HI SUN TECHNOLOGY (CHINA) LIMITED

高 陽 科 技（中 國）有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 818)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

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 2005 together with the comparative figures for 2004 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

		Year ended 31 December	
		2005	**2004**
	Note	*HK$'000*	*HK$'000*
Turnover	*2*	438,763	279,695
Cost of sales		(247,208)	(193,732)
Gross profit		191,555	85,963
Other revenue	*2*	2,587	458
Selling expenses	*3*	(40,119)	(30,644)
Administrative expenses	*3*	(83,083)	(66,913)
Operating profit/(loss)		70,940	(11,136)
Finance costs	*4*	(3,998)	(1,031)
Profit/(loss) before income tax		66,942	(12,167)
Income tax (expense)/credit	*5*	(4,638)	40
Profit/(loss) attributable to the equity holders of the Company		62,304	(12,127)

* *For identification purpose only*

	Note		
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK$ per share)			
Basic earnings/(loss) per share	*6*	0.187	(0.036)
Diluted earnings/(loss) per share	*7*	0.172	(0.036)

CONSOLIDATED BALANCE SHEET
As at 31 December 2005

		As at 31 December	
		2005	**2004**
	Note	*HK$'000*	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		37,760	21,135
Leasehold land		208	–
		37,968	21,135
Current assets			
Inventories		21,607	29,851
Trade and other receivables	*8*	97,587	110,836
Restricted cash		–	31,250
Cash and cash equivalents		156,579	47,649
		275,773	219,586
Total assets		313,741	240,721
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		3,330	3,330
Other reserves		124,104	45,301
Total equity		127,434	48,631
LIABILITIES			
Non-current liabilities			
Financial liability portion of convertible preference shares issued by a subsidiary		21,173	–

	Note		
Current liabilities			
Trade and other payables	*9*	115,952	121,280
Deposit received from issue of convertible preference shares by a subsidiary		–	31,250
Due to ultimate holding company		–	24,638
Due to fellow subsidiaries		390	623
Taxation payable		715	-
Short term borrowings		48,077	14,299
		165,134	192,090
Total liabilities		186,307	192,090
Total equity and liabilities		313,741	240,721
Net current assets		110,639	27,496
Total assets less current liabilities		148,607	48,631

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2005

	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Other reserves *HK$'000*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
Balance at 1 January 2004	3,330	100,556	125,310	–	–	(168,438)	60,758
Loss for the year	–	–	–	–	–	(12,127)	(12,127)
Balance at 31 December 2004 and at 1 January 2005	3,330	100,556	125,310	–	–	(180,565)	48,631
Profit for the year	–	–	–	–	–	62,304	62,304
Issue of convertible preference shares by a subsidiary	–	–	–	11,134	–	–	11,134
Issue of share options by the Company	–	–	–	4,220	–	–	4,220
Issue of share options by a subsidiary	–	–	–	273	–	–	273
Exchange differences arising on translation of the financial statements of foreign subsidiaries	–	–	–	–	872	–	872
Balance at 31 December 2005	3,330	100,556	125,310	15,627	872	(118,261)	127,434

Note:–

1. Basis of preparation

The consolidated financial statements of Hi Sun Technology (China) Limited have been prepared in accordance with Hong Kong Financial Reporting Standards and Hong Kong Accounting 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, which are carried at fair value.

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 Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements will be disclosed in the notes to the financial statements as set out in the 2005 annual report of the Company (the "2005 Annual Report").

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
(Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS-Int 10	Government Assistance – No Specific Relation to Operating Activities
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 20, 21, 23, 24, 27, 33, 36, 37, HKAS-Int 10 and HKFRS 3 did not result in substantial changes to the Group's accounting policies. In summary:

- HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 20, 23, 27, 33, 36, 37, HKAS-Int 10 and HKFRS 3 had no material effect on the Group's policies; and
- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the provision of share options to employees did not result in an expense in the income statement. Effective on 1 January 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 January 2005 was expensed retrospectively in the income statement of the respective periods.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities and also to hedge relationships for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 January 2005; and

– HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005.

	2005
	HK$'000
The adoption of revised HKAS 17 resulted in:	
Decrease in property, plant and equipment	208
Increase in leasehold land	208

There is no impact on basic and diluted earnings per share from the adoption of revised HKAS 17.

	2005
	HK$'000
The adoption of HKASs 32 and 39 resulted in:	
Increase in financial liability portion of convertible preference shares issued by a subsidiary	21,173
Increase in other reserves	11,134
Increase in finance costs	1,107
Decrease in basic earnings per share (expressed in HK$ per share)	0.003
Decrease in diluted earnings per share (expressed in HK$ per share)	0.003

	2005
	HK$'000
The adoption of HKFRS 2 resulted in:	
Increase in other reserves	4,493
Increase in administrative expenses	4,493
Decrease in basic earnings per share (expressed in HK$ per share)	0.013
Decrease in diluted earnings per share (expressed in HK$ per share)	0.012

There was no impact on opening retained earnings at 1 January 2004 from the adoption HKASs 17, 32, 39 and HKFRS 2.

No early adoption of the following new Standards or Interpretations that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of new Standards and Interpretations but is not yet in a position to state whether these new Standards/Interpretations would have a significant impact of its results in operations and financial position.

HKAS 1 (Amendment), Capital disclosures
HKAS 19 (Amendment), Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment), The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment), Financial Guarantee Contracts
HKFRS 1 (Amendment), First-time Adoption of Hong Kong Financial Reporting Standards and HKFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources
HKFRS 6, Exploration for and Evaluation of Mineral Resources
HKFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures
HKFRS-Int 4, Determining whether an Arrangement contains a Lease
HKFRS-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7, Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies

2. Turnover, other revenue and segment information

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

	For the year ended	
	2005	**2004**
	HK$'000	*HK$'000*
Turnover		
Sales of information technology products	200,261	166,377
Provision of information system consultancy and integration services	102,261	81,041
Information technology value-added services	136,241	32,277
	438,763	279,695

Other revenue		
Interest income	1,403	175
Subsidy income from Government (Note below)	926	–
Other income	258	283
	2,587	458
Turnover and other revenue	441,350	280,153

Note: The Group obtained and recognised as income a government grant of HK$0.93 million which was an incentive to the Group for the development of new technology and new products (2004: Nil). There is no obligation attached with such government subsidy.

Primary reporting format – business segments

As at 31 December 2005, the Group is organised into four main business segments:

(a) Financial solutions, services and related products – provision of customised information system consultancy and integration services and sales of information technology products to financial institutions and banks;

(b) Telecommunication solutions, services and related products – provision of customised information system consultancy and integration services and sales of designed information technology products to the telecommunication industries;

(c) Electronic payment products and services – sales of electronic fund transfer point-of-sale ("EFT-POS") terminals; and

(d) Information technology value-added services – provision of Interactive Voice Response ("IVR") services.

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

Turnover consists of sales from financial solutions, services and related products, telecommunication solutions, services and related products, electronic payment products and services and information technology value-added services, which are HK$438.61 million and HK$279.50 million for the years ended 31 December 2005 and 2004 respectively.

Other Group operations mainly comprise the management fees received from a related company. This does not constitute a separately reportable segment. Management fees received from a related company for the year ended 31 December 2005 is HK$0.15 million (2004: HK$0.20 million).

Primary reporting format – business segments

The segment results for the year ended 31 December 2005 and segment assets and liabilities at 31 December 2005 and capital expenditure for the year then ended are as follows:

	Financial solutions, services and information technology products *HK$'000*	Telecom-munication solutions, services and information technology products *HK$'000*	Electronic payment products and services *HK$'000*	Information technology operation value-added services *HK$'000*	Other operations *HK$'000*	Group *HK$'000*
Turnover	157,784	11,515	133,073	136,241	150	438,763
Other revenue	212	–	1,320	1,052	3	2,587
Segment results	13,315	(3,438)	14,232	72,514	(25,683)	70,940
Finance costs						(3,998)
Profit before taxation						66,942
Income tax expense						(4,638)
Profit attributable to equity holders of the Company						62,304
Segment assets	87,625	2,178	104,535	116,030	3,373	313,741
Segment liabilities	(76,338)	(19,957)	(48,903)	(30,695)	(10,414)	(186,307)
Other segment information:						
Depreciation	4,160	–	673	4,989	62	9,884
Provision for doubtful debts	1,586	3,477	1,911	–	–	6,974
Write-off of inventories	–	–	1,008	–	–	1,008
Loss on disposal of property, plant and equipment	188	–	5	126	–	319
Capital expenditure	418	–	6,816	18,619	527	26,380

The segment results for the year ended 31 December 2004 and segment assets and liabilities at 31 December 2004 and capital expenditure for the year then ended are as follows:

	Financial solutions, services and information technology products *HK$'000*	Telecom-munication solutions, services and information technology products *HK$'000*	Electronic payment products and services *HK$'000*	Information technology operation value-added services *HK$'000*	Other operations *HK$'000*	Group *HK$'000*
Turnover	129,785	21,438	95,995	32,277	200	279,695
Other revenue	87	59	307	–	5	458
Segment results	(16,986)	(661)	9,664	8,598	(11,751)	(11,136)
Finance costs						(1,031)
Loss before taxation						(12,167)
Income tax credit						40
Loss attributable to equity holders of the Company						(12,127)
Segment assets	101,922	20,280	60,065	25,529	32,925	240,721
Segment liabilities	(81,432)	(26,081)	(30,063)	(16,338)	(38,176)	(192,090)
Other segment information:						
Depreciation	5,582	1,131	575	1,328	7	8,623
Provision for doubtful debts	4,366	–	–	–	–	4,366
Write-back of provision for obsolete inventories	-	-	(429)	–	–	(429)
Loss on disposal of property, plant and equipment	183	–	–	–	–	183
Loss on write off of property, plant and equipment	2,922	–	273	–	–	3,195
Capital expenditure	1,589	795	682	11,803	38	14,907

Secondary reporting format – Geographical segments

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

Hong Kong and South East Asia – financial solutions, services and information technology products and electronic payment products and services

Mainland China – financial solutions, services and information technology products, telecommunication solutions and services and information technology products, electronic payment products and services, and information technology operation value-added services

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

	Turnover 2005 *HK$'000*	Segment results 2005 *HK$'000*	Total assets 2005 *HK$'000*	Capital expenditure 2005 *HK$'000*
Hong Kong and South East Asia	71,100	(26,392)	39,194	650
Mainland China	367,663	95,929	274,547	25,730
	438,763	69,537	313,741	26,380
Unallocated income, net		1,403		
Operating profit		70,940		

	Turnover 2004 *HK$'000*	Segment results 2004 *HK$'000*	Total assets 2004 *HK$'000*	Capital expenditure 2004 *HK$'000*
Hong Kong and South East Asia	75,925	(7,104)	100,639	38
Mainland China	203,770	(4,267)	140,082	14,869
	279,695	(11,371)	240,721	14,907
Unallocated income, net		235		
Operating loss		(11,136)		

3. Expenses by nature

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

	2005 *HK$'000*	2004 *HK$'000*
Auditors' remuneration	1,620	1,221
Depreciation	9,884	8,623
Employee benefit expense (including directors' emoluments)	101,092	74,848
Changes in inventories of finished goods	185,572	142,990
Operating lease rentals for land and buildings	10,254	9,927
Operating lease rentals for equipment	7,212	2,576
Research and development costs	2,204	2,269
Loss on disposal of property, plant and equipment	319	183
Write off of property, plant and equipment	–	3,195
Provision for doubtful debts	6,974	4,366
Write-off of inventories	1,008	–
Write-back of provision for obsolete inventories	–	(429)
Refund of value-added tax	(4,816)	(2,844)
Waiver of payment to a sub-contractor	–	(468)

4. Finance costs

	2005 *HK$'000*	2004 *HK$'000*
Interest on bank loans and overdrafts	2,891	1,031
Interest on financial liability portion of convertible preference shares issued by a subsidiary	1,107	–
	3,998	1,031

5. Income tax expense/(credit)

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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.

	2005 *HK$'000*	2004 *HK$'000*
Current income tax		
– Hong Kong profits tax *(Note (a))*	–	–
– Overseas taxation *(Note (b))*	4,638	–
Deferred income tax	–	–
Overprovision in previous year	–	(40)
Tax expense/(credit)	4,638	(40)

(a) Hong Kong profits tax has not been provided in these financial statements as the Group has no estimated assessable profit for the year (2004: Nil).

(b) The PRC taxation has been provided on the profit of the Group's subsidiaries in the PRC and calculated at the applicable rates (2004: Nil).

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 subjected to tax rate and tax concessions as follow:

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%	2000 to 2005
Beijing Hi Sunsray Information Technology Limited	15%	2000 to 2005

The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2005	2004
	HK$'000	*HK$'000*
Profit/(loss) before taxation	66,942	(12,167)
Calculated at a taxation rate of 17.5% (2004: 17.5%)	11,715	(2,129)
Effect of different taxation rates in other countries	(2,357)	123
Effect of tax holiday	(8,207)	(26)
Income not subject to taxation	(18)	(19)
Expenses not deductible for taxation proposes	2,862	93
Utilisation of previously unrecognised tax losses	(2,560)	(1,118)
Unrecognised tax losses	3,203	3,076
Over-provision in prior years	–	(40)
Tax expense/(credit)	4,638	(40)

6. Basic earnings/(loss) per share

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

	2005	2004
	HK$'000	*HK$'000*
Profit/(loss) attributable to equity holders of the Company	62,304	(12,127)
Number of ordinary shares in issue (thousands)	333,054	333,054
Basic earnings/(loss) per share (HK$ per share)	0.187	(0.036)

7. Diluted earnings/(loss) per share

Diluted earnings per share is calculated by adjusting the number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible preference shares issued by a subsidiary and share options. The convertible preference shares issued by a subsidiary are assumed to have been converted into ordinary shares 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 could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to 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.

	2005
	HK$'000
Profit attributable to equity holders of the Company	62,304
Interest expense on convertible preference shares issued by a subsidiary	1,107
Profit used to determine diluted earnings per share	63,411
Weighted average number of ordinary shares in issue (thousands)	333,054
Adjustments for	
– assumed conversion of convertible preference shares issued by a subsidiary (thousands)	17,452
– share options (thousands)	18,926

Weighted average number of ordinary shares for diluted earnings per share (thousands)	369,432
Diluted earnings per share (HK$ per share)	0.172

Diluted loss per share for the year ended 31 December 2004 has not been presented as the conversion of potential ordinary shares would have anti-dilutive effect to the basic loss per share.

8. Trade and other receivables

	Group		Company	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables *(Note (a))*	86,624	109,212	–	–
Finance leases receivables *(Note (b))*	2,498	–	–	–
Less: provision for impairment of receivables	(10,831)	(8,010)	–	–
Trade receivables – net	78,291	101,202	–	–
Prepayments, deposits and other receivables	19,146	9,634	997	860
Receivables from related parties	150	–	–	–
	97,587	110,836	997	860

Note (a): Trade receivables

The Group's credit terms to trade debtors range from 0 to 180 days. At 31 December 2005 and 2004, the ageing analysis of the trade receivables was as follows:

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Current to 90 days	66,594	90,127
91 to 180 days	6,700	4,866
181 to 365 days	3,200	2,914
Over 365 days	10,130	11,305
	86,624	109,212

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

The Group has recognised a loss of HK$6.97 million for the impairment of its trade receivables during the year ended 31 December 2005 (2004: HK$4.37 million). The loss has been included in administrative expenses in the income statement.

Note (b): Finance leases receivables

	Group
	2005
	HK$'000
Current receivables	
Gross receivables from finance leases:	
Not later than 1 year	2,576
Unearned future finance income on finance leases	(78)
Net investment in finance leases	2,498

The net investment in finance leases is analysed as follows:

Not later than 1 year	2,498

9. **Trade and other payables**

	Group		Company	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	40,305	46,331	–	–
Other payables and accruals	67,671	67,817	10,231	774
Pension obligations	4,284	3,850	–	–
Social security and other taxes	3,692	3,282	–	–
	115,952	121,280	10,231	774

At 31 December 2005 and 2004, the ageing analysis of the trade payables was as follows:

	Group	
	2005	**2004**
	HK$'000	*HK$'000*
Current to 90 days	32,373	33,927
91 to 180 days	2,463	10,605
181 to 365 days	3,704	120
Over 365 days	1,765	1,679
	40,305	46,331

MANAGEMENT DISCUSSION AND ANALYSIS

Our results for the year ended 31 December 2005 reflected increases in net sales, gross profit and net profit from that for the year ended 31 December 2004. Net sales were HK$438.76 million, compared with HK$279.70 million in 2004. Gross profit was HK$191.56 million, compared with HK$85.96 million in 2004. Net profit was HK$62.30 million, compared with net loss of HK$12.13 million in 2004. Earnings per share were HK$0.187, compared with loss per share of HK$0.036 in 2004.

We have achieved a good balance in revenue growth from our three business segments as reflected by the revenue recorded for each segment. Overall gross profit margin improved as a result of the high margin derived from the operation value-added services. The net profit for the year was stated after including the followings:

	2005	**2004**
	HK$'million	*HK$'million*
Share-based compensation	4.49	–
Directors' bonus	7.60	–
Interest on financial liability portion of convertible preference shares issued by a subsidiary	1.11	–

Cash flows from operations were HK$74.60 million, compared with HK$31.01 million for 2004. With regard to our balance sheet, at the end of 2005, the total assets as at 31 December 2005 amounted to HK$313.74 million, compared with HK$240.72 million as at 31 December 2004. Current assets as at 31 December 2005 was HK$275.77 million, compared with HK$219.59 million as at 31 December 2004.

Financial solutions, services and related products

During the year, the business segment recorded a turnover of HK$157.78 million (2004: HK129.79 million) and profit of HK$13.32 million (2004: loss of HK$16.99 million).

The increase in the turnover was mainly derived from revenue in business consultancy and core banking system. The implementation of the integrated banking systems for the ICBC (Asia) in Hong Kong and Bank of Communication in China were on schedule. The management has been taking active steps to widen the source of income in this year, which included new contracts for ICBC (Asia) – Belgian Bank integration and certain projects for Bank of Communication, Hong Kong. The further shrinkage in the hardware and the management had implemented the retrenchment measures. We recorded a saving of expenses of approximately HK$23.37 million compared to that of last year.

Electronic payment solutions and products

Turnover and profit recorded during the year were HK$133.07 million (2004: HK$96.00 million) and HK$14.23 million (2004: HK$9.66 million) respectively. The percentage increase in total shipments was 35% on a year on year basis. The shipment contribution of Mainland China market was 77% while the Hong Kong and the South East Asian market contributed the rest. As the market demand for EFT-POS terminals had been booming in China, in particular the speeding up of launching of machines for China Union Pay, we have achieved a 56% growth in shipments in China. Outside China, due to an intense market competition and deferral in the implementation of Europay Mastercard Visa ("EMV") standard migration of certain clients in Hong Kong and overseas, the contribution was reduced to 23% of the total shipment, and there was a slight decrease of 7% in shipment comparing with last year.

We have striven to develop new products with stylish design and innovative features, by heavily investing in the research and development. We also put high emphasis on customer satisfaction and thus putting strong efforts and resources in after-sale services. The above measures enable us to maintain a favourable position in this business segment and reasonable gross profit margin. The increase in investment in research and development and customers services reflected in the increase of headcounts, undoubtedly add pressure to the segment's bottom line.

Furthermore, we have teamed up an American peer in expanding into the American market and have set up a representative office in Russia. These paved the way for us to enter the global theatre with very humble set-up cost.

With the well-established market position, brand name, aggressive sales and marketing team, we are confident in sustaining the market leadership in Mainland China and in Hong Kong. We are also committed to offer the best value for money products in the international arena, which will become the major contributor to our revenue once opportunity arises.

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

During the year 2005, the turnover and profit recorded were HK$147.76 million (2004: HK$53.72 million) and HK$69.08 million (2004: HK$7.94 million) respectively.

During the year 2005, the upsurge in the turnover was mainly attributed to IVR operation value-added business which amounted to HK$136.24 million (2004: HK$32.28 million) while the turnover from traditional integrated applications services recorded was HK$11.52 million (2004: HK$21.44 million). The transformation of the segment to a value-added service provider was basically completed. The retention of the loss-making system integration division supplemented the core business in developing new products and services.

In order to cope with the rapid growing mobile telecommunication subscribers and their demand for new services, we have been increasing investment in upgrading our operation platform and develop new products and services based on the new generation technology which we expect as a next wave of growth momentum in the industry.

We believe that IVR platform operation services will be a stable income generator with the new generation technology-based products as a driver for further growth.

PROSPECT

The Group shall continue to strengthen its market position as a leading player in the consultancy and value-added services provider in the financial and telecommunication industries in Mainland China.

Going forward, the Group shall continue to devote its efforts in the implementation of its business strategies to achieve sustainable superior returns for our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2005, the Group reported total assets of HK$313.74 million (2004: HK$240.72 million), which were financed by total liabilities of HK$186.31 million (2004: HK$192.09 million) and equity of HK$127.43 million (2004: HK$48.63 million). The net assets value was HK$127.43 million (2004: HK$48.63 million). It amounted to HK$0.38 per share as compared to HK$0.15 per share as at 31 December 2004.

As at 31 December 2005, the Group had cash of HK$156.58 million (2004: HK$47.65 million) and short term borrowings of HK$48.08 million (2004: HK$14.30 million). The net cash position as at that date was HK$108.50 million as compared to HK$33.35 million as at 31 December 2004. The short term borrowings included short term bank loan to fund the Group's working capital requirements. As at 31 December 2005, the Group had financial liability portion of convertible preference shares issued by a subsidiary of HK$21.17 million (2004: Nil). The gearing ratio (defined as total borrowings divided by shareholders' equity) was 0.54 compared to 0.29 as at 31 December 2004. 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 2005, the Group's short term borrowings included short term bank loan which was denominated in Renminbi, amounting to RMB50 million. The short term bank loans were charged at 5.58% per annum.

Turbo Speed Technology Limited ("Turbo Speed"), a wholly-owned 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 Subscription"). Pursuant to an ordinary resolution passed on 4 April 2005, the Company approved the Subscription and the Subscription was completed on 29 April 2005. As at 31 December 2005, financial liability portion of convertible preference shares issued by a subsidiary of the Company amounted to HK$21.17 million. Interest expense on convertible preference shares is calculated using the effective interest method by applying the effective interest rate of 8.27% per annum to the liability component. The fair value of the liability component of convertible preference shares at 31 December 2005 amounted to HK$21.02 million. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 7.32% per annum.

Approximately HK$114.54 million, HK$13.16 million and HK$28.88 million of the Group's cash balances were denominated in Renminbi, Hong Kong dollar and US dollar respectively as at 31 December 2005.

As at 31 December 2005, secured short term bank loans of HK$48.08 million were secured by corporate guarantee from the Company.

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 contingent liability as at 31 December 2005.

EMPLOYEES

The total number of employees of the Group as at 31 December 2005 was 699. The breakdown of employees by division is as follows:

Financial solutions, services and related products	320
Electronic payment solutions and products	128
Telecommunications solutions, services and related products	125
IVR operation	110
Corporate office	16
	699

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

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares 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 HK$0.374 (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 HK$0.768 (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.

The detailed terms of the Scheme and the movements in the Company's share options will be disclosed in the 2005 Annual Report.

(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. On 8 July 2005, 1,425,000 share options had been granted, the detailed terms of the Employee Incentive Scheme of the Turbo Speed will be disclosed in the 2005 Annual Report. As at the date of this announcement, 780,000 shares options have been lapsed and no share options have been exercised.

DIVIDEND

The Directors do not recommend the payment of the dividend for the year (2004: Nil).

CORPORATE GOVERNANCE

Compliance with the code on corporate governance practices

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

The Company has complied with most of the Code Provisions save for the Code Provisions on internal controls which are to be implemented for accounting periods commencing on or after 1 July 2005 pursuant to the CG Code and certain deviations from the Code Provisions in respect of Code Provisions A.1.1, A.2.1, A.4.1 and

E.1.2, details of our compliance will be explained in the Corporate Governance Report to be set out in the 2005 Annual Report.

Model code for securities transactions by directors

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules. The Model Code sets a required standard against which directors and employees of the Group must measure their conduct regarding transactions in securities of the Company.

Having made specific enquiry, all Directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2005.

PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY

The Board proposes to amend the existing bye-laws of the Company (the "Bye-laws") in order to bring the same in line with the current requirements of the Listing Rules. Details of the proposed amendments to the Bye-laws will be set out in a special resolution in a notice of annual general meeting of the Company to be set out in the 2005 Annual Report.

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 auditors 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, namely, Tam Chun Fai, Leung Wai Man, Roger and Xu Sitao. Two meetings were held during the year.

CONVERTIBLE PREFERENCE SHARES ISSUED BY A SUBSIDIARY

On 9 November 2004, Turbo Speed Technology Limited ("Turbo Speed"), a wholly-owned 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 Subscription"). The subscription price had been received by Turbo Speed shortly after signing of the said subscription agreement and was held in jointly controlled bank account and would be released on completion of the Subscription.

Pursuant to an ordinary resolution passed on 4 April 2005, the Company approved the Subscription and the Subscription was completed on 29 April 2005, details of which will be set out in the 2005 Annual Report. During the year, no convertible preference shares had been converted into new ordinary shares of Turbo Speed and the Company.

SUBSEQUENT EVENTS

(i) Issue of new ordinary shares

On 21 March 2006, the Company entered into a subscription agreement with Huge Rising Limited (the "Subscriber"), a company incorporated in the British Virgin Islands, in relation to the subscription by the Subscriber at a price of HK$1.46 per share (the "Subscription Price") of an aggregate of 66,000,000 new ordinary shares of HK$0.01 each to be issued by the Company pursuant to the subscription agreement (the "Subscription Shares"). The Subscription Price is to be paid in cash on completion of the subscription agreement.

The Subscriber is an investment holding company and the ultimate beneficial owner of which is Mr. Che Fung, which are both third parties independent of the Company and connected persons of the Company.

The Subscription Shares represented approximately 19.73% of the existing issued share capital of the Company and approximately 16.48% of the share capital as enlarged by the issue of the Subscription Shares as at 21 March 2006.

The Subscription Prices was determined after arm's length negotiation between the Company and the Subscriber and with reference to the prevailing market prices of the shares of the Company. The Subscription Price represents (i) a discount of approximately 19.78% to the closing price of HK$1.82 per share as quoted on the Stock Exchange of Hong Kong Limited on 20 March 2006; a discount of approximately 19.25% to the average closing price of HK$1.808 per share for the last 5 trading days ended 20 March 2006 and (iii) a discount of approximately 8.98% to the average closing price of HK$1.604 per share for the last 20 trading days ended 20 March 2006.

The net proceeds from the subscription of approximately HK$96 million will be utilised for future investments or developments in outsourcing services, research and development of electronic payment products and general working capital of the Group. The net price per Subscription Share (based on the amount of net proceeds from the subscription) is approximately HK$1.45 price per Subscription Share.

The subscription was completed on 31 March 2006 which result in the issue of further 66,000,000 new ordinary shares of the Company.

(ii) Exercise of share options

Subsequent to the year end and up to the date of this announcement, the total aggregate number of 7,300,000 share options have been exercised, which result in the issue of 7,300,000 additional ordinary shares of the Company. Particulars of the movement of share options will be set out in the 2005 Annual Report. As at the date of this announcement, the Company has 59,000,000 share options outstanding.

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 2005 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 workers in the PRC. The local municipal government undertakes to assume the retirement benefits obligations of those workers of the Group. Contributions to these retirement benefits schemes are charged to the consolidated income statement as incurred.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors have an interest in any business constituting a competing business to 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 confirmed that the Company has maintained during the year the amount of public float as required under the Listing Rules.

PUBLICATION OF DETAILED FINAL RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE WEBSITE

A detailed final results announcement containing all the information in respect of the Company required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on The Stock Exchange of Hong Kong Limited's website in due course.

By Order of the Board
Li Wenjin
Executive Director

Hong Kong, 21 April 2006

As at the date of this announcement, the Board consists of eight executive Directors, namely, Cheung Yuk Fung, Kui Man Chun, Lo Siu Yu, Xu Wensheng, Li Wenjin, Chan Yiu Kwong, Xu Chang Jun and Zhou Jian; and three independent non-executive Directors, namely, Tam Chun Fai, Leung Wai Man, Roger and Xu Sitao.