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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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 licensed securities dealer, 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 (the “**Company**”), you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sales or transfer was effected for transmission to the purchaser or the transferee.

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**HI SUN TECHNOLOGY (CHINA) LIMITED****高陽科技(中國)有限公司\****(Incorporated in Bermuda with limited liability)***(Stock code: 818)****DISCLOSEABLE AND CONNECTED TRANSACTION  
DISPOSAL OF SHARES OF A SUBSIDIARY  
AND  
ADOPTION OF SHARE OPTION SCHEME OF A SUBSIDIARY****Independent financial adviser to the Independent Board Committee and  
the Independent Shareholders****粵海證券有限公司****GUANGDONG SECURITIES LIMITED**

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A letter from the board of directors of the Company is set out from pages 5 to 17 of this circular. A letter from the independent board committee of the Company is set out on page 18 of this circular. A letter from the independent financial adviser containing its advice and recommendation to the independent board committee and the independent shareholders of the Company is set out from pages 19 to 27 of this circular. The principal terms of the share option scheme to be adopted by a subsidiary of the Company is set out from pages 28 to 37 of this circular.

A notice convening 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 Monday, 27 April 2009 at 10:00 a.m. is set out from pages 43 to 44 of this circular. A form of proxy is enclosed with 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 to the Company's share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the special general meeting. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the special general meeting, or any adjournment thereof, should you so wish.

*This circular will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at <http://www.hkexnews.hk> and the website of the Company for at least 7 days from the date of its posting.*

\* For identification purpose only

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## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 1 April 2009 in relation to the Disposal and the PAX Share Option Scheme
“associate(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Hi Sun Technology (China) Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Completion”	transfer of beneficial ownership of the Sale Shares
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	US\$20 million (equivalent to approximately HK\$155.4 million)
“Digital Investment”	Digital Investment Limited, a company wholly-owned by Hao Capital China Fund L.P. and the holder of the preference shares of PAX which shall be re-designated as the PAX Series A Preference Shares
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 8,750,000 PAX Ordinary Shares by the Transferor to the Purchaser pursuant to the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Hao Capital”	Hao Capital Fund II L.P.
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors, namely Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Xu Sitao, established to advise the Independent Shareholders in respect of the Disposal
“Independent Financial Adviser” or “Guangdong Securities”	Guangdong Securities Limited, a licensed corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal
“Independent Shareholders”	Shareholders other than the Purchaser and its associates
“Latest Practicable Date”	6 April 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PAX”	PAX Technology Limited, an indirect non wholly-owned subsidiary of the Company and is a company incorporated in Hong Kong with limited liability on 8 March 2000
“PAX Group”	PAX and its subsidiaries
“PAX Ordinary Share(s)”	the ordinary share(s) of HK\$1.00 each in the share capital of PAX
“PAX Preference Share(s)”	series A preference share(s) of HK\$1.00 each and series B preference share(s) of HK\$1.00 each in the share capital of PAX
“PAX Preference Shareholder(s)”	holder(s) of the PAX Preference Shares
“PAX Series A Preference Share(s)”	series A preference share(s) of HK\$1.00 each in the share capital of PAX

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## DEFINITIONS

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“PAX Series B Preference Share(s)”	series B preference share(s) of HK\$1.00 each in the share capital of PAX
“PAX Share(s)”	share(s) in the share capital of PAX, including the PAX Ordinary Share(s) and the PAX Preference Share(s)
“PAX Share Option Scheme”	the share option scheme for directors, employees, advisors and consultants of the PAX Group proposed to be adopted by PAX, which was previously defined in the Announcement as the “Employee Incentive Plan”
“PRC”	the People’s Republic of China
“Purchaser”	Dream River Limited, a company wholly-owned by Hao Capital
“Sale and Purchase Agreement”	the conditional sale and purchase agreement entered into among PAX, the Purchaser, the Company and the Transferor on 30 March 2009 regarding the Disposal
“Sale Shares”	being the 8,750,000 PAX Ordinary Shares to be transferred by the Transferor to the Purchaser pursuant to the Sale and Purchase Agreement
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	a special general meeting of the Company to be convened on 27 April 2009 to consider and, if thought fit, approve (i) the Disposal and the transactions contemplated under the Sale and Purchase Agreement by the Independent Shareholders; and (ii) the PAX Share Option Scheme by the Shareholders
“Share(s)”	ordinary share(s) of HK\$0.0025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into among PAX, the Purchaser, the Company and Digital Investment at Completion amending and restating certain terms and conditions of the existing shareholders’ agreement of PAX dated 23 May 2007

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transferor”	Hi Sun Technology Holding Limited, a indirect wholly-owned subsidiary of the Company and a company incorporated in Bermuda
“%”	per cent.

*For the purpose of this circular, all amounts denominated in US\$ have been translated (for information only) into HK\$ using the exchange rate of US\$1.00:HK\$7.77. No representation is made that any amounts in US\$ or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.*

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Cheung Yuk Fung (*Chairman*)

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

*Independent non-executive Directors:*

Mr. Tam Chun Fai

Mr. Leung Wai Man, Roger

Mr. Xu Sitao

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

Room 2416, 24th Floor

Sun Hung Kai Centre

30 Harbour Road

Wanchai

Hong Kong

8 April 2009

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
DISPOSAL OF SHARES OF A SUBSIDIARY  
AND  
ADOPTION OF SHARE OPTION SCHEME OF A SUBSIDIARY**

**INTRODUCTION**

As stated in the Announcement on 30 March 2009, PAX (an indirect non wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Company, the Purchaser and the Transferor, pursuant to which the Purchaser has conditionally agreed to purchase the Sale Shares, being 8,750,000 PAX Ordinary Shares, and the Transferor (an indirect wholly-owned subsidiary of the Company) has conditionally agreed to sell the Sale Shares to the Purchaser at the Consideration of US\$20 million (equivalent to approximately

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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HK\$155.4 million). Immediately upon registration of the Sale Shares in the name of the Purchaser, the Sale Shares shall be re-designated as the PAX Series B Preference Shares on a one-to-one basis and those PAX Series B Preference Shares shall represent 20% of the total issued share capital of PAX.

To facilitate the creation of the PAX Series B Preference Shares, the existing preference shares of PAX, being 8,750,000 preference shares held by Digital Investment, shall be re-designated as the PAX Series A Preference Shares on a one-to-one basis and those PAX Series A Preference Shares shall represent 20% of the total issued share capital of PAX. The commercial substance of the rights attaching to the existing preference shares (which are to become PAX Series A Preference Shares) and the holder(s) of those shares shall remain unchanged.

PAX also intends to adopt the PAX Share Option Scheme for the issuance of such number of PAX Ordinary Shares representing no more than 5% of the total number of PAX Shares in issue immediately after Completion.

The purpose of this circular is to, among other things, (i) provide you with further details of the Disposal and the PAX Share Option Scheme; (ii) set out the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Disposal; (iii) set out the letter of advice from Guangdong Securities containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Disposal; and (iv) set out a notice of the SGM.

### THE SALE AND PURCHASE AGREEMENT

Set out below are certain particulars and principal terms of the Sale and Purchase Agreement:

Date:	30 March 2009
Transferor:	Hi Sun Technology Holding Limited, an indirect wholly-owned subsidiary of the Company
Purchaser:	Dream River Limited, an investment company incorporated in the British Virgin Islands and is wholly-owned by Hao Capital



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## LETTER FROM THE BOARD

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- Guarantor: The Company. Pursuant to the Sale and Purchase Agreement, the Company guarantees by way of continuing obligation to the Purchaser the due and punctual payment of all amounts payable by the Company and/or the Transferor to the Investor and the performance by the Company and/or the Transferor of their obligations under the Sale and Purchase Agreement
- Subject matter of the Sale and Purchase Agreement: The disposal of 8,750,000 PAX Ordinary Shares, which on transfer to and registered in the name of the Purchaser, shall be re-designated on a one-to-one basis as the PAX Series B Preference Shares (see also “Rights of PAX Preference Shareholder(s)” below)
- Consideration: US\$20 million (equivalent to approximately HK\$155.4 million), to be settled by the Purchaser in cash on registration of the Purchaser as holder of 8,750,000 PAX Series B Preference Shares, which shall take place after completion of the stamping procedures for the transfer of the Sale Shares at the Hong Kong Stamp Duty Office
- Conditions precedent: Completion of the Sale and Purchase Agreement is conditional upon certain conditions being fulfilled or waived in writing, including but not limited to:
1. the adoption of the new memorandum of association and articles of association of PAX to set out the rights of the PAX Preference Shares;
  2. the passing of all resolutions of the Shareholders with respect to the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder in a manner as required under the Listing Rules;
  3. the compliance with all legal and regulatory requirements relating to the Sale and Purchase Agreement and the transactions contemplated thereunder;

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## LETTER FROM THE BOARD

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4. completion of a business, financial, accounting and legal due diligence review on the PAX Group by the Purchaser to its reasonable satisfaction acting reasonably; and
5. approval of the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder by the investment committee of Hao Capital and the advisory committee of Hao Capital China Fund L.P.

The Purchaser shall have the right to waive in writing the conditions as mentioned above (save as and except for condition (2)). If the conditions precedent as set out in the Sale and Purchase Agreement for Completion have not been fulfilled (or, where applicable, waived by the Purchaser in writing) on or prior to a date which is 90 days from the date of the Sale and Purchase Agreement (or such other dates as agreed by the parties to the Sale and Purchase Agreement in writing), the Sale and Purchase Agreement shall terminate.

Completion:

Completion (i.e. the transfer of the beneficial ownership of the Sale Shares) shall take place on the third business day following the day on which the conditions to Completion as set out in the Sale and Purchase Agreement have been satisfied or waived or such other date as the parties may agree in writing.

Shareholders' Agreement:

At Completion, the Purchaser shall enter into the Shareholders' Agreement with PAX, the Company and Digital Investment, amending and restating certain terms and conditions of the existing shareholders' agreement of PAX dated 23 May 2007.

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## LETTER FROM THE BOARD

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The Shareholders' Agreement provides that the board of directors of PAX shall consist of five directors. So long as the Company holds a majority of the voting power of the issued and outstanding share capital of PAX, the Company shall have the right to appoint three directors of PAX and if the Company holds less than a majority of the voting rights attaching to the PAX Shares, it shall have the right to appoint such number of directors, rounded up to the nearest integral number, represents such percentage of the total number of directors of PAX which is proportionate to the percentage of total voting rights then held by the Company provided that such number shall not be greater than two.

Certain other rights of the PAX Preference Shareholder(s) under the Shareholders' Agreement are set out below under the heading "Rights of PAX Preference Shareholder(s) – Rights under Shareholders' Agreement".

### **RIGHTS OF PAX PREFERENCE SHAREHOLDER(S)**

Immediately after Completion and registration of the shares transfer from the Transferor to the Purchaser, PAX will have 26,250,000 PAX Ordinary Shares, 8,750,000 PAX Series A Preference Shares and 8,750,000 PAX Series B Preference Shares in issue. The rights attaching to the PAX Preference Shares are summarised below.

#### **Rights attaching to PAX Preference Shares**

##### ***Right to capital***

On return of capital on a winding-up or otherwise of PAX, the PAX Preference Shares will rank in priority to any other class of shares in the capital of PAX to the return of an amount equal to the aggregate initial subscription price of the relevant PAX Preference Shares and any dividends accumulated on such PAX Preference Shares then in arrears (if any). After the above aggregate sum is satisfied, any remaining funds and assets of PAX legally available for distribution to its shareholders would be distributed pro-rata among the PAX Preference Shareholders (on an as-converted basis) together with the holders of the PAX Ordinary Shares.

##### ***Right to income***

The PAX Preference Shareholder(s) is/are entitled, to receive, at the same time as a dividend or distribution is paid on the PAX Ordinary Shares, a dividend or other distribution at the same rate for each PAX Ordinary Share which the PAX Preference Shares are to be converted at the same time.

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## LETTER FROM THE BOARD

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### *Voting rights*

The PAX Preference Shareholder(s) has/have full voting rights by reference to each PAX Ordinary Share converted at general meetings of PAX and shall also be entitled to vote as a separate class at general meetings of PAX in relation to matters which affect the rights attaching to the PAX Preference Shares.

### *Conversion rights*

The PAX Preferences Shareholder(s) shall have the right to convert the PAX Preferences Shares into the PAX Ordinary Shares at any time from the date of Completion on the basis of one PAX Preference Share to one PAX Ordinary Share (the “**Conversion Ratio**”). The Conversion Ratio will be adjusted:

- (i) on consolidation, reclassification or sub-division of PAX Ordinary Shares in customary manner; and
- (ii) if and when PAX issues any shares or equity securities convertible into shares at any time after Completion (save for the issue of any shares or equity securities convertible into shares by PAX or any of its subsidiaries to its directors, employees, consultants and advisors pursuant to any of the share option schemes of PAX or its subsidiaries) at a price per share (the “**Lower Price**”) below the subscription price per PAX Preference Share, being US\$1.143 for each PAX Series A Preference Share and US\$2.286 for each PAX Series B Preference Share, such that the number of PAX Ordinary Shares which fall to be issued on conversion will be increased by the same proportion the subscription price bears to the Lower Price.

## **Rights under Shareholders’ Agreement**

### *Board representation*

Pursuant to the Shareholders’ Agreement, subject to the holder(s) of the PAX Series A Preference Shares holding an aggregate of not less than 5% of the PAX Series A Preference Shares in issue immediately upon Completion and holder(s) of the PAX Series B Preference Shares holding an aggregate of not less than 5% of the PAX Series B Preference Shares in issue immediately upon Completion, holder(s) of the PAX Series A Preference Shares shall have the right to appoint one director of PAX and holder(s) of PAX Series B Preference Shares shall have the right to appoint one director of PAX.

### *Non-compete*

Under the Shareholders’ Agreement, each of the Company and Digital Investment will undertake to PAX and the other shareholders of PAX that it and its associates shall not directly or indirectly engage in businesses which would compete with the businesses

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## LETTER FROM THE BOARD

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of the PAX Group at any time whilst it or any of its associates is beneficially interested in any PAX Shares and for a period of one year from the date on which it or such associates ceases to be beneficially interested in the PAX Shares.

### ***Registration rights***

In the United States, federal and state securities laws place certain limitations on the sale of shares held by an investor who have not been registered, unless the investor complies with certain exceptions. If the PAX Ordinary Shares are being listed in the United States or any other jurisdictions where registration is applicable (not Hong Kong), then at any time after such listing, the PAX Preference Shareholder(s) shall have registration rights which entitle he/she/them to force PAX to register the PAX Preference Shares held by the he/she/them with the U.S. Securities and Exchange Commission or a similar commission in other countries.

### ***Co-sale rights***

If the Company or any of its associates propose to transfer any interest in their PAX Ordinary Shares to any third party, then the PAX Preference Shareholder(s) shall have the right to participate in the sale on the same terms and conditions as such selling shareholder subject to the terms of the Shareholders' Agreement.

### ***Right of first offer***

If PAX issues any class of shares in the capital of PAX, rights, options or warrants to purchase any class of PAX Shares, or securities of any type whatsoever that are or may become convertible or exchangeable into any class of PAX Shares (the “**New Securities**”), the PAX Preference Shareholder(s) shall have the rights to subscribe for such number of New Securities being equaled to a fraction, the numerator of which is the number of PAX Ordinary Shares then held by such PAX Preference Shareholder(s) (on an as-converted basis), and the denominator of which is the total number of PAX Ordinary Shares then outstanding (on an as-converted basis) immediately prior to the issuance of the New Securities.

### ***Right of first refusal***

Each shareholder of PAX has the right of first refusal exercisable in connection with any proposed transfer of the PAX Shares by any or all of them. The Company will comply with the Listing Rules in respect of any further issues, disposals or acquisitions of the PAX Shares.

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## LETTER FROM THE BOARD

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### INFORMATION ON PARTIES TO THE SALE AND PURCHASE AGREEMENT

#### Information on the Group

The Group is principally engaged in the sales of information technology products, provision of business process operation services, provision of information system consultancy and integration services, provision of information technology operation value-added services and sales of electronic power meters and solutions.

#### Information on the Transferor

Hi Sun Technology Holding Limited is an indirect wholly-owned subsidiary of the Company incorporated in Bermuda. The principal activity of Hi Sun Technology Holding Limited is investment holding.

#### Information on PAX

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

Set out below is a summary of the audited financial information of the PAX Group for the three years ended 31 December 2008, which are prepared in accordance with the accounting principles generally accepted in Hong Kong:

<b>Income Statement</b>	<b>For the year ended 31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	493,589	323,143	197,843
Profit before taxation	116,767	69,012	30,109
Profit after taxation	106,061	64,216	28,015
<b>Balance Sheet</b>	<b>As at 31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net asset value	338,509	223,199	72,995

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## LETTER FROM THE BOARD

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### Information on the Purchaser

The Purchaser, Dream River Limited, is an investment company incorporated in the British Virgin Islands and is wholly-owned by Hao Capital.

### REASONS FOR THE DISPOSAL AND PROPOSED USE OF PROCEEDS

The Consideration of US\$20 million (equivalent to approximately HK\$155.4 million) was determined after arm's length negotiations among the parties to the Sale and Purchase Agreement, with reference to various factors including the current financial position, the historical financial performance and business prospect of the PAX Group. The Consideration represents a premium of approximately 129.54% over the 20% attributable interest of the PAX Series B Preference Shares (on an as-converted basis) in the audited net assets of the PAX Group as at 31 December 2008.

Upon Completion (without taking into account the PAX Ordinary Shares which may be issued under the PAX Share Option Scheme), the Company's indirect equity interest in PAX will decrease from 80% to 60%. As such, PAX will remain as an indirect non wholly-owned subsidiary of the Company at Completion and the Company will be able to continue to control the board of directors of PAX so long as the Company holds a majority of the voting power of the issued and outstanding share capital of PAX. The Directors consider the terms of the Sale and Purchase Agreement, which were reached based on arm's length negotiations among the parties thereto, to be on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Disposal will provide additional working capital to the Group as the proceeds from the Disposal will be used for the Group's general working capital. In addition, based on HKAS 27 (Revised) "Consolidated Separate Financial Statements" issued in December 2008 for annual periods beginning on or after 1 July 2009, the Disposal which does not result in a loss of control, would be accounted for as equity transaction and would not lead to any gain or loss to the Group. Nevertheless, Shareholders should note that the exact financial effect of the Disposal to the Group is subject to the Company's auditors' review and approval.

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## LETTER FROM THE BOARD

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### SHAREHOLDING TABLE

For illustrative purpose only, set out below is a summary of the shareholdings in PAX as a result of the Disposal (without taking into account the PAX Ordinary Shares which may be issued under the PAX Share Option Scheme):

Name of shareholder	Prior to the Disposal		After the Disposal	
	<i>Number of issued shares</i>	%	<i>Number of issued shares</i>	%
<b>Holder of the PAX</b>				
<b>Ordinary Shares:</b>				
The Transferor	35,000,000	80	26,250,000	60
			<i>(Note)</i>	
<b>Holder of the PAX Series A</b>				
<b>Preference Shares:</b>				
Digital Investment	8,750,000	20	8,750,000	20
	<i>(Note)</i>		<i>(Note)</i>	
<b>Holder of the PAX Series B</b>				
<b>Preference Shares:</b>				
The Purchaser	–	–	8,750,000	20
			<i>(Note)</i>	
<b>Total</b>	<b><u>43,750,000</u></b>	<b><u>100</u></b>	<b><u>43,750,000</u></b>	<b><u>100</u></b>

*Note:* Pursuant to the Sale and Purchase Agreement, the 8,750,000 PAX Ordinary Shares, which on transfer to and registered in the name of the Purchaser, shall be re-designated on a one-to-one basis into the PAX Series B Preference Shares. Besides that, the existing preference shares of PAX, being 8,750,000 preference shares held by Digital Investment, shall also be re-designated as the PAX Series A Preference Shares on a one-to-one basis.

### ADOPTION OF PAX SHARE OPTION SCHEME BY PAX

PAX will adopt the PAX Share Option Scheme for the issuance of such number of PAX Ordinary Shares representing no more than 5% of the total number of PAX Shares in issue immediately after Completion. Based on the issued share capital of PAX upon Completion, the maximum number of PAX Ordinary Shares to be issued under the PAX Share Option Scheme is 2,187,500, representing approximately 4.76% of the issued share capital of PAX as enlarged by the option shares.

The PAX Share Option Scheme is designed to provide the directors, employees, advisors and consultants of the PAX Group with the opportunity to acquire proprietary interests in the PAX Group, which will encourage the grantees of such options to work towards enhancing the value of the PAX Group and benefit the PAX Group as a whole. The board of directors of PAX or a duly authorised committee thereof shall administer the PAX Share Option Scheme to achieve the purpose of the PAX Share Option Scheme and have the rights at its discretion to



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## LETTER FROM THE BOARD

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determine (i) the minimum period for which the options under the scheme must be held before it can be exercised; (ii) the performance targets; and (iii) the subscription price per PAX Ordinary Share at which a grantee may subscribe for the PAX Ordinary Shares on the exercise of an option pursuant to the terms of the PAX Share Option Scheme.

The PAX Share Option Scheme shall take effect subject to:

- (a) the passing of a resolution of PAX to approve and adopt the PAX Share Option Scheme and to authorise the board of directors of PAX to grant options under the scheme and to allot and issue the PAX Ordinary Shares pursuant to the exercise of any options; and
- (b) the passing of a resolution by the Company in general meeting to approve the PAX Share Option Scheme and the grant of options and issue of the PAX Ordinary Shares pursuant to the scheme.

Based on the terms of the PAX Preference Shares, the issue of the PAX Ordinary Shares under the PAX Share Option Scheme will not trigger an adjustment to the Conversion Ratio.

Your attention is drawn to Appendix I to this circular for further information regarding the principal terms of the PAX Share Option Scheme.

### **IMPLICATION UNDER THE LISTING RULES**

Upon Completion, the Company's indirect equity interest in the total issued share capital of PAX will be reduced by 20% (without taking into account the PAX Ordinary Shares which may be issued under the PAX Share Option Scheme) as a result of the Disposal. The Disposal represents a possible disposal of the Company's interest in PAX. As the applicable percentage ratios (as defined under the Listing Rules) for the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, the Purchaser was wholly-owned by Hao Capital. Digital Investment, a substantial shareholder of PAX is a subsidiary of Hao Capital China Fund L.P.. As the general partners and management companies of Hao Capital and Hao Capital China Fund L.P. are under common control, the Disposal and the transactions contemplated under the Sale and Purchase Agreement (including the execution of the Shareholders' Agreement at Completion) constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules. In this regard, the Purchaser, together with its associates (in the event that they have shareholdings in the Company as at the date of the SGM), are required to abstain from voting in respect of the relevant resolution(s) regarding the Disposal at the SGM. As at the Latest Practicable Date, Hao Capital China Fund L.P., through its wholly-owned subsidiary, held approximately 2.88% of the issued share capital of the Company.

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## LETTER FROM THE BOARD

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In addition, the adoption of the PAX Share Option Scheme is subject to the Shareholders' approval at the SGM under Chapter 17 of the Listing Rules and no shareholder is required to abstain from voting on the relevant resolution(s) approving the PAX Share Option Scheme under the Listing Rules.

### GENERAL

The Company has established an Independent Board Committee (which comprises all the three independent non-executive Directors, namely Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Xu Sitao) to (i) advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the Disposal is in the interests of the Company and the Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote in respect of the Disposal, after taking into account the recommendation of the Independent Financial Adviser.

Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal.

### SGM

A notice convening the SGM to be held at Room 2416, 24th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Monday, 27 April 2009 at 10:00 a.m., is set out from pages 43 to 44 of this circular.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Company's share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the SGM. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM, or any adjournment thereof, should you so wish.

### VOTING BY POLL

Pursuant to Rule 13.39 of the Listing Rules, any votes of the Shareholders at a general meeting must be taken by poll. Therefore, the chairman of the SGM will demand a poll for each and every resolution put forth at the SGM pursuant to Bye-law 66 of the Company. The Company will appoint scrutineers to handle vote-taking procedures at the SGM. The results of the poll will be published on the websites of the Stock Exchange and the Company as soon as possible in accordance with Rule 13.39 of the Listing Rules.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 18 of this circular which contains its recommendation to the Independent Shareholders in relation to the Disposal. Your attention is also drawn to the letter of advice from Guangdong Securities set out from pages 19 to 27 of this circular which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Disposal and the principal factors and reasons taken into account in arriving at its recommendation.

The Board considers that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In addition, the Board considers that the PAX Share Option Scheme is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders and Shareholders to vote in favour of the ordinary resolutions regarding the Disposal and the PAX Share Option Scheme respectively to be proposed at the SGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices of this circular.

By order of the Board  
**Hi Sun Technology (China) Limited**  
**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 April 2009

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION:  
DISPOSAL OF SHARES OF A SUBSIDIARY**

We refer to the circular dated 8 April 2009 of the Company (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed to advise the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” in the Circular.

Having taken into account the advice of the Independent Financial Adviser as set out in the Circular, we consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the SGM to approve the Disposal.

Yours faithfully,

Independent Board Committee

**Mr. Tam Chu Fai**

**Mr. Leung Wai Man, Roger**

**Mr. Xu Sitao**

*Independent Non-Executive Directors*

\* *For identification purpose only*

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## LETTER FROM GUANGDONG SECURITIES

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*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 regarding the Sale and Purchase Agreement and the transactions contemplated thereunder for the purpose of inclusion in this circular.*



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

8 April 2009

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

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION: DISPOSAL OF SHARES OF A SUBSIDIARY**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 8 April 2009 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 30 March 2009, PAX (an indirect non wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Company, the Purchaser and the Transferor, pursuant to which the Purchaser has conditionally agreed to purchase the Sale Shares, being 8,750,000 PAX Ordinary Shares, and the Transferor (an indirect wholly-owned subsidiary of the Company) has conditionally agreed to sell the Sale Shares to the Purchaser at the Consideration of US\$20 million (equivalent to approximately HK\$155.4 million). Immediately upon registration of the Sale Shares in the name of the Purchaser, the Sale Shares shall be re-designated as the PAX Series B Preference Shares on a one-to-one basis and those PAX Series B Preference Shares shall represent 20% of the total issued share capital of PAX.

To facilitate the creation of the PAX Series B Preference Shares, the existing preference shares of PAX, being 8,750,000 preference shares held by Digital Investment, shall be re-designated as the PAX Series A Preference Shares on a one-to-one basis and those PAX Series A Preference Shares shall represent 20% of the total issued share capital of PAX. The commercial substance of the rights attaching to the existing preference shares (which are to become PAX Series A Preference Shares) and the holder(s) of those shares shall remain unchanged.

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## LETTER FROM GUANGDONG SECURITIES

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As referred to in the Board Letter, upon Completion, the Company's indirect equity interest in the total issued share capital of PAX will be reduced by 20% (without taking into account those PAX Ordinary Shares which may be issued under the PAX Share Option Scheme) as a result of the Disposal. The Disposal represents a possible disposal of the Company's interest in PAX. As the applicable percentage ratios (as defined under the Listing Rules) for the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. As further referred to in the Board Letter, the Purchaser is wholly-owned by Hao Capital. Digital Investment, a substantial shareholder of PAX is a subsidiary of Hao Capital China Fund L.P. Since the general partners and management companies of Hao Capital and Hao Capital China Fund L.P. are under common control, the Disposal and the transactions contemplated under the Sale and Purchase Agreement also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules. In this regard, the Purchaser, together with its associates (in the event that they have shareholdings in the Company as at the date of the SGM), are required to abstain from voting in respect of the resolution(s) regarding the Disposal 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 Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Disposal 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 Disposal and the transactions contemplated under the Sale and Purchase Agreement 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 date hereof. 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.

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## LETTER FROM GUANGDONG SECURITIES

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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, 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 Purchaser, the Transferor, Digital Investment, Hao Capital China Fund L.P. and Hao Capital or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal. In addition, we have no obligation to update this opinion to take into account events occurring after the issue of this letter. 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 Disposal, we have taken into consideration the following principal factors and reasons:

#### (1) Background of the Disposal

##### *The Sale and Purchase Agreement*

On 30 March 2009, PAX (an indirect non wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with the Company, the Purchaser and the Transferor, pursuant to which the Purchaser has conditionally agreed to purchase the Sale Shares, being 8,750,000 PAX Ordinary Shares, and the Transferor (an indirect wholly-owned subsidiary of the Company) has conditionally agreed to sell the Sale Shares to the Purchaser at the Consideration of US\$20 million (equivalent to approximately HK\$155.4 million). Immediately upon registration of the Sale Shares in the name of the Purchaser, the Sale Shares shall be re-designated as the PAX Series B Preference Shares on a one-to-one basis and those PAX Series B Preference Shares shall represent 20% of the total issued share capital of PAX.

To facilitate the creation of the PAX Series B Preference Shares, the existing preference shares of PAX, being 8,750,000 preference shares held by Digital Investment, shall be re-designated as the PAX Series A Preference Shares on a one-to-one basis and those PAX Series A Preference Shares shall represent 20% of the total issued share capital of PAX. The commercial substance of the rights attaching to the existing preference shares (which are to become PAX Series A Preference Shares) and the holder(s) of those shares shall remain unchanged.

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## LETTER FROM GUANGDONG SECURITIES

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As confirmed by the Directors, the terms of the Sale and Purchase Agreement were negotiated and entered into on arm's length basis between the parties thereto and the Directors are of the view that the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

### *Information on the Group*

The Group is principally engaged in the sales of information technology products, provision of business process operation services, provision of information system consultancy and integration services, provision of information technology operation value-added services and sales of electronic power meters and solutions.

Tabularised below is a summary of the audited consolidated financial information on the Group for the three years ended 31 December 2008 as extracted from the Company's results announcement for the year ended 31 December 2008 (the "2008 Annual Results Announcement") and the Company's annual report for the year ended 31 December 2007 (the "2007 Annual Report"):

<b>Consolidated Income Statement</b>	<b>For the year ended 31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	1,213,468	779,605	473,122
Cost of sales	<u>(660,641)</u>	<u>(422,767)</u>	<u>(264,870)</u>
Gross profit	<u>552,827</u>	<u>356,838</u>	<u>208,252</u>
Operating profit	178,097	219,565	149,045
Finance costs	<u>(1,544)</u>	<u>(2,797)</u>	<u>(3,803)</u>
Profit before income tax	176,553	216,768	145,242
Income tax expenses	<u>(40,875)</u>	<u>(24,247)</u>	<u>(11,642)</u>
Profit for the year	<u><u>135,678</u></u>	<u><u>192,521</u></u>	<u><u>133,600</u></u>
Net profit attributable to equity holders of the Company	<u><u>114,350</u></u>	<u><u>184,276</u></u>	<u><u>133,600</u></u>



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## LETTER FROM GUANGDONG SECURITIES

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As depicted by the above table, the Group recorded a total turnover of approximately HK\$1,213.47 million for the year ended 31 December 2008, representing an increase of approximately 55.65% as compared to the prior year. The gross profit of the Group was amounted to approximately HK\$552.83 million, representing an increase of approximately 54.92% as compared to the prior year, while the net profit attributable to equity holders of the Company had decreased from approximately HK\$184.28 million to HK\$114.35 million for the year ended 31 December 2008. We noted from the 2008 Annual Results Announcement that the enhancement of the Group's turnover and gross profit was primarily due to the strong growth in two main business segments of the Group, namely (i) the electronic payment products and services; and (ii) the electronic powers meters and solutions. In addition, the Group recorded an "other gains" of approximately HK\$113.74 million for the year ended 31 December 2007, out of such, approximately HK\$43.10 million was attributable to gain on disposal of investment securities and approximately HK\$43.26 million was attributable to its disposal of 20% equity interest in PAX to Digital Investment in July 2007 (the "Disposal"). Details of the Disposal were set out in the circular of the Company dated 27 April 2007. Therefore, the net profit attributable to equity holders of the Company for the year ended 31 December 2008 was comparatively lowered than the 2007 financial year.

### *Information on the PAX Group*

As referred to in the Board Letter, PAX is an indirect non wholly-owned subsidiary of the Company and is a company incorporated in Hong Kong with limited liability on 8 March 2000. The principal activities of the PAX Group are development and sale of electronic fund transfer point-of-sale terminals payment products and services.

PAX was an indirect wholly-owned subsidiary of the Company and as mentioned in the foregoing section, the Group disposed of 20% of its equity interest in PAX in July 2007. Following the Disposal, PAX has become an 80% indirectly-owned subsidiary of the Company.

Sets out below is a summary of the audited financial information on the PAX Group for each of the three years ended 31 December 2008, which are prepared in accordance with the accounting principles generally accepted in Hong Kong as extracted from the Board Letter:

<b>Income Statement</b>	<b>For the year ended 31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	493,589	323,143	197,843
Profit before taxation	116,767	69,012	30,109
Profit after taxation	106,061	64,216	28,015

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## LETTER FROM GUANGDONG SECURITIES

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Balance Sheet	As at 31 December		
	2008	2007	2006
	HK\$'000	HK\$'000	HK\$'000
Net asset value (“NAV”)	338,509	223,199	72,995

As depicted by the above table, the turnover of the PAX Group had been rising significantly since the year ended 31 December 2006. Moreover, the PAX Group enjoyed substantial improvement in profitability over the past few years leveraging on the successful introduction of new product designs and effective cost controls. According to the 2008 Annual Results Announcement, the PAX Group’s attribution to the Group’s total turnover for the year ended 31 December 2008 was approximately 40.68%. As further represented by the Directors, the PAX Group continued to be the leader in the electronic fund transfer point-of-sale terminals market in Mainland China and the Group endeavour to turn the PAX Group into an international brand symbolizing top quality electronic payment products and solutions in the future.

### *Information on the Transferor*

Hi Sun Technology Holding Limited is an indirect wholly-owned subsidiary of the Company and an investment holding company incorporated in Bermuda.

## **(2) Reasons for the Disposal and proposed use of proceeds**

We noted from the Board Letter that the proceeds from the Disposal will be applied as general working capital of the Group. In addition, during our discussion with the management of the Company, we understand that it is the intention of the Group to realise part of its investment in PAX to provide additional general working capital to the Group in order to enhance the Group’s liquidity level and expand the PAX Group’s overseas market penetration. In view of that the management of the Company are confident on the business prospect of the PAX Group, the Company intends to maintain its 60% equity interest in PAX such that the Company can continue to consolidate the financial results of the PAX Group into the Group’s financial statements upon Completion. As referred to in the Board Letter, the Company will also be able to keep on exercising control over the board of directors of PAX so long as the Company holds a majority of the voting power of the issued and outstanding share capital of PAX.

Taking into account the fact that the Disposal shall provide an opportunity for the Group to realise part of its investment in the PAX Group in the recent unstable worldwide economic environment and provide additional working capital for enhancing the Group’s liquidity level and for the future development of the PAX Group, while continuing to consolidate the financial results of the PAX Group into the Group’s financial statements and maintain its controlling stake in the PAX Group, we concur with the Directors that the Disposal is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM GUANGDONG SECURITIES

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### (3) Terms of the Sale and Purchase Agreement

As set out in the Board Letter, the Consideration of US\$20 million was determined after arm's length negotiations among the parties to the Sale and Purchase Agreement, with reference to various factors including the current financial position, the historical financial performance and business prospect of the PAX Group. The Consideration represents a premium of approximately 129.54% over the 20% attributable interest of the PAX Series B Preference Shares (on an "as converted" basis) in the audited net assets of the PAX Group as at 31 December 2008.

For the purpose of assessing the fairness and reasonableness of the Consideration, we have performed a trading multiples analysis which includes the price to book ratio ("**PBR**") and the price to earnings ratio ("**PER**"). We have searched for companies which are listed on the Stock Exchange and are principally engaged in the development and sale of electronic fund transfer point-of-sale terminals payment products and services. Given the unique nature of the business of the PAX Group as represented by the Directors, we are unable to identify any comparable listed companies in Hong Kong. Thus, we extended our search to companies listed on the worldwide stock exchange markets which are engaged in similar business as the PAX Group and excluded companies which recorded losses and net liabilities during their latest financial year as per their respective published financial information. To the best of our knowledge and as far as we are aware of, we found two comparable companies which met our criteria (the "**Market Comparables**").

Set out below are the PBR and PER of the Market Comparables based on (i) their respective closing prices as at 30 March 2009, being the date of the Sale and Purchase Agreement; and (ii) their latest publicly available financial information:

<b>Company name</b>	<b>Listing place</b>	<b>Principal business</b>	<b>PBR</b>	<b>PER</b>
Euronet Worldwide Inc. ( <i>Ticker: EEFT</i> )	United States	Provision of electronic financial transaction solutions.	1.41	16.11
Ingenico S.A. ( <i>Ticker: ING</i> )	France	Manufactures, designs, and distributes electronic terminals, systems, and related products for electronic payment transactions.	2.07	15.12
<b>The Disposal</b>			<b>2.30</b>	<b>7.33</b>

*Source: the Bloomberg*

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## LETTER FROM GUANGDONG SECURITIES

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Based on the financial information of the PAX Group for the 2008 financial year, we calculated the implied PBR of the Disposal, being the Consideration divided by 20% of the audited consolidated NAV (prepared in accordance with the accounting principles generally accepted in Hong Kong) of the PAX Group as at 31 December 2008 to be of approximately 2.30 times. As for the implied PER of the Disposal, being the Consideration divided by 20% of the audited net profit after tax of the PAX Group for the year ended 31 December 2008, we calculated it to be of approximately 7.33 times.

As depicted by the above table, the implied PBRs and PERs of the Market Comparables ranged from approximately 1.41 times to 2.07 times and approximately 15.12 times to 16.11 times respectively, while the implied PBR and PER of the Disposal are approximately 2.30 times and 7.33 times respectively. As such, the implied PBR of the Disposal is higher than the implied PBRs of the Market Comparables and the implied PER of the Disposal is lower than the implied PERs of the Market Comparables. Upon our enquiry, the Directors advised us that although the implied PER of the Disposal is lower than those of the Market Comparables, given that (i) the Disposal would provide additional general working capital to the Group for enhancing the Group's liquidity level and for the future development of the PAX Group and the Company can continue to consolidate the financial results of the PAX Group into the Group's financial statements upon Completion; and (ii) the implied PBR of the Disposal is higher than those of the Market Comparables, they are of the opinion that the Consideration is acceptable and the Disposal is in the interests of the Company and the Shareholders as a whole.

Since the business, operations and prospects of the PAX Group may be different from the Market Comparables and we have not conducted any in-depth investigation into their business and operations, it should be noted that the above statistics only provide a basic reference for the performance of listed companies which are engaged in similar business as the PAX Group. Moreover, Shareholders should be aware of that the financial statements of the Market Comparables were prepared in accordance with other generally accepted accounting principles which may differ from the Hong Kong Financial Reporting Standards.

We have also reviewed the other major terms of the Sale and Purchase Agreement and are not aware of any terms which are uncommon. Consequently, we consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Shareholders are concerned.

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

As mentioned under the section headed "Reasons for the Disposal and proposed use of proceeds" of this letter, the Directors confirmed that the Company will continue to consolidate the financial results of the PAX Group into the Group's financial statements upon Completion.

The Disposal will provide additional working capital to the Group as the proceeds from the Disposal will be used for the Group's general working capital.

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## LETTER FROM GUANGDONG SECURITIES

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Furthermore, as extracted from the Board Letter and advised by the Directors, based on HKAS 27 (Revised) “Consolidated Separate Financial Statements” issued in December 2008 for annual periods beginning on or after 1 July 2009, the Disposal, which does not result in a loss of control, would be accounted for as equity transaction and would not lead to any gain or loss for the Group.

It should be noted that the aforementioned analyses are for illustrative purpose only and does 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 Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Disposal 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 Disposal and the transactions contemplated under the Sale and Purchase Agreement 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*

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## APPENDIX I      PRINCIPAL TERMS OF THE PAX SHARE OPTION SCHEME

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The following is a summary of the principal terms of the PAX Share Option Scheme (the “**Scheme**”). The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

For the purpose of this appendix, capitalised terms used herein but not defined in the “Definitions” section of this circular shall have the following meanings:

“Adoption Date”	the date on which this Scheme is conditionally adopted by the shareholders of PAX and which approved by shareholders of the Company in general meeting;
“Board”	the board of directors of PAX for the time being or a duly authorised committee thereof;
“Date of Grant”	in respect of any particular Option, the date on which the Board resolves to make an Offer to a Participant;
“Grantee”	any Participant who accepts an Offer in accordance with the terms of the Scheme, or (where the context so permits) any person who is entitled to any such Option in consequence of the death of the original Grantee or the legal personal representative of such person;
“Offer”	the offer of the grant of an Option made in accordance with the terms of the Scheme;
“Option”	an option to subscribe for Shares pursuant to the Scheme;
“Option Period”	a period to be notified by the Board to each Participant and in any event the period shall not be more than ten (10) years from the Date of Grant during which an Option can be exercised;
“Participants”	directors (including executive directors, non-executive directors and independent non-executive directors) and full time employees of the PAX Group and any advisors and consultants of any member of the PAX Group who the Board considers, in its sole discretion, have contributed or will contribute to the development and growth of the PAX Group;

“Qualified IPO”	means the listing of (i) PAX or (ii) (a) its holding company (except for the Company the shares of which are already listed on the Stock Exchange) or (b) such company holding the business conducted or to be conducted by PAX and its subsidiaries, in each case through a restructuring of PAX, after the Adoption Date on a Recognised Stock Exchange valuing the PAX Group at no less than US\$200,000,000 immediately prior to such listing;
“Recognised Stock Exchange”	means the Stock Exchange, or a company recognized under section 19(2) of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as an exchange company for operating a stock exchange, or such other internationally recognized stock exchange operating in jurisdictions outside of Hong Kong, including without limitation, the New York Stock Exchange, the NASDAQ and the American Stock Exchange;
“Shares”	ordinary shares of HK\$1.00 each in the share capital of PAX, or, if there has been a sub-division, reduction, consolidation, reclassification or reconstruction of the share capital of PAX, the shares forming part of the ordinary equity share capital of PAX or such nominal amount as shall result from any such sub-division reduction, consideration, reclassification or reconstruction;
“Shareholder(s)”	holder(s) of the Shares
“Subscription Price”	the price per Share at which a Grantee may subscribe for shares on the exercise of an Option in accordance with the terms of the Scheme; and
“Vest” or “Vesting”	in relation to an Option, means an Option becoming exercisable.

**(a) Purpose of the Scheme**

The purpose of the Scheme is to reward Participants who have contributed to the PAX Group and to encourage Participants to work toward enhancing the value of PAX and its shares for the benefit of PAX and its shareholders as a whole.

**(b) Who may join and basis of eligibility**

The Board may, at its discretion and on such terms as it may think fit, grant any Participant an Option as it may determine in accordance with the terms of the Scheme. The basis of eligibility of any Participant to the grant of any Option shall be determined by the Board from time to time.

**(c) Duration and Administration**

The Scheme will be valid and effective for a period (“**Scheme Period**”) commencing on the Adoption Date and expiring on the earlier of (a) the date of the Qualified IPO or (b) the tenth anniversary date of the Adoption Date, after which period no further Options will be offered or granted.

The Scheme shall be subject to the administration of the Board whose decision shall be final and binding on all parties. The Board shall have the right to (i) interpret and construe the provisions of the Scheme; (ii) determine the persons (if any) who shall be offered Options under the Scheme, and the number of Shares and Subscription Price, subject to paragraph (h) below; (iii) subject to paragraph (q), make such adjustments to the terms of any or all the Options granted under the Scheme to the relevant Grantee as the Board deems necessary, and shall notify the relevant Grantee of such adjustment by written notice; (iv) make such other decisions or determinations as it shall deem appropriate in relation to the Offers and/or the administration of the Scheme provided that the same are not inconsistent with the provisions of this Scheme and the Listing Rules; (v) the minimum period for which an Option must be held before it can be exercised; and/or (vi) a performance target that must be reached before the Option can be exercised in whole or in part; and (vii) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally.

**(d) Options to be offered**

The Board will be entitled at any time during the Scheme Period and subject to such conditions as the Board may think fit make an Offer to any Participant as the Board may in its absolute discretion select.

**(e) Terms and Conditions**

The Board may grant Options on such terms and subject to such conditions as it thinks fit. The Board may, in its absolute discretion, determine that Options will be subject to performance targets that must be achieved before Vesting.

**(f) Offer and Acceptance**

An offer of an Option must be accepted within twenty-eight (28) days from the Date of Grant and shall be deemed to be accepted when PAX receives from the Grantee the offer letter signed by the Grantee specifying the number of Shares in respect of which the Offer is accepted and a remittance to the Company of HK\$1.00 as consideration for the grant of Option. Any Offer may be accepted in respect of less than the number of Shares for which it is offered. To the extent that the Offer is not accepted within the prescribed time period, it will be deemed to have been irrevocably declined.



**(g) Offers made to directors, chief executive, and substantial shareholders of PAX or the Company and their respective associates**

Insofar as the Listing Rules require and subject to the terms of the Scheme, any Offer proposed to be made to a director or a chief executive or a substantial shareholder of PAX or the Company or any of their respective associates (as defined by the Listing Rules) must be approved by all the independent non-executive Directors (excluding an independent non-executive Director who is the proposed grantee of Options in question).

**(h) Subscription Price for Options**

The Subscription Price shall be determined solely by the Board provided that the Subscription Price shall not be lower than an amount, in each case at the Date of Grant equal to the higher of:

(a) nominal value of a Share; or

(b) 
$$\frac{\text{US\$100,000,000}}{\text{The number of Shares in issue as at the Adoption Date (assuming conversion in full of all Preference Shares then in issue)}}$$

provided that the amount set forth in paragraph h(b) above shall be adjusted for any alteration to the capital structure of PAX arising from consolidation or subdivision of the share capital of PAX.

**(i) Transfer**

An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any Option, unless under the circumstances permitted by the Scheme.

**(j) Vesting of Options**

The Board will determine the minimum period, if any, for which a Share Option must be held before it vests and any other conditions in relation to dealing with Shares on Vesting. In particular:

(i) in the event of the Grantee ceasing to be a Participant by reason of his death before exercising his Option in full and none of the events which would be a ground for termination of his employment as specified in paragraph (l)(v) having arisen, his legal personal representative(s) may exercise the Option up to the Grantee's entitlement as at the date of death (to the extent not already exercised) within the period of 12 months following his death;

- (ii) in the event of a Grantee who is an employee or a director of PAX or another member of the PAX Group ceasing to be a Participant for any reason other than his death or the termination of his employment or directorship on one or more of the grounds specified in paragraph (l)(v), the Option (to the extent not already exercised) shall lapse on the date of cessation or termination of such employment and shall on that day cease to be exercisable;
- (iii) in the event of a Grantee who is not an employee or a director of PAX or another member of the PAX Group ceasing to be a Participant (which shall be as and when determined by the Board by resolution) for any reason other than his death the Board may by written notice to such Grantee within one month from (and including) the date of such cessation determine the period within which the Option (or such remaining part thereof) shall be exercisable following the date of such cessation and if the Board does not serve such a written notice within that one month period, the Option shall remain exercisable at any time during the original Option Period;
- (iv) in the event of the Grantee ceasing to be a Participant by reason of the termination of his employment or directorship on one or more of the grounds specified in paragraph (l)(v), his Option shall lapse automatically (to the extent not already exercised) and shall not be exercisable on or after the date of termination of his employment and to the extent the Grantee has exercised the Option in whole or in part pursuant to the Scheme, but Shares have not been allotted to him, the Grantee shall be deemed not to have so exercised such Option and PAX shall return to the Grantee the amount of the Subscription Price for the Shares received by PAX in respect of the purported exercise of such Option;
- (v) if a general offer by way of takeover (other than by way of scheme of arrangement pursuant to paragraph (j)(vi) below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, PAX shall forthwith give notice thereof to the Grantee and the Grantee (or, where appropriate, his or her personal representatives) shall be entitled to exercise the Option in full (to the extent not already exercised) or to the extent as notified by PAX at any time within such period as shall be notified by PAX;
- (vi) if a general offer by way of scheme of arrangement is made to all the holders of Shares with the Scheme having been approved by the necessary number of holders of Shares at the requisite meetings, PAX shall forthwith give notice thereof to the Grantee and the Grantee (or his or her personal representatives) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option to its full extent or to the extent specified in such notice;
- (vii) in the event a notice is given by PAX to the Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up PAX, PAX shall forthwith give notice thereof to the Grantee and

the Grantee (or his or her personal representatives) may at any time thereafter (but before such time as shall be notified by PAX) exercise the Option to its full extent or to the extent specified in such notice and PAX shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued; and

- (viii) other than a scheme of arrangement contemplated in paragraph (j)(vi) above, in the event of a compromise or arrangement between PAX and its members or creditors being proposed in connection with the scheme for the reconstruction or amalgamation of PAX, PAX shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such compromise or arrangement, and the Grantee (or his or her personal representatives) may at any time thereafter (but before such time as shall be notified by PAX) exercise the Option either to its full extent or to the extent specified in such notice, and PAX shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee which falls to be issued on exercise of such Option.

**(k) Consequences of Vesting**

**(i) Options**

On Vesting, an Option becomes exercisable to the extent that it Vests. An Option shall be exercised in whole or in part by the Grantee to the extent it has Vested, by giving notice in writing to PAX in a prescribed form.

**(ii) Allotment and Issue of Shares**

Within twenty-eight (28) days after receipt of the notice and, where appropriate, other necessary documentations, and subject to the accompanying remittance having been honored in full, PAX shall allot and issue the relevant Shares to the Grantee credited as fully paid and shall instruct the Share registrar to issue to the Grantee a share certificate in respect of the Shares so allotted and issued.

**(iii) Rights**

A Grantee shall not be entitled to vote, to receive dividends or to have any other rights, including those arising on the liquidation of PAX.

**(iv) Ranking of Shares**

The Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the memorandum of association and articles of association of PAX for the time being in force and will rank *pari passu* in all respects with the existing fully paid Shares in issue as from the date when the name of Grantee is registered on the register of members of PAX.

**(l) Lapse of Options**

An Option shall lapse automatically (to the extent not already Vested or in the case of an Option, to the extent not already exercised) on the earliest of:

- (i) in the case of an Option and subject to the terms of the Scheme, the expiry of the Option Period;
- (ii) the expiry of the periods referred to in paragraph (j);
- (iii) the expiry of the period referred to in paragraph (j)(v) provided that if any court of competent jurisdiction makes an order the effect of which is to prevent the offeror from acquiring the remaining Shares in the Offer, the relevant period within which Options may be exercised, shall not begin to run until the discharge of the order in question or unless the Offer lapses or is withdrawn before that date;
- (iv) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (j)(vi);
- (v) where the Grantee is an employee or director of PAX or another member of the PAX Group, the date on which the Grantee ceases to be a Participant by reason of the termination of his or her employment or directorship on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect being able to pay debts or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or any ground on which an employer would be entitled to terminate his or her employment summarily;
- (vi) the date of the commencement of the winding-up of PAX;
- (vii) the date on which the Grantee commits a breach of paragraph (i);
- (viii) subject to paragraph (j)(ii) the date the Grantee ceases to be a Participant for any other reason; and
- (ix) the expiry of the Scheme in accordance with paragraph (c).

**(m) Cancellation of Options**

Any Options granted but not exercised may be cancelled if the Grantee so agrees with or without new Options being granted to the Grantee provided that any new Options granted shall fall within the limits prescribed by the terms of the Scheme (excluding the cancelled Options), and are otherwise granted in accordance with the terms of the Scheme.

**(n) Maximum Number of Shares Available for Subscription**

*(i) Scheme Mandate Limit*

Subject to paragraph (n)(ii), the maximum number of Shares (“**Scheme Mandate Limit**”), which may be issued upon exercise of all Options to be granted under the Scheme shall not exceed 5 per cent. of the total issued share capital of PAX on the Adoption Date. Notwithstanding the above and subject to paragraph n(v), the maximum number of Shares which may be issued upon exercise of all Options to be granted under the Scheme and other share option schemes of PAX shall not exceed 10 per cent. of the Shares in issue on the Adoption Date. Options lapsed in accordance with the terms of the Scheme and (as the case may be) such other share option schemes of PAX will not be (but any such option that are cancelled will be) counted for the purpose of calculating the Scheme Mandate Limit.

*(ii) Refreshing of the Scheme Mandate Limit*

PAX may refresh the Scheme Mandate Limit at any time subject to approval by the shareholders of PAX and the Company (if and for so long as PAX is a subsidiary of the Company). However, the total number of Shares which may be issued upon exercise of all Options to be granted under the Scheme and other share option schemes of PAX under the limit as refreshed must not exceed 10 per cent of the Shares in issue at the date of the aforesaid shareholders’ approval (the “**Refreshed Limit**”). Options previously granted or to be granted under the Scheme and any other schemes of the Company (including those outstanding, cancelled, exercised or lapsed in accordance with such schemes) will not be counted for the purpose of calculating the Refreshed Limit.

*(iii) Grant of Options Limit*

PAX may also seek separate approval by the shareholders of PAX and the Company (if and for so long as PAX is a subsidiary of the Company) for granting Options beyond the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to Participants specifically identified by PAX before such approval is sought.

*(iv) Limit for each Participant*

The total number of Shares issued and to be issued upon exercise of Options granted and to be granted to each Grantee (including exercised and outstanding Options) in any twelve (12)-month period shall not exceed 1 per cent of the Shares in issue for the time being (the “**Individual Limit**”). Any further grant of Options in excess of the Individual Limit must be subject to approval by the shareholders of PAX and the Company (if and for so long as PAX is a subsidiary of the Company) with such Participant and his, her or its associates abstaining from voting.

**(v) *Maximum number of shares available for subscription***

At any time, the maximum number of Shares which may be issued upon exercise of all Options which then has been granted and have yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed 30 per cent. of the Shares in issue from time to time.

**(o) **Grant to substantial shareholders or independent non-executive director of the Company****

Where any grant of Options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates would result in the total number of Shares issued and to be issued to satisfy Options already granted and to be granted to such person in the twelve (12) month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1 per cent. of the Shares in issue at the date of such grant; and
- (ii) having an aggregate value, based on the closing price of the Shares at the Date of Grant, in excess of HK\$5 million,

then such Offer and any acceptance thereof must be subject to approval of the shareholders of the Company. All connected persons (as defined in the Listing Rules) of the Company shall abstain from voting at such general meeting.

**(p) **Reorganization of Capital Structure****

- (i) In the event of any alteration in the capital structure of PAX whilst any Option remains exercisable, whether by way of capitalization issue, rights issue, subdivision or consolidation of Shares or reduction of capital of PAX or otherwise howsoever, other than any alteration in the capital structure of PAX as a result of an issue of Shares as consideration in a transaction to which PAX is a party, such corresponding alterations (if any) shall be made to:
  - (a) the number of nominal amount of Shares subject to outstanding Options; and/or
  - (b) the subscription price of each outstanding Option; and/or
  - (c) the method of exercise of the Option, and/or
  - (d) the Shares to which the Option relates

or any combination thereof as PAX's independent financial adviser or the auditors shall certify in writing to the Board to be in their opinion to be fair and reasonable, provided that no such alteration will be made the effect of which would be to enable

a Share to be issued at less than its nominal value or which would change the proportion of the equity share capital for which any Grantee is entitled on Vesting of his Options and/or to subscribe pursuant to the Options held by him or her before such alteration.

- (ii) In respect of any such alterations, other than any made under a capitalization issue, the Company's independent financial adviser or the auditors shall also confirm to the Board in writing that such alterations satisfy the requirements of Rule 17.03(13) of the Listing Rules and the note thereto.
- (iii) The capacity of the Company's independent financial adviser or the Auditors in this paragraph (p) is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees.

**(q) Alteration of the Scheme**

The Scheme may be altered in any respect by resolution of the Board except that the provisions of the Scheme as to specific provisions of this Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules and any other provisions as specified in the Scheme shall not be altered to the advantage of Participants and changes to the authority of the Board in relation to any alteration of the terms of this Scheme shall not be made, in either case, without the prior approval of shareholders of PAX and the Company (if and for so long as PAX is a subsidiary of the Company) and provided further that any alteration to the terms and conditions of the Scheme which are of a material nature or any change to the terms of Options granted must be approved by the shareholders of PAX and of the Company (if and for so long as PAX is a subsidiary of the Company) at a general meeting, except where such alterations take effect automatically under the existing terms of the Scheme. The Scheme so altered must comply with Chapter 17 of the Listing Rules, the supplemental guidance issued on September 5, 2005 by the Stock Exchange entitled "Supplemental Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the note immediately after the Rule" and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

**(r) Termination**

PAX by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Scheme and in such event no further Options will be offered or granted and all offers of options then outstanding and not accepted shall ipso facto lapse but in all other respects the provisions of the Scheme shall remain in full force and effect. Options which are granted during the life of the Scheme and remain unexpired immediately prior to the termination of the operation of the Scheme shall remain valid in accordance with their terms of issue after the termination of the Scheme.

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) 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 any such Director and chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or which (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules are set out below:

#### Ordinary shares of HK\$0.0025 each in the Company

Name of Director	Number of Shares held		
	Personal interest	Corporate interest	Total
Kui Man Chun	25,200,000	617,083,636	642,283,636
		(Note)	
Xu Wensheng	18,696,000	–	18,696,000
Li Wenjin	6,400,000	–	6,400,000
Xu Changjun	22,200,000	–	22,200,000
Xu Sitao	700,000	–	700,000

*Note:* These shares are held by Kui Man Chun through Hi Sun Limited, a company which Kui Man Chun holds a 99.16% interest, and Rich Global Limited, a wholly-owned subsidiary of Hi Sun Limited.



Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the chief executive of the Company nor their associates had any other interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) 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 any such Director or the chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or which (c) were required to be notified to the Company or the Stock Exchange, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies contained in the Listing Rules.

**(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO**

As at the Latest Practicable Date, the register of substantial shareholders maintained under section 336 of the SFO shown that the Company has been notified of the following interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and the chief executive of the Company.

Name of Shareholder	Number of ordinary Shares	Approximate percentage of shareholding*
Rich Global Limited (“RGL”)**	617,083,636 (L)	27.65%
Hi Sun Limited (“HSL”)** (Note 2)	617,083,636 (L)	27.65%
Kui Man Chun	642,283,636 (L)	28.78%

*Notes:*

1. The Letter “L” denotes a long position in Shares.
  2. HSL is interested in the Company's share capital by virtue of its 100% shareholding in RGL, and these shares are held by Kui Man Chun through HSL, a company which Mr. Kui Man Chun holds a 99.16% interest.
- \* The percentage is calculated based on the total issued number of shares of the Company as at 31 December 2008.
- \*\* Mr. Kui Man Chun and Mr. Li Wenjin are directors of RGL and Mr. Kui Man Chun, Mr. Li Wenjin and Mr. Xu Wensheng are directors of HSL which 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 under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had any other interests or short positions in the Shares or underlying Shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

### **3. DIRECTOR' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors or proposed Directors had any existing service contract or proposed service contract with any member of the Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### **4. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date, none of the Directors or proposed Directors, directly or indirectly, had any interest in any assets which had since 31 December 2008 (being the date to which the latest published audited financial statements of the Group were made up) been 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.

There is no contract or arrangement subsisting as at the Latest Practicable Date, in which any of the Directors was materially interested and which was significant to the business of the Group.

### **5. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the businesses of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling Shareholder).

### **6. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial and trading position of the Group since 31 December 2008 (being the date to which the latest published audited financial statements of the Group have been made up) and up to the Latest Practicable Date.

## 7. QUALIFICATION AND CONSENT OF EXPERT

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

<b>Name</b>	<b>Qualification</b>
Guangdong Securities	a licensed corporation for type 1 (dealing in securities), 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 its letter and/or reference to its name or opinion in the form and context in which it appears.

As at the Latest Practicable Date, Guangdong Securities was not beneficially interested in the share capital of any member of the Group nor did they have 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, directly or indirectly, had any interest in any assets which had since 31 December 2008 (being the date to which the latest published audited financial statements of the Group were made up) been 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.

## 8. GENERAL

- (a) The registered address of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at Room 2416, 24th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.
- (c) The joint company secretaries of the Company are Mr. Chan Yiu Kwong and Ms. Hui Lok Yan.
- (d) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during business hours at the head office and principal place of business of the Company at Room 2416, 24th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date of SGM:

- (a) the Sale and Purchase Agreement;
- (b) the draft Shareholders' Agreement;
- (c) the PAX Share Option Scheme;
- (d) the existing shareholders' agreement of PAX dated 23 May 2007; and
- (e) the letter of consent as referred to under the section headed "Qualification and consent of expert" in this Appendix.

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## NOTICE OF SGM

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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)**

**NOTICE IS HEREBY GIVEN THAT** the special general meeting of Hi Sun Technology (China) Limited (the “**Company**”) will be held at Room 2416, 24th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Monday, 27 April 2009 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

#### **ORDINARY RESOLUTIONS**

1. “**THAT** (i) the sale of the shares (“**Transferred Shares**”) and the redesignation of the Transferred Shares as 8,750,000 series B preference shares of HK\$1.00 each, in either case, subject to and on terms of the conditional sale and purchase agreement (the “**Sale and Purchase Agreement**”) dated 30 March 2009 and entered into among the Company, Pax Technology Limited (“**PAX**”), Dream River Limited (the “**Investor**”) and Hi Sun Technology Holding Limited (a copy of which has been produced to this Meeting and marked “A” and initialled by the chairman of the Meeting for the purpose of identification); and (ii) all transactions contemplated under the Sale and Purchase Agreement including without limitation the entering into and the performance of the shareholders agreement as more particularly described in the circular pursuant to the Sale and Purchase Agreement, be and are hereby approved and that the directors of the Company be and are hereby authorised to do all things and acts which they consider necessary, desirable or expedient in connection with the SPA and the transactions contemplated thereunder.”

\* *For identification purpose only*

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## NOTICE OF SGM

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2. “**THAT** (i) the rules of the proposed share option scheme of PAX (“**PAX Share Option Scheme**”, a copy of which has been produced to this Meeting marked “B” and initialled by the chairman of the Meeting for the purpose of identification); and (ii) the grant of options and issue of shares in PAX pursuant to the PAX Share Option Scheme be and are hereby approved and the directors of the Company be and are hereby authorised to execute such documents and take such action as they deem appropriate for the foregoing purpose.”

By order of the Board  
**Hi Sun Technology (China) Limited**  
**Li Wenjin**  
*Executive Director*

Hong Kong, 8 April 2009

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

Room 2416, 24th Floor

Sun Hung Kai Centre

30 Harbour Road

Wanchai

Hong Kong

*Notes:*

1. A form of proxy for use at the meeting is enclosed with the circular despatched on 8 April 2009 to the members of the Company.
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.