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HI SUN TECHNOLOGY (CHINA) LIMITED

高陽科技(中國)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 818)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	Change +/(–)
RESULTS			
Continuing operations			
Revenue	838,674	901,521	-7%
Gross profit	174,195	170,406	+2%
Segmental EBITDA (before unallocated items)	(270,057)	(116,322)	+132%
Loss before income tax	(287,531)	(219,270)	+31%
Loss for the year from continuing operations	(279,722)	(217,528)	+29%
Discontinued operation			
Profit from discontinued operation	–	1,096,476	-100%
(Loss)/profit for the year	<u>(279,722)</u>	<u>878,948</u>	-132%
(Loss)/profit attributable to:			
– Equity holders of the Company	(255,493)	850,275	-130%
– Non-controlling interests	<u>(24,229)</u>	<u>28,673</u>	-185%
	<u>(279,722)</u>	<u>878,948</u>	

* For identification purposes only

	2011 <i>HK\$</i> <i>per share</i>	2010 <i>HK\$</i> <i>per share</i>	Change +/(–)
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company:			
Basic and diluted (loss)/earnings per share			
From continuing operations	(0.096)	(0.071)	+35%
From discontinued operation	–	0.389	-100%
	<u>(0.096)</u>	<u>0.318</u>	-130%
As at 31 December			
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	Change +/(–)
HIGHLIGHTS OF FINANCIAL POSITION			
Total equity	2,939,042	3,167,806	-7%
Net current assets	1,288,642	1,457,821	-12%
Total assets	<u>3,392,509</u>	<u>3,657,369</u>	-7%
As at 31 December			
	2011	2010	Change +/(–)
Net assets per share (HK\$)	<u>1.099</u>	<u>1.185</u>	-7%

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 2011 together with the comparative figures for the year ended 31 December 2010. The annual results have been reviewed by the Company’s Audit Committee (the “Audit Committee”).

CONDENSED CONSOLIDATED INCOME STATEMENT

	Turnover			EBITDA		
	2011	2010	Change	2011	2010	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	+/(<i>-</i>)	<i>HK\$'000</i>	<i>HK\$'000</i>	+/(<i>-</i>)
Continuing operations						
Telecommunication solutions	177,204	349,569	-49%	20,855	70,897	-71%
Financial solutions	212,079	186,402	+14%	16,603	18,353	-10%
Payment solutions	48,493	39,971	+21%	(239,526)	(72,554)	+230%
Electronic power meters and solutions	419,149	370,439	+13%	(43,900)	(119,204)	-63%
Others	15,881	–	N/A	(24,089)	(13,814)	+74%
	872,806	946,381	-8%	(270,057)	(116,322)	+132%
Less: Inter-segment revenue	(34,132)	(44,860)	-24%	–	–	N/A
	838,674	901,521	-7%	(270,057)	(116,322)	+132%
Depreciation				(39,419)	(38,995)	+1%
Amortisation				(16,078)	(13,138)	+22%
Segmental operating loss				(325,554)	(168,455)	+93%
Unallocated other income				3,052	10,256	-70%
Unallocated corporate expenses				(41,042)	(67,458)	-39%
Share of profit of an associated company				77,809	6,860	+1,034%
Finance cost				(1,796)	(473)	+280%
Loss before income tax				(287,531)	(219,270)	+31%
Income tax credit				7,809	1,742	+348%
Loss for the year from continuing operations				(279,722)	(217,528)	+29%
Discontinued operation						
Profit from discontinued operation				–	1,096,476	-100%
(Loss)/profit for the year				(279,722)	878,948	-132%

During the year ended 31 December 2011, the Group focused on the four key business segments being telecommunication solutions, financial solutions, payment solutions and electronic power meters and solutions. For the presentation of the consolidated financial statements for the year ended 31 December 2010, the POS terminal solutions business was regarded as “discontinued operation”, following the completion of the spin-off of PAX Global Technology Limited (“PAX Global”) on 20 December 2010 (the “Spin-off”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The consolidated turnover from continuing operations amounted to HK\$838.7 million, representing a decline of 7% over 2010. Segmental operating loss from continuing operations totaled HK\$325.6 million in 2011 as compared to a segmental operating loss of HK\$168.5 million in 2010. Loss for the year from continuing operations totaled HK\$279.7 million as compared to a loss of HK\$217.5 million in 2010. Increase in loss for the year from continuing operations as compare to that in 2010 was mainly due to a decline in segmental operating profit of telecommunication solutions and increase in segmental operating loss from the payment solutions for the year ended 31 December 2011. Profit for the year from discontinued operation amounted to HK\$1,096.5 million in prior year, which was mainly attributable to the share of result from the discontinued operation and recognition of a gain of on the deemed disposal upon the Spin-off.

With regard to our consolidated balance sheet, the total assets as at 31 December 2011 amounted to HK\$3,392.5 million, compared with HK\$3,657.4 million as at 31 December 2010. As at 31 December 2011, the net current assets amounted to HK\$1,288.6 million, compared with HK\$1,457.8 million as at 31 December 2010.

INVESTING AND FINANCING ACTIVITIES

On 20 December 2010, PAX Global (a then 60% owned subsidiary of the Group) was listed on the Main Board of the Stock Exchange by way of the Spin-off. Following the Spin-off, the effective interest held by the Group in PAX Global reduced from 60% to 44.4%. This has resulted in the Group losing control over PAX Global and PAX Global is accounted by the Group as an associated company since 20 December 2010. On 12 January 2011, the over-allotment option of PAX Global was partially exercised by the global coordinator of the Spin-off and the Company’s interest in PAX Global was further diluted from 44.4% to approximately 42.8%.

On 11 January 2011, the Company entered into a sale and purchase agreement with a vendor, pursuant to which the vendor agreed to sell and the Company conditionally agreed to purchase the entire issued share capital of Merchant Support Co., Ltd. (“Merchant Support”), a company incorporated in Japan, and the sales claims thereof which comprise (i) the loan claims (which represent the vendor’s loan claims against Merchant Support and Merchant Capital Limited (“Merchant Capital”) under certain loan agreements between the vendor and Merchant Support or between the vendor and Merchant Capital; and (ii) AM claims (which represent the vendor’s right to demand payment of remuneration incurred up to the completion date (inclusive) under the cost reimbursement agreement between the vendor and Merchant Support). The acquisition was completed on 13 May 2011 and the total consideration was JPY1,730.8 million (equivalent to approximately HK\$166.1 million).

On 29 January 2010, Success Bridge Limited (“Success Bridge”) allotted 600 preference shares (“SBL Preference Shares”) at a total subscription price of US\$60 million (equivalent to approximately HK\$465 million) to a subscriber. The SBL Preference Shares shall represent 6% of the total issued share capital of Success Bridge as enlarged by the subscription. On the same date, the Company, the subscriber and Success Bridge entered into a shareholders agreement (the “Shareholders Agreement”) relating to, among other things, (i) the grant of exchange rights by the Company to the holders of SBL Preference Shares; (ii) the transfer of a specified number of ordinary shares of Success Bridge (“SBL Ordinary Shares”) equal to up to 3% of the aggregate number of shares of Success Bridge in issue as at completion at an aggregate consideration of HK\$1.00 by the Company to the holders of SBL Preference Share if the 2010 net profit of Success Bridge is less than RMB450,000,000 (the “Ratchet Disposal”); and (iii) the transfer of a specified number of SBL Preference Shares and/or SBL Ordinary Shares equal to up to 2% of the aggregate number of shares of Success Bridge in issue as at completion at an aggregate consideration of HK\$1.00 by the holders of SBL Preference Shares to the Company if the 2010 net profit of Success Bridge is RMB500,000,000 or more (the “Ratchet Acquisition”). As the net profit of Success Bridge in 2010 was less than RMB375,000,000, the Company has transferred 300 SBL Ordinary Shares (representing 3% of the issued share capital of Success Bridge, assuming full conversion of all SBL Preference Shares into SBL Ordinary Shares) to the holders of SBL Preference Shares in accordance with the Shareholders Agreement. The SBL Ordinary Shares so transferred have, upon completion of the transfer, been re-designated into SBL Preference Shares. The SBL Ordinary Shares transferred and re-designated under the Ratchet Disposal were to be returned to the Company if the volume weighted average price of the shares of the Company exceeds HK\$4.50 for a period of thirty consecutive trading days during the period from (and including) 29 October 2010 (being the date falling nine months immediately following the date of completion) to (and excluding) 29 January 2012 (being the date falling on the second anniversary of the date of completion). Given that the volume weighted average price of the shares of the Company did not exceed HK\$4.50 for a period of thirty consecutive trading days during the period from (and including) 29 October 2010 to (but excluding) 29 January 2012, no SBL Ordinary Shares transferred and re-designated under the Ratchet Disposal were returned to the Company. The Company, the subscriber and Success Bridge entered into a supplemental agreement to the Shareholders Agreement dated 10 June 2011 in order to document the mechanics for such return, if any, of the SBL Ordinary Shares. The Ratchet Disposal was completed on 10 June 2011.

On 11 July 2011, Max Ascent Limited (“Max Ascent”), a subsidiary of the Company, entered into conditional subscription agreements with three independent third parties, pursuant to which these subscribers conditionally agreed to subscribe for 9%, 9% and 3% of the enlarged issued share capital of Max Ascent at the consideration of HK\$2,340,000, HK\$2,340,000 and HK\$780,000, respectively. The subscription was completed on 25 July 2011.

On 13 January 2012, the Company entered into two sale and purchase agreements with two vendors separately pursuant to which each of the vendors has conditionally agreed to sell, and the Company has conditionally agreed to purchase, in aggregate, 20% of the issued share capital of New Concept Services Limited (“New Concept”) at a total consideration of HK\$96,000,000. Upon completion, the Company’s shareholding interest in New Concept increased from 80% to 100% and accordingly, New Concept became a wholly-owned subsidiary of the Company. The acquisition was completed on 9 March 2012.

On 2 March 2012, Merchant Support entered into a sale and purchase agreement with a vendor, pursuant to which the vendor conditionally agreed to sell, and the Company conditionally agreed to purchase 67% of the issued share capital of ITC Credit Co., Ltd. (“ITCC”) at a consideration of JPY70 million (equivalent to approximately HK\$7.1 million). Upon completion, Merchant Support’s shareholding interest in ITCC increased from 33% to 100%, and accordingly, ITCC became a wholly-owned subsidiary of the Company. The acquisition was completed on 5 March 2012.

CONTINUING OPERATIONS

The performance of the four key business segments under the continuing operations during the year is set out as below:

Telecommunications solutions

	2011 <i>HK\$’000</i>	2010 <i>HK\$’000</i>	Change +/(–)
Turnover	177,204	349,569	-49%
EBITDA	20,855	70,897	-71%
Operating profit	<u>11,678</u>	<u>60,165</u>	-81%

During the year, the telecommunication solutions segment recorded turnover of HK\$177.2 million, a decline of 49% as compared to 2010. Segmental operating profit amounted to HK\$11.7 million as compared to HK\$60.2 million in 2010. The decline in segmental operating profit was mainly contributed by decline in traffic volume and certain restriction measures and policies changes in the sector. Meanwhile, certain new businesses are still under development. We anticipate that the provision of nationwide IVR platform and related services to China Mobile will continue to be one of the major revenue contributors of this segment and year 2012 will continue to be a challenging year.

Besides, additional resources have been placed for developing new and innovation products and services, such as mobile games, animation and comics etc. Looking ahead, we will continue to develop other innovative wireless value-added solutions and services to meet the everchanging technology and market demand.

Financial solutions

	2011 <i>HK\$’000</i>	2010 <i>HK\$’000</i>	Change +/(–)
Turnover*	178,077	141,542	+26%
EBITDA	16,603	18,353	-10%
Operating profit	<u>194</u>	<u>793</u>	-76%

* *Turnover from external customers*

The financial solutions segment reported turnover of HK\$178.1 million in 2011, representing an increase of 26% as compared to last year. Segmental operating profit amounted to HK\$0.2 million as compared to HK\$0.8 million in 2010. With the aim to create a more stable, sustainable and recurring income streams, we have placed more exertion on various development projects regarding cross-industry solutions, including industrial advisory, business operation solutions, system development and operation services, and other outsourcing services.

Payment solutions

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	Change +/(-)
Turnover*	48,363	39,971	+21%
Impairment of intangible assets	(154,836)	–	N/A
EBITDA	(239,526)	(72,554)	+230%
Operating loss	(251,802)	(80,748)	+212%

* *Turnover from external customers*

Our payment solutions segment is principally engaged in the operation and development of the first nation-wide mobile payment platform and solution with China Mobile and other mobile and wireless payment solutions and services. Segmental turnover amounted to HK\$48.4 million, representing an increase of 21% as compared to last year. Segmental operating loss amounted to HK\$251.8 million, which included a one time non-cash impairment charge of HK\$154.8 million against the Group's carrying value of certain intangible assets. Such impairment loss reflects a prudent conservative management judgment as to the future value of these assets with regard to the rapid evolution of business models in the industry and the current economic environment. Currently, our payment solutions segment is awaiting for the building up of transaction volume and operation scale.

Electronic power meters and solutions

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	Change +/(-)
Turnover	419,149	370,439	+13%
Impairment of intangible assets	–	(29,593)	-100%
EBITDA	(43,900)	(119,204)	-63%
Operating loss	(58,171)	(134,434)	-57%

Year 2011 was a transitional year to our electronic power meters and solutions segment. This segment reported turnover of HK\$419.1 million in 2011, an increase of 13% as compared to last year. Segmental operating loss amounted to HK\$58.2 million as compared to HK\$134.4 million in 2010.

During the year, gross profit margin was improved as compared to last year. Evolving new standards of smart meters conforming to the smart grid infrastructure launched by the State Grid were becoming more mature and stable, and the tender prices of smart meters were moderately increased. Meanwhile, we remain focused on our R&D effort through better product design engineering, to streamline product cost and improve product quality, so as to be in line with the needs of the development of power grids.

OUTLOOK

It is anticipated that the business environment in Year 2012 will continue to be challenging. With the enormous room for growth in various businesses, combined with our strong financial position, Hi Sun will keep its momentum with various business opportunities ahead.

Telecommunication solutions

China Mobile's IVR business has been transitted to the Jiangsu Base of China Mobile since 1 January 2012. Currently, IVR platform will be redefined as an ability platform providing audio-oriented integrated services. As a result, we will upgrade our IVR platform step by step into WAVE (Web Audio Video Engine) platform, which will provide integrated services including audio, data, video and web contents. With the application of the platform getting mature, we expect more business revenue could be generated effectively. In addition, we will promote the wireless application business in various aspects. In 2011, our animation and comic business also achieved encouraging progress, making us an excellent partner to the Animation and Comic Station Base of China Mobile. Going forward, we will further explore the mobile internet business such as mobile games, animation and comics.

Financial solutions

In 2012, we expect that commercial banks in China will continue to increase the systemic investment in two areas. Firstly, this is the electronic channels infrastructure in China with respect to e-banking and mobile banking. Given the Group's experience in constructing China Mobile's mobile payment platform, we will be able to extend our edge in the area of mobile banking. Meanwhile, domestic banks are accelerating the building of overseas branch network. Having solid experience in constructing the core systems of overseas branches of domestic banks, as well as an in-depth knowledge of foreign regulatory and accounting standards, we will continue to strengthen our leading edge in this aspect.

Payment solutions

Subsequent to China Mobile's successful application of the third party payment licence issued by The People's Bank of China ("PBOC"), we anticipate that China Mobile will focus on opening up capabilities and centralising resources in its overall strategy regarding its payment related business, thus benefiting the participants of the payment industry chain. We will utilise our abundant reserve of professional talents on internet and payment areas and our profound experience in system operation and maintenance so as to reinforce our leading position and create greater values. Meanwhile, we have attempted to introduce mobile payment, mobile advertisements and mobile coupons as pioneer programs in China. With the popularity of smart phones and the formation of online shopping practice, we expect that rapid development of mobile payment will gradually be on track. There is a strong demand in online shopping, daily-lives payment, mobile remittance financial service and near field payment etc. The huge number of China Mobile's subscribers lays a solid foundation for a positive development of mobile payment business. Upon the issuance of third party payment licences by PBOC, the industry order is facilitated. We anticipate that, through the concerted and powerful efforts continuously made by the third party payment providers and market participants such as commercial banks, China UnionPay and telecommunication carriers, the development of mobile payment will be even more robust and fast-growing in the coming years.

Electronic power meters and solutions

The development of smart meter was greatly driven by China's investment in the smart grid. In 2012, the State Grid will continue to devise plans for pushing the smart grid infrastructure forward, perfecting the launching plan of smart grid, standardising the infrastructure and management models, completing the installation and application of the smart meters with high quality and accelerating the buildup pace of the power consumption information collecting system simultaneously. China Southern Power Grid will also conduct a large-scale tendering for the smart meter construction in 2012 to propel the development of smart grid. In this regard, year 2012 means a growing year to the smart meter and power consumption information collecting equipment market. During the year, we have reached an advanced stage on low voltage power line carrier wave communication technology ("PLC") which has passed certain examinations in the fourth quarter of 2011. We expect that this new technology may be gradually launched in the market in 2012 and are optimistic about its application. Besides, we will strive to enhance the quality of our products, enhance productivity, strengthen our craftsmanship, accelerate the life cycle of our products and actively explore the application of other new technologies while consolidating the existing technologies, in order to overcome the challenges from the rapidly developing smart grid market.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group reported total assets of HK\$3,392.5 million (2010: HK\$3,657.4 million), which were financed by total liabilities of HK\$453.5 million (2010: HK\$489.6 million) and equity of HK\$2,939.0 million (2010: HK\$3,167.8 million). The net asset value was HK\$2,939.0 million (2010: HK\$3,167.8 million). Net assets per share amounted to HK\$1.099 as at 31 December 2011 as compared to HK\$1.185 per share as at 31 December 2010.

As at 31 December 2011, the Group had cash and cash equivalents of HK\$1,167.2 million (2010: cash and cash equivalents and short-term bank deposits of HK\$1,459.2 million) and short term borrowings of HK\$23.4 million (2010: HK\$22.5 million). The net cash position as at 31 December 2011 was HK\$1,143.8 million as compared to HK\$1,436.7 million as at 31 December 2010.

CAPITAL STRUCTURE AND DETAILS OF CHARGES

As at 31 December 2011, the Group's bank borrowings of RMB19 million (2010: RMB19 million) and banking facilities of RMB18 million (2010: Nil) which were denominated in Renminbi, were equivalent to HK\$23.4 million (2010: HK\$22.5 million) and HK\$22.3 million (2010: Nil), respectively. The bank borrowings were charged at an interest rate of 7.544% per annum (2010: 6.372% per annum). The bank borrowings and banking facilities were secured by the leasehold land and buildings of the subsidiaries of the Group, with a net book amount of HK\$10.9 million and HK\$27.8 million (2010: HK\$3.6 million and HK\$16.3 million), respectively.

Approximately HK\$417.6 million, HK\$298.9 million, HK\$327.8 million, HK\$122.7 million and HK\$0.2 million of the Group's cash balances were denominated in Renminbi, Hong Kong dollar, US dollar, Japanese yen and Euro respectively as at 31 December 2011.

Approximately HK\$363.7 million, HK\$392.1 million, HK\$525.4 million and HK\$0.4 million of the Group's cash balances were denominated in Renminbi, Hong Kong dollar, US dollar and Euro respectively as at 31 December 2010.

EXCHANGE RATES EXPOSURE

The Group derives its revenue, makes purchases, incurs expenses and has its assets and liabilities denominated mainly in US dollars, Renminbi, Hong Kong dollars and Japanese Yen. 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, Renminbi or Japanese Yen may have an impact on the operating results of the Group.

CONTINGENT LIABILITIES

The Group had no material contingent liability as at 31 December 2011.

EMPLOYEES

The total number of employees of the Group as at 31 December 2011 was 2,486. The breakdown of employees by division is as follows:

Telecommunication solutions	398
Financial solutions	436
Payment solutions	610
Electronic power meters and solutions	862
Others	144
Corporate office	36
	<hr/>
	2,486

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.

Disclaimer:

Non-GAAP measures

Certain non-GAAP (generally accepted accounting principles) measures, such as EBITDA, are used for assessing the Group's performance. These non-GAAP measures are not expressly permitted measures under GAAP in Hong Kong and may not be comparable to similarly titled measures for other companies. Accordingly, such non-GAAP measures should not be considered as an alternative to operating income as an indicator of the operating performance of the Group or as an alternative to cash flows from operating activities as a measure of liquidity. The use of non-GAAP measures is provided solely to enhance the overall understanding of the Group current financial performance. Additionally because the Group has historically reported certain non-GAAP results to investors, the Group considers the inclusion of non-GAAP measures provides consistency in our financial reporting.

CONSOLIDATED INCOME STATEMENT

		For the year ended	
		31 December	
		2011	2010
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations			
Revenue	2,3	838,674	901,521
Cost of sales	4	<u>(664,479)</u>	<u>(731,115)</u>
Gross profit		174,195	170,406
Other income	2	16,072	16,957
Other (loss)/gains, net	2	(4,262)	6,913
Selling expenses	4	(85,350)	(89,797)
Administrative expenses	4	(309,363)	(300,543)
Impairment of intangible assets	4	<u>(154,836)</u>	<u>(29,593)</u>
Operating loss		(363,544)	(225,657)
Share of profit of an associated company	8	77,809	6,860
Finance costs	5	<u>(1,796)</u>	<u>(473)</u>
Loss before income tax		(287,531)	(219,270)
Income tax credit	6	<u>7,809</u>	<u>1,742</u>
Loss for the year from continuing operations		(279,722)	(217,528)
Discontinued operation			
Profit from discontinued operation	11	<u>–</u>	<u>1,096,476</u>
(Loss)/profit for the year		<u>(279,722)</u>	<u>878,948</u>

		For the year ended	
		31 December	
		2011	2010
	<i>Note</i>	HK\$'000	HK\$'000
(Loss)/profit attributable to:			
– Equity holders of the Company		(255,493)	850,275
– Non-controlling interests		(24,229)	28,673
		<u>(279,722)</u>	<u>878,948</u>
		HK\$ per share	HK\$ per share
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company:			
Basic and diluted (loss)/earnings per share			
From continuing operations	7	(0.096)	(0.071)
From discontinued operation	7	–	0.389
		<u>(0.096)</u>	<u>0.318</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended	
	31 December	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the year	(279,722)	878,948
Other comprehensive (loss)/income, net of tax		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	33,437	59,404
Fair value gain on revaluation of available-for-sale financial assets	300	100
Release of reserve upon disposal of subsidiaries	–	(36,551)
Share of other comprehensive income of an associated company	11,728	134
	<hr/>	<hr/>
Total comprehensive (loss)/income for the year, net of tax	(234,257)	902,035
Total comprehensive (loss)/income attributable to:		
– Equity holders of the Company	(213,297)	873,093
– Non-controlling interests	(20,960)	28,942
	<hr/>	<hr/>
	(234,257)	902,035
Total comprehensive (loss)/income attributable to equity holders of the Company arises from:		
– Continuing operations	(213,297)	(141,935)
– Discontinued operation	–	1,015,028
	<hr/>	<hr/>
	(213,297)	873,093

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2011	2010
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Investment properties		2,409	2,438
Property, plant and equipment		110,184	116,733
Leasehold land		38,277	38,826
Intangible assets		100,845	252,595
Interest in an associated company	8	1,373,366	1,285,714
Available-for-sale financial asset		23,800	23,500
Long-term deposits	9	2,839	1,596
		<u>1,651,720</u>	<u>1,721,402</u>
Total non-current assets			
Current assets			
Inventories		121,752	168,426
Trade and other receivables, prepayments and deposits	9	441,345	291,880
Tax recoverable		–	3,590
Financial assets at fair value through profit or loss		10,491	12,898
Short-term bank deposits		–	177,557
Cash and cash equivalents		1,167,201	1,281,616
		<u>1,740,789</u>	<u>1,935,967</u>
Total current assets			
		<u>3,392,509</u>	<u>3,657,369</u>
Total assets			

		As at 31 December	
		2011	2010
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		6,684	6,684
Reserves		2,806,303	3,043,776
		<u>2,812,987</u>	3,050,460
Non-controlling interests		126,055	117,346
		<u>2,939,042</u>	3,167,806
		-----	-----
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		1,320	11,417
		<u>1,320</u>	11,417
Total non-current liabilities		1,320	11,417
		-----	-----
Current liabilities			
Trade and other payables	<i>10</i>	423,107	455,520
Taxation payable		5,595	136
Borrowings		23,445	22,490
		<u>452,147</u>	478,146
Total current liabilities		452,147	478,146
		-----	-----
Total liabilities		453,467	489,563
		-----	-----
Total equity and liabilities		3,392,509	3,657,369
		<u>3,392,509</u>	<u>3,657,369</u>
Net current assets		1,288,642	1,457,821
		<u>1,288,642</u>	<u>1,457,821</u>
Total assets less current liabilities		2,940,362	3,179,223
		<u>2,940,362</u>	<u>3,179,223</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”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). 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 and available-for-sale financial asset.

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) New and amended standards adopted by the Group:

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011 but do not have a material impact on the Group:

HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
Annual Improvements Project	Third annual improvements projects (2010) published in May 2010

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted.

- HKFRS 9, ‘Financial instruments’ addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9’s full impact and intends to adopt HKFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.
- HKFRS 10 ‘Consolidated financial statements’ builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10’s full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.
- HKFRS 12 ‘Disclosures of interests in other entities’ includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12’s full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 13 ‘Fair value measurement’ aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS. The Group is yet to assess HKFRS 13’s full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

There are no other HKFRS or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2 REVENUE, OTHER INCOME, OTHER (LOSS)/GAINS, NET

- (i) Subsequent to the spin off of point-of-sale (“POS”) terminal solutions business through a separate listing of PAX Global Technology Limited (“PAX Global”) (the “Spin-off”) on 20 December 2010, the Group focuses its activities on the provision of telecommunication solutions, provision of financial solutions, provision of payment solutions and sales of electronic power meters and solutions. For the presentation of the consolidated financial statements for the year ended 31 December 2010, the POS terminal solutions business was regarded as “discontinued operation” (Note 11).
- (ii) Revenue, other income and other (loss)/gains, net recognised during the year are as follows:

	For the year ended	
	31 December	
	2011	2010
	HK\$’000	HK\$’000
Continuing operations		
Turnover		
Provision of telecommunication solutions	177,204	349,569
Provision of financial solutions	178,077	141,542
Provision of payment solutions	48,363	39,971
Sales of electronic power meters and solutions	419,149	370,439
Provision of payment settlement services (<i>Note</i>)	15,881	–
	838,674	901,521
Other income		
Interest income	9,495	9,973
Value added tax refund	–	1,059
Subsidy income	3,406	3,640
Rental income	2,040	1,003
Others	1,131	1,282
	16,072	16,957
Other (loss)/gains, net		
(Loss)/gain on disposal of financial assets at fair value through profit or loss	(28)	6,328
Dividend income on financial assets at fair value through profit or loss	16	376
Fair value (loss)/gain on financial assets at fair value through profit or loss	(2,365)	209
Loss on dilution of interests in an associated company (<i>Note 8</i>)	(1,885)	–
	(4,262)	6,913
Turnover, other income and other (loss)/gains, net, from continuing operations	850,484	925,391

Note: This represented revenue earned from the provision of payment settlement services in Japan.

	For the year ended	
	31 December	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Discontinued operation		
Turnover		
Provision of POS terminal solutions	-	687,458
	-----	-----
Other income		
Interest income	-	927
Value added tax refund	-	16,295
Others	-	795
	-----	-----
	-	18,017
	-----	-----
Turnover and other income from discontinued operation	-	705,475
	-----	-----

3 SEGMENT INFORMATION

Management has determined the operating segments based on the internal reports reviewed by the Executive Directors that are used to make strategic decisions.

The Executive Directors consider the business from a product perspective.

The Group is organised into four main operating segments for continuing operations in these internal reports.

Continuing operations:

- (a) Telecommunication solutions – principally engaged in the provision of telecommunication platform operation services and operation value-added services;
- (b) Financial solutions – principally engaged in the provision of information system consultancy and integration services and sales of information technology products to financial institutions and banks;
- (c) Payment solutions – principally engaged in the provision of mobile payment platform operation services and mobile and wireless payment solutions and services; and
- (d) Electronic power meters and solutions – principally engaged in the manufacturing and sales of electronic power meters, data collection terminals and provision of information system consultancy services; and the research and development of low voltage power line carrier wave communication technology (“PLC”).

Discontinued operation:

POS terminal solutions – principally engaged in the development and sale of POS products and provision of related services.

An analysis of the Group’s revenues and results for the year by operating segment is as follows:

	Continuing operations					Total Group HK\$'000
	Telecom- munication solutions HK\$'000	Financial solutions HK\$'000	Payment solutions HK\$'000	Electronic power meters and solutions HK\$'000	Others HK\$'000	
Year ended 31 December 2011						
Segment turnover	177,204	212,079	48,493	419,149	15,881	872,806
Inter-segment turnover	–	(34,002)	(130)	–	–	(34,132)
Turnover from external customers	<u>177,204</u>	<u>178,077</u>	<u>48,363</u>	<u>419,149</u>	<u>15,881</u>	<u>838,674</u>
Segmental earning/(loss) before interest expense, taxes, depreciation and amortisation (“EBITDA”) before impairment of intangible assets	20,855	16,603	(84,690)	(43,900)	(24,089)	(115,221)
Impairment of intangible assets	–	–	(154,836)	–	–	(154,836)
Segmental EBITDA	<u>20,855</u>	<u>16,603</u>	<u>(239,526)</u>	<u>(43,900)</u>	<u>(24,089)</u>	<u>(270,057)</u>
Depreciation	(9,177)	(16,409)	(3,516)	(6,953)	(3,364)	(39,419)
Amortisation	–	–	(8,760)	(7,318)	–	(16,078)
Segmental operating profit/(loss)	<u>11,678</u>	<u>194</u>	<u>(251,802)</u>	<u>(58,171)</u>	<u>(27,453)</u>	<u>(325,554)</u>
Unallocated other income						3,052
Unallocated corporate expenses						(41,042)
Share of profit of an associated company						77,809
Finance costs						(1,796)
Loss before income tax						(287,531)
Income tax credit						7,809
Loss for the year						<u>(279,722)</u>

	Continuing operations						Discontinued operation	Total Group HK\$'000
	Telecom- munication solutions HK\$'000	Financial solutions HK\$'000	Payment solutions HK\$'000	Electronic power meters and solutions HK\$'000	Others HK\$'000	Total HK\$'000	POS terminal solutions HK\$'000	
Year ended 31 December 2010								
Segment turnover	349,569	186,402	39,971	370,439	-	946,381	687,458	1,633,839
Inter-segment turnover	-	(44,860)	-	-	-	(44,860)	-	(44,860)
Turnover from external customers	349,569	141,542	39,971	370,439	-	901,521	687,458	1,588,979
Segmental EBITDA before impairment of intangible assets	70,897	18,353	(72,554)	(89,611)	(13,814)	(86,729)	159,046	72,317
Impairment of intangible assets	-	-	-	(29,593)	-	(29,593)	-	(29,593)
Segmental EBITDA	70,897	18,353	(72,554)	(119,204)	(13,814)	(116,322)	159,046	42,724
Depreciation	(10,732)	(17,560)	(1,912)	(8,374)	(417)	(38,995)	(2,496)	(41,491)
Amortisation	-	-	(6,282)	(6,856)	-	(13,138)	(5)	(13,143)
Segmental operating profit/(loss)	60,165	793	(80,748)	(134,434)	(14,231)	(168,455)	156,545	(11,910)
Gain on disposal of subsidiaries						-	966,028	966,028
Unallocated other income						10,256	-	10,256
Unallocated corporate expenses						(67,458)	-	(67,458)
Share of profit of an associated company						6,860	-	6,860
Finance costs						(473)	-	(473)
(Loss)/profit before income tax						(219,270)	1,122,573	903,303
Income tax credit/(expense)						1,742	(26,097)	(24,355)
(Loss)/profit for the year						(217,528)	1,096,476	878,948

The segment assets and liabilities at 31 December 2011 and additions to non-current assets for the year ended 31 December 2011 are as follows:

	Continuing operations							Total Group HK\$'000
	Telecom- munication solutions HK\$'000	Financial solutions HK\$'000	Payment solutions HK\$'000	Electronic power meters and solutions HK\$'000	Others HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	
As at 31 December 2011								
Segment assets	571,290	151,581	177,802	636,540	277,485	2,157,571	(579,760)	3,392,509
Segment liabilities	(36,612)	(62,417)	(286,468)	(350,538)	(292,295)	(4,897)	579,760	(453,467)
Year ended 31 December 2011								
Additions to non-current assets (excluding long-term deposits, interest in an associated company and available-for-sale financial assets)	3,777	408	7,206	11,447	14,162	21	-	37,021

The segment assets and liabilities at 31 December 2010 and additions to non-current assets for the year ended 31 December 2010 are as follows:

	Continuing operations							Discontinued operation	Total Group HK\$'000
	Telecom- munication solutions HK\$'000	Financial solutions HK\$'000	Payment solutions HK\$'000	Electronic power meters and solutions HK\$'000	Others HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total HK\$'000	
As at 31 December 2010									
Segment assets	541,728	162,622	226,345	694,884	11,620	2,136,466	(116,296)	3,657,369	-
Segment liabilities	(38,650)	(60,383)	(113,239)	(359,700)	(5,959)	(27,928)	116,296	(489,563)	-
Year ended 31 December 2010									
Additions to non-current assets (excluding long-term deposits, interest in an associated company and available-for-sale financial assets)	15,669	5,605	163,177	15,457	4,201	3,389	-	207,498	4,554

Additions to non-current assets comprises additions to property, plant and equipment and intangible assets including additions resulting from acquisition through business combinations.

Revenues of approximately HK\$212,983,000 (2010: HK\$377,069,000) are derived from a single external customer. These revenues are attributable to the telecommunication solutions segment of HK\$164,636,000 (2010: HK\$337,110,000) and payment solutions segment of HK\$48,347,000 (2010: HK\$39,959,000) in the PRC.

Information provided to the Executive Directors is measured in a manner consistent with that of the financial statements. These assets and liabilities are allocated based on the operations of the segment.

Sales between segments are carried out at normal commercial terms.

The Group is principally domiciled in Hong Kong, Japan and Mainland China. The Group's turnover by geographical location, which is determined by the location in which the turnover are generated from, is as follows:

	For the year ended	
	31 December	
	2011	2010
	HK\$'000	HK\$'000
Continuing operations		
Mainland China	802,560	881,860
Hong Kong	20,233	19,661
Japan	15,881	–
	838,674	901,521
Discontinued operation		
Mainland China	–	529,688
Hong Kong	–	154,461
US	–	3,309
	–	687,458

The Group's non-current assets (excluding long term deposits, interest in an associated company and available-for-sale financial assets) and current assets by geographical location, which is determined by the geographical location in which the asset is located, is as follows:

	As at 31 December	
	2011	2010
	HK\$'000	HK\$'000
Non-current assets		
Mainland China	237,268	407,105
Hong Kong	2,485	3,487
Japan	11,962	–
	251,715	410,592
Current assets		
Mainland China	854,756	1,033,908
Hong Kong	627,485	902,059
Japan	258,548	–
	1,740,789	1,935,967

4 EXPENSES BY NATURE

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

	For the year ended	
	31 December	
	2011	2010
	HK\$'000	HK\$'000
Auditor's remuneration	2,880	2,659
Depreciation of property, plant and equipment	40,447	39,736
Depreciation of investment properties	150	108
Amortisation of leasehold land	1,031	1,073
Amortisation of intangible assets	15,807	12,825
Employee benefit expense (including Directors' emoluments)	343,400	287,574
Costs of inventories sold	424,371	371,636
Operating lease rentals in respect of land and buildings	23,483	26,676
Operating lease rentals in respect of equipment	22,505	13,200
Research and development costs	105,510	111,432
Gain on disposal of property, plant and equipment and leasehold land	(1,243)	(5,073)
Provision for impairment of trade receivables, net (Write back of provision)/provision for inventories	1,458	8,083
Impairment of intangible assets (<i>Note</i>)	(5,784)	523
	<u>154,836</u>	<u>29,593</u>

Note: At year end 31 December 2011, the Group revised its cash flow forecasts of the payment solution segment. Due to changes in market conditions and loss suffered by the payment solutions segment, goodwill of HK\$125,722,000 and other intangible assets of HK\$29,114,000 were considered impaired by management on this segment during the year ended 31 December 2011.

Due to changes in market conditions and loss suffered by the electronic power meters and solutions segment, goodwill of HK\$29,593,000 was considered impaired by the management on the electronic power meters segment during the year ended 31 December 2010.

5 FINANCE COSTS

	For the year ended	
	31 December	
	2011	2010
	HK\$'000	HK\$'000
Interest on bank borrowings	<u>1,796</u>	<u>473</u>

6 INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) 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.

	For the year ended	
	31 December	
	2011	2010
	HK\$'000	HK\$'000
Current tax		
– Hong Kong profits tax	–	–
– Overseas taxation	4,020	9,855
Deferred tax	(10,348)	(2,948)
Adjustments in respect of prior years	(1,481)	(8,649)
	(7,809)	(1,742)
Income tax credit	(7,809)	(1,742)

7 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/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	
	2011	2010
	HK\$'000	HK\$'000
(Loss)/profit attributable to equity holders of the Company (HK\$'000)		
– Continuing operations	(255,493)	(190,981)
– Discontinued operation	–	1,041,256
	(255,493)	850,275
Weighted average number of ordinary shares in issue (thousands)	2,673,430	2,673,430
Basic (loss)/earnings per share (HK\$ per share)		
– Continuing operations	(0.096)	(0.071)
– Discontinued operation	–	0.389
	(0.096)	0.318

(b) Diluted

Diluted (loss)/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 a subsidiary and share options issued by a subsidiary. The convertible preference shares issued by a subsidiary are assumed to be converted into ordinary shares of the Company and share options are assumed to be fully vested and exercised into ordinary shares of that subsidiary.

Diluted loss per share for the year ended 31 December 2011 is the same as the basic loss per share (2010: same) as the conversion of potential ordinary shares in relation to the outstanding convertible preference shares issued by a subsidiary and share options issued by a subsidiary would have an anti-dilutive effect to the basic loss per share.

8 INTEREST IN AN ASSOCIATED COMPANY

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
At 1 January	1,285,714	–
Addition	–	1,278,720
Share of profit	77,809	6,860
Share of other comprehensive income	11,728	134
Dilution of interest in an associated company	(1,885)	–
	<u>1,373,366</u>	<u>1,285,714</u>

9 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 31 December	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current portion		
Trade receivables (<i>Note (a)</i>)	384,905	225,296
Less: provision for impairment of receivables	(21,248)	(19,333)
Bills receivables (<i>Note (b)</i>)	–	1,308
	<u>363,657</u>	<u>207,271</u>
Prepayments, deposits and other receivables:		
Prepayments	16,302	10,391
Deposits	16,632	19,587
Others	44,754	54,631
	<u>441,345</u>	<u>291,880</u>
Non-current portion		
Long-term deposits	<u>2,839</u>	<u>1,596</u>
Total	<u>444,184</u>	<u>293,476</u>

Note (a):

Trade receivables

The Group's credit terms to trade debtors range from 0 to 180 days. The ageing analysis of the trade receivables is as follows:

	As at 31 December	
	2011	2010
	HK\$'000	HK\$'000
Current to 90 days	259,240	157,280
91 to 180 days	19,114	31,348
181 to 365 days	63,780	12,100
Over 365 days	42,771	24,568
	<u>384,905</u>	<u>225,296</u>

Note (b):

Bills receivables

The balance represents bank acceptance notes with maturity dates within six months.

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

	As at 31 December	
	2011	2010
	HK\$'000	HK\$'000
Falling within 90 days	–	948
Falling within 91 to 180 days	–	360
	<u>–</u>	<u>1,308</u>

10 TRADE AND OTHER PAYABLES

	As at 31 December	
	2011	2010
	HK\$'000	HK\$'000
Trade payables (Note (a))	232,417	251,749
Bills payables (Note (b))	18,290	–
Other payables and accruals (Note (c))	172,400	203,771
	<u>423,107</u>	<u>455,520</u>

Note (a):

Trade payables

The ageing analysis of the trade payables is as follows:

	As at 31 December	
	2011	2010
	HK\$'000	HK\$'000
Current to 90 days	151,170	199,090
91 to 180 days	41,331	42,508
181 to 365 days	31,394	5,833
Over 365 days	8,522	4,318
	<u>232,417</u>	<u>251,749</u>

The credit period granted by the suppliers ranges from 0 to 180 days.

Note (b):

Bill payables

The balance represents bank acceptance notes due within 90 days.

	As at 31 December	
	2011	2010
	HK\$'000	HK\$'000
Due within 90 days	<u>18,290</u>	<u>–</u>

Note (c):

Other payables and accruals

	As at 31 December	
	2011	2010
	HK\$'000	HK\$'000
Accrued staff costs and pension obligations	75,545	62,156
Receipt in advance from customers	46,585	58,491
Accrued subcontracting costs	13,075	8,983
Others	37,195	74,141
	<u>172,400</u>	<u>203,771</u>

11 DISCONTINUED OPERATION

Upon the completion of the Spin-Off, the effective interest held by the Group in PAX Global reduced from 60% to 44.4%. This has resulted in the Group losing control over PAX Global and PAX Global is accounted by the Group as an associated company since 20 December 2010. On 12 January 2011, the over-allotment option of PAX Global was partially exercised by the global coordinator of the Spin-off and the Company's interest in PAX Global was further diluted from 44.4% to approximately 42.8%.

For the period
from 1 January
to 20 December
2010
HK\$'000

Results of the discontinued operation:

Revenue	687,458
Cost of sales	(407,692)
	<hr/>
Gross profit	279,766
Other income	18,017
Selling expenses	(72,504)
Administrative expenses	(68,734)
	<hr/>
Operating profits	156,545
Finance costs	–
	<hr/>
Profit before taxation	156,545
Taxation	(26,097)
	<hr/>
Profit for the period	130,448
Gain on disposal of subsidiaries	<hr/> 966,028
Profit from discontinued operation	<hr/> 1,096,476
Profit from discontinued operation attributable to:	
– Equity holders of the Company	1,041,256
– Non-controlling interests	55,220
	<hr/>
	<hr/> 1,096,476

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 ended 31 December 2011 .

FINAL DIVIDEND

No dividend had been paid or declared by the Company during the year ended 31 December 2011 (2010: 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 Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

Specific enquiry had been made to all the directors of the Company (the “Directors”) and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2011.

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 Listing Rules.

Throughout the year, the Company has complied with most of the Code Provisions, with certain deviations from the Code Provisions in respect of Code Provision E.1.2, which will be explained in detail in the Corporate Governance Report in the 2011 Annual Report. Reference is also made to the disclosure in the Corporate Governance Report in the 2010 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 audit of the Group. It also reviews the effectiveness of both external and internal audit and of internal controls and risk evaluation. The Audit Committee comprises three Independent Non-Executive Directors, namely, Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Xu Sitao. Two meetings were held during the year ended 31 December 2011.

SUBSEQUENT EVENTS

(a) Acquisition of 20% shares of New Concept Services Limited

On 13 January 2012, the Company entered into a 18% sales and purchase agreement with Rich Giant Investment Limited (the "Rich Giant") and 2% sales and purchase agreement with Billion Rosy Limited (the "Billion Rosy"), both being individual third parties, pursuant to which Rich Giant conditionally agreed to sell, and the Company conditionally agreed to purchase, 45 shares of New Concept Services Limited (the "New Concept") representing 18% of the issued share capital of New Concept, at a consideration of HK\$86,400,000, and Billion Rosy conditionally agreed to sell, and the Company conditionally agreed to purchase, 5 shares of New Concept representing 2% of the issued share capital of New Concept at the consideration of HK\$9,600,000. The transactions was approved by independent shareholders in a special general meeting held on 24 February 2012. Upon completion of the transaction, New Concept became a wholly owned subsidiary of the Company. The acquisition was completed on 9 March 2012. The difference between the consideration paid and the share of net asset value acquired will be recognised within equity.

(b) Acquisition of 67% shares of ITC Credit Co., Ltd

On 2 March 2012, Merchant Support, a subsidiary of the Group, entered into a conditional subscription agreement with IT Cars Co., Ltd (“ITC”), an independent third party, pursuant to which ITC conditionally agreed to sell, and Merchant Support conditionally agreed to purchase 67% of the issued share capital of ITC Credit Co., Ltd (“ITCC”) at a consideration of JPY 70 million (equivalent to approximately HK\$7.1 million). Upon completion, Merchant Support’s shareholding interest in ITCC increased from 33% to 100% and accordingly ITCC became a wholly owned subsidiary of the Group. The acquisition was completed on 5 March 2012 and will be accounted for using method of acquisition accounting. Management is still in the process of completing the purchase price allocation of the acquisition.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2011. The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2011 have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. 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 Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The 2011 annual results announcement is published on the Company’s website at www.hisun.com.hk and the website of the Stock Exchange at www.hkexnews.hk. The 2011 Annual Report will be available on the websites of the Stock Exchange and the Company and will be despatched to all shareholders in due course.

The 2011 annual financial information set out above does not constitute the Group’s statutory financial statements for the financial year ended 31 December 2011. Instead, it has been derived from the Group’s audited consolidated financial statements for the financial year ended 31 December 2011, which will be included in the Company’s 2011 Annual Report.

By Order of the Board
Li Wenjin
Executive Director

Hong Kong, 15 March 2012

As at the date of this announcement, the Board consists of five Executive Directors, namely, Mr. Cheung Yuk Fung, Mr. Kui Man Chun, Mr. Xu Wensheng, Mr. Li Wenjin and Mr. Xu Chang Jun; one Non-Executive Director, namely Mr. Chang Kai-Tzung Richard; and three Independent Non-Executive Directors, namely Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Xu Sitao.

* For identification purpose only