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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)

(1) POSSIBLE MAJOR TRANSACTION PROPOSED SPIN-OFF AND SEPARATE LISTING OF MEGAHUNT TECHNOLOGIES INC. ON THE SCIENCE AND TECHNOLOGY INNOVATION BOARD OF THE SHANGHAI STOCK EXCHANGE (2) RECORD DATE FOR THE SPECIAL GENERAL MEETING

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



THE PROPOSED SPIN-OFF

The Spin-off Co proposes to make an application for a listing of its shares on the SSE STAR Market. As at the date of this announcement, no formal application has been submitted by the Spin-off Co to the CSRC for the listing of its shares on the SSE STAR Market.

Based on the current tentative timetable, it is expected that the Spin-off Co will submit its formal listing application on the SSE STAR Market in or around June 2023, and subject to the approval process of the regulatory authorities of the PRC, the Proposed Listing is expected to take place in or around mid-2024.

As at the date of this announcement, the Company's indirect interest in the Spin-off Co is approximately 45.73% and the Spin-off Co is accounted for as an associated company of the Company. Based on the current structure of the Proposed Listing which is subject to finalization by the Spin-off Co, upon completion of the Proposed Listing (which involves the public offering of not less than 19,933,334 and not more than 20,200,000 new shares of the Spin-off Co), the Company's equity interests in the Spin-off Co will decrease from 45.73% to approximately 34.30% (assuming 19,933,334 new shares of the Spin-off Co are issued in the Proposed Listing) or approximately 34.19% (assuming 20,200,000 new shares of the Spin-off Co are issued).

* For identification purpose only

WAIVER FROM STRICT COMPLIANCE WITH PARAGRAPH 3(F) OF PN15

Paragraph 3(f) of PN15 requires the Company to have due regard to the interests of the existing Shareholders by providing them with an assured entitlement to the shares of the Spin-off Co, either by way of a distribution in specie of the existing shares of the Spin-off Co or by way of preferred application in any offering of existing or new shares in the Spin-off Co.

Taking into account the legal restrictions as mentioned in the paragraph headed “Waiver from strict compliance with paragraph 3(f) of PN15” below, the Board considers that it would be unduly burdensome and practically impossible for the Company to obtain and verify the background information of all its shareholders for the purpose of ascertaining whether they are so qualified.

Therefore, the Board is of the view that the Proposed Spin-off and a waiver from strict compliance with the assured entitlement requirement are fair and reasonable and in the interest of the Company and its shareholders as a whole. Accordingly, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the applicable requirements in relation to assured entitlement under paragraph 3(f) of PN15.

IMPLICATIONS UNDER THE LISTING RULES

The Spin-off Co is an associated company of the Company as at the date of this announcement and was a subsidiary of the Company until May 2022. Pursuant to PN15, the Stock Exchange will treat an entity as if it were a subsidiary of the issuer if such entity is at the time of submission of the issuer’s spin-off proposal, an associated company of the issuer and was, at any time during the latest completed financial year of the issuer (comprising at least 12 months) up to the date of submission of the spin-off proposal, a subsidiary of the issuer.

As one or more of the applicable percentage ratios represented by the Proposed Spin-off is expected to exceed 25% but all of the applicable percentage ratios are less than 75%, the Proposed Spin-off constitutes a major transaction of the Company and is subject to the announcement, circular and shareholders’ approval requirements under the Listing Rules.

The Proposed Spin-off will therefore be subject to, among other things, the approval of the Shareholders under paragraph 3(e)(1) of PN15 and Chapter 14 of the Listing Rules. The Company will comply with the requirements under paragraph 3(e)(1) of PN15 and applicable requirements of Chapter 14 of the Listing Rules (including the announcement, circular, appointment of an independent financial adviser and shareholders’ approval requirements) as and when necessary.

The Company will reassess the applicable percentage ratios in respect of the Proposed Spin-off should the actual proceeds raised from the Proposed Spin-off vary from the estimated amount. If the then applicable percentage ratios in respect of the Proposed Spin-off no longer renders the Proposed Spin-off a major transaction, the Company will comply with the applicable requirements for notifiable transactions in accordance with Chapter 14 of the Listing Rules as and when appropriate.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Li Heguo, being all independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the terms of the Proposed Spin-off.

The Company has also appointed Gram Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Spin-off.

SGM

The SGM is proposed to be held at Room 2515, 25/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Monday, 12 June 2023 at 3:30 p.m. for the purpose of, among other matters, considering and, if thought fit, approving the Proposed Spin-off.

A circular containing, among other things, information in relation to (i) information on the Proposed Spin-off and the waiver in respect of the assured entitlement requirement under the Proposed Spin-off; (ii) the recommendation of the Independent Board Committee and the advice of Gram Capital regarding the Proposed Spin-off; and (iii) a notice of the SGM and the related proxy form, will be despatched to the shareholders of the Company within 15 business days after the publication of this announcement.

RECORD DATE FOR THE SGM

Record date (being the last date of registration of any share transfer given there will be no book closure) for determining the entitlement of the shareholders of the Company to attend and vote at the SGM will be Tuesday, 6 June 2023. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Tricor Tengis Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 6 June 2023.

Shareholders and prospective investors of the Company should note that the Proposed Spin-off and the final structure of the Proposed Listing will be subject to, among other things, obtaining approvals from the relevant PRC regulators in accordance with all applicable regulations and suitable market conditions, thus may or may not materialise. Accordingly, Shareholders and prospective investors are advised to exercise caution when dealing in the shares of the Company.

1. INTRODUCTION

Reference is made to the announcements of the Company dated 16 October 2020 and 11 January 2023 in relation to the Proposed Spin-off.

On 16 October 2020, the Company submitted an application in relation to the Proposed Spin-off to the Stock Exchange for approval pursuant to PN15. On 12 March 2021, the Stock Exchange has confirmed to the Company that the Listing Committee had agreed that the Company may proceed with the Proposed Spin-off under PN15 and granted the waiver from strict compliance with the requirement of Paragraph 3(f) of PN15 of the Listing Rules (“**2021 Letter**”).

Recently, the Proposed Spin-off was reactivated and, on 11 January 2023, the Company submitted updated application in relation to the Proposed Spin-off to the Stock Exchange for approval pursuant to PN15. On 21 March 2023, the Stock Exchange confirmed to the Company that its view stated in the 2021 Letter would remain effective and the Company may proceed with the Proposed Spin-off under PN15.

2. THE PROPOSED LISTING AND PROPOSED SPIN-OFF

(a) Background

The Spin-off Co proposes to make an application for a listing of its shares on the SSE STAR Market. As at the date of this announcement, no formal application has been submitted by the Spin-off Co to the CSRC for the listing of its shares on the SSE STAR Market.

Based on the current tentative timetable, it is expected that the Spin-off Co will submit its formal listing application on the SSE STAR Market in or around June 2023, and subject to the approval process of the regulatory authorities of the PRC, the Proposed Listing is expected to take place in or around mid-2024.

The Company will make an announcement when the Spin-off Co submits the formal application. Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules.

The Proposed Listing is expected to involve the issue of new shares of the Spin-off Co, representing not less than 25% of its enlarged issued share capital upon completion of the Proposed Listing. The size of the Proposed Listing has not been determined and is subject to further discussion between the Spin-off Co and the underwriter(s).

As at the date of this announcement, the Spin-off Co has 59,800,000 issued shares and the Company’s indirect interest in the Spin-off Co is approximately 45.73% and the Spin-off Co is accounted for as an associated company of the Company.

Based on the current structure of the Proposed Listing which is subject to finalization by the Spin-off Co, upon completion of the Proposed Listing (which involves the public offering of not less than 19,933,334 and not more than 20,200,000 new shares of the Spin-off Co), the Company’s equity interests in the Spin-off Co will decrease from 45.73% to approximately 34.30% (assuming 19,933,334 new shares of the Spin-off Co are issued) or approximately 34.19% (assuming 20,200,000 new shares of the Spin-off Co are issued).

Subsequent to completion of the Proposed Spin-off, the clear delineation between the Spin-off Business and the Remaining Business in terms of, among others, the nature of business, source of revenue, products/services offered, target customers and suppliers, will remain.

(b) Shareholding effects of the Proposed Spin-off

Set out below is the shareholding structure of the Spin-off Co (i) as at the date of this announcement and (ii) immediately after the Proposed Spin-off (assuming 19,933,334 new shares of the Spin-off Co are issued in the Proposed Listing) (subject to the final determination of the size of the offering):

			Percentage of shareholding in the Spin-off Co immediately after the Proposed Spin-off (assuming 19,933,334 new shares of the Spin-off Co are issued in the Proposed Listing) (subject to the final determination of the size of the offering)
Name of shareholders	Notes	Percentage of shareholding in the Spin-off Co as at the date of this announcement	Percentage of shareholding in the Spin-off Co immediately after the Proposed Spin-off (assuming 19,933,334 new shares of the Spin-off Co are issued in the Proposed Listing) (subject to the final determination of the size of the offering)
1	Megahunt HK	(1)	34.30%
2	Beijing Xin Hui	(2)	9.61%
3	Tianjin Wei Hao	(3)	6.00%
4	Ju Xin Fund	(4)	5.45%
5	Tianjin Xin Zhi	(5)	2.99%
6	Tianjin Xin Ju	(6)	2.85%
7	Tianjin Xin Xin	(7)	2.73%
8	Xin Lian Xin	(8)	2.73%
9	Mr. WS Xu	–	2.47%
10	Mr. CJ Xu	–	2.22%
11	Chuang Yi Technology	(9)	0.93%
12	Hai Chuang Yi He	(10)	0.90%
13	Jin Wei Management	(11)	0.87%
14	Ms. Hui	–	0.49%
15	Tan Xue Investment	(12)	0.45%
16	Public	–	25.00%
		<u>100.00%</u>	<u>100.00%</u>

Notes:

- (1) Megahunt HK is a company incorporated in Hong Kong with limited liability. It is wholly-owned by New Concept, which is wholly-owned by the Company.
- (2) 北京芯匯科技中心(有限合夥)(unofficial English translation being Beijing Xin Hui Technology Centre (Limited Partnership)) (“**Beijing Xin Hui**”), a limited partnership incorporated in the PRC. Its executive partner is 天津芯仁科技有限責任公司 (unofficial English translation being Tianjin Xin Ren Technology Co., Ltd.) (“**Tianjin Xin Ren**”), which is ultimately controlled by Mr. Li Li (“**Mr. Li**”), who is the director, legal representative and general manager of the Spin-off Co. As at the date of this announcement, Beijing Xin Hui is owned as to approximately 55.56% by Mr. Li, approximately 44.43% by 30 senior management or employees of the Spin-off Co (with none of them owning more than 10% interests in Beijing Xin Hui) and 0.01% by Tianjin Xin Ren.
- (3) 天津韋豪泰達海河股權投資合夥企業(有限合夥)(unofficial English translation being Tianjin Wei Hao Tai Da Hai He Equity Investment Partnership (Limited Partnership)) (“**Tianjin Wei Hao**”), a limited partnership incorporated in the PRC. Its executive partner is 上海韋豪創芯投資管理有限公司 (Shanghai Weihao Chuangxin Investment Management Co., Ltd.) which is ultimately controlled by Mr. Zhou Siyuan. The largest limited partner holding 75% interest in Tianjin Wei Hao is 天津泰達海河智能製造產業發展基金合夥企業(有限合夥)(unofficial English translation being Tianjin Tai Da Hai He Smart Manufacturing Industry Development Fund Partnership (Limited Partnership)) (“**Haihe Fund**”). The major limited partners of Haihe Fund are (i) 天津泰達產業投資引導基金有限公司 (unofficial English translation being Tianjin Tai Da Industrial Investment Guidance Fund Co., Ltd.) (holding 59.98% interest in Haihe Fund) which is in turn ultimately controlled by 天津經濟技術開發區國有資產監督管理局 (unofficial English translation being State-owned Assets Supervision and Administration Bureau of Tianjin Economic and Technological Development Zone); and (ii) 天津市海河產業基金合夥企業(有限合夥)(unofficial English translation being Tianjin Hai He Industry Fund Partnership (Limited Partnership)) (holding approximately 39.99% interest in Haihe Fund), which is in turn ultimately controlled by 天津市國有資產監督管理委員會 (unofficial English translation being State-owned Assets Supervision and Administration Commission of Tianjin).
- (4) 上海聚源聚芯集成電路產業股權投資基金中心(有限合夥)(unofficial English translation being Shanghai Ju Yuan Ju Xin Integrated Circuit Industry Equity Investment Fund Centre (Limited Partnership)) (“**Ju Xin Fund**”), a limited partnership incorporated in the PRC. Its executive partner is 上海肇芯投資管理中心(有限合夥)(unofficial English translation being Shanghai Zhao Xin Investment Management Centre (Limited Partnership)) (“**Shanghai Zhao Xin**”), the major limited partners of which are (i) 中芯聚源股權投資管理(上海)有限公司 (unofficial English translation being China Fortune-Tech Capital Co., Ltd.) (“**Fortune-Tech**”) (holding 55% interest in Shanghai Zhao Xin); and (ii) 共青城興芯投資合夥企業(有限合夥)(unofficial English translation being Gong Qing Cheng Xing Xin Investment Partnership (Limited Partnership)) (“**Gong Qing Cheng Xing Xin**”) (holding 30% interest in Shanghai Zhao Xin). Both Fortune-Tech and Gong Qing Cheng Xing Xin are ultimately controlled by Mr. Sun Yu Wang. The major limited partners of Ju Xin Fund are (i) 國家集成電路產業投資基金股份有限公司 (unofficial English translation being National Integrated Circuit Industry Investment Fund Co., Ltd.) (holding approximately 45.09% interest in Ju Xin Fund), which is ultimately controlled by 中華人民共和國財政部 (unofficial English translation being the Ministry of Finance of the People’s Republic of China); and (ii) 中芯晶圓股權投資(寧波)有限公司 (unofficial English translation being Zhong Xin Jing Yuan Equity Investment (Ningbo) Co., Ltd.) (holding approximately 31.63% interest in Ju Xin Fund), which is an indirect wholly-owned subsidiary of Semiconductor Manufacturing International Corporation (“**SMIC**”), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 981). As at the date of this announcement, the largest shareholder of SMIC holding approximately 14.43% of its equity interest is 大唐控股(香港)投資有限公司 (unofficial English translation being Datang Holdings (Hong Kong) Investment Co., Ltd.), which is ultimately controlled by 國務院國有資產監督管理委員會 (unofficial English translation being State-owned Assets Supervision and Administration Commission of the State Council).

- (5) 天津芯智科技合夥企業(有限合夥)(unofficial English translation being Tianjin Xin Zhi Technology Partnership (Limited Partnership)) (“**Tianjin Xin Zhi**”), a limited partnership incorporated in the PRC. Its executive partner is 天津芯禮科技有限責任公司 (unofficial English translation being Tianjin Xin Li Technology Co., Ltd.) (“**Tianjin Xin Li**”), which is owned as to 60% by Ms. Wang Kui (“**Ms. Wang**”) and 40% by Ms. Zhou Na (“**Ms. Zhou**”). Both Ms. Wang and Ms. Zhou are employees of the Spin-off Co. As at the date of this announcement, Tianjin Xin Zhi has 34 partners, including 1 executive partner (namely Tianjin Xin Li), 1 director of the Spin-off Co (namely Mr. Yang Lei), 2 supervisors of the Spin-off Co (namely Ms. Yang Yan Hong and Ms. Hua Yang), and 30 employees of the Spin-off Co and none of whom holds more than 30% interest in Tianjin Xin Zhi.
- (6) 天津芯聚科技合夥企業(有限合夥)(unofficial English translation being Tianjin Xin Ju Technology Partnership (Limited Partnership)) (“**Tianjin Xin Ju**”), a limited partnership incorporated in the PRC. Its executive partner is 天津芯義科技有限責任公司 (unofficial English translation being Tianjin Xin Yi Technology Co., Ltd.) (“**Tianjin Xin Yi**”), which is ultimately controlled by Mr. Li. Tianjin Xin Ju is owned as to 50% and 50% by Tianjin Xin Yi and Mr. Li.
- (7) 天津信芯科技合夥企業(有限合夥)(unofficial English translation being Tianjin Xin Xin Technology Partnership (Limited Partnership)) (“**Tianjin Xin Xin**”), a limited partnership incorporated in the PRC. Its executive partner is Tianjin Xin Li. As at the date of this announcement, Tianjin Xin Xin has 37 employees of the Spin-off Co and Tianjin Xin Li as its limited partners, and none of whom holds more than 30% interest in Tianjin Xin Xin.
- (8) 南通芯聯芯科技投資中心(有限合夥)(unofficial English translation being Nan Tong Xin Lian Xin Technology Investment Centre (Limited Partnership)) (“**Xin Lian Xin**”) (formerly known as 芯聯芯(平潭綜合實驗區)科技投資中心(有限合夥)(unofficial English translation being Xin Lian Xin (Pingtan Integrated Laboratory District) Technology Investment Centre (Limited Partnership)), a limited partnership incorporated in the PRC. Its executive partner is Mr. Jiao Jiangang. As at the date of this announcement, Xin Lian Xin had 5 limited partners, and of which Mr. Jiao Jiangang holds 40.4% interest in Xin Lian Xin and none of the remaining limited partners holds more than 30% interest in Xin Lian Xin.

- (9) 天津東方創益科技合夥企業(有限合夥) (unofficial English translation being Tianjin Dong Fang Chuang Yi Technology Partnership (Limited Partnership)) (“**Chuang Yi Technology**”), a limited partnership incorporated in the PRC. Its executive partner is Mr. Li Zhiling. As at the date of this announcement, Chuang Yi Technology has 7 limited partners and 1 executive partner, none of whom holds more than 30% interest in Chuang Yi Technology.
- (10) 天津海創益和科創合夥企業(有限合夥) (unofficial English translation being Tianjin Hai Chuang Yi He Ke Chuang Partnership (Limited Partnership)) (“**Hai Chuang Yi He**”), a limited partnership incorporated in the PRC. Its executive partner is 天津智瑞投資有限公司 (unofficial English translation being Tianjin Zhi Rui Investment Co., Ltd.), which is ultimately controlled by Mr. Xie Minglei. As at the date of this announcement, Hai Chuang Yi He has 1 limited partner (namely 天津市利達鋼管集團有限公司 (unofficial English translation being Tianjin Li Da Steel Pipe Group Co., Ltd.), which is owned as to 60% by Mr. Chen Baojian and 40% by Mr. Sun Quanxin), and 1 executive partner, holding 95% and 5% interest in Hai Chuang Yi He respectively.
- (11) 天津津緯企業管理合夥企業(有限合夥) (unofficial English translation being Tianjin Jin Wei Enterprise Management Partnership (Limited Partnership)) (“**Jin Wei Management**”), a limited partnership incorporated in the PRC. Its executive partner is 上海仁海企業管理中心 (unofficial English translation being Shanghai Renhai Enterprise Management Center), which is ultimately controlled by Mr. Zhong Guowei. As at the date of this announcement, Jin Wei Management has 5 limited partners (none of them holds more than 10% interest in Jin Wei Management) and 1 executive partner (who holds approximately 69% interest in Jin Wei Management).
- (12) 贛州探雪合行股權投資合夥企業(有限合夥) (unofficial English translation being Ganzhou Tan Xue He Xing Equity Investment Partnership (Limited Partnership)) (“**Tan Xue Investment**”), a limited partnership incorporated in the PRC. Its executive partner is 上海探雪私募基金管理有限公司 (unofficial English translation being Shanghai Tan Xue Private Equity Fund Management Co., Ltd.), which is ultimately controlled by Ms. Shen Ying. As at the date of this announcement, Tan Xue Investment has 7 limited partners (of which 浙江匯信中恒控股有限公司 (unofficial English translation being Zhejiang Hui Xin Zhong Heng Holdings Co., Ltd.) (“**Hui Xin Zhong Heng**”) holding approximately 62.46% interest in Tan Xue Investment) and 1 executive partner. None of the other partners of Tan Xue Investment holds more than 10% interest in Tan Xue Investment. Hui Xin Zhong Heng is ultimately controlled by Mr. Li Jun.

(c) Proceeds to be raised from the Proposed Spin-off

The offer price of the Proposed Listing has not been fixed yet and is subject to market conditions close to the launch of the issuance and will be determined by a book-building process organised by the underwriter of and to be agreed by the Spin-off Co. Assuming that the offer price of each new share of the Spin-off Co is fixed between RMB50 and RMB75, the Company estimates that the gross proceeds to be raised from the Proposed Listing will be between RMB1 billion to RMB1.5 billion.

The proposed offer price range is determined primarily with reference to the analysis of price-to-earnings ratio (“**PER**”) of comparable companies, which are companies with security chip business or mainly engaged in SOC business and listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange (“**Reference Companies**”) and the historical financial performance of the Spin-off Group.

The Directors noted that the PER of the Reference Companies ranges from about approximately 30 times to 160 times as at the date of this announcement. The proposed offer price is set within such range based on the unaudited profit after taxation of the Spin-off Group for FY2022 of approximately RMB49.7 million.

(d) Use of proceeds

The Spin-off Co intends to use the net proceeds of between RMB900 million to RMB1.4 billion (after deducting the fees and expenses payable by the Spin-off Co in the Proposed Listing) from the Proposed Listing in the following manner (subject to final approval by the CSRC):

- (i) approximately 31% of the net proceeds to fund the research and development (“**R&D**”) and commercialisation projects of its multi-core security SOC (system on-chip) chips;
- (ii) approximately 16% of the net proceeds to fund the R&D and commercialisation projects of its mobile payment security chips;
- (iii) approximately 23% of the net proceeds to fund the construction projects of its R&D centre; and
- (iv) approximately 30% of the net proceeds to fund the working capital requirements of its operations.

(e) Conditions of the Proposed Listing

Based on the information available to the Board, the Proposed Listing will be conditional upon, among other things, the following:

- (i) approval of the Proposed Spin-off by the Independent Shareholders at the SGM;
- (ii) the Stock Exchange having agreed that the Company may proceed with the Proposed Spin-off under PN15 and granted the waiver from strict compliance with the requirement of Paragraph 3(f) of PN15 of the Listing Rules;
- (iii) approval of the Proposed Listing by the CSRC and the Shanghai Stock Exchange;
- (iv) the approval of the board of directors and shareholders of the Spin-off Co; and
- (v) the market conditions.

As at the date of this announcement, condition (ii) and the approval of the board of directors of the Spin-off Co referred to in condition (iv) have been fulfilled.

If any of the above conditions is not fulfilled, the Proposed Spin-off will not proceed and an announcement will be published by the Company as soon as practicable.

(f) Lock-up period

According to the requirement of the CSRC, the Company, New Concept and Megahunt HK, as the controlling shareholders of the Spin-off Co, shall not dispose of the shares of the Spin-off Co for a period of 36 months from the successful listing of the Spin-off Co on the SSE STAR Market (“**Lock-up Period**”). In case of disposal of the shares of the Spin-off Co during the period of two years after the expiry of the Lock-up Period, each of the Company, New Concept and Megahunt HK will undertake that it shall not (i) dispose of more than 25% of its shares of the Spin-off Co in each of the aforesaid two years; and (ii) dispose at a price lower than the offer price of the Proposed Listing.

3. INFORMATION ON THE SPIN-OFF GROUP AND THE REMAINING GROUP

(a) Business overview of Spin-off Co

The Spin-off Co's main principal business activity is sale of its self-developed security SOC chips (the "**Spin-off Business**"). The Spin-off Business has been operated by the Spin-off Co since its incorporation on 3 August 2011. The Spin-off Co has four offices in the PRC and is headquartered in Beijing, the PRC where the Spin-off Co's main R&D centre is also based. The Spin-off Co has two subsidiaries, namely 天津兆訊電子技術有限公司 (unofficial English translation being Tianjin Mega Hunt Microelectronics Company Limited), a company incorporated in the PRC with limited liability on 29 April 2019 and 北京兆訊恒達技術有限公司 (unofficial English translation being Beijing Megahunt Hengda Technology Company Limited), a company incorporated in the PRC with limited liability on 28 March 2022, each being a direct wholly-owned subsidiary of the Spin-off Co.

Security chips are an integral component of any central processing unit (CPU) which, among other functions, serves to encrypt the data passing through and monitor for malicious attacks or surveillance.

A SOC (System on a chip) is essentially an integrated circuit that takes a single platform and integrates an entire electronic or computer system onto it. It is, as its name suggests, an entire system on a single chip. The components that a SOC generally looks to incorporate within itself include a secure central processing unit (CPU), embedded memories (SRAM and flash), hardware physical protection units, sorts of crypto-engines, as well as analog input and output blocks. The Spin-off Co's SOC chip products are deployed in various applications (including traditional POS payment terminals, mobile POS and smart POS payment terminals, passcode pads, smart locks, fingerprint and facial recognition payment terminals, QR code payment terminals, magstripe card reader payment terminals, smart robots and smart printers).

(b) Financial Information of the Spin-off Group

As at 31 December 2022, the unaudited consolidated total assets value and net assets value of the Spin-off Group were approximately RMB476.38 million and RMB335.68 million respectively^{Note}.

The unaudited profit before and after taxation and extraordinary items of the Spin-off Group for FY2021 and FY2022^{Note} are as follows:

	FY2022	FY2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation and extraordinary items	45,428	46,373
Profit after taxation and extraordinary items [#]	51,076	32,920

Note: Derived from the unaudited financial information of the Spin-off Co for FY2021 and FY2022 which were prepared in accordance with accounting principles generally accepted in the PRC (PRC GAAP).

[#] *Extraordinary items mainly represent share-based payment expenses and government subsidies.*

(c) Clear delineation of businesses

There is clear business delineation between the Spin-off Group and the Remaining Group, in terms of products/services offered, customer base and suppliers as further explained below.

(i) Products/services

The Spin-off Group specialises in the R&D and sale of its self-developed security SOC (system-on-chip) chips. The Remaining Group, on the other hand, offers services in relation to payment and digital services, fintech services, platform operation solutions and financial solutions, which can be unambiguously differentiated from Spin-off Co's business.

(ii) Customers

The Spin-off Group's main customer base is payment industry enterprises while the Remaining Group's main customer base is domestic merchants accepting electronic payments, mobile technology companies, financial institutions and banks.

There is no overlapping customer base for the Remaining Group and the Spin-off Group.

According to Article 12 of “科創板首次公開發行股票註冊管理辦法(試行)” (unofficial English translation being the “Management Rules for Share Registration in respect of Initial Public Offering on the SSE STAR Market (Trial)”) published by the CSRC, an issuer shall have, inter alia, complete assets and its business, personnel, finance and organization shall be independent, such that there shall not be business competition having material adverse effect to the issuer, or connected transactions which seriously affect its independence or are manifestly unfair to the issuer, with its direct/indirect controlling shareholders or their controlled corporations.

Article 216 of the Company Law of the PRC stipulates that, inter alia, “控股股東 (controlling shareholder)” includes shareholders holding less than 50% of the shareholding but the voting rights enjoyed by them according to the amount of capital contribution or the shares they hold are sufficient to have a significant impact on the resolutions of the shareholders' meeting.

Following completion of the Proposed Spin-off and the Proposed Listing, the Company (through New Concept and Megahunt HK) will remain as the single largest shareholder of the Spin-off Co and will enjoy voting rights which will be sufficient to have significant impact on the Spin-off Co's shareholders' meeting. As such, the Company is regarded as a “控股股東 (controlling shareholder)” of the Spin-off Co under the PRC laws.

According to paragraph 7-4-2 of 《關於發佈〈上海證券交易所科創板發行上市業務指南第1號—發行上市申請文件〉的通知》(上證函20202034號)(unofficial English translation being the “Publication Notice in relation to Guide No.1 – Application Documents in respect of SSE STAR Market IPO” (SSE letter No. 2034 of 2020)) published by the SSE, the application materials for the Proposed Spin-off must include “an agreement to eliminate or avoid business competition and the corresponding undertaking by the issuer’ controlling shareholders or actual controller”. Non-compete undertaking constitutes one of the listing application documents of the Proposed Spin-off. If the direct/indirect controlling shareholders of the Spin-off Co do not provide the relevant non-compete undertakings, the listing application in respect of the Proposed Spin-off may not be accepted and considered.

Accordingly, as one of the regulatory listing conditions of the Proposed Listing, Megahunt HK, New Concept and the Company (collectively, the “**Covenantors**”) will each execute a non-compete undertaking, pursuant to which (subject to terms and conditions to be finalised) each Covenantor will undertake, among other matters, that for as long as it remains a controlling shareholder of the Spin-off Co, it will not, directly or indirectly, be interested in or engage in any business which competes or may compete with any business carried out by and will cause any material adverse effect to the Spin-off Group.

Given that the Remaining Businesses and the Spin-off Business are clearly delineated and that the Spin-off Co will remain as an associated company of the Company, the Company has no intention to engage in any business which competes or may compete with the Spin-off Business (other than through the Spin-off Group). The Board considers that the Company’s compliance with the terms and conditions of the non-compete undertaking will cause no material adverse effect to the Remaining Group.

The Board considers that the Proposed Spin-off will be commercially beneficial to both the Remaining Group and the Spin-off Group, detailed reasons of which are set out in paragraph headed “Reasons for and benefits of the Proposed Spin-off” below. As a prerequisite to the separate listing of the Spin-off Co on the SSE STAR Market, the Board considers that the entering into of the non-compete undertaking is commercially beneficial to the Remaining Group.

In view of the above, the Board considers that the terms of the non-compete undertaking are fair and reasonable and in the interest of the Company and its shareholders as a whole.

(iii) Suppliers

The Spin-off Group's major suppliers include distributors of semiconductor components, peripherals and modules and semiconductor system integration packaging and test providers, while the Remaining Group's major suppliers are software, integrated system and solutions providers and merchant recruitment agents.

Therefore, the Spin-off Group and the Remaining Group have substantially different suppliers.

(d) Operational Independence

There is clear business delineation between the Remaining Group and the Spin-off Group in relation to their respective product/service offered, major customer groups and major suppliers. Due to such differences, their respective business operations are also independent from each other. The non-administrative operating systems (including sales, procurement, production management, quality control, R&D, warehousing and logistics teams) of the Spin-off Business are separate from those of the Remaining Businesses and are expected to continue operating separately and independently of the Remaining Businesses. As such, the Spin-off Group will maintain its operational independence from the Remaining Group following the completion of the Proposed Spin-off.

(e) Management Independence

Following completion of the Proposed Spin-off, the Company and the Spin-off Co will have separate board of directors that will function independently of each other.

Mr. CJ Xu, an executive Director and a director of certain subsidiaries of the Company, and Ms. Hui, the group financial controller and a joint company secretary of the Company and a director of certain subsidiaries of the Company, will both be appointed as directors of the Spin-off Co.

Save for Mr. CJ Xu and Ms. Hui, there will be no overlapping directors and senior management between the Company and the Spin-off Co.

As a director of both the Company and the Spin-off Co, Mr. CJ Xu is expected to be involved in the management of both the Company and the Spin-off Co after the Proposed Spin-off and he will split his time between the management of the Remaining Group and the Spin-off Co. Having said that, Mr. CJ Xu will not be involved in the day-to-day operations of the Spin-off Co and his role in the Spin-off Co will primarily be related to the overseeing of matters relating to PRC tax and accounting as well as corporate finance.

Ms. Hui is not a director of the Company and her role as the group financial controller is mainly related to the supervision and management of the financial affairs of the Group rather than in the decision-making in the Company's business and operation. After the Proposed Spin-off, Ms. Hui will not be involved in the day-to-day operations of the Spin-off Co and her role in the Spin-off Co will primarily be related to corporate finance, mergers and acquisitions matters of the Spin-off Group, whereas for the Remaining Group, she will continue to serve as the group financial controller, the joint company secretary and a member of the risk management committee of the Company which is primarily supervisory in nature.

The SOC Board will comprise five directors and three independent directors. Mr. CJ Xu and Ms. Hui together do not constitute a majority of the SOC Board and thus do not control its decision-making.

In the event that any conflict of interest arises between the Remaining Group and the Spin-off Group, Mr. CJ Xu shall abstain from voting at the relevant meetings of the SOC Board and the meetings of the Board in respect of such matters where actual or potential conflict of interest arises. Mr. CJ Xu shall also comply with the respective bye-laws of the Company and the Spin-off Co, any applicable laws and regulations (including but not limited to the Listing Rules and any rules governing the SSE STAR Market) that is applicable to the Company and the Spin-off Co.

Given the different nature of her responsibilities in the Remaining Group and the Spin-off Group, it is expected that no conflict of interest is likely to arise for Ms. Hui as regards her positions in the Remaining Group and the Spin-off Group. In the unlikely event that any actual or potential conflict of interest arises, she shall abstain from voting at the relevant meetings of the SOC Board.

A director of the Spin-off Co shall abstain from voting and shall not exercise the voting rights of any other directors on their behalf in the matters to be approved by the SOC Board, if he is interested in such matter or related to the subject company which is interested in such matter. Further, the proposed independent directors of the Spin-off Co will independently and objectively review, monitor and offer balanced views over the decision-making of the SOC Board on significant transactions, connected transactions and other transactions involving any actual or potential conflict of interests. The Spin-off Co also has a team of experienced senior management independent of the Remaining Group which assist and support the SOC Board in the day-to-day management of the Spin-off Business.

Based on the above, despite the aforesaid overlapping directorship and management, the board of directors and senior management of the Spin-off Co could operate independently of the Company and in the interests of its shareholders as a body in general and not in the interests of the Company only, in case where the interests of the Spin-off Co and the Company are actually or potentially in conflict.

(f) Financial Independence

(i) Accounting and finance functions

The Spin-off Group has its own accounting and finance team and a separate accounting and financial system and makes financial decisions according to its own business needs.

(ii) Inter-company balances

As at the date of this announcement, there was an amount of approximately HK\$5.3 million due from the Spin-off Group to the Remaining Group. Such amount was non-trade related and non-interest bearing loan and repayable on demand.

The net balance will be settled before the completion of the Proposed Spin-off. It is expected that there will not be any inter-company balances between the Remaining Group and the Spin-off Co at the time of completion of the Proposed Spin-off and no further inter-company balances will be created between them.

(iii) Corporate guarantees

As at the date of this announcement, the Company has signed two guarantee agreements pursuant to which the Company guaranteed the payment obligations of the Spin-off Group in favour of two suppliers (“**Guarantee Agreements**”). The maximum guaranteed amount under the Guarantee Agreements is US\$30 million. It is intended that the Company will be released and discharged from the Guarantee Agreements and replaced by corporate guarantees to be provided by a member of the Spin-off Group after the Proposed Spin-off.

Following the Proposed Spin-off, it is expected that the Spin-off Co would have independent access to third party financing without corporate guarantees or other financial support from the Remaining Group following the release of the corporate guarantees from the Company as described above.

The guarantees given by the Company under the Guarantee Agreements are not in relation to any financing or borrowings of the Spin-off Group but as a performance guarantee pertaining to the payment obligations of the Spin-off Group under its purchase orders placed with the two suppliers. As at the date of this announcement, there has not been any instance where the Spin-off Group has defaulted on in fulfilling its contractual or payment obligations to the relevant suppliers causing the Company to assume responsibility under the guarantees.

(iv) Independent ability to obtain third-party financing

The Spin-off Group is independent in terms of business, finance and assets. The Spin-off Group is in good financial condition and has good credit standing. The Spin-off Group has not been involved in any debt disputes with its suppliers. Depending on future operating conditions, if the Spin-off Group has capital needs, it can obtain financing through capital increase, bank loans, etc. If the Proposed Spin-off is successful, the Spin-off Co can also obtain financing through various means such as public or non-public issuance of shares or debt securities.

(g) Independence of administrative capability

All administrative functions were carried out by the Spin-off Co and the Remaining Group independently.

(h) Ongoing and future connected transactions between the Remaining Group and the Spin-off Co

It is expected that there will be no ongoing or future transactions between the Remaining Group and the Spin-off Co after the Proposed Spin-off. Should there be any transactions between the Remaining Group and the Spin-off Co, they will be properly transacted in compliance with the applicable requirements under the Listing Rules and the listing rules of the SSE STAR Market.

4. INFORMATION ABOUT THE REMAINING GROUP

Upon completion of the Proposed Spin-off, the four existing main business segments of the Remaining Group subsequent to the Spin-off Co becoming an associated company of the Company in May 2022 will remain unchanged. The four main business segments of the Remaining Group, which are organised into different business units based on their products and services, are as follows:

- (i) Payment and digital services – It mainly refers to the provision of payment processing services, merchants recruiting, and provision of other related products and solutions (the “**Payment and Digital Services Business**”);
- (ii) Fintech services – It mainly refers to the provision of micro-lending, supply chain financing, factoring business, credit assessment services and related products and solutions (the “**Fintech Services Business**”);
- (iii) Platform operation solutions – It mainly refers to provision of telecommunication and mobile payment platform operation services and operation value-added services (the “**Platform Operation Solutions Business**”); and

- (iv) Financial solutions – It mainly refers to the provision of information system consultancy, integration and operation services and sales of information technology products to financial institutions and banks (the “**Financial Solutions Business**”). ((i) the Payment and Digital Services Business, (ii) the Fintech Services Business; (iii) the Platform Operation Solutions Business and (iv) the Financial Solutions Business are collectively referred to as the “**Remaining Businesses**”).

5. FINANCIAL EFFECTS OF THE PROPOSED SPIN-OFF ON THE GROUP

Upon completion of the Proposed Spin-off, the Group is expected to hold approximately 34.30% of the enlarged issued share capital of the Spin-off Co (assuming 25% of the enlarged issued share capital of the Spin-off Co is being issued in the Proposed Listing), the Spin-off Co will continue to be an associated company of the Company. The operating results of the Spin-off Co are not and will not be consolidated into the consolidated financial statements of the Company.

The Proposed Listing, which is expected to involve the issue of new shares of the Spin-off Co, will constitute a deemed disposal of the Group’s interest in the Spin-off Co. The Proposed Listing is expected to involve the issue of new shares of the Spin-off Co, representing approximately 25% of its enlarged issued share capital upon completion of the Proposed Listing. It is expected that the Company will recognise an unaudited net gain of approximately HK\$257.9 million on the deemed disposal of the Spin-off Co, which is calculated on the assumption that the deemed disposal was effected on 31 December 2022, the deemed consideration received of approximately HK\$387.6 million being the Group’s share of net proceeds received from the issue of new shares of the Spin-off Co and with reference to the Company’s proportionate investment cost of approximately HK\$129.7 million of the Spin-off Co deemed disposed as at 31 December 2022. The net gain on deemed disposal of Spin-off Co will be recorded in the profit or loss of the Group with the corresponding adjustment of the same amount debited to the investments accounted for using the equity method on the consolidated balance sheet. However, the actual gain on deemed disposal of the Spin-off Co may differ as it is estimated based on a number of assumptions and the amount will be calculated upon completion of the Proposed Spin-off. Shareholders should note that the exact financial effect of the Proposed Spin-off is subject to the review of the auditors of the Company.

Following completion of the Proposed Listing, the Megahunt Put Option, a derivative financial liability at fair value through profit or loss, amounted to approximately HK\$4.9 million as at 31 December 2022, will be derecognised from the consolidated financial statements of the Group with the corresponding entry of the same amount credited to the profit or loss of the Group.

6. REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Board believes that it is commercially beneficial to the Company and in the interests of the Shareholders to effect the Proposed Spin-off for the following reasons:

- (a) the Spin-off Business has grown to a sufficient size that warrants a separate listing, which can further unlock its value. The Proposed Spin-off and a separate listing of the shares of the Spin-off Co will enhance its corporate profile amongst its customers and other business partners. It will also enable the Spin-off Co to face the investors directly, which will promote its brand awareness;
- (b) the Proposed Spin-off will enable the Spin-off Co to have its own fund raising platforms, allowing it to (i) have direct and independent access to both the debt and equity capital markets, which in turn potentially provide it with greater debt capacity to deploy funds towards its development, operations and investment opportunities; and (ii) gain exposure to more specialized investors and have better chances to obtain more targeted investments and attract strategic investors for forming strategic partnerships with the Spin-off Co;
- (c) the cash proceeds to be received from the public offering and/or placing of shares of the Spin-off Co will provide capital to the Spin-off Co for its operations and expansion plan and help it become more competitive, which in turn will provide better returns to the shareholders of the Spin-off Co;
- (d) the Proposed Spin-off will lead to a more direct alignment of the responsibilities and accountability of the Spin-off Co's management with its operating and financial performance, as a result of heightened scrutiny of the investor community, through the enhanced clarity on the business and financial status of the Spin-off Co on a stand-alone basis. This is anticipated to enhance management focus, lead to faster response- time to market changes as well as increase operational efficiency. It will also allow the investors to better measure the management's performance against the stock market performance of the Spin-off Co in comparison with other industry peers listed on the SSE STAR Market;
- (e) the Proposed Spin-off will enable more focused development, strategic planning and better allocation of resources for the Remaining Group and the Spin-off Co with respect to their respective businesses. In addition, the Proposed Spin-off will improve the ability of the Spin-off Co to recruit, motivate and retain key management personnel; and

- (f) all benefits enjoyed by the Spin-off Co through the Proposed Spin-off are expected to accelerate its expansion and improve its overall operating and financial performance, thereby creating greater value for the Company and its shareholders as a whole. Given that upon the completion of the Proposed Spin-off, the Company (through New Concept and Megahunt HK) will remain as the single largest shareholder of the Spin-off Co, it is expected that the Company will continue to enjoy the benefits of the growth and development of the Spin-off Co. At the same time, the Proposed Spin-off provides the Company and its shareholders with an opportunity to realise the value of their investment in the Spin-off Co on a separate stand-alone platform.

7. VIEWS OF DIRECTORS

Having considered the above, the Directors (excluding the independent non-executive Directors whose view will be formed after taking into account the advice from the Independent Financial Adviser) are of the view that the Proposed Spin-off is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Since Mr. WS Xu and Mr. CJ Xu, who are both executive Directors, owned approximately 3.29% and 2.96% of the Spin-off Co respectively as at the date of passing the Board resolution in respect of the Proposed Spin-off, they have both abstained from voting on the relevant Board resolution. Save for Mr. WS Xu and Mr. CJ Xu, no other Director was considered to have a material interest in the Proposed Spin-off, and was therefore required to abstain from voting on the Board resolution approving the Proposed Spin-off.

8. WAIVER FROM STRICT COMPLIANCE WITH PARAGRAPH 3(F) OF PN15

Paragraph 3(f) of PN15 requires the Company to have due regard to the interests of the existing Shareholders by providing them with an assured entitlement to the shares of the Spin-off Co, either by way of a distribution in specie of the existing shares of the Spin-off Co or by way of preferred application in any offering of existing or new shares in the Spin-off Co.

However, based on the legal advice given by the PRC counsel of the Spin-off Co on the Proposed Spin-off, non-PRC investors (other than certain qualified investors) are not permitted under the PRC laws and regulations to acquire the shares of the Spin-off Co which are to be listed on the SSE STAR Market. Only Chinese citizens, Chinese legal persons, Chinese partnership and qualified foreigners can satisfy the condition to open a securities account in China so as to obtain shares of the Spin-off Co upon listing. Additionally, priority allocation in public offering is generally prohibited under the PRC laws and regulations to ensure fair and equal treatment of investors. As such, unless the existing shareholders of the Company can meet the requirements for eligible investors, there are legal obstacles for the existing shareholders of the Company to acquire the shares of the Spin-off Co and therefore they are not entitled to the assured entitlements to the shares of the Spin-off Co in accordance with the PRC laws and regulations.

Taking into account the legal restrictions as mentioned above, the Board considers that it would be unduly burdensome and practically impossible for the Company to obtain and verify the background information of all its shareholders for the purpose of ascertaining whether they are so qualified. Therefore, the Board is of the view that the Proposed Spin-off and a waiver from strict compliance with the assured entitlement requirement are fair and reasonable and in the interest of the Company and its shareholders as a whole.

Accordingly, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the applicable requirements in relation to assured entitlement under paragraph 3(f) of PN15.

9. IMPLICATIONS UNDER THE LISTING RULES

The Spin-off Co is an associated company of the Company as at the date of this announcement and was a subsidiary of the Company until May 2022. Pursuant to PN15, the Stock Exchange will treat an entity as if it were a subsidiary of the issuer if such entity is at the time of submission of the issuer's spin-off proposal, an associated company of the issuer and was, at any time during the latest completed financial year of the issuer (comprising at least 12 months) up to the date of submission of the spin-off proposal, a subsidiary of the issuer.

As one or more of the applicable percentage ratios represented by the Proposed Spin-off is expected to exceed 25% but all of the applicable percentage ratios are less than 75%, the Proposed Spin-off constitutes a major transaction of the Company and is subject to the announcement, circular and shareholders' approval requirements under the Listing Rules.

The Proposed Spin-off will therefore be subject to, among other things, the approval of the Shareholders under paragraph 3(e)(1) of PN15 and Chapter 14 of the Listing Rules. The Company will comply with the requirements under paragraph 3(e)(1) of PN15 and applicable requirements of Chapter 14 of the Listing Rules (including the announcement, circular, appointment of an independent financial adviser and shareholders' approval requirements) as and when necessary.

The Company will reassess the applicable percentage ratios in respect of the Proposed Spin-off should the actual proceeds raised from the Proposed Spin-off vary from the estimated amount. If the then applicable percentage ratios in respect of the Proposed Spin-off no longer renders the Proposed Spin-off a major transaction, the Company will comply with the applicable requirements for notifiable transactions in accordance with Chapter 14 of the Listing Rules as and when appropriate.

10. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Li Heguo, being all independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the terms of the Proposed Spin-off.

The Company has also appointed Gram Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Spin-off.

11. SGM

The SGM is proposed to be held at Room 2515, 25/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Monday, 12 June 2023 at 3:30 p.m. for the purpose of, among other matters, considering and, if thought fit, approving the Proposed Spin-off.

A circular containing, among other things, information in relation to (i) information on the Proposed Spin-off and the waiver in respect of the assured entitlement requirement under the Proposed Spin-off; (ii) the recommendation of the Independent Board Committee and the advice of Gram Capital regarding the Proposed Spin-off; and (iii) a notice of the SGM and the related proxy form, will be despatched to the shareholders of the Company within 15 business days after the publication of this announcement.

12. RECORD DATE FOR THE SGM

Record date (being the last date of registration of any share transfer given there will be no book closure) for determining the entitlement of the shareholders of the Company to attend and vote at the SGM will be Tuesday, 6 June 2023. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Tricor Tengis Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 6 June 2023.

13. DEFINITIONS

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

“Board”	the board of Directors
“Company”	Hi Sun Technology (China) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (stock code: 818)

“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company
“FY2021”	the financial year ended 31 December 2021
“FY2022”	the financial year ended 31 December 2022
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Board comprising Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Li Heguo, all of whom are independent non-executive Directors, formed to advise and provide recommendations to the Independent Shareholders on the Proposed Spin-off
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Spin-off
“Independent Shareholders”	Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolution approving the Proposed Spin-off
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Megahunt HK”	Mega Hunt Microelectronics Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company

“Megahunt Investors”	萬達百匯科技(深圳)有限公司(unofficial English translation being Wonder Pax Technology (Shenzhen) Co., Ltd.),上海聚源聚芯集成電路產業股權投資基金中心(有限合夥)and 芯聯芯(平潭綜合實驗區)科技投資中心(有限合夥)(unofficial English translation being Xin Lian Xin (Pingtan Integrated Laboratory District) Technology Investment Centre (Limited Partnership)) (now known as 南通芯聯芯科技投資中心(有限合夥)(unofficial English translation being Nan Tong Xin Lian Xin Technology Investment Centre (Limited Partnership))
“Megahunt Put Option”	the put option granted to the Megahunt Investors pursuant to the Megahunt Subscription Agreement pursuant to which the Megahunt Investors could at their discretion to request Megahunt HK to repurchase all or part of the Spin-off Co’s shares held by the Megahunt Investors under certain conditions, at an exercise price of RMB80,000,000 plus 8.0% interest rate per annum subject to a cap, details of which are set out in the announcement of the Company dated 4 December 2019
“Megahunt Subscription Agreement”	the subscription agreement dated 4 December 2019 entered into between the Company, certain management team members of the Spin-off Co, Megahunt HK, Spin-off Co and the Megahunt Investors for the subscription of 14.55% of the then enlarged equity interest in the Spin-off Co, details of which are set out in the announcement of the Company dated 4 December 2019
“Mr. CJ Xu”	Mr. Xu Changjun, an executive Director and a director of certain subsidiaries of the Company
“Mr. WS Xu”	Mr. Xu Wensheng, an executive Director and a director of certain subsidiaries of the Company
“Ms. Hui”	Ms. Hui Lok Yan, the group financial controller and a joint company secretary of the Company and a director of certain subsidiaries of the Company
“New Concept”	New Concept Services Limited, a wholly-owned subsidiary of the Company
“PN15”	Practice Note 15 of the Listing Rules

“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Listing”	the proposed listing of the shares of the Spin-off Co on the SSE STAR MARKET
“Proposed Spin-off”	the proposed spin-off and separate listing of the Spin-off Co on the SSE STAR Market by way of issuance of new shares of the Spin-off Co
“Remaining Businesses”	businesses of the Group, excluding the Spin-off Business
“Remaining Group”	the Group, excluding the Spin-off Group
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	a special general meeting of the Company proposed to be convened to be held at Room 2515, 25th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Monday, 12 June 2023 at 3:30 p.m. for the purposes of, among other matters, considering and, if thought fit, approving the Proposed Spin-off
“Shanghai Stock Exchange”	Shanghai Stock Exchange of the PRC
“Shares”	shares in the capital of the Company
“Shareholders”	registered holders of the Shares from time to time
“SOC Board”	the board of directors of the Spin-off Co
“Spin-off Business”	sale of self-developed security SOC (system-on-chip) chips conducted by the Spin-off Group
“Spin-off Co”	兆訊恒達科技股份有限公司 (Megahunt Technologies Inc.), a company established in the PRC with limited liability and accounted for as an associated company of the Company as at the date of this announcement
“Spin-off Group”	the Spin-off Co and its subsidiaries, namely 天津兆訊電子技術有限公司 (unofficial English translation being Tianjin Mega Hunt Microelectronics Company Limited) and 北京兆訊恒達技術有限公司 (unofficial English translation being Beijing Megahunt Hengda Technology Company Limited), each being a company incorporated in the PRC with limited liability and a direct wholly-owned subsidiary of the Spin-off Co

“SSE STAR Market”	the Science and Technology Innovation Board of the Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

For the purpose of this announcement, all amounts denominated in RMB have been translated (for information only) into HK\$ using the exchange rate of RMB1.00 to HK\$1.13. No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

By order of the Board
HI SUN TECHNOLOGY (CHINA) LIMITED
Hui Lok Yan
Company Secretary

Hong Kong, 22 May 2023

As at the date of this announcement, the Board consists of four executive Directors, namely Mr. Xu Wensheng, Mr. Kui Man Chun, Mr. Li Wenjin and Mr. Xu Changjun; three independent non-executive Directors, namely Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Li Heguo.