

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



**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 AND CONNECTED TRANSACTION INVOLVING  
ACQUISITION OF MINORITY INTERESTS IN A  
NON WHOLLY-OWNED SUBSIDIARY  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**

 **粵海證券有限公司**  
GUANGDONG SECURITIES LIMITED

A letter from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice in relation to the Acquisition is set out on pages 13 to 24 of this circular.

A notice convening the special general meeting of the Company to be held at 11:00 a.m. on Friday, 24 February 2012 at Room 2515, 25th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong is set out on pages 30 to 31 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

\* For identification purpose only

# CONTENTS

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	5
<b>Letter from the Independent Board Committee</b> .....	12
<b>Letter from Guangdong Securities</b> .....	13
<b>Appendix – General information</b> .....	25
<b>Notice of SGM</b> .....	30

## DEFINITIONS

*In this circular, the following expressions have the meanings set out below unless the context requires otherwise:*

“2% Acquisition”	the acquisition by the Company of the 2% Sale Shares pursuant to the terms of the 2% SPA
“2% Consideration”	HK\$9,600,000, being the consideration for the 2% Acquisition
“2% Sale Shares”	5 shares of the Target, representing 2% of the issued share capital of the Target
“2% SPA”	the sale and purchase agreement dated 13 January 2012 in relation to the sale and purchase of the 2% Sale Shares entered into between the Company and Billion Rosy
“18% Acquisition”	the acquisition by the Company of the 18% Sale Shares pursuant to the terms of the 18% SPA
“18% Consideration”	HK\$86,400,000, being the consideration for the 18% Acquisition
“18% Sale Shares”	45 shares of the Target, representing 18% of the issued share capital of the Target
“18% SPA”	the sale and purchase agreement dated 13 January 2012 in relation to the sale and purchase of the 18% Sale Shares entered into between the Company and Rich Giant
“Acquisition”	the 18% Acquisition and the 2% Acquisition
“Aggregate Consideration”	HK\$96,000,000, being the aggregate of the 18% Consideration and the 2% Consideration
“Announcement”	the announcement of the Company dated 13 January 2012 in relation to the Acquisition
“associates”	has the meaning ascribed thereto under the Listing Rules
“Billion Rosy”	Billion Rosy Limited, a company incorporated in the BVI with limited liability and the vendor of the 2% Sale Shares

## DEFINITIONS

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday) on which banks are open for business in Hong Kong
“BVI”	British Virgin Islands
“Company”	Hi Sun Technology (China) Limited, a company incorporated in Bermuda with limited liability whose Shares are listed on the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms of the SPAs
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Xu Sitao, all being independent non-executive Directors
“Independent Shareholder(s)”	Shareholder(s) other than the Vendors and the associates of each of them and those who have a material interest in the Acquisition

## DEFINITIONS

“Independent Third Part(ies)”	any person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, third parties independent of the Company and its connected persons
“Latest Practicable Date”	3 February 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	5:00 p.m. on 31 March 2012 or such other date as the Company and the relevant Vendors shall agree in writing
“PRC”	the People’s Republic of China
“Rich Giant”	Rich Giant Investments Limited, a company incorporated in the BVI with limited liability and the vendor of the 18% Sale Shares
“Sale Shares”	50 shares of the Target, representing 20% of the issued share capital of the Target which comprises the 18% Sale Shares and the 2% Sale Shares
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting (and any adjournment thereof) of the Company convened to be held at Room 2515, 25th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong at 11:00 a.m. on Friday, 24 February 2012 to consider and, if thought fit, approve the SPAs and the transactions contemplated thereunder, the notice of which is set out in the section headed “Notice of SGM” in this circular
“Share(s)”	ordinary share(s) of HK\$0.0025 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“SPAs”	the 18% SPA and the 2% SPA collectively

## DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	New Concept Services Limited, a company incorporated in the BVI with limited liability
“Target Group”	the Target and its subsidiaries
“US\$”	US dollars, the lawful currency of the United States of America
“Vendors”	collectively, Rich Giant and Billion Rosy
“%”	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  
Mr. Kui Man Chun  
Mr. Xu Wensheng  
Mr. Li Wenjin  
Mr. Xu Chang Jun

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Non-executive Director:*

Mr. Chang Kai-Tzung, Richard

*Head office and principal place of  
business in Hong Kong:*

Room 2515, 25th Floor  
Sun Hung Kai Centre  
30 Harbour Road  
Wanchai  
Hong Kong

*Independent non-executive Directors:*

Mr. Tam Chun Fai  
Mr. Xu Sitao  
Mr. Leung Wai Man, Roger

8 February 2012

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION INVOLVING  
ACQUISITION OF MINORITY INTERESTS IN A  
NON WHOLLY-OWNED SUBSIDIARY**

The Company announced in the Announcement that the Company has entered into the 18% SPA with Rich Giant and the 2% SPA with Billion Rosy separately pursuant to which Rich Giant has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the 18% Sale Shares, representing 18% of the issued share capital of the Target, at the consideration of HK\$86,400,000 and Billion Rosy has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the 2% Sale Shares, representing 2% of the issued share capital of the Target at the consideration of HK\$9,600,000.

The Acquisition is subject to the approval of the Independent Shareholders at the SGM to be voted by way of poll.

\* For identification purpose only

## LETTER FROM THE BOARD

The main purpose of this circular is to provide you with details of the SPAs and the transactions contemplated thereunder respectively including the Acquisition and the notice of SGM.

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on (i) whether the terms of the SPAs are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the SPAs and the respective transactions contemplated thereunder at the SGM. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### THE SPAs

The principal terms of the SPAs are set out below:

#### Date

Both SPAs were dated 13 January 2012.

#### Parties to the 18% SPA

Purchaser : The Company  
Vendor : Rich Giant Investments Limited

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Rich Giant is principally engaged in the business of investment holding.

As Rich Giant currently owns 18% of the issued share capital of the Target which is a non wholly-owned subsidiary of the Company, Rich Giant is therefore a connected person of the Company under the Listing Rules.

#### Parties to the 2% SPA

Purchaser : The Company  
Vendor : Billion Rosy Limited

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, (i) Billion Rosy is principally engaged in the business of investment holding; and (ii) Billion Rosy and its ultimate beneficial owner are third parties independent of the Company and its connected persons.



## LETTER FROM THE BOARD

### **Assets to be acquired**

Each of the Vendors under the two SPAs agreed to sell, and the Company agreed to purchase, in aggregate, the Sale Shares, representing 20% issued capital of the Target.

### **Consideration**

The Aggregate Consideration of the Acquisition is HK\$96,000,000, which comprises the 18% Consideration, i.e., HK\$86,400,000, under the 18% SPA and the 2% Consideration, i.e., HK\$9,600,000, under the 2% SPA. The 18% Consideration and the 2% Consideration shall be paid by the Company to the respective Vendors in cash on Completion.

The Aggregate Consideration will be satisfied by the internal resources of the Group.

Each of the 18% Consideration and the 2% Consideration was arrived at after arm's length negotiations between the respective Vendors and the Company with reference to the unaudited consolidated net asset value of the Target Group as at 30 June 2011 of approximately HK\$331.9 million, and the business prospects of the Target Group.

### **Conditions precedent**

Completion of the sale and purchase of the Sale Shares comprising the 18% Sale Shares and the 2% Sale Shares are conditional upon, among others:

- (a) the sale and purchase of the Sale Shares and other transactions contemplated under both SPAs having been approved by the Independent Shareholders at the SGM to be convened on or before the Long Stop Date; and
- (b) there is no breach of any representations, warranties or undertakings of the respective Vendors set out in the relevant SPAs.

The condition set out in (a) above was not capable of being waived by the relevant parties to the relevant SPAs. The condition set out in (b) above may be waived by the Company by written notice to the relevant Vendor(s) under the relevant SPA(s).

### **Completion**

Completion of the Acquisition shall take place on the third Business Day or such other date as agreed by the Company and the relevant Vendors after the fulfillment or waiver of the above conditions precedent.

## LETTER FROM THE BOARD

### Inter-conditional nature of the SPAs

It is also a condition under each of the SPAs that completion of the sale and purchase of the 18% Sale Shares and that of the 2% Sale Shares under the respective SPAs are interconditional upon each other so that completion of the sale and purchase of the 18% Sale Shares and that of the 2% Sale Shares shall take place simultaneously and the Company shall not be obliged to purchase any of the 18% Sale Shares or, as the case may be, the 2% Sale Shares unless the completion of sale and purchase of the 2% Sale Shares or, as the case may be, the 18% Sale Shares, also takes place simultaneously.

### INFORMATION OF THE TARGET GROUP

The Target is a company incorporated in the BVI and is an investment holding company holding a group of companies principally engaged in (i) the manufacturing and sales of electric power meters, data collection terminals and provision of information system consultancy services; and (ii) the research and development of low voltage power line carrier wave communication technology (“PLC”).

According to the audited consolidated financial information of the Target Group for the two years ended 31 December 2009 and 2010, the profit/(loss) before income tax and the profit/ (loss) after income tax of the Target Group for the two years ended 31 December 2009 and 2010 are as follows:

	For the year ended 31 December 2009	For the year ended 31 December 2010
Net profit/(loss) (before taxation)	approximately HK\$6.6 million	approximately HK\$(135.1 million)
Net profit/(loss) (after taxation)	approximately HK\$0.6 million	approximately HK\$(126.2 million)

As at 30 June 2011, the unaudited net asset value and total asset value of the Target Group was approximately HK\$331.9 million and HK\$682.2 million respectively.

### Original acquisition costs of the 18% Sale Shares and the 2% Sale Shares

In January 2010, the Target, which was then a wholly-owned subsidiary of the Company, and Rich Giant, which was then an Independent Third Party, entered into a sale and purchase agreement pursuant to which Rich Giant as vendor had agreed to sell and the Target as purchaser had agreed to purchase the entire issued share capital of Mega Hunt Investments Limited, now being a member of the Target Group, for a consideration of the allotment and issue of 25 new shares of the Target, representing 20% of the then enlarged issued share capital of the Target, to Rich Giant. The acquisition was completed in March 2010. The carrying amount of Mega Hunt Investments Limited on the book of the Company as at completion date was HK\$100 million. In August 2011, Rich Giant has sold 2% of the issued share capital of the Target to Billion Rosy. The original acquisition costs of the 2% Sale Shares for Billion Rosy is HK\$10 million.

## LETTER FROM THE BOARD

Upon Completion, the Company's shareholding in the Target will increase from 80% to 100% and accordingly, the Target will become a wholly-owned subsidiary of the Company. The financial results of the Target Group will continue to be consolidated into the Group's financial statements after Completion.

### REASONS FOR AND BENEFITS OF THE ACQUISITION

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

As the Directors are optimistic about the prospects of the Target Group as the research and development of PLC has come to an advanced stage and as a result of the Acquisition, the Company will be able to obtain 100% control over the Target Group, which the Directors consider to be beneficial to the future development and management of the Target Group, the executive and non-executive Directors consider that the Acquisition is in the interest of the Company, the terms of the SPAs are normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### IMPLICATIONS UNDER THE LISTING RULES

As completion of the 18% Acquisition and the 2% Acquisition are inter-conditional upon each other, the Acquisition is considered on an aggregate basis for the purpose of classification of the transactions pursuant to Rule 14.23 of the Listing Rules. As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceeds 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

As Rich Giant currently owns 18% of the issued share capital of the Target which is a non wholly-owned subsidiary of the Company, Rich Giant is therefore a connected person of the Company and the Acquisition is a connected transaction for the Company under Chapter 14A of the Listing Rules. As completion of the 18% Acquisition and the 2% Acquisition are inter-conditional upon each other, the Acquisition is considered on an aggregate basis for the purpose of classification of the transactions pursuant to Rule 14A.16 of the Listing Rules. As the relevant percentage ratio(s) under the Listing Rules exceeds 5% and the total consideration is not less than HK\$10 million, the Acquisition is therefore subject to the approval of Independent Shareholders at the SGM to be voted by way of poll.

## LETTER FROM THE BOARD

### INDEPENDENT ADVICE

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders on (i) whether the terms of the SPAs are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the SPAs and the respective transactions contemplated thereunder at the SGM. Your attention is drawn to the letter from the Independent Board Committee containing its advice set out on page 12 of this circular.

Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on (i) whether the terms of the SPAs are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the SPAs and the respective transactions contemplated thereunder at the SGM. The text of the letter of advice from Guangdong Securities is set out on pages 13 to 24 of this circular.

The Independent Board Committee, after taking into account the advice of Guangdong Securities, is of the opinion that (i) the terms of the SPAs are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and (ii) the Acquisition, which is conducted in the ordinary and usual course of business of the Company, is in the interests of the Company and the Shareholders as a whole.

### SGM

A notice convening the SGM to be held at Room 2515, 25th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong at 11:00 a.m. on Friday, 24 February 2012 for the purpose of considering and, if thought fit, passing, the ordinary resolution to approve the SPAs and the transactions contemplated thereunder respectively including the Acquisition is set out on pages 30 to 31 of this circular.

As at the Latest Practicable Date, Billion Rosy's ultimate beneficial owner and its associate in aggregate held 30,623,000 Shares, representing approximately 1.15% of issued Shares of the Company. Since Billion Rosy is a party to the Acquisition and thus has a material interest in the Acquisition, its ultimate beneficial owner and its associate holding 30,623,000 Shares will be required to abstain from voting at the SGM regarding the relevant resolution.

As at the Latest Practicable Date, Rich Giant, its beneficial owner and its associates had no shareholding in the Company and are therefore not entitled to vote at the SGM.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, none of the Directors had any material interest in the transaction and arrangements contemplated under the SPAs.

## LETTER FROM THE BOARD

Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders taken at the SGM to approve the SPAs and the transactions contemplated thereunder will be taken by way of poll.

You will find enclosed a form of proxy for use at the SGM. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

### RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the SPAs and the transactions contemplated thereunder respectively including the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM.

### ADDITIONAL INFORMATION

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

On behalf of the Board  
**Li Wenjin**  
*Executive Director*



**HI SUN TECHNOLOGY (CHINA) LIMITED**  
**高陽科技(中國)有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 818)**

8 February 2012

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION INVOLVING  
ACQUISITION OF MINORITY INTERESTS IN A  
NON WHOLLY-OWNED SUBSIDIARY**

We refer to the circular of the Company dated 8 February 2012 (“**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise you on (i) whether the terms of the SPAs are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the SPAs and the respective transactions contemplated thereunder at the SGM.

Your attention is also drawn to the letter from the Board set out on pages 5 to 11 of the Circular and the additional information set out in the appendix of the Circular. Having considered the terms of each of the 18% SPA and the 2% SPA and the transactions contemplated thereunder respectively including the Acquisition and the advice from Guangdong Securities, we are of the opinion that (i) the terms of the SPAs are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and (ii) the Acquisition, which is conducted in the ordinary and usual course of business of the Company, is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the SPAs at the SGM.

Yours faithfully,

Independent Board Committee

**Mr. Tam Chun Fai**

**Mr. Xu Sitao**

**Mr. Leung Wai Man, Roger**

*Independent Non-Executive Directors*

\* For identification purpose only

## LETTER FROM GUANGDONG SECURITIES

*Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition for the purpose of inclusion in this circular.*



**粵海證券有限公司**  
**GUANGDONG SECURITIES LIMITED**

Units 2505-06, 25/F.  
Low Block of Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

8 February 2012

*To: The independent board committee and the independent shareholders  
of Hi Sun Technology (China) Limited*

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION INVOLVING ACQUISITION OF MINORITY INTERESTS IN A NON WHOLLY-OWNED SUBSIDIARY**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 8 February 2012 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 13 January 2012, the Company entered into the 18% SPA with Rich Giant and the 2% SPA with Billion Rosy separately, pursuant to which Rich Giant and Billion Rosy have conditionally agreed to sell, and the Company has conditionally agreed to purchase, the 18% Sale Shares and the 2% Sale Shares at the 18% Consideration and the 2% Consideration respectively. The Aggregate Consideration for the Acquisition is HK\$96,000,000 in cash. The 18% Sale Shares and the 2% Sale Shares represent 18% and 2% of the issued share capital of the Target respectively. The Target is owned as to 80% by the Company at present. Accordingly, upon Completion, the Company's shareholding interest in the Target will increase from 80% to 100% and the Target will become a wholly-owned subsidiary of the Company.

## LETTER FROM GUANGDONG SECURITIES

As completion of the 18% Acquisition and the 2% Acquisition are inter-conditional upon each other, the Acquisition is considered on an aggregate basis for the purpose of classification of transactions pursuant to Rule 14.23 of the Listing Rules. According to the Board Letter, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. In addition, given that Rich Giant is a connected person of the Company and for the same reason as aforesaid, the Acquisition shall also be considered on an aggregate basis for the purpose of classification of transactions pursuant to Rule 14A.16 of the Listing Rules, the Acquisition constitutes a connected transaction for the Company and is subject to the approval of the Independent Shareholders by way of poll at the SGM.

An Independent Board Committee comprising Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Xu Sitao (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the SPAs are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the SPAs and the respective transactions contemplated thereunder at the SGM. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.



## LETTER FROM GUANGDONG SECURITIES

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Vendors, the Target or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

#### (1) Background of the Acquisition

##### *Information on the Group*

On 19 August 2010, the Company announced the proposed spin-off of its electronic fund transfer point of sale (“EFT-POS”) terminal solutions business (the “Spin-off”) through a separate listing of PAX Global Technology Limited (being the then subsidiary of the Company). Following the completion of the Spin-off on 20 December 2010, the Group focuses on four key business segments, namely, the provision of telecommunication solutions and operation value-added services, financial solutions, services and related products, payment solutions and services and electronic power meters and solutions. Therefore, for the presentation of the consolidated financial statements of the Group for the two years ended 31 December 2010, the EFT-POS terminal solutions business was regarded as “discontinued operation”.

## LETTER FROM GUANGDONG SECURITIES

Set out below is a summary of the consolidated financial information from continuing operations on the Group for the six months ended 30 June 2011 and the corresponding period in the prior year, and for the year ended 31 December 2010 as extracted from the Company's interim report for the six months ended 30 June 2011 (the "2011 Interim Report") and its annual report for the year ended 31 December 2010 respectively:

	Turnover		Earnings before interest, taxes, depreciation and amortisation ("EBITDA")			
	Six months ended 30 June 2011 (unaudited) HK\$'000	Six months ended 30 June 2010 (unaudited) HK\$'000	Year ended 31 December 2010 (audited) HK\$'000	Six months ended 30 June 2011 (unaudited) HK\$'000	Six months ended 30 June 2010 (unaudited) HK\$'000	Year ended 31 December 2010 (audited) HK\$'000
<b>Continuing Operations</b>						
Telecommunication solutions and operation value-added services	88,165	256,994	349,569	12,723	61,120	70,897
Financial solutions, services and related products	33,121	29,525	141,542	(30,556)	(11,858)	18,353
Payment solutions and services	21,911	16,907	39,971	(17,159)	(33,569)	(72,554)
Electronic power meters and solutions	210,942	104,679	370,439	(14,865)	(27,392)	(119,204)
Others	3,076	-	-	(12,069)	(4,654)	(13,814)
<b>Total</b>	<b>357,215</b>	<b>408,105</b>	<b>901,521</b>	<b>(61,926)</b>	<b>(16,353)</b>	<b>(116,322)</b>

As depicted by the above table, for the six months ended 30 June 2011, the Group's unaudited consolidated turnover from continuing operations amounted to approximately HK\$357.2 million, representing a decrease of approximately 12% as compared to the corresponding period in the prior year. According to the 2011 Interim Report, the Group's segmental operating loss also expanded by approximately 123% from approximately HK\$40.3 million for the six months ended 30 June 2010 to approximately HK\$90.0 million for the six months ended 30 June 2011, which was mainly due to (i) a decline in operating profit of telecommunication solutions and operation value-added services segment; and (ii) an increase in operating loss from financial solutions, services and related products segment during the first half of 2011.

## LETTER FROM GUANGDONG SECURITIES

Based on our discussion with the Directors, we understand that among the existing businesses of the Group, the telecommunication solutions and operation value-added services segment principally offers the development and provision of interactive voice response (“IVR”), IVR-related platforms and related services; the financial solutions, services and related products segment principally offers the development and maintenance of integrated banking systems solutions and related services and products; the payment solutions and services segment provides payment gateway solutions; and the electronic power meters and solutions segment develops, manufactures and sells electronic power meters and it also concentrates on the research and development of low voltage power line carrier wave communication technology (“PLC”).

### *Information on the Target Group*

As extracted from the Board Letter, the Target is a company incorporated in the BVI and is an investment holding company holding a group of companies principally engaged in (i) the manufacturing and sales of electric power meters, data collection terminals and provision of information system consultancy services; and (ii) the research and development of PLC. As advised by the Directors, the Target Group is the operating arm of the Group’s business in the electronic power meters and solutions segment.

As global awareness on energy saving solutions is increasing, power grids are looking out for environmental friendly, effective and efficient electricity network and energy system. In the PRC, the State Grid Corporation of China (國家電網公司), being a government-owned enterprise whose core businesses are the construction and operation of power network that covers 26 provinces, autonomous regions and municipalities in the PRC with service area covering about 88% of the national territory, has proposed to invest an aggregate of US\$250 billion to construct a Strong and Smart Grid by 2020 according to a press release dated 29 September 2011 which is posted on the internet web site of the State Grid Corporation of China (國家電網公司). The Strong and Smart Grid is an integral smart electrical system which includes generation, transmission, transforming, distribution, consumption and despatching, covering all voltage levels. All of the aforesaid factors are expected to contribute to the market demand for electronic power meters. In addition, with the change in tendering process from provincial level to centralised tendering effective from November 2009 onwards in accordance with a tender notice headed 國家電網公司集中規模招標採購「總部統一組織，網省公司具體實施」試點項目2009年智能電能表第一批項目 (State Grid Corporation of China Centralised Bidding and Purchasing Scale Pilot Project of “Headquarter Unify and Organise, Provincial Companies Specify and Implement” The First Article on Smart Electric Meter in 2009\*) issued by the State Grid Corporation of China (國家電網公司) in November 2009; and the evolving new standards of smart meters conforming to the smart grid infrastructure thereafter, intensive competition is enforcing market consolidation of the electronic power meter industry and hence only the strong enterprises would survive.

\* For identification purpose only

## LETTER FROM GUANGDONG SECURITIES

During the first half of 2011, the Group's turnover from the electronic power meters and solutions segment doubled while the loss from this segment also reduced substantially as compared to the corresponding period in the prior year. Although the profit margin of this segment has diminished in the early stage of the aforesaid market restructuring, with the Group's effort on research and development to streamline product cost, improve the quality of existing products and develop new series of products, the Directors are confident on the development and profitability of the Group's business in this segment in the future.

Tabularised below is a summary of the financial information on the Target Group for the six months ended 30 June 2011 and the corresponding period in the prior year, and the two years ended 31 December 2010:

	Six months ended 30 June 2011 (unaudited) <i>HK\$'000</i>	Six months ended 30 June 2010 (unaudited) <i>HK\$'000</i>	Year ended 31 December 2010 (audited) <i>HK\$'000</i>	Year ended 31 December 2009 (audited) <i>HK\$'000</i>
Turnover	210,942	104,679	370,439	253,586
Profit/(loss) before income tax	(22,854)	(34,875)	(135,078)	6,642
Profit/(loss) after income tax	(22,339)	(33,593)	(126,241)	644
				<b>As at</b>
				<b>30 June 2011</b>
				(unaudited)
				<i>HK\$'000</i>
Net asset value				331,898

Notwithstanding the satisfactory expansion in the audited consolidated turnover of the Target Group from the year ended 31 December 2009 to the year ended 31 December 2010, the Target Group's gross profit margin shrank owing to the increased competition and the reduced efficiency of production under new product specifications given the evolving new standards of smart meters conforming to the smart grid infrastructure in the electronic power meter market. As further advised by the Directors, over the past few years, the Target Group had been devoting increasing amount of resources on research and development, with more exertion placed to streamline product cost through better design, improving the quality of existing products and development of new series of products. For this reason, the Target Group's costs of goods sold, administrative and selling expenses recorded extensive continual increase, and the Target Group has been loss making since the 2010 financial year.

## LETTER FROM GUANGDONG SECURITIES

Moreover, we also understand from the Directors that the Target Group recorded higher amount of turnover during the second half of 2008, 2009 and 2010 as more electronic power meters were delivered in those periods; and that also explains why the Target Group had recorded larger turnover during the second half of 2010 than the first half of 2011. Nevertheless, in light of (i) an impairment loss on goodwill of approximately HK\$29.6 million was booked in the Target Group's financial statements during the second half of 2010; and (ii) the Target Group had been able to sell products with higher gross profit margin and carry out better cost control leading to decrease in operating expenses during the first half of 2011, the Target Group recorded relatively less losses for the six months ended 30 June 2011 as compared to the six months ended 31 December 2010.

In view of the fact that (i) the research and development of electronic power meters to meet the evolving industry standard involves sophisticated technology which would require a vast amount of initial capital investment and the payback period of such research and development could normally only be in long run; (ii) the Target Group's loss making condition had improved for the six months ended 30 June 2011 as compared to the corresponding period in the prior year; and (iii) as represented by the Directors and being set forth in the below section of this letter, the research and development of PLC by the Target Group has already reached an advanced stage and the new technologies may be gradually launched in the market in 2012, we, after our independent due diligence work (including discussions with the Directors, study of the historical financial information of the Target Group, research over information regarding the electronic power meter industry and PLC and obtaining supporting documents for the new technologies which may be launched by the Target Group), concur with the Directors that the financial performance of the Target Group would likely to show betterment in the future.

### **(2) Reasons for and benefits of the Acquisition**

As mentioned and presented in the foregoing sections of this letter, the Group is principally engaged in four key business segments after completion of the Spin-off, among which the business performance of the electronic power meters and solutions segment had been growing and is expected to demonstrate positive prospects.

Upon our further enquiry, we understand from the Directors that the Target Group has been focusing on the research and development of PLC, which is a kind of communication system specifically designed for electricity system, whereby analogue and digital data are transmitted by carrier wave through the power lines in the existing electricity system. PLC has the advantage of wide coverage of communication by utilising the power lines in the existing electricity system. According to the Directors, the research and development of PLC by the Target Group has reached an advanced stage and the relevant technologies passed certain examination in the fourth quarter of 2011. The Directors expected that those new

## LETTER FROM GUANGDONG SECURITIES

technologies may be gradually launched in the market in 2012 and are optimistic about their application. Through the Acquisition, the Directors anticipate that the Company will be able to obtain 100% control over the Target Group, which is beneficial to the future development and management of the Target Group.

Having considered the potentials for future enlargement of the electronic power meters industry, as well as the above reasons for and possible benefits of the Acquisition to the Group, especially that the Acquisition will allow the Company to obtain complete control over the management of the Target Group, we, based on also our independent due diligence work as just elaborated, are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

### **(3) Principal terms of the SPAs**

#### *The 18% SPA*

On 13 January 2012, the Company entered into the 18% SPA with Rich Giant, pursuant to which Rich Giant has conditionally agreed to sell and the Company has conditionally agreed to purchase the 18% Sale Shares at the 18% Consideration of HK\$86,400,000 in cash. The 18% Consideration shall be paid by the Company to Rich Giant on Completion.

#### *The 2% SPA*

On 13 January 2012, the Company entered into the 2% SPA with Billion Rosy, pursuant to which Billion Rosy has conditionally agreed to sell and the Company has conditionally agreed to purchase the 2% Sale Shares at the 2% Consideration of HK\$9,600,000 in cash. The 2% Consideration shall be paid by the Company to Billion Rosy on Completion.

As confirmed by the Directors, each of the 18% Consideration and the 2% Consideration was arrived at after arm's length negotiations between the respective Vendors and the Company with reference to the unaudited consolidated net asset value of the Target Group of approximately HK\$331.9 million as at 30 June 2011, and the business prospects of the Target Group.

As also confirmed by the Directors, the Company will satisfy the Aggregate Consideration by the internal resources of the Group.

## LETTER FROM GUANGDONG SECURITIES

As stated in the Board Letter, in January 2010, the Target (being a then wholly-owned subsidiary of the Company) and Rich Giant entered into a sale and purchase agreement, pursuant to which Rich Giant agreed to sell and the Target agreed to purchase the entire issued share capital of Mega Hunt Investments Limited (“**Mega Hunt**”) (the “**Previous RG Transaction**”). The consideration for the Previous RG Transaction was new shares of the Target, representing 20% of the then enlarged issued share capital of the Target. The carrying amount of Mega Hunt on the book of the Company as at the date of completion of the Previous RG Transaction was HK\$100 million (the “**Carrying Amount**”). Mega Hunt has become a member of the Target Group since the completion of the Previous RG Transaction and Rich Giant was still effectively interested in 20% of the equity interest in Mega Hunt immediately after the completion of the Previous RG Transaction. Given the aforesaid structure of the Previous RG Transaction, we concur with the Directors that the Carrying Amount does not serve as a direct comparison for the Aggregate Consideration.

Completion of the sale and purchase of the 18% Sale Shares and the 2% Sale Shares under the respective SPAs are inter-conditional upon each other so that completion of the sale and purchase of the 18% Sale Shares and the 2% Sale Shares shall take place simultaneously.

### *Trading multiples analysis for the Acquisition*

In order to assess the fairness and reasonableness of the Aggregate Consideration, we have performed a trading multiples analysis which includes only the price to book ratio (“**PBR**”) since the Target Group had been loss making during its latest financial year of which the financial information is available. We have searched for companies listed on the Stock Exchange which are also principally engaging in the electronic power meter business for comparison purpose. As a result of the uniqueness of this business, to the best of our knowledge and endeavour, we only identified two companies which met the said criteria. Accordingly, we attempted to extend our search to companies listed overseas which are engaged in the electronic power meter business, and to the best of our knowledge and endeavour, we found an addition of two companies which met such criteria (those four comparable companies altogether, the “**Market Comparables**”). It should be noted that the businesses, operations and prospects of the Target Group are not exactly the same as the Market Comparables, and we have not conducted any in-depth investigation into the businesses and operations of the Market Comparables.

## LETTER FROM GUANGDONG SECURITIES

Set out below are the implied PBRs of the Market Comparables based on their closing prices as at 13 January 2012, being the date of the SPAs, and their latest published financial information:

Company name (Stock code)	Principal business	Year end date	PBR (times)
Hi Sun Technology (China) Ltd. (818.HK)	Sales of electronic power meters and solutions, provision of telecommunication solutions and operation value added services, provision of financial solutions, services and related products and provision of payment solutions and services.	31/12/2010	1.83 (Note 1)
Wasion Group Holdings Ltd. (3393.HK)	Development, manufacture and sale of electronic power, water, gas and heat meters and data collection terminals; providing energy efficiency solution services.	31/12/2010	0.80 (Note 1)
Shenzhen Clou Electronics Co., Ltd. (002121.CH)	Develops, manufactures and markets power automation equipments and public instruments.	31/12/2010	2.82 (Note 2)
Ningbo Sanxing Electric Co. Ltd. (601567.CH)	Develops, produces and sells energy measurement and data acquisition products and power distribution equipment. Its products include intelligent power meters, general electronic energy meters, induction meters, amorphous alloy transformers, oil-immersed transformers, dry type transformers, box-type substation and switchgear boxes.	31/12/2010	1.73 (Note 2)
<b>Maximum</b>			<b>2.82</b>
<b>Minimum</b>			<b>0.80</b>
<b>Average</b>			<b>1.80</b>
<b>The Aggregate Consideration</b>			<b>1.45</b>



## LETTER FROM GUANGDONG SECURITIES

*Source:* the Stock Exchange web site (www.hkex.com.hk), Bloomberg, the Shenzhen Stock Exchange web site (www.szse.cn) and the Shanghai Stock Exchange web site (www.sse.com.cn)

*Notes:*

1. The PBRs for the selected companies were calculated based on their latest published interim reports.
2. The PBRs for the selected companies were calculated based on their latest published third quarterly reports.

As depicted by the above table, the implied PBRs of the Market Comparables ranged from approximately 0.80 times to 2.82 times, with an average of approximately 1.80 times. The implied PBR of the Aggregate Consideration of approximately 1.45 times is thus within the said range and is below the average of the Market Comparables.

Having taken into account the basis of the Aggregate Consideration and the results of the trading multiples analysis as set forth above, we consider that the Aggregate Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

*Other terms of the SPAs*

We have also reviewed the other terms of the SPAs. To the best of our knowledge and as far as we are aware of, the terms of the SPAs are not uncommon. Consequently, we consider that the terms of the SPAs are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

#### **(4) Possible financial effects of the Acquisition**

The Target is a non wholly-owned subsidiary of the Company. Upon Completion, the Company's shareholding interest in the Target will increase from 80% to 100% and the Target will become a wholly-owned subsidiary of the Company. The Directors confirmed that upon Completion, the financial results of the Target Group will be fully consolidated into the financial statements of the Group.

*Effect on net asset value and gearing*

From the 2011 Interim Report, we noted that the unaudited consolidated net asset value of the Group was approximately HK\$3,105.5 million as at 30 June 2011. The Company expected that the Group's net asset value would decrease upon Completion. Furthermore, the Group's gearing level (defined as total borrowings divided by shareholders' equity) was approximately 0.0074 as at 30 June 2011 based on the 2011 Interim Report. The Company confirmed that the gearing level of the Group would be higher due to the Acquisition.

## LETTER FROM GUANGDONG SECURITIES

### *Effect on working capital*

Given that the Company will satisfy the Aggregate Consideration in cash by the internal resources of the Group, the Group's working capital would be reduced due to the Acquisition.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon Completion.

### RECOMMENDATION

Having considered the above factors and reasons, we are of the opinion that (i) the terms of the SPAs are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition, which is conducted in the ordinary and usual course of business of the Company, is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the SPAs and the respective transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Guangdong Securities Limited**  
**Graham Lam**  
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any of its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

#### *Long position*

Directors' interests in the issued Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of the total issued share capital of the Company (Note 1)
Mr. Kui Man Chun	Beneficial owner	28,650,000	1.07%
	Interest in a controlled corporation (Note 2)	617,083,636	23.08%
Mr. Xu Wensheng	Beneficial owner	4,566,000	0.17%
Mr. Li Wenjin	Beneficial owner	6,400,000	0.24%
Mr. Xu Changjun	Beneficial owner	16,563,000	0.62%
Mr. Xu Sitao	Beneficial owner	700,000	0.03%

*Notes:*

1. The percentage has been compiled based on the total number of Shares in issue as at the Latest Practicable Date, i.e., 2,673,429,835.
2. These 617,083,636 Shares are directly held by Rich Global Limited which is 100% owned by Hi Sun Limited (a company which Mr. Kui Man Chun holds 99.16% interest). Accordingly, Mr. Kui Man Chun is deemed to be interested in the 617,083,636 Shares held by Rich Global Limited under Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 or short positions which the Directors and chief executive were taken or deemed to have under the provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

- (b) As at the Latest Practicable Date, each of Mr. Kui Man Chun and Mr. Li Wenjin was a director of Rich Global Limited, each of Mr. Kui Man Chun, Mr. Li Wenjin and Mr. Xu Wensheng was a director of Hi Sun Limited and each of Rich Global Limited and Hi Sun Limited was a company having an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(c) **Substantial shareholders' interests and short positions in shares and underlying shares of the Company**

As at the Latest Practicable Date, the Company had been notified of the following interests or short positions of each person other than a Director or chief executive of the Company in shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO, or who is, 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:

*Long position in the Company*

Name of Shareholders	Capacity	Number of Shares held	Approximate percentage of the total issued share capital of the Company (Note 1)
Liu Yang	Interest in controlled corporations (Note 2)	292,903,000	10.96%
Atlantis Capital Holdings Limited	Interest in a controlled corporation (Note 2)	292,903,000	10.96%
Che Fung	Interest in a controlled corporation (Note 3)	320,572,000	11.99%
Ever Union Capital Limited	Beneficial owner	320,572,000	11.99%
Rich Global Limited	Beneficial owner	617,083,636	23.08%
Hi Sun Limited	Interest in a controlled corporation (Note 4)	617,083,636	23.08%

*Notes:*

- The percentage has been compiled based on the total number of Shares in issue as at the Latest Practicable Date, i.e., 2,673,429,835.
- The 292,903,000 shares are held by Atlantis Investment Management (Hong Kong) Limited ("Atlantis Investment") in the capacity of investment manager. Atlantis Investment is wholly owned by Atlantis Capital Holdings Limited ("Atlantis Capital") which is in turn wholly owned by Liu Yang. Liu Yang and Atlantis Capital were, therefore, deemed to be interested in such Shares which Atlantis Investment was interested under Part XV of the SFO.
- These 320,572,000 Shares are directly held by Ever Union Capital Limited. Ever Union Capital Limited is 100% owned by Mr. Che Fung. Accordingly, Mr. Che Fung is deemed to be interested in these 320,572,000 Shares under Part XV of the SFO.
- These 617,083,636 Shares are directly held by Rich Global Limited. Rich Global Limited is 100% owned by Hi Sun Limited. As mentioned above, Hi Sun Limited is 100% owned by Mr. Kui Man Chun, an executive Director. Accordingly, Mr. Kui Man Chun is deemed to be interested in these 617,083,636 Shares under Part XV of the SFO.

### 3. DIRECTORS' INTEREST IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2010, the date to which the latest published audited consolidated financial statements of the Group were made up.

None of the Directors are materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

### 4. DIRECTORS' SERVICE CONTRACTS

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

### 5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of them nor any of their respective associates had any interest in a business which competes or may compete with the business of the Group or any other conflicts of interest with the Group.

### 6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in (i) the interim report of the Company for the six months ended 30 June 2011 and (ii) the profit warning announcement of the Company dated 2 February 2012 that the Group is expected to record a loss for the year ended 31 December 2011 as compared to a profit in 2010, the Board confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2010 (being the date to which the latest published audited consolidated accounts of the Group were made up).

### 7. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualifications
Guangdong Securities Limited	a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Guangdong Securities has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the text of its letter and references to its name and its opinion or advice in the form and context in which they respectively appear.

As at the Latest Practicable Date, Guangdong Securities did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Guangdong Securities did not have any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2010, being the date to which the latest published audited consolidated financial statements of the Group were made up.

#### **8. MISCELLANEOUS**

The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

#### **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during the normal business hours from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. (save for Saturdays and public holidays) at the principal place of business of the Company at Room 2515, 25th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong from the date of this circular and up to and including 24 February 2012:

- (i) the 18% SPA;
- (ii) the 2% SPA;
- (iii) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 12 of this circular;
- (iv) the letter of advice from Guangdong Securities, the text of which is set out on pages 13 to 24 of this circular; and
- (v) the written consent referred to in the paragraph headed "Expert and Consent" in this appendix.

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 OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a special general meeting ("**Meeting**") of HI SUN TECHNOLOGY (CHINA) LIMITED ("**Company**") will be held at Room 2515, 25th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong at 11:00 a.m. on Friday, 24 February 2012 for the purpose of considering and, if thought fit, with or without modifications, passing the following resolution as an ordinary resolution of the Company:

**ORDINARY RESOLUTION**

**"THAT**

- (a) the sale and purchase agreement dated 13 January 2012 entered into by the Company as purchaser, and Rich Giant Investments Limited as vendor in relation to the sale and purchase of the 45 shares of New Concept Services Limited ("**New Concept**"), representing 18% of the entire issued share capital of New Concept ("**18% SPA**"), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the sale and purchase agreement dated 13 January 2012 entered into by the Company as purchaser, and Billion Rosy Limited as vendor in relation to the sale and purchase of the 5 shares of New Concept, representing 2% of the entire issued share capital of New Concept ("**2% SPA**"), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- (c) the Directors or a duly authorised committee of the board of Directors be and are/is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as they consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the 18% SPA and the 2% SPA and all transactions contemplated thereunder respectively, and to agree to such variation, amendments or wavier or matters relating thereto respectively (including any variation, amendments or waiver of such documents, which are not

\* For identification purpose only



## NOTICE OF SPECIAL GENERAL MEETING

fundamentally different from those as provided in the 18% SPA and the 2% SPA respectively) as are, in the opinion of the Directors or the duly authorised committee, in the interest of the Company and its shareholders as a whole.”

By order of the Board  
**HI SUN TECHNOLOGY (CHINA) LIMITED**  
**Li Wenjin**  
*Executive Director*

Hong Kong, 8 February 2012

*Registered office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of  
business in Hong Kong:*  
Room 2515, 25th Floor  
Sun Hung Kai Centre  
30 Harbour Road  
Wanchai  
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed.
3. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting or any adjourned meeting if the member so desires.
4. To be valid, a form of proxy must be duly completed and signed in accordance with the instructions printed thereon and lodged, 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, at the principal place of the business of the Company at Room 2515, 25th 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 adjourned meeting (as the case may be).
5. All voting by the members at the meeting shall be conducted by poll.

*As at the date hereof, the Board consists of five executive directors, namely Mr. Cheung Yuk Fung, Mr. Kui Man Chun, Mr. Xu Wensheng, Mr. Li Wenjin and Mr. Xu Chang Jun; one non-executive director, namely Mr. Chang Kai-Tzung, Richard and three independent non-executive directors, namely Mr. Tam Chun Fai, Mr. Xu Sitao and Mr. Leung Wai Man, Roger.*