



HI SUN TECHNOLOGY (CHINA) LIMITED

高陽科技(中國)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 818)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

FINANCIAL HIGHLIGHTS			
	2007	2006	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	+ / (-) %
RESULTS			
Turnover	779,605	473,122	+65%
Profit before income tax	216,768	145,242	+49%
Profit for the year	192,521	133,600	+44%
Attributable to:			
– Equity shareholders of the Company	184,276	133,600	
– Minority interests	8,245	–	
	<u>192,521</u>	<u>133,600</u>	
Earnings per share for profit attributable to the equity holders of the Company:			
– Basic	HK\$0.090	HK\$0.083	+8%
– Diluted	HK\$0.083	HK\$0.070	+19%
		As at 31 December	
	2007	2006	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	+ / (-) %
KEY BALANCE SHEET ITEMS			
Total equity	1,100,860	679,672	+62%
Net current assets	778,581	592,099	+31%
Total assets	1,490,745	847,110	+76%
	<i>HK\$</i>	<i>HK\$</i>	
Net assets per share	0.493	0.362	+36%

The Board of Directors (the “Board”) of Hi Sun Technology (China) Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2007 together with the comparative figures for year 2006. The annual results have been reviewed by the Company’s Audit Committee.

* For identification purpose only

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	For the year ended 31 December	
		2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Turnover	2	779,605	473,122
Cost of sales	3	<u>(422,767)</u>	<u>(264,870)</u>
Gross profit		356,838	208,252
Other gains	2	113,416	68,359
Selling expenses	3	(70,198)	(28,899)
Administrative expenses	3	<u>(180,491)</u>	<u>(98,667)</u>
Operating profit		219,565	149,045
Finance costs	4	<u>(2,797)</u>	<u>(3,803)</u>
Profit before income tax		216,768	145,242
Income tax expense	5	<u>(24,247)</u>	<u>(11,642)</u>
Profit for the year		<u>192,521</u>	<u>133,600</u>
Attributable to:			
– Equity shareholders of the Company		184,276	133,600
– Minority interests		<u>8,245</u>	<u>–</u>
		<u>192,521</u>	<u>133,600</u>
Earnings per share for profit attributable to the equity holders of the Company:			
– Basic	6	<u>HK\$0.090</u>	<u>HK\$0.083</u>
– Diluted	6	<u>HK\$0.083</u>	<u>HK\$0.070</u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2007	2006
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Investment property		3,363	3,540
Property, plant and equipment		164,817	75,959
Leasehold land		43,377	30,559
Intangible assets		122,244	–
		<u>333,801</u>	<u>110,058</u>
Current assets			
Inventories		138,581	28,552
Trade and other receivables, prepayments and deposits	7	405,548	139,076
Due from a fellow subsidiary		1,111	–
Due from a related company		–	67
Financial assets at fair value through profit or loss		34,488	41,281
Restricted cash		7,500	–
Cash and cash equivalents		569,716	528,076
		<u>1,156,944</u>	<u>737,052</u>
Total assets		<u><u>1,490,745</u></u>	<u><u>847,110</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		5,580	4,699
Other reserves		1,049,267	674,973
		<u>1,054,847</u>	<u>679,672</u>
Minority interest		46,013	–
Total equity		<u>1,100,860</u>	<u>679,672</u>
LIABILITIES			
Non-current liabilities			
Financial liability portion of convertible preference shares issued by a subsidiary		–	22,485
Deferred tax liabilities		11,522	–
		<u>11,522</u>	<u>22,485</u>
Current liabilities			
Trade and other payables	8	301,489	117,282
Due to a fellow subsidiary		–	13,497
Taxation payable		34,323	7,174
Short term borrowings		42,551	7,000
		<u>378,363</u>	<u>144,953</u>
Total liabilities		<u>389,885</u>	<u>167,438</u>
Total equity and liabilities		<u><u>1,490,745</u></u>	<u><u>847,110</u></u>
Net current assets		<u>778,581</u>	<u>592,099</u>
Total assets less current liabilities		<u><u>1,112,382</u></u>	<u><u>702,157</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Attributable to the equity holders of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Other reserves HK\$'000	Exchange reserve HK\$'000	Retained earnings/ (accumulated losses) HK\$'000	Minority interests HK\$'000	
Balance at 1 January 2007	4,699	269,586	168,434	156,494	7,688	72,771	-	679,672
Profit for the year	-	-	-	-	-	184,276	8,245	192,521
Shares issued under share options scheme of the Company	208	15,474	-	-	-	-	-	15,682
Issue of new shares upon the conversion of convertible preference shares issued by subsidiaries	581	171,112	-	(149,614)	-	-	-	22,079
Employee share option scheme - value of employee services	-	-	-	27,616	-	-	-	27,616
Deemed disposal of a subsidiary	-	-	-	-	-	-	34,868	34,868
Acquisition of subsidiaries	92	92,158	-	-	-	-	776	93,026
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	-	-	33,272	-	2,124	35,396
Balance at 31 December 2007	<u>5,580</u>	<u>548,330</u>	<u>168,434</u>	<u>34,496</u>	<u>40,960</u>	<u>257,047</u>	<u>46,013</u>	<u>1,100,860</u>
Balance at 1 January 2006	3,330	100,556	125,310	15,627	872	(118,261)	-	127,434
Profit for the year	-	-	-	-	-	133,600	-	133,600
Issue of convertible preference shares by a subsidiary	-	-	-	138,480	-	-	-	138,480
Shares issued under share options scheme of the Company	459	24,196	-	-	-	-	-	24,655
Issue of new shares	910	245,450	-	-	-	-	-	246,360
Share issuance expenses	-	(60)	-	-	-	-	-	(60)
Share premium reduction	-	(100,556)	43,124	-	-	57,432	-	-
Employee share option scheme - value of employee services	-	-	-	2,387	-	-	-	2,387
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	-	-	6,816	-	-	6,816
Balance at 31 December 2006	<u>4,699</u>	<u>269,586</u>	<u>168,434</u>	<u>156,494</u>	<u>7,688</u>	<u>72,771</u>	<u>-</u>	<u>679,672</u>

Notes:

1. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Standards, amendment and interpretations effective in 2007

- HKFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to HKAS 1, 'Presentation of financial statements – Capital disclosures';
- HK(IFRIC) – Int 8, 'Scope of HKFRS 2'; and
- HK(IFRIC) – Int 10, 'Interim financial reporting and impairment'.

The Group has assessed the impact of the adoption of these new standard, amendment and interpretations and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies, whereas the adoption of HKAS 1 (Amendment) and HKFRS 7 introduces new disclosures relating to financial instruments and capital. There is no material impact on the classification and valuation of the Group's instruments, or the disclosure relating to taxation and other payable.

(b) Interpretation early adopted by the Group

HK(IFRIC) – Int 11, 'HKFRS 2 – Group and treasury share transactions', was early adopted in 2007. HK(IFRIC) – Int 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and Group companies. This interpretation does not have material impact on the Group's financial statements.

(c) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- HK(IFRIC) – Int 7, 'Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies'; and
- HK(IFRIC) – Int 9, 'Re-assessment of embedded derivatives'.

(d) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009);
- HKAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009);
- HKFRS 8, 'Operating segments' (effective from 1 January 2009);
- HK(IFRIC) – Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008);
- HKAS 27 (Revised), "Consolidated and separate financial statements";
- HKFRS 3 (Revised), "Business combination"; and
- HKFRS 2 (Amendment), "Share-based payment vesting conditions and cancellations".

(e) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

- HK(IFRIC) – Int 12, 'Service concession arrangements' (effective from 1 January 2008).
- HK(IFRIC) – Int 13, 'Customer loyalty programmes' (effective from 1 July 2008).

2. Turnover, other gains and segment information

The Group is principally engaged in the sales of information technology products, provision of business process operation services, provision of information system consultancy and integration services, and information technology operation value-added services. Turnover and other gains recognised during the year are as follows:

	For the year ended	
	2007	2006
	HK\$'000	HK\$'000
Turnover		
Sales of goods	464,706	197,843
Provision of business process operation services	12,282	1,521
Provision of information system consultancy and integration services	93,607	168,174
Information technology operation value-added services	207,959	105,584
Rental income	1,051	–
	<u>779,605</u>	<u>473,122</u>
Other gains		
Interest income	9,303	4,831
Gain on deemed disposal of 20% equity interest in a subsidiary	43,258	–
Gain on disposal of financial assets at fair value through profit or loss	43,101	59,727
Dividend income on financial assets at fair value through profit or loss	672	–
Fair value gain on financial assets at fair value through profit or loss	6,155	2,699
Tax refund	5,357	–
Finance lease income	–	111
Other income	5,570	991
	<u>113,416</u>	<u>68,359</u>
Turnover and other gains	<u>893,021</u>	<u>541,481</u>

Primary reporting format – business segments

The Group is organised into six main business segments:

- (a) Electronic payment products and services – sales of electronic fund transfer point-of-sale (“EFT-POS”) terminals;
- (b) Information technology operation value-added services – provision of Interactive Voice Response (“IVR”) services;
- (c) Telecommunication solutions, services and related products – provision of information system consultancy and integration services and sales of information technology products to the telecommunications industries;
- (d) Financial solutions, services and related products – provision of information system consultancy and integration services and sales of information technology products to financial institutions and banks;
- (e) Business process operations – provision of outsourcing services to financial institutions and banks with payment solutions, such as automatic teller machines (“ATM”); and
- (f) Electronic power meters and solutions – manufacturing and sales of electronic power meters, data collection terminals and provision of information system consultancy services.

There are no sales or other transactions between the business segments.

The segment results for the year ended 31 December 2007 and segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:

	Electronic payment products and services <i>HK\$'000</i>	Information technology operation value- added services <i>HK\$'000</i>	Telecom- munication solutions, services and related products <i>HK\$'000</i>	Financial solutions, services and related products <i>HK\$'000</i>	Business process operations <i>HK\$'000</i>	Electronic power meters and solutions <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover	<u>323,143</u>	<u>207,959</u>	<u>2,851</u>	<u>111,847</u>	<u>12,282</u>	<u>120,472</u>	<u>1,051</u>	<u>779,605</u>
Other gains, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,416</u>	<u>113,416</u>
Segment results	62,890	113,144	2,360	(8,106)	(6,236)	1,711	53,802	219,565
Finance costs							(2,797)	(2,797)
Profit before income tax								216,768
Income tax expense								(24,247)
Profit for the year								<u>192,521</u>
Segment assets	<u>351,438</u>	<u>209,711</u>	<u>4,150</u>	<u>199,715</u>	<u>51,962</u>	<u>467,346</u>	<u>206,423</u>	<u>1,490,745</u>
Segment liabilities	<u>(115,228)</u>	<u>(14,247)</u>	<u>(3,060)</u>	<u>(39,413)</u>	<u>-</u>	<u>(160,664)</u>	<u>(57,273)</u>	<u>(389,885)</u>
Other segment information:								
Depreciation of property, plant and equipment	1,425	9,309	-	1,786	8,752	4,540	217	26,029
Depreciation of investment property	-	-	-	-	-	-	177	177
Amortisation of leasehold land	5	-	-	-	-	148	760	913
Amortisation of intangible assets	-	-	-	-	-	2,892	-	2,892
Recovery of bad debts	-	-	-	-	-	(1,140)	-	(1,140)
Write-back of provision for impairment of trade receivables	-	-	(2,330)	(566)	-	-	-	(2,896)
Provision for impairment of trade receivables	730	-	-	14	-	-	67	811
Write-back of provision for obsolete inventories	-	-	(591)	(211)	-	-	-	(802)
Write-off of inventories	1,419	-	-	-	-	2,149	-	3,568
Loss on disposal of property, plant and equipment	-	-	-	-	-	3,039	190	3,229
Capital expenditure	<u>607</u>	<u>3,895</u>	<u>-</u>	<u>3,446</u>	<u>24,878</u>	<u>215,193</u>	<u>283</u>	<u>248,302</u>

The segment results for the year ended 31 December 2006 and segment assets and liabilities at 31 December 2006 and capital expenditure for the year then ended are as follows:

	Electronic payment products and services <i>HK\$'000</i>	Information technology operation value- added services <i>HK\$'000</i>	Telecom- munication solutions, services and related products <i>HK\$'000</i>	Financial solutions, services and related products <i>HK\$'000</i>	Business process operations <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover	<u>197,843</u>	<u>105,584</u>	<u>5,221</u>	<u>162,953</u>	<u>1,521</u>	<u>-</u>	<u>473,122</u>
Other gains, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,359</u>	<u>68,359</u>
Segment results	30,081	41,950	2,649	35,157	(4,246)	43,454	149,045
Finance costs						(3,803)	(3,803)
Profit before income tax							145,242
Income tax expenses						(11,642)	(11,642)
Profit for the year							<u>133,600</u>
Segment assets	<u>151,158</u>	<u>127,136</u>	<u>1,398</u>	<u>206,986</u>	<u>33,575</u>	<u>326,857</u>	<u>847,110</u>
Segment liabilities	<u>(68,422)</u>	<u>(27,026)</u>	<u>(3,828)</u>	<u>(37,142)</u>	<u>-</u>	<u>(31,020)</u>	<u>(167,438)</u>
Other segment information:							
Depreciation of property, plant and equipment	1,413	7,739	-	2,504	1,261	172	13,089
Depreciation of investment property	-	-	-	-	-	8	8
Amortisation of leasehold land	5	-	-	-	-	31	36
Write back of provision for impairment of trade receivables	-	-	(1,523)	-	-	-	(1,523)
Provision for impairment of trade receivables	897	-	-	369	-	-	1,266
Write-off of inventories	1,504	-	-	-	-	-	1,504
(Gain)/loss on disposal of property, plant and equipment	(1)	(10)	-	(18)	-	11	(18)
Capital expenditure	<u>1,502</u>	<u>11,165</u>	<u>-</u>	<u>121</u>	<u>34,192</u>	<u>36,086</u>	<u>83,066</u>

Secondary reporting format – Geographical segments

The Group's six business segments operate in two main geographical areas:

- Mainland China – electronic payment products and services, information technology operation value-added services, telecommunication solutions, services and related products, financial solutions, services and related products, business process operations, and electronic power meters and solutions
- Hong Kong, South East Asia and others – electronic payment products and services, financial solutions, services and related products, and electronic power meters and solutions

There are no sales or other transactions between the geographical segments.

	Turnover 2007 <i>HK\$'000</i>	Segment results 2007 <i>HK\$'000</i>	Total assets 2007 <i>HK\$'000</i>	Capital expenditure 2007 <i>HK\$'000</i>
Mainland China	698,518	166,707	1,104,553	247,965
Hong Kong, South East Asia and others	81,087	(908)	179,769	337
	<u>779,605</u>	<u>165,799</u>	<u>1,284,322</u>	<u>248,302</u>
Other gains, net, unallocated		113,416		
Unallocated expenses		(59,650)		
Operating profit		<u>219,565</u>		
Unallocated assets			<u>206,423</u>	
Total assets			<u>1,490,745</u>	
Unallocated capital expenditure				—
Total capital expenditure				<u>248,302</u>

	Turnover 2006 <i>HK\$'000</i>	Segment results 2006 <i>HK\$'000</i>	Total assets 2006 <i>HK\$'000</i>	Capital expenditure 2006 <i>HK\$'000</i>
Mainland China	363,082	99,649	262,833	46,966
Hong Kong, South East Asia and others	110,040	5,942	257,420	14
	<u>473,122</u>	<u>105,591</u>	<u>520,253</u>	<u>46,980</u>
Other gains, net, unallocated		68,359		
Unallocated expenses		(24,905)		
Operating profit		<u>149,045</u>		
Unallocated assets			<u>326,857</u>	
Total assets			<u>847,110</u>	
Unallocated capital expenditure				<u>36,086</u>
Total capital expenditure				<u>83,066</u>

Segment assets consist primarily of property, plant and equipment, intangible assets, land use rights, inventories, receivables and operating cash. They exclude deferred income tax assets.

Segment liabilities consist primarily of operating liabilities. They exclude deferred income tax liabilities and income tax payable.

Capital expenditure comprises additions to property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

3. Expenses by nature

Expenses included in cost of sales, selling expenses and administrative expenses are analysed as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Auditor's remuneration	3,406	1,894
Depreciation of property, plant and equipment	26,029	13,089
Depreciation of investment property	177	8
Amortisation of leasehold land	913	36
Amortisation of intangible assets	2,892	–
Employee benefit expense (including Directors' emoluments)	182,060	100,641
Costs of inventories sold	292,872	147,246
Operating lease rentals for land and buildings	10,664	9,379
Operating lease rentals for equipment	11,161	9,348
Research and development costs	13,832	7,224
Loss/(gain) on disposal of property, plant and equipment	3,229	(18)
Provision for impairment of trade receivables	811	1,266
Write-back of provision for impairment of trade receivables	(2,896)	(1,523)
Recovery of bad debts	(1,140)	–
Write-off of inventories	3,568	1,504
Write-back of provision for obsolete inventories	(802)	–
Refund of value-added tax	(1,829)	(1,097)
	<u>2,829</u>	<u>(1,097)</u>

4. Finance costs

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest on bank loans and overdrafts	2,464	2,069
Interest on financial liability portion of convertible preference shares issued by a subsidiary	333	1,734
	<u>2,797</u>	<u>3,803</u>

5. Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	–	3,100
– Overseas taxation	25,625	8,542
Deferred income tax	(2,258)	–
Underprovision in previous year	880	–
Income tax expense	<u>24,247</u>	<u>11,642</u>

PRC taxation has been provided on the profits of the Group's subsidiaries operating in the PRC and subject to Enterprise Income Tax ("EIT") at a rate of 33% (2006: 33%), unless preferential rates are applicable.

The subsidiaries in the PRC enjoy tax concessions made available to Foreign Investment Enterprises and Foreign Enterprises. Pursuant to the Income Tax Law of the PRC concerning Foreign Investment Enterprises and Foreign Enterprises, the subsidiaries in the PRC are subject to tax rate and tax concessions as follows:

Name of subsidiaries	Applicable tax rate	Year of tax exemption/relief
Pax Technology (Shenzhen) Limited	15%	2004 to 2008
Beijing Hi Sun Advanced Business Solutions Information Technology Limited	15%	N/A
Beijing Hi Sunray Information Technology Limited	15%	N/A
Hangzhou Hualong Information Technology Company Limited	15%	2004 to 2008

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China (the "New Tax Law") which will take effect on 1 January 2008. From 1 January 2008, the income tax rate for the operating subsidiaries mentioned above will be gradually changed to the standard rate of 25% over a five-year transition period. According to the Circular 39 passed by the State Council on 26 December 2007, the tax exemption and reduction will be terminated latest by 2012. The Group has assessed the impact of the change and consider the financial effect on the change in tax rate does not have material and significant effect to the financial statement.

The new tax rate of 25% has been applied in the measurement of the Group's deferred tax at 31 December 2007 in respect of these subsidiaries.

6. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	For the year ended 31 December	
	2007	2006
Profit attributable to equity holders of the Company (HK\$'000)	184,276	133,600
Weighted average number of ordinary shares in issue (thousands)	2,050,870	1,606,721
Basic earnings per share (HK\$ per share)	0.090	0.083

(b) Diluted

Diluted earnings per share is calculated by adjusting the number of ordinary shares outstanding to assume conversion of all potentially dilutive shares. The Company has two categories of potentially dilutive shares: convertible preference shares issued by subsidiaries and share options. The convertible preference shares issued by subsidiaries are assumed to be converted into ordinary shares of the Company and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is done to determine the number of shares that would have been acquired at fair value (determined as the average market share price of the Company's shares during the current year) based on the monetary value of the subscription rights attached to these outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	For the year ended 31 December	
	2007	2006
Profit attributable to equity holders of the Company (HK\$'000)	184,276	133,600
Interest expense on convertible preference shares issued by a subsidiary (HK\$'000)	333	1,734
	<hr/>	<hr/>
Profit used to determine diluted earnings per share (HK\$'000)	184,609	135,334
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue (thousands)	2,050,870	1,606,721
Adjustments for		
– assumed conversion of convertible preference shares issued by subsidiaries (thousands)	124,799	138,206
– share options (thousands)	40,619	178,314
	<hr/>	<hr/>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	2,216,288	1,923,241
	<hr/>	<hr/>
Diluted earnings per share (HK\$ per share)	0.083	0.070
	<hr/>	<hr/>

7. Trade and other receivables, prepayments and deposits

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables (<i>Note (a)</i>)	250,962	120,603
Bills receivables (<i>Note (b)</i>)	95,403	9,617
Finance leases receivables (<i>Note (c)</i>)	–	720
Less: provision for impairment of receivables (<i>Note (d)</i>)	(1,615)	(4,318)
	<hr/>	<hr/>
Prepayments, deposits and other receivables	344,750	126,622
	60,798	12,454
	<hr/>	<hr/>
	405,548	139,076
	<hr/>	<hr/>

Note (a): Trade receivables

The Group's credit terms to trade debtors range from 0 to 180 days. At 31 December 2007 and 2006, the ageing analysis of the trade receivables was as follows:

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	186,567	107,834
91 to 180 days	25,456	6,774
181 to 365 days	14,278	3,519
Over 365 days	24,661	2,476
	<hr/>	<hr/>
	250,962	120,603
	<hr/>	<hr/>

The Group's sales are made to several major customers and there is concentration of credit risks. Collections of outstanding receivable balances are closely monitored on an ongoing basis to minimise such credit risk.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Note (b): Bills receivables

The balance represents bank acceptance notes:

The maturity profile of the bills receivable of the Group is as follows:

	2007 HK\$'000	2006 HK\$'000
Falling within 90 days	30,212	9,617
Falling within 91 to 180 days	65,191	–
	<u>95,403</u>	<u>9,617</u>

As at 31 December 2007, the Group's bills receivable amounting to HK\$10,550,000 (2006: Nil) were pledged to banks for short-term bank borrowings.

Note (c): Finance leases receivables

	2007 HK\$'000	2006 HK\$'000
Current receivables		
Gross receivables from finance leases:		
Not later than 1 year	–	729
Unearned future finance income on finance leases	–	(9)
	<u>–</u>	<u>720</u>
Net investment in finance leases	–	720
	<u>–</u>	<u>720</u>
The net investment in finance leases is analysed as follows:		
Not later than 1 year	–	720
	<u>–</u>	<u>720</u>

Note (d): Provision for impairment of receivables

The movement on the provision for impairment of receivables are as follows:

	2007 HK\$'000	2006 HK\$'000
At 1 January	4,318	10,831
Write-back of provision	(2,896)	(1,523)
Provision recognised in profit and loss account	811	1,266
Receivables written-off during the year as uncollectible	(749)	(6,477)
Exchange difference	131	221
	<u>1,615</u>	<u>4,318</u>
At 31 December	1,615	4,318

8. Trade and other payables

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade payables (Note below)	130,057	54,611
Other payables and accruals	143,656	44,399
Pension obligations	10,228	8,696
Social security and other taxes	17,548	9,576
	<u>301,489</u>	<u>117,282</u>

Note: At 31 December 2007 and 2006, the ageing analysis of the trade payables was as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current to 90 days	98,001	44,888
91 to 180 days	14,097	4,923
181 to 365 days	5,123	2,987
Over 365 days	12,836	1,813
	<u>130,057</u>	<u>54,611</u>

MANAGEMENT DISCUSSION AND ANALYSIS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Segmental turnover			
Electronic payment products and services	323,143	197,843	133,073
Telecommunication solutions, services and related products, and information technology operation value-added services	210,810	110,805	147,756
Financial solutions, services and related products	111,847	162,953	157,784
Business process operations	12,282	1,521	–
Electronic power meters and solutions	120,472	–	–
Others	1,051	–	150
	<u>779,605</u>	<u>473,122</u>	<u>438,763</u>
Segmental results			
Electronic payment products and services	62,890	30,081	12,912
Telecommunication solutions, services and related products, and information technology operation value-added services	115,504	44,599	68,024
Financial solutions, services and related products	(8,106)	35,157	13,103
Business process operations	(6,236)	(4,246)	–
Electronic power meters and solutions	1,711	–	–
Others	–	–	150
	<u>165,763</u>	<u>105,591</u>	<u>94,189</u>

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Other gains, unallocated			
Gain on disposal of investment securities	43,101	59,727	–
Gain on revaluation of investment securities	6,155	2,699	–
Gain on deemed disposal of 20% equity interest in a subsidiary	43,258	–	–
Interest income	9,303	4,831	1,403
Others	11,599	1,102	1,184
	<u>113,416</u>	<u>68,359</u>	<u>2,587</u>
Other expenses			
Share-based compensation	(27,616)	(2,387)	(4,493)
Overheads	(31,998)	(22,518)	(21,343)
	<u>(59,614)</u>	<u>(24,905)</u>	<u>(25,836)</u>
Finance costs	(2,797)	(3,803)	(3,998)
Income tax expenses	(24,247)	(11,642)	(4,638)
	<u>(27,044)</u>	<u>(15,445)</u>	<u>(8,636)</u>
Net profit	<u><u>192,521</u></u>	<u><u>133,600</u></u>	<u><u>62,304</u></u>

Our results for 2007 reflected increases in total turnover, gross profit and net profit from that of 2006. The Group's turnover amounted to HK\$779.61 million, representing a growth of 65% compared to 2006. The gross profit and net profit amounted to HK\$356.84 million and HK\$192.52 million respectively, representing an increase of 71% and 44% respectively compared to 2006. With strong growth in our recurring profits from electronic payment products and services and information technology operation value-added services, we continuously strive to deliver the best values to our shareholders with new and exciting investment opportunities. During the year, we have further enhanced our developments in the business process operations business under our financial solutions arm and successfully completed the acquisition of Hangzhou PAX Electric Technology Company Limited (formerly known as Hangzhou Baifu Hualong Holding Company Limited), Pacific sheen International Limited and their respective subsidiaries (collectively the "Hualong Group") in the electronic power meters and solutions industry. The overall gross profit margin improved as a result of operation efficiencies and effective cost management.

On 2 January 2007, 43,000,000 share options were granted to certain employees at an exercise price of HK\$2.00 per share, resulting in share-based compensation of HK\$27.62 million recognised in 2007. Convertible preference shares issued by two subsidiaries have been fully converted into ordinary shares of the Company during the year.

With regard to our balance sheet, at the end of 2007, the total assets as at 31 December 2007 amounted to HK\$1,490.75 million, compared with HK\$847.11 million as at 31 December 2006. Current assets as at 31 December 2007 was HK\$1,156.94 million, compared with HK\$737.05 million as at 31 December 2006.

Electronic payment solutions and products

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	Change +/(-)%
Turnover	323,143	197,843	+63%
Gross profit	113,939	71,478	+59%
Gross profit margin (%)	35%	36%	
Operating profit	62,890	30,081	+109%
Operating profit margin (%)	19%	15%	
Research and development costs	9,657	7,224	+34%
Capital expenditure	607	1,502	-60%
Net assets employed	236,210	82,736	+185%

PAX continued to be the leader in the EFT-POS terminals market in Mainland China. In May 2007, we attracted new investments of US\$10 million (approximately HK\$78 million) from institutional investors subscribing approximately 20% interests in PAX, providing additional working capital for PAX's business operation and positive exploration of the international markets. R&D costs rose by 34% with more exertion placed in development of new models such as our latest mobile EFT-POS terminal and contactless payment device.

PAX experienced strong volume growth of 63% on a year-on-year basis, with a new sales record of 170,000 units in 2007. The shipment contribution of Mainland China market was 84% while the international market contributed the rest. Despite the keen market competition, we managed to maintain healthy gross and operating profit margins through new product designs and leverage from volume growth.

During the year, sales volume of PAX's EFT POS-terminals in Mainland China grew by 70%. By the end of 2007, the total numbers of EFT-POS terminals in Mainland China amounted to approximately 1 million terminals, reflecting a relatively low penetration rate as compared to most developed countries. It provides ample room for the expansion of PAX's EFT-POS terminals business. On the other hand, bank payment cards issuance in Mainland China kept surging and total number of bank payment cards exceeding 1.4 billion by Q4 2007. In 2007, card payment transaction volume grew by 20% to 15.4 billion, while total transaction sum increased by 30%, reaching RMB62.0 billion and representing about 21% of the community commodity retail amount in the region. In 2008, PAX's EFT-POS terminals sales in Mainland China are expected to keep its momentum, as fueled by the rising acceptance of card payments incessant improvement of the payment transactions and processing infrastructure.

In addition, PAX further established presence in the international market. Sales volume grew by 72% in 2007. Currently, our products are sold to certain European countries, such as Denmark, France, Russia. Markets in the Middle East included the UAE and Saudi Arabia while in Africa, our market covered South Africa and Ghana. In 2008, we will look for new opportunities and delve into the North and South American markets and Oceania countries. With the first class products and services, we endeavor to make PAX an international brand symbolizing top quality electronic payment products and solutions.

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	Change +/(-)%
Turnover	210,810	110,805	+90%
Gross profit	181,617	85,227	+113%
Gross profit margin (%)	86%	77%	
Operating profit	115,504	44,599	+159%
Operating profit margin (%)	55%	40%	
Capital expenditure	3,895	11,165	-65%
Net assets employed	196,554	97,680	+101%

During the year, we further extended our exclusive nation-wide IVR platform for China Mobile. Market size of IVR business continued to grow and recovered from the market reorganisations in prior year. Benefited from the centralisation of IVR platforms, turnover contributed by the IVR platform operations grew by 97%. Further improvement was noted in the gross and operating profit margins as compared to 2006, while operating profit points to reach 55%. Entertainment content, songs dedication and interactive games remained the top three popular voice data contents.

For the year 2008, we anticipate more modest growth in the IVR business after three consecutive years of significant increases in the traffic volume since 2005. Whilst, we expect a steady growth in the operating profit through a combination of operation efficiencies and effective cost management.

It is expected that 3G trial spots will be initiated upon the opening of Beijing Olympic Games in mid 2008. While the Olympic Games will be the world's focus, Hi Sun is technically prepared for the launch of IVVR platform featuring video contents, and actively seek new ideas and innovations in our business.

Financial solutions, applications, services and related products

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	Change +/(-)%
Turnover	111,847	162,953	-31%
Gross profit	6,404	52,043	-88%
Gross profit margin (%)	6%	32%	
Operating (loss)/profit	(8,106)	35,157	-123%
Operating profit margin (%)	n/a	22%	
Capital expenditure	3,446	121	+2,748%
Net assets employed	160,302	169,844	-6%

In 2007, operating loss of HK\$8.11 million and decreased margins were mainly attributable to certain delays in the Bank of China core banking project.

With a vision to strive for more stable, sustainable and recurring income streams, we have placed certain refocusing measures to leverage our underlying strength and expertise into business operations and out-sourcing services to financial institutions. Nevertheless, financial solutions will remain our core competencies and continue to create values and opportunities for us to break through into other value-added service sectors.

Business process operations

	2007	2006	Change
	HK\$'000	HK\$'000	+/(-)%
Turnover	12,282	1,521	+707%
Gross profit/(loss)	6,700	(496)	n/a
Gross profit margin (%)	55%	n/a	
Operating loss	(6,236)	(4,246)	n/a
Capital expenditure	24,878	34,192	-27%
Net assets employed	51,962	33,575	+55%

With our trusty relationships with several Chinese national and regional banks and core competencies developed under our financial solutions arm in previous years, we have migrated into business process operations (“BPO”) for financial institutions and achieved significant progress. Our services include payment operation solutions, such as ATMs as well as other outsourcing services. Our strategy is to enhance our position and become a significant service provider to financial institutions in Mainland China. Total turnover grew by over 8 times in 2007, with strong growth of 119% in the second half as compared to 1H 2007. Currently, our ATMs are deployed under a multiple-year contract with Bank of Communications (“BoCom”), making us one of the largest non-bank owners and operators of bank-branded ATMs in Mainland China. Capital expenditure continued to grow with an addition of 440 ATMs successfully deployed and connected during the year. The transaction and revenue growth were primarily driven by investments that we made in certain strategic growth initiatives and we expect these initiatives will continue to drive revenue growth and improve profit margin.

Our management team has significant financial services and payment processing-related experience and has developed extensive network and market leadership, which continue to attract new business opportunities for the Group. By the end of 2007, total number of ATMs is approximately 120,000 and total number of EFT-POS terminals is approximately 1 million in China. The relatively low penetration rate of ATMs and EFT-POS terminals are beneficial to the Group’s further expansion in the sector. In 2008, our ATM operations will expand incessantly. We believe there are ample opportunities ahead for us to become the operator of the largest non-financial payment network in Mainland China to provide advanced-functionality services, such as customized branding solutions to financial institutions, including one-to-one marketing and advertising services on the ATM screen, off-premise deposit taking using electronic imaging, money transfer, and bill payment. Our relatively low-cost operations and significant experience in financial solutions and ATM management provide us with future revenue opportunities as banks and other financial institutions look to outsource certain management functions to simplify operations and lower their costs.

Electronic power meters and automated solutions

For the period
from 30 July 2007
to 31 December 2007
HK\$'000

Turnover	120,472
Operating profit	1,711
Research and development costs	4,175
Amortisation of intangible assets	2,892
Capital expenditure	
– property, plant and equipment	95,178
– intangible assets	120,015
Net assets employed	306,682

Subsequent to the acquisition of an effective interest of 95% in the Hualong Group in July 2007, we spent approximately six months in restructuring and reorganization. Certain retrenchment measures are now in place to improve cost efficiency. We continued to uphold our dominant position in the domestic market. Currently, demand for power meters and solutions is experiencing significant growth given the booming economy and reformation in the energy sector in Mainland China. Power grid investments, energy supply and efficiency control became one of the top agenda of the Central Government's Eleventh Five Year Plan. State Power Grid and Southern Power Grid will be investing over RMB1 trillion during the five-year plan period while electronic power meters and automated systems/solutions are prerequisite for the reformation.

Our strategic partnership with international leaders aiming at the export markets, mainly the European and Asia Pacific countries under the IEC standards progressed satisfactory during the year. We are receiving orders from diverse overseas countries such as Sweden and New Zealand. The need to replace the traditional mechanical meters with the more technologically advanced and automated electronic meters and solutions is rapidly growing.

Increased R&D expenses were due to more exertion placed to improve the quality of existing products and development of new series. We are also introducing various software to improve our R&D quality and productivity. Likewise, we consistently launch new and innovative products to meet the ever-changing technology and market demand.

PROSPECT

We are confident in the underlying competencies of our core and developing businesses and of the economies in which they operate. China, with its fast growing economy, evidenced by mounting trade across the region and gradually easing trade restrictions, is poised to become the largest consumption market in the world. We have established our foothold in the telecommunication, financial and energy sectors, which are expected to benefit from the growing consumption market in China with the most robust growth. Backed by a seasoned and dedicated management team, we manage to seize every business opportunity in these fast-growing industries and aim to provide high value-added solutions and services to our customers.

Going forward, financial solutions segment will remain our core competencies and continues to create values and opportunities for us to migrate into other related service areas. While BPO and electronic power meters and solutions will bring in new income streams to further enhance the Group's profitability. Electronic payment products and services, and telecommunication solutions and information technology operation value-added services are expected to grow and generate stable and recurring profit to the Group. We shall continue to devote our greatest effort to achieve the best values and returns to our shareholders over the long term.

Liquidity and financial resources

As at 31 December 2007, the Group reported total assets of HK\$1,490.75 million (2006: HK\$847.11 million), which were financed by total liabilities of HK\$389.89 million (2006: HK\$167.44 million) and equity of HK\$1,100.86 million (2006: HK\$679.67 million). The net asset value was HK\$1,100.86 million (2006: HK\$679.67 million). It amounted to HK\$0.49 per share as compared to HK\$0.36 per share as at 31 December 2006.

As at 31 December 2007, the Group had cash of HK\$569.72 million (2006: HK\$528.08 million) and short term borrowings of HK\$42.55 million (2006: HK\$7.00 million). The net cash position as at 31 December 2007 was HK\$527.17 million as compared to HK\$521.08 million as at 31 December 2006. The short term borrowings included short term bank loan to fund the Group's working capital requirements. As at 31 December 2006, the Group had financial liability portion of convertible preference shares issued by a subsidiary of HK\$22.49 million, which were fully converted into ordinary shares of the Company during the year 2007. The gearing ratio (defined as total borrowings divided by shareholders' equity) was 0.04 compared to 0.04 as at 31 December 2006. The gearing ratio is considered healthy and suitable for the continued growth of the Group's business.

Capital structure and details of charges

As at 31 December 2007, the Group's short term borrowings included short term bank loan which was denominated in Renminbi, amounting to RMB39.77 million. The short term bank loan was charged at interest of range from 7.13% to 7.60% per annum.

As at 31 December 2006, the financial liability portion of convertible preference shares issued by a subsidiary was HK\$22.49 million which was denominated in Hong Kong dollars and the effective interest rate was 8.27% per annum. These convertible preference shares were fully converted into ordinary shares of the Company during the year 2007.

Approximately HK\$270.29 million, HK\$113.49 million, HK\$184.99 million and HK\$0.95 million of the Group's cash balances were denominated in Renminbi, Hong Kong dollar, US dollar and Euro respectively as at 31 December 2007.

As at 31 December 2007, short term bank loans of HK\$42.55 million were secured by:

HK\$ million

The leasehold land and building of a subsidiary of the Company and the corporate guarantee from an independent third party, Shenzhen High and New Technology Investment Guarantee Company Limited	5.37
The leasehold land and building of a subsidiary	20.58
Bills receivables of a subsidiary	10.55
	<hr/>
	36.50
	<hr/> <hr/>

Exchange rates exposure

The Group derives its revenue, makes purchases and incurs expenses denominated mainly in US dollars, Renminbi and Hong Kong dollars. Currently, the Group has not entered into agreements or purchased instruments to hedge the Group's exchange rate risks. Any material fluctuation in the exchange rates of Hong Kong dollar or Renminbi may have impact on the operating results of the Group.

Contingent liabilities

The Group had no material contingent liability as at 31 December 2007.

Employees

The total number of employees of the Group as at 31 December 2007 was 1,591. The breakdown of employees by division is as follows:

Electronic payment products and services	174
Telecommunications solutions, services and related products, and information technology operation value-added services	280
Financial solutions, services and related products and business process operations	420
Electronic power meters and solutions	701
Corporate office	16
	<hr/>
	1,591
	<hr/> <hr/>

The Group ensures that its remuneration packages are comprehensive and competitive. Employees are remunerated with a fixed monthly income plus annual performance related bonuses. The Group also sponsors selected employees to attend external training courses that suit the needs of the Group's businesses.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Save for the shares of the Company issued in consideration of the Company's acquisition of the Hualong Group (as disclosed in the announcement of the Company dated 13 February 2007 and 1 August 2007 and the circular of the Company dated 30 March 2007), neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

SHARE OPTION SCHEME

(a) The Company

The Company operates a share option scheme (the "Scheme") for the purpose of attracting, retaining and motivating talented employees in order to strive for future developments and expansion of the Group.

On 18 March 2004, 33,000,000 share options were granted to certain directors and employees at an exercise price of HK\$0.374 per share (the average closing price of the shares as quoted in the daily quotations sheets issued by the Stock Exchange of Hong Kong Limited for the five business days immediately preceding 18 March 2004) with an expiry date of 17 March 2014.

On 26 September 2005, 33,300,000 share options were granted to certain directors and employees at an exercise price of HK\$0.768 per share (the average closing price of the shares as quoted in the daily quotations sheets issued by the Stock Exchange of Hong Kong Limited for the five business days immediately preceding 26 September 2005) with an expiry date of 25 September 2015.

Pursuant to an ordinary resolution passed on 28 June 2006, each of the existing issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company was subdivided into four ordinary shares of HK\$0.0025 each (the "Share Subdivision"), which was approved by the shareholders of the Company and became effective on 29 June 2006.

The Share Subdivision has led to an adjustment to the exercise prices of the outstanding options and the number of shares to be issued by the Company upon exercise of the outstanding options. For share options with exercise period from 18 March 2004 to 17 March 2014, the number of shares to be issued by the Company upon full exercise of such outstanding options immediately before the Share Subdivision has been increased from 23,000,000 shares to 92,000,000 shares and the exercise price has been adjusted from HK\$0.374 to HK\$0.0935 per share. For share options with exercise period from 26 September 2005 to 25 September 2015, the number of shares to be issued by the Company upon full exercise of such options immediately before the Share Subdivision has been increased from 33,300,000 shares to 133,200,000 shares and the exercise price has been adjusted from HK\$0.768 to HK\$0.192 per Share.

On 2 January 2007, 43,000,000 share options were granted to certain employees at an exercise price of HK\$2 per share (the average closing price of the shares as quoted in the daily quotations sheets issued by Stock Exchange of Hong Kong Limited for the five business days immediately preceding 2 January 2007) with an expiry date of 1 January 2010.

During the year ended 31 December 2007, 83,210,000 share options have been exercised and 332,000 share options have been lapsed. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

As at the date of this announcement, the Company has 41,458,000 share option outstanding.

(b) Employee incentive scheme of a subsidiary

On 4 April 2005, the Company approved its wholly-owned subsidiary, Turbo Speed Technology Limited (“Turbo Speed”), to adopt an employee incentive scheme (the “Employee Incentive Scheme”) to motivate the employees of Turbo Speed and its subsidiary (the “Turbo Speed Group”).

On 8 July 2005, 1,425,000 share options had been granted.

During the year ended 31 December 2007, no share options have been exercised and lapsed. The Group has no legal or constructive obligation to repurchase or settle the options in cash. As at the date of this announcement, Turbo Speed has 180,000 share option outstanding.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2007 (2006: Nil).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry had been made to all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2007.

The Company has also established written guidelines with exact terms as set out in Appendix 10 to the Listing Rules for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company’s corporate governance practices are based on the principles and code provisions (“Code Provisions”) as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Throughout the year, the Company has complied with most of the Code Provisions and certain deviations from the Code Provisions in respect of Code Provisions A.2.1, A.4.1 and E.1.2, will be explained in the Corporate Governance Report in the 2007 Annual Report. Reference is also made to the disclosure in the Corporate Governance Report in the 2006 Annual Report in this respect.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to “A Guide for The Formation of An Audit Committee” published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Board and the Company’s auditor in matters coming within the scope of the group audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The Committee comprises three independent non-executive Directors, Tam Chun Fai, Leung Wai Man, Roger and Xu Sitao. Two meetings were held during year.

MATERIAL ACQUISITION AND DISPOSAL OF INTEREST IN SUBSIDIARIES

On 30 July 2007, the Group acquired 95% of the equity interest of Hangzhou PAX Electric Technology Company Limited (formerly known as Hangzhou Baifu Hualong Holding Company Limited), Pacific Sheen International Limited and their respective subsidiaries (collectively the “Hualong Group”) at a consideration of RMB270,650,000 (equivalent to approximately HK\$279.7 million) (the “Previous Acquisition”). The Previous Acquisition was completed on 30 July 2007.

On 4 April 2007, PAX Technology Limited (“PAX”), a then wholly-owned subsidiary of the Company, and the Company entered into a subscription agreement with Digital Investment Limited (the “PAX Subscriber”) in relation to the subscription by the PAX Subscriber of 8,750,000 preference shares of PAX of HK\$1.00 each (the “PAX Preference Shares”) at a total subscription price of US\$10 million (equivalent to approximately HK\$78.1 million) (the “PAX Subscription”). The PAX Preference Shares represent 25% of the then existing issued share capital of PAX and 20% of the issued share capital of PAX as enlarged by the PAX Subscription. The PAX Subscriber is a third party independent of the Group. The PAX Subscription was completed on 23 May 2007.

CONVERTIBLE PREFERENCE SHARES ISSUED BY SUBSIDIARIES

(a) Convertible preference shares issued by Turbo Speed Technology Limited (“Turbo Speed”)

On 9 November 2004, Turbo Speed, a subsidiary of the Company, entered into a subscription agreement with independent third parties in relation to the subscription of 6,837,608 convertible preference shares of US\$0.10 each of Turbo Speed for a total subscription price of US\$4 million (approximately HK\$31.2 million) (the “TS Subscription”).

Pursuant to an ordinary resolution passed on 4 April 2005, the Company approved the TS Subscription and the TS Subscription was completed on 29 April 2005.

On 18 January 2007 and 27 April 2007, 6,837,608 convertible preference shares in Turbo Speed were converted into 103,733,334 new ordinary shares of the Company of HK\$0.0025 each at a conversion price of HK\$0.3 per share.

As at 31 December 2007, no convertible preference share in Turbo Speed was outstanding.

(b) Convertible preference shares issued by Emerging Technology Limited (“Emerging Technology”)

On 21 August 2006, Emerging Technology, a subsidiary of the Company, entered into a subscription agreement with independent third parties and connected persons in relation to the subscription of 760,778 convertible preference shares of US\$1.00 each of Emerging Technology for a total subscription price of US\$18 million (approximately HK\$140 million) (the “ET Subscription”).

Pursuant to an ordinary resolution passed on 25 September 2006, the Company approved the ET Subscription and the ET Subscription was completed on 12 October 2006.

On 28 September 2007 and 22 November 2007, 760,778 convertible preference shares in Emerging Technology were converted into 128,713,235 new ordinary shares of the Company of HK\$0.0025 each at a conversion price of HK\$1.088 per share.

As at 31 December 2007, no convertible preference shares in Emerging Technology was outstanding.

SUBSEQUENT EVENTS

Acquisition of 5% interest in New Concept Services Limited (“New Concept”)

The Company currently owns 95% of the entire issued share capital of New Concept. On 8 April 2008, the Company entered into an agreement with Universal Star Group Ltd. (the “Vendor”), pursuant to which the Company conditionally agreed to purchase, and the Vendor agreed to sell the 5 ordinary shares of nominal value USD1.00 each in New Concept, representing 5% of the entire issued share capital of New Concept, owned by the Vendor, for a cash consideration of approximately HK\$15.5 million (the “Acquisition”).

The Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and approval by the independent shareholders at the special general meeting of the Company to be convened and held to consider and if thought appropriate, to approve the Acquisition and the transaction contemplated under the acquisition agreement by the independent shareholders of the Company (the “SGM”). Details of the Acquisition and the SGM are disclosed in the announcement of the Company of 10 April 2008.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2007. The figures in respect of the announcement of the Group’s results for the year have been audited by the Company’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s consolidated financial statements for the year 2007. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the audited announcement.

PENSION SCHEME

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “Pension Scheme”) set up pursuant to the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Particulars of the Pension Scheme will be set out in the 2007 Annual Report.

In addition, pursuant to the government regulations in the People’s Republic of China (the “PRC”), the Group is required to contribute an amount to certain retirement benefit schemes based on approximately 7% to 20% of the wages for the year of those employees in the PRC. The local municipal government undertakes to assume the retirement benefits obligations of those employees of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the Directors confirm that the Company has maintained during the year the amount of public float as required under the Listing Rules.

PUBLICATION OF RESULTS ANNOUNCEMENT ON THE EXCHANGE’S WEBSITE

All the information in respect of the Company as required by paragraph 45 of Appendix 16 of the Listing Rules will be published on the Hong Kong Exchanges and Clearing Limited’s website.

By Order of the Board
Li Wenjin
Executive Director

Hong Kong, 18 April 2008

As at the date of this announcement, the Board consists of five executive Directors, namely, Cheung Yuk Fung, Kui Man Chun, Xu Wensheng, Li Wenjin and Xu Chang Jun; and three independent non-executive Directors, namely Tam Chun Fai, Leung Wai Man, Roger and Xu Sitao.