

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



HI SUN TECHNOLOGY (CHINA) LIMITED

高陽科技(中國)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 818)

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

Financial advisor to the Company

CIMB

CIMB-GK Securities (HK) Limited

On 21 August 2006, Emerging Technology, a wholly owned subsidiary of the Company, and the Company entered into the Subscription Agreement with the Subscribers in relation to the subscription by the Subscribers of the ET Preference Shares at a total subscription price of US\$18 million (equivalent to approximately HK\$140 million). The ET Preference Shares represent approximately 9.9% of the existing issued share capital of Emerging Technology and 9.0% of the issued share capital of Emerging Technology as enlarged by the Subscription. The Subscription Price will be fully satisfied by the Subscribers in cash.

Holders of the ET Preference Shares will at any time during a period of two years from the date of Completion be entitled to convert (i) the ET Preference Shares of a principal amount of up to the entire Subscription Price into the ET Ordinary Shares on the basis of one ET Preference Share into one ET Ordinary Share, subject to adjustments; and/or (ii) the ET Preference Shares of a principal amount of up to the entire Subscription Price into the Conversion Shares at the Conversion Price, subject to adjustments.

Assuming the Subscribers exercise the ET Conversion in full, upon completion of the ET Conversion, the Company's interest in the issued ordinary share capital of Emerging Technology will be reduced from 100% to 91%. Emerging Technology is required, under certain circumstances (as described below in further detail), to issue to the Subscribers additional ET Preference Shares of up to approximately 3% of its issued share capital. Under such scenario and upon completion of the ET Conversion, the Company's interest in the issued ordinary share capital of Emerging Technology will be reduced from 100% to approximately 88%. Accordingly, the Subscription constitutes a possible material dilution of the Company's interest in Emerging Technology pursuant to Rule 13.36(1) of the Listing Rules and the Subscription Agreement is subject to the approval of the Shareholders at the SGM. The Subscription also constitutes a discloseable transaction for the Company pursuant to Rule 14.06(2) of the Listing Rules.

A circular containing, among other things, further details of the Subscription Agreement will be sent to the Shareholders as soon as practicable, together with a notice convening a SGM at which an ordinary resolution will be proposed for the approval of the Subscription Agreement and the transactions contemplated thereunder.

Trading in the Shares on the Stock Exchange has been suspended from 9:43 a.m. on 21 August 2006 at the request of the Company pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 28 August 2006.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares. Shareholders and the investing public should note that Completion is conditional and they should exercise caution when dealing in the Shares.

* For identification purpose only

INTRODUCTION

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

THE SUBSCRIPTION AGREEMENT

Date : 21 August 2006

Issuer : Emerging Technology, a wholly owned subsidiary of the Company

Subscribers : 1. HTSS ET Capital Limited
2. OZ Master Fund, Ltd.
3. OZ Asia Master Fund, Ltd.
4. OZ Global Special Investments Master Fund, L.P.

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

Warrantor : The Company

The Subscription : Pursuant to the Subscription Agreement, Emerging Technology will issue to the Subscribers the ET Preference Shares, which represent 9.0% of the total number of issued shares of Emerging Technology as enlarged by the Subscription, for a total consideration of US\$18 million (approximately HK\$140 million) in the following manner:

1. 380,389 ET Preference Shares, which represent 4.5% of the total number of issued shares of Emerging Technology as enlarged by the Subscription, will be issued to Subscriber A at a subscription price of US\$9 million (approximately HK\$70.0 million); and
2. 380,389 ET Preference Shares, which represent 4.5% of the total number of issued shares of Emerging Technology as enlarged by the Subscription, will be issued to Subscriber B at a subscription price of US\$9 million (approximately HK\$70.0 million), of which approximately 40.72%, 42.18% and 17.10% will be allotted to OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd., and OZ Global Special Investments Master Fund, L.P., respectively.

Subscription Price : The total subscription price of US\$18 million (approximately HK\$140 million) will be settled in cash by the Subscribers at Completion in the following manner:

1. as to US\$9 million (approximately HK\$70.0 million) by Subscriber A; and
2. as to US\$9 million (approximately HK\$70.0 million) by Subscriber B (in the same proportion of ET Preference Shares to be allotted).

Rights to income, capital and voting : (i) The ET Preference Shares will rank in priority to any other class of shares in the capital of Emerging Technology to the return of an amount equal to the aggregate initial subscription price of the ET Preference Shares and any dividends accumulated on the ET Preference Shares then in arrears (if any) on return of capital on a winding-up or otherwise of Emerging Technology. After the above aggregate sum is satisfied, any remaining funds and assets of Emerging Technology legally available for distribution to its shareholders would be distributed pro rata among the holders of the ET Preference Shares and the holders of ET Ordinary Shares.
(ii) Holders of the ET Preference Shares shall be entitled the dividends that would be paid with respect to the ET Ordinary Shares on an "as converted" basis, which is non-cumulative in nature.
(iii) Holders of the ET Preference Shares shall be entitled to vote as a separate class at the general meeting of Emerging Technology only in relation to matters that affect the rights attaching to the ET Preference Shares.

Conversion rights : The Subscribers are entitled to convert the ET Preference Shares at any time during a period of two years from the date of Completion (such conversion rights will expire after two years) into:

- (i) ET Ordinary Shares on the basis of one ET Preference Share into one ET Ordinary Share (the "Conversion Ratio"). The Conversion Ratio will be adjusted:
 - (a) on consolidation or sub-division of ET Preference Shares or (as the case may be) ET Ordinary Shares in customary manner; and

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

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

- Conditions precedent : Completion is conditional upon the following conditions being fulfilled:
- a) amendment to the Memorandum of Association of Emerging Technology as may be required to create the ET Preference Shares;
 - b) permission to deal in the Conversion Shares having been granted by the Listing Committee;
 - c) the approval of the Subscription Agreement and the transactions contemplated thereunder by the Shareholders in a manner as required under the Listing Rules; and
 - d) the execution of all documents required to be duly executed on or before Completion.
- If any of the conditions above has not been fulfilled or waived (save that item (b) and (c) above shall not be capable of being waived) in writing by the Subscribers on or prior to 16 October 2006 (or such later date as the Company, Emerging Technology and the Subscribers may agree in writing), then the Subscription Agreement shall terminate.
- Moratorium : The Company has agreed and undertaken to the Subscribers that it shall not at any time before Completion or (if earlier) termination of the Subscription Agreement issue any Shares without the consent of the Subscribers (other than pursuant to (i) the exercise of the conversion rights under the TS Preference Shares, (ii) the subscription rights attached to options or other securities already in issue before the date of the Subscription Agreement, and/or (iii) the issue of Shares pursuant to the employee share option scheme of the Company).
- Completion : Completion shall take place on the third Business Day following the day on which the conditions of the Subscription Agreement set out above have been satisfied or waived.
- Shareholders’ Agreement : On Completion, the Company is required to enter into the Shareholders’ Agreement which sets out the rights and obligations of the shareholders of Emerging Technology and includes, amongst others, the following terms:
- (a) Unless within 6 months from the date of Completion or such longer period as the Subscribers may agree in writing,
 - (i) Emerging Technology raises further equity capital at a valuation of Emerging Technology of higher than US\$200 million (equivalent to approximately HK\$1,556 million); or
 - (ii) Emerging Technology achieves progress in expanding the scale of operations and market position in the business activities which fall under the proposed use of proceeds plans, as set out under the section headed “Reasons for the Subscription and proposed use of proceeds” of this announcement,
- Emerging Technology will be required under the Shareholders’ Agreement to issue to the Subscribers at par an aggregate of up to 246,242 new ET Preference Shares, representing approximately 3% of its issued share capital (the “ET Adjustment”).

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

THE ET CONVERSION

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

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

THE HS CONVERSION

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

The Conversion Price represents:

- (i) a discount of approximately 8.6% to the closing price of HK\$1.19 per Share quoted on the Stock Exchange on 18 August 2006, being the last trading day prior to the suspension of trading in the Shares on the Stock Exchange pending the release of this announcement;
- (ii) a premium of approximately 9.9% over the average closing price of approximately HK\$0.99 per Share over the last 10 trading days up to and including 18 August 2006; and
- (iii) a premium of approximately 677.1% over the net assets value of approximately HK\$0.14 per Share based on the audited consolidated net assets of the Company as at 31 December 2005, as adjusted for the net proceeds from the issue of new Shares by the Company in April 2006.

The Conversion Price was arrived at after commercial negotiation between the parties. The Directors consider that the Conversion Price of HK\$1.088 per Share, which is at a high premium to the net assets value per Share, is in the interests of the Company and the Shareholders as a whole. Assuming the ET Preference Shares are fully converted into the Conversion Shares at the initial conversion price of HK\$1.088 per Share, a total of 128,713,235 Shares will be issued and based on the total number of issued Shares as at the date of this announcement, the Subscribers will hold in aggregate approximately 7.3% of the share capital of the Company as enlarged by the issue of the Conversion Shares. The Conversion Shares will be issued under the Specific Mandate proposed to be granted to the Board at the SGM.

APPLICATION FOR LISTING

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

FINANCIAL EFFECTS OF THE SUBSCRIPTION ON THE GROUP

The Directors are of the view that under the current accounting standard:

- (i) Upon Completion, no gain or loss will be recorded. Instead, the consideration of the Subscription will be booked as financial liability and equity conversion components. The financial liability component will be calculated at amortized cost using the effective interest method. Interest expenses on such financial liability component will be charged to the profit and loss account using the effective interest method.
- (ii) Should the Subscribers exercise the ET Conversion in full, upon completion of the ET Conversion, a gain or loss on deemed disposal will be recorded, which will be calculated with reference to the Company's interest in Emerging Technology based on the then audited net assets value of Emerging Technology as compared to the Subscription Price. Further details of the financial effects on the Group upon completion of the ET Conversion will be provided in the circular in relation to the Subscription to be despatched to the Shareholders.
- (iii) If the Subscribers exercise the HS Conversion, upon completion of the HS Conversion, no gain or loss will be recorded.

Shareholders should note that the calculation of gain or loss upon conversion is subject to review by the Company's auditors at the time of the conversion, if it does occur.

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

INFORMATION OF THE GROUP

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

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

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

INFORMATION OF EMERGING TECHNOLOGY

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

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

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

SHAREHOLDING STRUCTURE

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

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

Notes:

1. Mr. Kui Man Chun ("Mr. Kui"), a Director, holds 99.16% interest in Hi Sun Limited, which owns the entire issued share capital of Rich Global Limited.
2. Huge Rising Limited is a substantial shareholder of the Company. To the Directors' best knowledge, information and belief having made all reasonable enquiry, save for its interest in the Company, Huge Rising Limited and its ultimate beneficial shareholders are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.
3. To the Directors' best knowledge, information and belief having made all reasonable enquiry, Pacific Pilot Limited and its ultimate beneficial shareholders are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.
4. Pursuant to the terms of the TS Convertible Preference Shares, the holders of the TS Convertible Preference Shares have the right to convert the principal amount of the TS Convertible Preference Shares of up to US\$4 million (equivalent to approximately HK\$31.2 million) for a period of 24 months from 29 April 2005 into new Shares at a conversion price of HK\$0.3 per Share (adjusted for the share sub-division of the Company on 29 June 2006).

INFORMATION OF THE SUBSCRIBERS

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

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

REASON FOR THE SUBSCRIPTION AND PROPOSED USE OF PROCEEDS

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

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

GENERAL

Assuming the Subscribers exercise the ET Conversion in full, upon completion of the ET Conversion, the Company's interest in the issued ordinary share capital of Emerging Technology will be reduced from 100% to 91%. Emerging Technology is required, under certain circumstances (as described above in further detail), to issue to the Subscribers additional ET Preference Shares of up to approximately 3% of its issued share capital. Under such scenario and upon completion of the ET Conversion, the Company's interest in the issued ordinary share capital of Emerging Technology will be reduced from 100% to approximately 88%. Accordingly, the Subscription constitutes a possible material dilution of the Company's interest in Emerging Technology pursuant to Rule 13.36(1) of the Listing Rules and the Subscription Agreement is subject to the approval of the Shareholders at the SGM. The Subscription also constitutes a discloseable transaction for the Company pursuant to Rule 14.06(2) of the Listing Rules.

A circular containing, among other things, further details of the Subscription Agreement will be sent to the Shareholders as soon as practicable, together with a notice convening the SGM at which an ordinary resolution will be proposed for the approval of the Subscription Agreement and the transactions contemplated thereunder.

Trading in the Shares on the Stock Exchange has been suspended from 9:43 a.m. on 21 August 2006 at the request of the Company pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 28 August 2006.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares. Shareholders and the investing public should note that Completion is conditional and they should exercise caution when dealing in the Shares.

As at the date of this announcement, the Board comprises eight executive Directors, namely Mr. CHEUNG Yuk Fung, Mr. KUI Man Chun, Mr. LO Siu Yu, Mr. XU Wensheng, Mr. LI Wenjin, Mr. CHAN Yiu Kwong, Mr. XU Chang Jun and Mr. ZHOU Jian, and three independent non-executive Directors, namely Mr. TAM Chun Fai, Mr. XU Sitao and Mr. LEUNG Wai Man, Roger.

DEFINITIONS

In this announcement, the following terms have the following meanings:

“associate”	has the meaning ascribed to it under the Listing Rules
“Beijing Hi Sun ABS”	北京高陽金信信息技術有限公司 (Beijing Hi Sun Advanced Business Solutions Information Technology Limited), a wholly foreign owned enterprise incorporated in the PRC with limited liability and a wholly owned subsidiary of Emerging Technology
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for business
“Company”	Hi Sun Technology (China) Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Completion”	completion of the Subscription Agreement
“Conversion Price”	HK\$1.088 per Conversion Share, subject to adjustments
“Conversion Shares”	new Shares to be issued upon the HS Conversion
“Directors”	the directors of the Company
“Emerging Technology”	Emerging Technology Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“ET Conversion”	the exercise of the conversion rights to convert the ET Preference Shares of a principal amount of up to the entire Subscription Price into the ET Ordinary Shares at any time during a period of two years from Completion on the basis of one ET Preference Share into one ET Ordinary Share, subject to adjustments
“ET Preference Shares”	760,778 new convertible preference shares of US\$1.00 each in the share capital of Emerging Technology to be issued to the Subscribers pursuant to the Subscription Agreement, representing 9.0% of the issued share capital of Emerging Technology as enlarged by the Subscription
“ET Ordinary Shares”	ordinary shares of US\$1.00 each in the share capital of Emerging Technology to be issued to the Subscribers pursuant to the ET Conversion
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HS Conversion”	the exercise of the conversion rights to convert the ET Preference Shares of a principal amount of up to the entire Subscription Price into the Conversion Shares at the Conversion Price, subject to adjustments
“Listing Committee”	the listing committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“SGM”	the special general meeting of the Company to be held to approve the Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate
“Shareholders”	holders of the Shares
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into amongst the Company, the Subscribers and Emerging Technology upon Completion
“Share(s)”	ordinary share(s) of HK\$0.0025 each in the issued share capital of the Company
“Specific Mandate”	the specific mandate proposed to be granted to the Directors at the SGM to issue the Conversion Shares to the Subscribers upon the HS Conversion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber A”	HTSS ET Capital Limited, a company incorporated in Samoa
“Subscriber B”	OZ Master Fund, Ltd., OZ Asia Master Fund, Ltd., and OZ Global Special Investments Master Fund, L.P., companies incorporated in the Cayman Islands
“Subscribers”	Subscriber A and Subscriber B
“Subscription”	the subscription of the ET Preference Shares by the Subscribers pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 21 August 2006 and entered into among the Company, Emerging Technology and the Subscribers in relation to the Subscription
“Subscription Price”	the subscription price of US\$18 million (equivalent to approximately HK\$140 million) to be paid by the Subscribers pursuant to the Subscription Agreement
“TS Preference Shares”	the preference share(s) of US\$0.10 each in the share capital of Turbo Speed

“Turbo Speed” Turbo Speed Technology Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
“HK\$” Hong Kong dollars, the lawful currency of Hong Kong
“US\$” United States dollars, the lawful currency of the United States of America

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

By Order of the Board
LI Wenjin
Executive Director

Hong Kong, 25 August 2006

*Please also refer to the published version of this announcement in
The Standard and Hong Kong Economic Times.*