) completion of a financial, business and legal due diligence review on PAX and its subsidiaries by the Purchaser to its reasonable satisfaction;
- (ii) approval of the Agreement and the transactions contemplated thereunder by the Shareholders in a general meeting as required under the Listing Rules; and
- (iii) the net asset value of PAX as set out in the Completion Account being no less than HK\$43,280,455 (being the net asset value of PAX as at 31 December 2005).

In the event that any of the Conditions has not been fulfilled on or before 30 May 2007 (or such later date as is otherwise agreed between the Parties in writing), the Agreement shall terminate and the Parties shall have no further claim against each other for costs, damages, compensations or otherwise, save in respect of any antecedent breach or in relation to the Deposit.

If the Condition set out in paragraph (i) above is not satisfied on 30 May 2007, the Deposit shall be forfeited to the Vendor (as liquidated damages and not as penalty). If the Condition set out in paragraph (iii) is not satisfied on 30 May 2007, the Deposit shall be refunded without interest to the Purchaser within 7 days of written demand by the Purchaser.

Completion

The Agreement provides that Completion will take place on the Completion Date.

INFORMATION ON 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.

INFORMATION ON THE PURCHASER

Keen Ambition Enterprise Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is owned by the Guarantor. The principal activity of the Purchaser is investment holding.

LETTER FROM THE BOARD

INFORMATION ON PAX

PAX, an indirect wholly-owned subsidiary of the Company, is a company incorporated in Hong Kong with limited liability on 8 March 2000. The principal activities of PAX are investment holding and the sales of electronic fund transfer point-of-sale terminals and services.

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

| | For the year ended 31 December | |
|----------------------------|-----------------------------------|------------------|
| | 2004 HK\$'000 | 2005 HK\$'000 |
| Turnover | 95,995 | 133,073 |
| Net profit before taxation | 8,200 | 13,470 |
| Net profit after taxation | 8,200 | 13,470 |
| | As at 31 December | |
| | 2004 HK\$'000 | 2005 HK\$'000 |
| Net asset value | 29,295 | 43,280 |

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Company expects to record a gain on disposal calculated with reference to the net asset value of PAX as at the Completion Date. Based on the net asset value of PAX as at 31 December 2005, the gain on disposal will be approximately HK\$157 million. Shareholders should note that the actual gain on disposal to be recorded by the Company will depend on the net asset value of PAX as at the Completion Date. Based on the audited financial statements of PAX as at 31 December 2005 and the aggregate consideration of HK\$200,000,000 for the Disposal, immediately upon completion of the Disposal, the Group's consolidated total assets will be increased by approximately HK\$88.8 million and the Group's consolidated total liabilities will be decreased by approximately HK\$67.9 million.

Upon Completion, the Company will no longer hold any interest in PAX and the results of PAX will no longer be consolidated into the Group's accounts.

LETTER FROM THE BOARD

REASONS FOR THE DISPOSAL AND PROPOSED USE OF PROCEEDS

The Directors consider the terms of the Agreement, which were negotiated on an arm's length basis between the Parties, fair and reasonable. The Directors also consider that the Disposal will provide additional resources to the Group for (i) the business expansion of the Group's core business namely, the provision of customized information system consultancy and integration services, and information technology operation value-added services, which the Directors believe to have a higher growth potential; and (ii) working capital, and is in the interests of the Shareholders as a whole.

GENERAL

The Disposal constitutes a major transaction for the Company pursuant to Rule 14.06(3) of the Listing Rules and is therefore subject to the approval of the Shareholders at the SGM. The Purchaser, the Guarantor and their respective associates are not entitled to vote at the SGM. The Company has confirmed with the Purchaser that none of the Purchaser, the Guarantor nor any of their respective associates held any Shares as at the Latest Practicable Date.

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 Wednesday, 13 December 2006 at 10:00 a.m. for the purpose of considering and, if thought fit, pass the resolution to approve the Disposal and all transactions contemplated under the Agreement.

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 (as defined in the bye-laws of the Company) 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

LETTER FROM THE BOARD

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 (as defined in the bye-laws of the Company) 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.

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorised 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 Disposal 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 Disposal and all transactions contemplated under the Agreement.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices 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 contained in this circular misleading.

2. FINANCIAL INFORMATION OF THE GROUP

(a) Indebtedness

As at the close of business on 31 October 2006, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement prior to the printing of this circular, the Group had outstanding short term bank loan of RMB7.4 million (equivalent to approximately HK\$7.1 million), which was secured by the leasehold land and the building of a subsidiary of the Company and the corporate guarantee from an independent third party, 深圳市高新技術投資擔保有限公司 (Shenzhen High and New Technology Investment Guarantee Company Limited), and the financial liability portion of the convertible preference shares issued by a wholly owned subsidiary of the Company recognized in the consolidated balance sheet of the Group as at 31 October 2006 was approximately HK\$22.2 million.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, as at the close of business on 31 October 2006, the Group did not have any other debt securities issued and outstanding or authorized or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any other mortgages and charges or any guarantees or material contingent liabilities.

(b) Working capital statement

The Directors are of the opinion that after taking into account the present internal financial resources of the Group and the estimated net proceeds of the Disposal, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

(c) Financial and trading prospects of the Group

(i) *For the six months ended 30 June 2006*

Financial and business review

For the six months ended 30 June 2006, the Group achieved remarkable performance in the results and financial position. During the first half of year 2006, the Group recorded growth in turnover and

profit attributable to the Shareholders. The development of each business segments displayed a trend of balanced performance. It laid down a solid foundation for the future business further advancement for the Group.

For the first half of year 2006, the Group's turnover amounted to HK\$193.55 million, as compared to turnover of HK\$178.97 million for the corresponding period last year. The profit attributable to shareholders amounted to HK\$42.22 million, as compared to HK\$38.57 million for the same period last year. The change of the revenue sharing scheme of the interactive voice response ("IVR") business did temporarily affect the earning of the Group. However, in the areas of electronic fund transfer point-of-sale terminals sales and the short term investment, the performance was encouraging. These contributed to the better overall performance over that of the corresponding period last year.

Financial solutions, services and related products

For the six months ended 30 June 2006, the business segment recorded a turnover of HK\$49.33 million (2005 interim: HK\$49.10 million) and a loss of HK\$7.08 million (2005 interim: profit of HK\$0.76 million).

During the first half of year 2006, the Group increased expenses in new business lines. The expenses will bring about future benefits. However, increased expenses incurred during the period contributed to the loss.

During the first half of year 2006, the financial solutions and consultancy services for ICBC (Asia) in Hong Kong and Bank of Communications in China were implemented orderly. At the same time, the system integration services businesses for People's Bank of China and other banks were moving forward smoothly.

The Group was active in expanding into new business opportunities in the financial sector, achieving significant progress in signing cooperation agreement with bank. In certain cities, we have begun the installation and operation of ATM machines and have accomplished what we expected.

Electronic payment solutions and products

This business segment recorded a turnover of HK\$83.42 million (2005 interim: HK\$48.10 million) and a profit of HK\$15.12 million (2005 interim: HK\$5.70 million). The management are pleased to note the remarkable performance in the turnover and profit demonstrated a development trend of advancing in unison.

The rapid growth of electronic payment products and services was benefited from the positive exploration of both the Mainland China market and the international market. In particular, the volume of shipment to China Union Pay was further boosted. During the reporting period, the shipment for Mainland China market accounted for 83% of the total. Out of which, the shipment to China Union Pay was 70% of the total shipment of the Mainland market, while that of international market was 17% of the total shipment.

The management believes that following the positive progress of the strategy of China, Olympic Game, the volume of credit card issuance in Mainland China will be growing rapidly. The environment/infrastructure of credit card usage will be further improved. These factors will sustain to drive the market demand for electronic payment product. In the coming future, it is envisaged the electronic payment products and services will attain a more considerable development.

Telecommunication solutions, services, information technology operation value-added services and related products

During the first half of year 2006, this business segment recorded a turnover of HK\$60.80 million (2005 interim: HK\$81.67 million) and a profit of HK\$30.19 million (2005 interim: HK\$50.50 million). The main reason for the decrease in turnover and profit was the change in the revenue sharing scheme.

The market size of the IVR business continued to expand further. Taking out the effect of the decrease of the revenue sharing percentage, the business volume operated under the Hi Sun's IVR platform achieved a growth of approximately 39% over the same period last year. The management considered that following the continuous expansion of the business scale and the centralization of the IVR platform, the IVR business will be able to achieve outstanding performance in the coming future.

During the first half of year 2006, besides the nation-wide IVR business platform operation, the Group also expanded into regional network operation business. Several regional network business platform have been operated. It is expected that in the future, these regional network business will be able to bring new source of income to the Group.

Prospects

Looking forward, the Directors are very confident in the future prospect of the Group. Following the completion of the construction of several commercial core banking systems in China and Hong Kong, the success of which enhanced our level of expertise and market position in this niche market. The Group will continue to strengthen its market position and technical expertise in the banking solution. Based on the established market position and experience, the Group has been engaged in the initial preparation for the ATM and electronic fund transfer point-of-sale operation services as well as outsourcing for the financial institutions

In the telecommunication front, the Group will keep innovating to adapt to the ever-changing environment in order to provide first class value-added platform operation for our partners. New technology based on 3G communication are well prepared and several new products and services for mobile service delivery are also under development. Further resources in these areas will be invested in the coming years.

(ii) *For the year ended 31 December 2005*

Financial and business review

Results for the year ended 31 December 2005 reflected increases in net sales, gross profit and net profit from that for the year ended 31 December 2004. Net sales was HK\$438.76 million, compared with HK\$279.70 million in 2004. Gross profit was HK\$191.56 million, compared with HK\$85.96 million in 2004. Net profit was HK\$62.30 million, compared with net loss of HK\$12.13 million in 2004. Earnings per share was HK\$0.187, compared with loss per share of HK\$0.036 in 2004.

The Group has achieved a good balance in revenue growth from its three business segments as reflected by the revenue recorded for each segment. Overall gross profit margin improved as a result of the high margin derived from the operation value-added services.

Cash flows from operations were HK\$74.60 million, compared with HK\$31.01 million in 2004. At the end of 2005, the total assets as at 31 December 2005 amounted to HK\$313.74 million, compared with HK\$240.72 million as at 31 December 2004. Current assets as at 31 December 2005 was HK\$275.77 million, compared with HK\$219.59 million as at 31 December 2004.

Financial solutions, services and related products

During the year 2005, the business segment recorded a turnover of HK\$157.78 million (2004: HK129.79 million) and profit of HK\$13.32 million (2004: loss of HK\$16.99 million).

The increase in the turnover was mainly derived from revenue in business consultancy and core banking system. The implementation of the integrated banking systems for the ICBC (Asia) in Hong Kong and Bank of Communication in China were on schedule. The management has been taking active steps to widen the source of income in this year, which included new contracts for ICBC (Asia) – Belgian Bank integration and certain projects for Bank of Communication. The management noted the further shrinkage in the hardware business and had implemented the retrenchment measures. The Group recorded a saving of expenses of approximately HK\$23.37 million compared to that of year 2004.

Electronic payment solutions and products

Turnover and profit recorded during the year 2005 were HK\$133.07 million (2004: HK\$96.00 million) and HK\$14.23 million (2004: HK\$9.66 million) respectively. The percentage increase in total shipments was 35% on a year on year basis. The shipment contribution of Mainland China market was 77% while the Hong Kong and the South East Asian market contributed the rest. As the market demand for electronic fund transfer point-of-sale terminals had been booming in China, in particular the speeding up of launching of machines for China Union Pay, the Group has achieved a 56% growth in shipments in China. Outside China, due to intense market competition and deferral in the implementation of Europay Mastercard Visa (“EMV”) standard migration of certain clients in Hong Kong and overseas, the contribution was reduced to 23% of the total shipment, and there was a slight decrease of 7% in shipment comparing with year 2004.

The Group has striven to develop new products with stylish design and innovative features, by heavily investing in the research and development. The Group also puts high emphasis on customer satisfaction and thus putting strong efforts and resources in after-sale services. The above measures enable the Group to maintain a favourable position in this business segment and reasonable gross profit margin. The increase in investment in research and development and customers services reflected in the increase of headcounts, undoubtedly add pressure to the segment’s bottom line.

Furthermore, the Group has teamed up with an American peer in expanding into the American market and have set up a representative office in Russia. These paved the way for the Group to enter the global theatre with very humble set-up cost.

With the well-established market position, brand name, aggressive sales and marketing team, the Directors are confident in sustaining the Group's market leadership in Mainland China and in Hong Kong. The Group is also committed to offer the best value for money products in the international arena, which will become the major contributor to the revenue of the Group once opportunity arises.

Telecommunication solutions, services, information technology operation value-added services and related products

For the year ended 31 December 2005, the turnover and profit recorded were HK\$147.76 million (2004: HK\$53.72 million) and HK\$69.08 million (2004: HK\$7.94 million) respectively.

During the year 2005, the upsurge in the turnover was mainly attributed to IVR operation value-added business which amounted to HK\$136.24 million (2004: HK\$32.28 million) while the turnover from traditional integrated applications services recorded was HK\$11.52 million (2004: HK\$21.44 million). The transformation of the segment to a value-added services provider was basically completed. The retention of the loss-making system integration division supplemented the core business in developing new products and services.

In order to cope with the rapid growing mobile telecommunication subscribers and their demand for new services, the Group has been increasing investment in upgrading its operation platform and develop new products and services based on the new generation technology which the management expects as a next wave of growth momentum in the industry.

The Directors believe that IVR platform operation services will be a stable income generator with the new generation technology-based products as a driver for further growth.

Prospects

The Group shall continue to strengthen its market position as a leading player in the consultancy and operation value-added services provider in the financial and telecommunication industries in Mainland China.

Going forward, the Group shall continue to devote its efforts in the implementation of its business strategies to achieve sustainable superior returns for the Shareholders.

3. 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 were 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 entered 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) | Approximate percentage of the issued share capital |
|--------------------|---|-----------------------------------|--|
| Mr. KUI Man Chun | Corporate (Note 2) | 757,083,636 (L) | 41.09 |
| Mr. XU Wensheng | Personal | 13,200,000 (L) | 0.72 |
| Mr. LI Wenjin | Personal | 13,200,000 (L) | 0.72 |
| Mr. XU Chang Jun | Personal | 13,200,000 (L) | 0.72 |
| Mr. CHAN Yiu Kwong | Personal | 6,000,000 (L) | 0.33 |
| Mr. XU Sitao | Personal | 600,000 (L) | 0.03 |

(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.

(iii) Interests in share options of the Company

| Name of Director | Number of options outstanding | Date of grant | Exercise price (HK\$) |
|--------------------|-------------------------------|-------------------------------|-----------------------|
| Mr. KUI Man Chun | 12,000,000 | 18 March 2004 (Note 1) | 0.0935 |
| | 13,200,000 | 26 September 2005 (Note 2) | 0.192 |
| Mr. XU Wensheng | 13,200,000 | 26 September 2005 (Note 2) | 0.192 |
| Mr. LI Wenjin | 13,200,000 | 26 September 2005 (Note 2) | 0.192 |
| Mr. XU Chang Jun | 13,200,000 | 26 September 2005 (Note 2) | 0.192 |
| Mr. CHAN Yiu Kwong | 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 | Up to 50% |
| On 26 September 2006 | Up to 100% |
3. The consideration paid by the grantee for the acceptance of each grant of options was HK\$1.00.

Save as disclosed 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.

(b) 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) | 41.09% |
| Hi Sun Limited | 757,083,636 (L) <i>(Note 2)</i> | 41.09% |
| Huge Rising Limited | 264,000,000 (L) | 14.33% |
| Pacific Pilot Limited | 120,000,000 (L) | 6.51% |

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.
3. Mr. KUI Man Chu, Mr. LI Wenjin, Mr. XU Wensheng, Mr. CHAN Yiu Kwong are directors of Hi Sun Limited. Mr. KUI Man Chun, Mr. LI Wenjin are directors of 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.

4. DIRECTORS' SERVICE CONTRACTS

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).

5. 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.

6. 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.

7. DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed herein, the Directors confirm that there is no contract or arrangement subsisting as at the Latest Practicable Date in which a Director was materially interested which was significant in relation to the business of the Group.

8. DIRECTORS' INTERESTS IN ASSETS

Save as disclosed in the announcement dated 3 November 2006 issued by the Company in relation to the acquisition of a property located at 北京市海澱區阜成路67號銀都大廈15-17樓, the Directors confirm that none of the Directors has any interest, direct or indirect, in any assets which had been, since 31 December 2005, being the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered by members of the Group after the date falling two years prior to the issue of this circular and up to the Latest Practicable Date and which are or may be material:

- (a) the subscription agreement dated 9 November 2004 entered into between Comtel Development Limited and Acme Partner International Limited as subscribers, Turbo Speed Technology Limited ("Turbo Speed"), a wholly owned

- subsidiary of the Company and the Company in relation to the issue of convertible preference shares in the capital of Turbo Speed for a total subscription price of US\$4 million, resulting in deemed disposal of approximately 16% Company's equity interest in Turbo Speed after the completion of conversion of the convertible preference shares into ordinary shares of Turbo Speed;
- (b) the shareholders' agreement dated 29 April 2005 entered into between Comtel Development Limited and Acme Partner International Limited as subscribers, Turbo Speed and the Company in relation to the rights and obligations of the shareholder of Turbo Speed;
 - (c) the subscription agreement dated 21 August 2006 entered into between HTSS ET Capital Limited, OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd., OZ Global Special Investments Master Fund, L.P. as subscribers, Emerging Technology Limited ("Emerging Technology"), a wholly owned subsidiary of the Company and the Company in relation to the issue of convertible preference shares in the capital of Emerging Technology for a total subscription price of US\$18 million, resulting in possible deemed disposal of approximately 9% Company's equity interest in Emerging Technology;
 - (d) the shareholders' agreement dated 12 October 2006 entered into between HTSS ET Capital Limited, OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd., OZ Global Special Investments Master Fund, L.P. as subscribers, Emerging Technology and the Company in relation to the rights and obligations of the shareholders of Emerging Technology;
 - (e) the subscription agreement dated 21 March 2006 entered into between the Company and the Huge Rising Limited as subscriber in relation to the subscription of 66,000,000 new shares of the Company at HK\$1.46 per new share;
 - (f) the subscription agreement dated 27 September 2006 entered into between the Company and Mr. KUOK Hock Nien as subscriber in relation to the subscription of 20,000,000 new shares of the Company at HK\$1.50 per share;
 - (g) the subscription agreement dated 27 September 2006 entered into between the Company and Joyce M. Kuok Foundation as subscriber in relation to the subscription of 10,000,000 new shares of the Company at HK\$1.50 per share;
 - (h) the subscription agreement dated 27 September 2006 entered into between the Company and Zheng Ge Ru Foundation as subscriber in relation to the subscription of 10,000,000 new shares of the Company at HK\$1.50 per share;
 - (i) the subscription agreement dated 27 September 2006 entered into between the Company and OZ Master Fund, Ltd, OZ Asia Master Fund, Ltd., OZ Global Special Investments Master Fund, L.P. as subscribers in relation to the subscription of total 30,000,000 new shares of the Company at HK\$1.50 per share;

- (j) the subscription agreement dated 27 September 2006 entered into between the Company and Tree Line Asia Master Fund as subscriber in relation to the subscription of 10,000,000 new shares of the Company at HK\$1.50 per share;
- (k) the subscription agreement dated 27 September 2006 entered into between the Company and Joyful Business Limited as subscriber in relation to the subscription of 20,000,000 new shares of the Company at HK\$1.50 per share; and
- (l) the acquisition agreement dated 2 November 2006 entered into between 北京高陽萬為電力信息技術有限公司 (Beijing Hi Sun Electric Power Information Technology Limited) as vendor and the Company in relation to the acquisition of property located at 北京海澱區阜成路67號銀都大廈15-17樓 (the "Property") for a consideration of RMB34,500,000.

Save as disclosed above, none of the members of the Group has entered into any contracts after the date falling two years prior to the issue of this circular and up to the Latest Practicable Date which are not in the ordinary course of business and which are or may be material in nature.

10. 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.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office and principal place of business of the Company in Hong Kong at Room 2416, 24th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong during 10:00 a.m. to 4:00 p.m. on any business day (excluding public and statutory holidays and Saturdays), from the date of this circular up to and including the date of the SGM:

- (a) the memorandum and articles of association of the Company;
- (b) the letter from the Board, the text of which is set out on pages 4 to 9 of this circular;
- (c) the Agreement;
- (d) the material contracts referred to in the section headed "Material contracts" in this appendix;
- (e) the audited financial statements of PAX for the two years ended 31 December 2004 and 2005;
- (f) the interim report of the Company for the six months ended 30 June 2006;
- (g) the annual reports of the Company for the two years ended 31 December 2004 and 2005;
- (h) the circular issued by the Company dated 8 September 2006 in relation to the issue of convertible preference shares by a major subsidiary of the Company resulting in a possible deemed disposal of equity interest in such subsidiary; and
- (i) the circular issued by the Company dated 27 November 2006 in relation to the acquisition of the Property from 北京高陽萬為電力信息技術有限公司 (Beijing Hi Sun Electric Power Information Technology Limited), a connected person of the Company.

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 Hi Sun Technology (China) Limited will be held at Room 2416, 24th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Wednesday, 13 December 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 entering into of the sale and purchase agreement (the “Agreement”) dated 6 November 2006 between Hi Sun Technology (China) Limited (the “Company”), Keen Ambition Enterprise Limited (“Keen Ambition”) and Mr. MO Ying San pursuant to which, inter alia, the Company agreed to sell 35,000,000 shares in PAX Technology Limited to Keen Ambition for a consideration of HK\$200,000,000 be and is hereby approved, confirmed and ratified and 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 Agreement and/or to give effect to the transactions contemplated thereunder.”

By order of the Board

LI Wenjin

Executive Director

Hong Kong, 27 November 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 form of proxy for use at the meeting is enclosed.
2. Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the principal place of business of the Company at Room 2416, 24th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote.
5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. Where there are joint holders of any share any one of such joint holder 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 in respect of the joint holding.