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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 2012

FINANCIAL HIGHLIGHTS

| | 2012 | 2011 | Change |
|---|-------------------------|-----------------------|--------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | +/(–) |
| RESULTS | | | |
| Revenue | 868,306 | 838,674 | +4% |
| Gross profit | 244,290 | 174,195 | +40% |
| Segmental EBITDA (before unallocated items) | (134,052) | (270,057) | -50% |
| Share of profit of an associated company | 73,616 | 77,809 | -5% |
| Loss for the year | (174,497) | (279,722) | -38% |
| Loss attributable to: | | | |
| – Equity holders of the Company | (160,763) | (255,493) | -37% |
| – Non-controlling interests | (13,734) | (24,229) | -43% |
| | <u>(174,497)</u> | <u>(279,722)</u> | |
| | <i>HK\$ per share</i> | <i>HK\$ per share</i> | |
| Loss per share for loss attributable to the equity holders of the Company: | | | |
| Basic and diluted loss per share | <u>(0.060)</u> | <u>(0.096)</u> | -38% |

* For identification purposes only

| | As at 31 December | | Change + / (-) |
|---|-------------------------|-------------------------|-------------------|
| | 2012 <i>HK\$'000</i> | 2011 <i>HK\$'000</i> | |
| HIGHLIGHTS OF FINANCIAL POSITION | | | |
| Total equity | 2,681,385 | 2,939,042 | -9% |
| Net current assets | 945,471 | 1,288,642 | -27% |
| Total assets | 3,192,299 | 3,392,509 | -6% |
| | <i>HK\$ per share</i> | <i>HK\$ per share</i> | Change + / (-) |
| Net assets per share | 1.003 | 1.099 | -9% |

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 2012 together with the comparative figures for the year ended 31 December 2011. The annual results have been reviewed by the Company’s Audit Committee (the “Audit Committee”).

MANAGEMENT DISCUSSION AND ANALYSIS

| | Turnover | | | EBITDA | | |
|---|------------------|------------------|-----------------|------------------|------------------|-----------------|
| | 2012 HK\$'000 | 2011 HK\$'000 | Change +/(–) | 2012 HK\$'000 | 2011 HK\$'000 | Change +/(–) |
| Telecommunication solutions | 167,269 | 177,204 | -6% | 16,656 | 20,855 | -20% |
| Financial solutions | 251,533 | 212,079 | +19% | 8,792 | 16,603 | -47% |
| Payment solutions | 148,167 | 48,493 | +206% | (91,733) | (239,526) | -62% |
| Electronic power meters and solutions | 279,365 | 419,149 | -33% | (57,286) | (43,900) | +30% |
| Others | 27,252 | 15,881 | +72% | (10,481) | (24,089) | -56% |
| Segmental results | 873,586 | 872,806 | 0% | (134,052) | (270,057) | -50% |
| Less: Inter-segment turnover | (5,280) | (34,132) | -85% | – | – | N/A |
| Total | 868,306 | 838,674 | +4% | (134,052) | (270,057) | -50% |
| Depreciation | | | | (33,614) | (39,419) | -15% |
| Amortisation | | | | (7,567) | (16,078) | -53% |
| Segmental operating loss | | | | (175,233) | (325,554) | -46% |
| Unallocated other income | | | | 8,934 | 3,052 | +193% |
| Unallocated corporate expenses | | | | (81,382) | (41,042) | +98% |
| Share of profit of an associated company | | | | 73,616 | 77,809 | -5% |
| Finance costs | | | | (1,295) | (1,796) | -28% |
| Loss before income tax | | | | (175,360) | (287,531) | -39% |
| Income tax credit | | | | 863 | 7,809 | -89% |
| Loss for the year | | | | (174,497) | (279,722) | -38% |

During the year ended 31 December 2012, the Group focused on four key business segments being telecommunication solutions, financial solutions, payment solutions and electronic power meters and solutions. The consolidated turnover amounted to HK\$868.3 million, representing an increase of 4% over 2011. Segmental operating loss totaled HK\$175.2 million as compared to a segmental operating loss of HK\$325.6 million in 2011. Loss for the year totaled HK\$174.5 million as compared to a loss of HK\$279.7 million in 2011, which was mainly due to a decline in operating loss from the payment solutions business for the year ended 31 December 2012 while there was a one-time non-cash impairment charge of HK\$154.8 million in 2011.

With regard to our balance sheet, the total assets as at 31 December 2012, amounted to HK\$3,192.3 million, compared with HK\$3,392.5 million as at 31 December 2011. As at 31 December 2012 net current assets amounted to HK\$945.5 million, compared with HK\$1,288.6 million as at 31 December 2011.

KEY INVESTING ACTIVITIES

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 25 January 2013, the Company received an exercise notice from the preference shareholder (the “SBL Preference Shareholder”) of Success Bridge Limited (“Success Bridge”), a subsidiary of the Company, to exercise in full their rights under the shareholders agreement dated 29 January 2010 entered among the Company, Success Bridge, and the SBL Preference Shareholder to exchange all preference shares and ordinary shares of Success Bridge (that have arisen from the conversion of the preference shares of Success Bridge) registered in their names for 103,404,000 new ordinary shares of the Company (the “Shares”) at the exchange price of HK\$4.5 per Share. As at the date of the exercise notice, the SBL Preference Shareholder held 900 preference shares of Success Bridge. The SBL Preference Shareholder did not hold any ordinary share of Success Bridge. Upon completion, Success Bridge became a wholly-owned subsidiary of the Company. The transaction was completed on 31 January 2013.

KEY BUSINESS OPERATIONS

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

Telecommunication solutions

| | 2012 <i>HK\$’000</i> | 2011 <i>HK\$’000</i> | Change +/(–) |
|------------------|--------------------------------|-------------------------|-----------------|
| Turnover | 167,269 | 177,204 | -6% |
| EBITDA | 16,656 | 20,855 | -20% |
| Operating profit | 5,288 | 11,678 | -55% |

During the year, the telecommunication solutions segment recorded turnover of HK\$167.3 million, a decline of 6% as compared to 2011. Segmental operating profit amounted to HK\$5.3 million as compared to HK\$11.7 million in 2011. The decline in operating profit was mainly contributed by certain expenses incurred in 2012 of which the recognition of the related revenue is still subject to final acceptance by our customers. While certain new businesses such as mobile games, animation and other communication platforms 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 2013 will continue to be a challenging year. Looking ahead, we will continue to develop other innovative wireless value-added solutions and services to meet the ever changing technology and market demand.

Financial solutions

| | 2012 | 2011 | Change |
|------------------|-----------------|-----------------|---------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | + / (-) |
| Turnover* | 248,112 | 178,077 | +39% |
| EBITDA | 8,792 | 16,603 | -47% |
| Operating profit | 3,302 | 194 | +1,602% |

* *Turnover from external customers*

The financial solutions segment reported turnover of HK\$248.1 million in 2012, an increase of 39% as compared to last year. Segmental operating profit amounted to HK\$3.3 million as compared to HK\$0.2 million in 2011. During the year, commercial banks in The People's Republic of China (the "PRC") continue to increase their systemic investment in electronic channels infrastructure and accelerate the building of overseas branch network. Increase in turnover and operating profit is given to our persistent assertion of creating more stable, sustainable and recurring income streams and development projects on cross-industry solutions in prior years, together with more effective control measures adopted.

Payment solutions

| | 2012 | 2011 | Change |
|---------------------------------|------------------|-----------------|---------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | + / (-) |
| Turnover* | 146,308 | 48,363 | +203% |
| Impairment of intangible assets | – | (154,836) | -100% |
| EBITDA | (91,733) | (239,526) | -62% |
| Operating loss | (100,478) | (251,802) | -60% |

* *Turnover from external customers*

Segmental turnover amounted to HK\$146.3 million, an increase of 203% as compared to last year. Segmental operating loss amounted to HK\$100.5 million, a decrease of 60% as compared to 2011, which was mainly attributable to a one-time non-cash impairment charge of HK\$154.8 million against the Group's carrying value of certain intangible assets last year. During the year, we have dedicated substantial investment in various innovative payment-related value-added services and solutions at their preliminary development stages and significant increase in segmental headcounts. Currently, our payment solutions segment is awaiting for the building up of transaction volume and operation scale.

Electronic power meters and solutions

| | 2012 | 2011 | Change |
|---------------------------------|-----------------|-----------------|---------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | + / (-) |
| Turnover | 279,365 | 419,149 | -33% |
| Impairment of intangible assets | (24,600) | – | N/A |
| EBITDA | (57,286) | (43,900) | +30% |
| Operating loss | (69,513) | (58,171) | +19% |

During the year ended 31 December 2012, segmental turnover amounted to HK\$279.4 million, a decrease of 33% as compared with 2011. Segmental operating loss totaled HK\$69.5 million compared with HK\$58.2 million in 2011. Decline in segmental turnover was mainly due to total product shipment being lower than anticipated given the increased competition in the market. Increase in segmental operating loss was mainly caused by a one-time non-cash impairment charge of HK\$24.6 million against the goodwill of our electronic power meters and solutions business, which reflects a prudent conservative management judgment with regard to the rapid evolution of business models in the industry and the current economic environment during the year.

OUTLOOK

Telecommunication solutions

China Mobile's IVR business has been successfully transitioned to the Jiangsu Base of China Mobile since 1 January 2012, mainly providing audio-oriented integrated services. We have been honored as an excellent partner to the Jiangsu Mobile in 2012. We upgraded our IVR platform step by step into WAVE (Web Audio Video Engine) platform in 2012, which provides integrated services including audio, data, video and web contents. With the application of the platform getting mature, it is expected that more business revenue could be generated effectively. In addition, by increasing the number of mobile operational systems from 4 to 13, we have achieved significant expansion for the cooperation with the Animation and Comic Station Base, and further consolidated our supporting role for the future mobile colour image business. As for our innovation work, we have developed a cloud communication platform, which is expected to commence services in 2013. Such business is mainly used for providing a standard interface for the application developers, so as to enhance their communication services and reduce their development and usage cost. In addition to VOIP (VOICE ON IP) communication and VOIP fixed-line communication which are currently available, we also expect to provide video and conference call services in the future. Currently, we have been conducting trial operation with certain customers, including internet companies and mobile phone manufacturers.

Financial solutions

In 2013, network virtualisation, market-oriented pricing and service differentiation of the banks in the PRC are expected to be the trend of development, which will drive the banks to continuously update their IT system. Our core banking system, together with other banking solutions with competitive edge will be able to meet the market demands. Therefore, we have successfully signed contracts with the high-end quality customers from Mainland China, Hong Kong and Macau. Fueled by the subsequent cooperation, we expect a stable growth in market share. In the financial payment area, by integrating banking and internet concepts, our integrated payment platform has been successfully applied to various third-party payment companies and has become one of the leading third-party payment solution providers in the industry. It is anticipated that income from financial payment and its related business will further increase. As for the outsourcing operation, as various banks in Mainland China started to develop their retail banking business and devoted more resources to electronic channels such as ATM and emerging smart banking, business opportunities of outsourcing services will emerge and the economies of scale will be further demonstrated at a later stage of operation.

Payment solutions

Following the issuance of the third-party payment licenses to nearly 200 companies, including China Mobile, by the People's Bank of China from mid-2011 to 2012, the payment market in Mainland China has been showing a rapid growth momentum. China Mobile's mobile payment business achieved considerable development due to its investment in its electronic business in 2012. Being an important supporting role to China Mobile's overall mobile payment business, we provide supporting services for the software development, system operation and maintenance and expansion of mobile payment businesses. We have successfully accomplished various milestones and received positive feedback. Looking forward in 2013, backed by the expected rapid development of the third-party payment market and China Mobile's further investment in its mobile payment business, we will continue to generate revenues and returns.

Electronic power meters and solutions

During the "Twelfth Five-year" period, the smart grid construction has been fully commenced in the PRC, with an aim to achieve "full coverage, full collection and full cost-control" management of its users. As an important part of the smart grid construction, the development of smart meters and electricity information collection systems has been facing valuable opportunities. In line with the accelerating pace of urbanization, the number of new users will also increase. Smart grid reconstruction works have commenced gradually in the rural areas, and therefore the demand for related equipment will significantly increase. Following the implementation of the provincial and municipal tiered pricing policies, coupled with the vast demand generated by equipment upgrade and replacement, the market in the PRC is expected to flourish in the next few years. On the other hand, many developing countries and developed countries have been constructing, upgrading and replacing their equipment for their smart grids. There is expected to be a strong market demand as a result of the substantial growth in the smart meters and electricity information collection systems. As such, the Group will keep up with the market demand, actively expand its sales channel, accelerate its pace of R&D, enhance the production quality and shorten the lead time of new products in order to increase its market share.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group reported total assets of HK\$3,192.3 million (2011: HK\$3,392.5 million), which were financed by total liabilities of HK\$510.9 million (2011: HK\$453.5 million) and equity of HK\$2,681.4 million (2011: HK\$2,939.0 million). The net asset value was HK\$2,681.4 million (2011: HK\$2,939.0 million). Net assets per share amounted to HK\$1.003 as at 31 December 2012 as compared to HK\$1.099 per share as at 31 December 2011.

As at 31 December 2012, the Group had cash and cash equivalents of HK\$794.2 million (2011: HK\$1,167.2 million) and no short term borrowings (2011: HK\$23.4 million). The net cash position as at 31 December 2012 was HK\$794.2 million as compared to HK\$1,143.8 million as at 31 December 2011. The gearing ratio (defined as total borrowings divided by shareholders' equity) was zero compared to 0.8% as at 31 December 2011. 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 2012, the Group had no bank borrowings (2011: RMB19 million, equivalent to HK\$23.4 million) and had banking facilities of RMB18 million, equivalent to HK\$22.4 million (2011: RMB18 million, equivalent to HK\$22.3 million). The bank borrowings as at 31 December 2011 were charged at an interest rate of 7.544% per annum. As at 31 December 2012, the banking facilities were secured by the leasehold land and buildings of a subsidiary of the Company, with a net book amount of HK\$3.6 million and HK\$14.9 million, respectively. As at 31 December 2011, the bank borrowings and banking facilities were secured by the leasehold land and buildings of the subsidiaries of the Company, with a net book amount of HK\$10.9 million and HK\$27.8 million, respectively.

Approximately HK\$262.5 million, HK\$238.1 million, HK\$165.4 million, HK\$123.4 million, HK\$0.2 million and HK\$4.6 million of the Group's cash balances were denominated in Renminbi, Hong Kong dollar, US dollar, Japanese yen, Euro and Macanese Pataca ("MOP") respectively as at 31 December 2012.

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.

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 2012.

EMPLOYEES

The total number of employees of the Group as at 31 December 2012 was 2,598. The breakdown of employees by division is as follows:

| | |
|---------------------------------------|---------------------|
| Telecommunication solutions | 429 |
| Financial solutions | 564 |
| Payment solutions | 710 |
| Electronic power meters and solutions | 777 |
| Others | 82 |
| Corporate office | <u>36</u> |
| | <u><u>2,598</u></u> |

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 operates a share option scheme and an employees' incentive scheme. 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 | |
| | | 2012 | 2011 |
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | 2,3 | 868,306 | 838,674 |
| Cost of sales | 4 | <u>(624,016)</u> | <u>(664,479)</u> |
| Gross profit | | 244,290 | 174,195 |
| Other income | 2 | 11,426 | 16,072 |
| Other gains/(losses), net | 2 | 4,221 | (4,262) |
| Selling expenses | 4 | (131,475) | (85,350) |
| Administrative expenses | 4 | (351,543) | (309,363) |
| Impairment of intangible assets | 4 | <u>(24,600)</u> | <u>(154,836)</u> |
| Operating loss | | (247,681) | (363,544) |
| Share of profit of an associated company | 8 | 73,616 | 77,809 |
| Finance costs | 5 | <u>(1,295)</u> | <u>(1,796)</u> |
| Loss before income tax | | (175,360) | (287,531) |
| Income tax credit | 6 | <u>863</u> | <u>7,809</u> |
| Loss for the year | | <u>(174,497)</u> | <u>(279,722)</u> |
| Loss attributable to: | | | |
| — Equity holders of the Company | | (160,763) | (255,493) |
| — Non-controlling interests | | <u>(13,734)</u> | <u>(24,229)</u> |
| | | <u>(174,497)</u> | <u>(279,722)</u> |
| | | <i>HK\$ per share</i> | <i>HK\$ per share</i> |
| Loss per share for loss attributable to the equity holders of the Company: | | | |
| Basic and diluted loss per share | 7 | <u>(0.060)</u> | <u>(0.096)</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the year ended | |
|---|---------------------------|-----------------|
| | 31 December | |
| | 2012 | 2011 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Loss for the year | (174,497) | (279,722) |
| Other comprehensive income/(loss), net of tax | | |
| Exchange differences arising on translation of the financial statements of foreign subsidiaries | 4,075 | 33,437 |
| Fair value (loss)/gain on revaluation of available-for-sale financial assets | (2,751) | 300 |
| Share of other comprehensive income of an associated company | 2,717 | 11,728 |
| | <hr/> | <hr/> |
| Total comprehensive loss for the year, net of tax | (170,456) | (234,257) |
| | <hr/> <hr/> | <hr/> <hr/> |
| Total comprehensive loss attributable to: | | |
| — Equity holders of the Company | (157,432) | (213,297) |
| — Non-controlling interests | (13,024) | (20,960) |
| | <hr/> | <hr/> |
| | (170,456) | (234,257) |
| | <hr/> <hr/> | <hr/> <hr/> |

CONSOLIDATED BALANCE SHEET

| | | As at 31 December | |
|--|------|-------------------|------------------|
| | | 2012 | 2011 |
| | Note | HK\$'000 | HK\$'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Investment properties | | 2,405 | 2,409 |
| Property, plant and equipment | | 126,039 | 110,184 |
| Leasehold land | | 37,330 | 38,277 |
| Intangible assets | | 84,198 | 100,845 |
| Interest in an associated company | 8 | 1,458,419 | 1,373,366 |
| Available-for-sale financial assets | | 27,267 | 23,800 |
| Long-term deposits | 9 | 2,563 | 2,839 |
| Total non-current assets | | 1,738,221 | 1,651,720 |
| Current assets | | | |
| Inventories | | 81,310 | 121,752 |
| Trade and other receivables, prepayments and deposits | 9 | 545,009 | 441,345 |
| Amount due from an associated company | | 42 | – |
| Financial assets at fair value through profit or loss | | 13,948 | 10,491 |
| Short-term bank deposits | | 19,574 | – |
| Cash and cash equivalents | | 794,195 | 1,167,201 |
| Total current assets | | 1,454,078 | 1,740,789 |
| Total assets | | 3,192,299 | 3,392,509 |
| EQUITY | | | |
| Capital and reserves attributable to the Company's equity holders | | | |
| Share capital | | 6,684 | 6,684 |
| Reserves | | 2,619,411 | 2,806,303 |
| | | 2,626,095 | 2,812,987 |
| Non-controlling interests | | 55,290 | 126,055 |
| Total equity | | 2,681,385 | 2,939,042 |

| | | As at 31 December | |
|--|-------------|--------------------------|------------------|
| | | 2012 | 2011 |
| | <i>Note</i> | HK\$'000 | HK\$'000 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred tax liabilities | | <u>2,307</u> | <u>1,320</u> |
| Total non-current liabilities | | <u>2,307</u> | <u>1,320</u> |
| Current liabilities | | | |
| Trade and other payables | <i>10</i> | 498,465 | 423,107 |
| Amount due to an associated company | | 4,082 | – |
| Current income tax liabilities | | 6,060 | 5,595 |
| Borrowings | | <u>–</u> | <u>23,445</u> |
| Total current liabilities | | <u>508,607</u> | <u>452,147</u> |
| Total liabilities | | <u>510,914</u> | <u>453,467</u> |
| Total equity and liabilities | | <u>3,192,299</u> | <u>3,392,509</u> |
| Net current assets | | <u>945,471</u> | <u>1,288,642</u> |
| Total assets less current liabilities | | <u>2,683,692</u> | <u>2,940,362</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 available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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

(a) New and amended standards adopted by the Group:

There are no new and amended standards to existing HKFRS that are effective for the Group’s accounting year commencing 1 January 2012 that could be expected to have a material impact on the Group.

(b) New standards and interpretations not yet adopted:

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

Amendment to HKAS 1, ‘Financial statement presentation’ regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in ‘other comprehensive income’ (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

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 HKFRS 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 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the Board.

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, which are largely aligned between HKFRS and US GAAP, 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 or US GAAP. 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 GAINS/(LOSSES), NET

Revenue, other income and other gains/(losses), net recognised during the year are as follows:

| | For the year ended 31 December | |
|---|-----------------------------------|----------|
| | 2012 | 2011 |
| | HK\$'000 | HK\$'000 |
| Turnover | | |
| Provision of telecommunication solutions | 167,269 | 177,204 |
| Provision of financial solutions | 248,112 | 178,077 |
| Provision of payment solutions | 146,308 | 48,363 |
| Sales of electronic power meters and solutions | 279,365 | 419,149 |
| Provision of payment settlement services | 26,457 | 15,881 |
| Licence income from an associated company (<i>Note</i>) | 795 | – |
| | 868,306 | 838,674 |
| Other income | | |
| Interest income | 4,911 | 9,495 |
| Value added tax refund | 2,097 | – |
| Subsidy income | 527 | 3,406 |
| Rental income | 2,178 | 2,040 |
| Others | 1,713 | 1,131 |
| | 11,426 | 16,072 |
| Other gains/(losses), net | | |
| Gain/(loss) on disposal of financial assets at fair value through profit or loss | 291 | (28) |
| Dividend income on financial assets at fair value through profit or loss | 20 | 16 |
| Fair value gain/(loss) on financial assets at fair value through profit or loss | 3,910 | (2,365) |
| Loss on dilution of interests in an associated company | – | (1,885) |
| | 4,221 | (4,262) |
| Turnover, other income and other gains/(losses), net | 883,953 | 850,484 |

Note: Licence income was conducted pursuant to terms and conditions set out in the licence agreement entered into by the Group and the associated company on 13 April 2012.

3 SEGMENT INFORMATION

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

The Board of Directors consider the business from a product perspective.

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

- (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, integration and operation 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 communication technology.

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

| | Telecom- munication solutions <i>HK\$'000</i> | Financial solutions <i>HK\$'000</i> | Payment solutions <i>HK\$'000</i> | Electronic power meters and solutions <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total Group <i>HK\$'000</i> |
|---|--|---|---|---|---------------------------|-----------------------------------|
| Year ended 31 December 2012 | | | | | | |
| Segment turnover | 167,269 | 251,533 | 148,167 | 279,365 | 27,252 | 873,586 |
| Inter-segment turnover | - | (3,421) | (1,859) | - | - | (5,280) |
| Turnover from external customers | 167,269 | 248,112 | 146,308 | 279,365 | 27,252 | 868,306 |
| Segmental earning/(loss) before interest expense, taxes, depreciation and amortisation ("EBITDA") and before impairment of intangible assets | 16,656 | 8,792 | (91,733) | (32,686) | (10,481) | (109,452) |
| Impairment of intangible assets | - | - | - | (24,600) | - | (24,600) |
| Segmental EBITDA | 16,656 | 8,792 | (91,733) | (57,286) | (10,481) | (134,052) |
| Depreciation | (8,843) | (5,490) | (8,745) | (7,185) | (3,351) | (33,614) |
| Amortisation | (2,525) | - | - | (5,042) | - | (7,567) |
| Segmental operating profit/(loss) | 5,288 | 3,302 | (100,478) | (69,513) | (13,832) | (175,233) |
| Unallocated other income | | | | | | 8,934 |
| Unallocated corporate expenses | | | | | | (81,382) |
| Share of profit of an associated company | | | | | | 73,616 |
| Finance costs | | | | | | (1,295) |
| Loss before income tax | | | | | | (175,360) |
| Income tax credit | | | | | | 863 |
| Loss for the year | | | | | | (174,497) |

| | Telecom- munication solutions HK\$'000 | Financial solutions HK\$'000 | Payment solutions HK\$'000 | Electronic power meters and solutions HK\$'000 | Others HK\$'000 | Total Group 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 | 177,204 | 178,077 | 48,363 | 419,149 | 15,881 | 838,674 |
| Segmental 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 | 20,855 | 16,603 | (239,526) | (43,900) | (24,089) | (270,057) |
| Depreciation | (9,177) | (16,409) | (3,516) | (6,953) | (3,364) | (39,419) |
| Amortisation | – | – | (8,760) | (7,318) | – | (16,078) |
| Segmental operating profit/(loss) | 11,678 | 194 | (251,802) | (58,171) | (27,453) | (325,554) |
| 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 | | | | | | (279,722) |

Unallocated corporate expenses represent costs that are used for all segments, including depreciation of property, plant and equipment of HK\$2,352,000 (2011: HK\$1,028,000), depreciation of investment properties of HK\$172,000 (2011: HK\$150,000) and amortisation of leasehold land HK\$760,000 (2011: HK\$760,000), respectively.

The segment assets and liabilities at 31 December 2012 and additions to non-current assets for the year ended 31 December 2012 are as follows:

| | 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 Group HK\$'000 |
|--|---|------------------------------------|----------------------------------|--|--------------------|-------------------------|-------------------------|----------------------------|
| As at 31 December 2012 | | | | | | | | |
| Segment assets | 692,579 | 184,007 | 265,983 | 531,907 | 269,854 | 2,237,523 | (989,554) | 3,192,299 |
| Segment liabilities | (125,563) | (139,303) | (537,618) | (314,804) | (332,128) | (51,052) | 989,554 | (510,914) |
| Year ended 31 December 2012 | | | | | | | | |
| Additions to non-current assets (excluding long-term deposits, interest in an associated company and available-for-sale financial assets) | 18,019 | 4,314 | 37,426 | 1,576 | 6,711 | – | – | 68,046 |

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:

| | Telecom- munication solutions <i>HK\$'000</i> | Financial solutions <i>HK\$'000</i> | Payment solutions <i>HK\$'000</i> | Electronic power meters and solutions <i>HK\$'000</i> | Others <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Elimination <i>HK\$'000</i> | Total Group <i>HK\$'000</i> |
|---|--|---|---|---|---------------------------|--------------------------------|--------------------------------|-----------------------------------|
| 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 | <u>(36,612)</u> | <u>(62,417)</u> | <u>(286,468)</u> | <u>(350,538)</u> | <u>(292,295)</u> | <u>(4,897)</u> | <u>579,760</u> | <u>(453,467)</u> |
| 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) | <u>3,777</u> | <u>408</u> | <u>7,206</u> | <u>11,447</u> | <u>14,162</u> | <u>21</u> | <u>-</u> | <u>37,021</u> |

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

Revenues of approximately HK\$244,110,000 (2011: HK\$212,983,000) are derived from a single external customer. These revenues are attributable to the telecommunication solutions segment of HK\$153,572,000 (2011: HK\$164,636,000) and payment solutions segment of HK\$90,538,000 (2011: HK\$48,347,000) in the PRC.

Information provided to the Board of Directors is measured in a manner consistent with that of the consolidated 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 revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the consolidated income statement.

The Group is principally domiciled in Mainland China, Hong Kong, Japan and Macau. 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 | |
|----------------|---|------------------------|
| | 2012 | 2011 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Mainland China | 816,377 | 802,560 |
| Hong Kong | 18,531 | 20,233 |
| Japan | 26,457 | 15,881 |
| Macau | 6,941 | - |
| | <u>868,306</u> | <u>838,674</u> |

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 | |
|---------------------------|--------------------------|------------------|
| | 2012 | 2011 |
| | HK\$'000 | HK\$'000 |
| Non-current assets | | |
| Mainland China | 233,509 | 237,268 |
| Hong Kong | 1,498 | 2,485 |
| Japan | 14,965 | 11,962 |
| | <u>249,972</u> | <u>251,715</u> |
| Current assets | | |
| Mainland China | 916,693 | 854,756 |
| Hong Kong | 284,637 | 627,485 |
| Japan | 245,607 | 258,548 |
| Macau | 7,141 | – |
| | <u>1,454,078</u> | <u>1,740,789</u> |

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 | |
| | 2012 | 2011 |
| | HK\$'000 | HK\$'000 |
| Auditor's remuneration | 2,600 | 2,880 |
| Depreciation of property, plant and equipment | 35,966 | 40,447 |
| Depreciation of investment properties | 172 | 150 |
| Amortisation of leasehold land | 1,036 | 1,031 |
| Amortisation of intangible assets | 7,291 | 15,807 |
| Employee benefit expense (including Directors' emoluments) | 415,527 | 343,400 |
| Costs of inventories sold (including provision/(write back of provision) for inventories) | 288,644 | 424,371 |
| Operating lease rentals in respect of land and buildings | 35,545 | 23,483 |
| Operating lease rentals in respect of equipment | 14,967 | 22,505 |
| Research and development costs (including staff costs) | 145,608 | 105,510 |
| Gain on disposal of property, plant and equipment | (240) | (1,243) |
| Provision for impairment of trade receivables, net | 2,158 | 1,458 |
| Provision/(write back of provision) for inventories | 14,541 | (5,784) |
| Impairment of intangible assets (<i>Note</i>) | 24,600 | 154,836 |
| | <u>24,600</u> | <u>154,836</u> |

Note: Due to the continuous loss suffered by the electronic power meters and solutions segment, goodwill of approximately HK\$24,600,000 was considered impaired by the management on this segment during the six months ended 30 June 2012, after taking into account the operating environment and market conditions at that point of time.

Due to changes in market conditions and loss suffered by the payment solutions segment, goodwill of HK\$125,722,000 and intangible assets of HK\$29,114,000 were considered impaired by management on this segment during the year ended 31 December 2011.

5 FINANCE COSTS

| | For the year ended 31 December | |
|-----------------------------|-----------------------------------|-----------------|
| | 2012 | 2011 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interest on bank borrowings | <u>1,295</u> | <u>1,796</u> |

6 INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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 | |
|---------------------------------------|-----------------------------------|-----------------|
| | 2012 | 2011 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current tax | | |
| — Hong Kong profits tax | — | — |
| — Overseas taxation | 617 | 4,020 |
| Deferred tax | (1,338) | (10,348) |
| Adjustments in respect of prior years | <u>(142)</u> | <u>(1,481)</u> |
| Income tax credit | <u>(863)</u> | <u>(7,809)</u> |

7 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss 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 | |
|---|-----------------------------------|------------------|
| | 2012 | 2011 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Loss attributable to equity holders of the Company (HK\$'000) | <u>(160,763)</u> | <u>(255,493)</u> |
| Weighted average number of ordinary shares in issue (thousands) | <u>2,673,430</u> | <u>2,673,430</u> |
| Basic loss per share (HK\$ per share) | <u>(0.060)</u> | <u>(0.096)</u> |

(b) Diluted

Diluted loss 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 2012 is the same as the basic loss per share (2011: 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

| | 2012 <i>HK\$'000</i> | 2011 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| At 1 January | 1,373,366 | 1,285,714 |
| Share of profit | 73,616 | 77,809 |
| Share of other comprehensive income | 2,717 | 11,728 |
| Share of other reserve | 8,720 | – |
| Dilution of interest in an associated company | – | (1,885) |
| | <u>1,458,419</u> | <u>1,373,366</u> |
| At 31 December | <u>1,458,419</u> | <u>1,373,366</u> |

9 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

| | As at 31 December | |
|---|-------------------------|-------------------------|
| | 2012 <i>HK\$'000</i> | 2011 <i>HK\$'000</i> |
| Current portion | | |
| Trade receivables (<i>Note (a)</i>) | 468,281 | 384,905 |
| Bills receivables (<i>Note (b)</i>) | 5,415 | – |
| Less: provision for impairment of receivables | (23,522) | (21,248) |
| | <u>450,174</u> | 363,657 |
| Prepayments, deposits and other receivables: | | |
| Prepayments | 8,949 | 16,302 |
| Deposits | 16,476 | 16,632 |
| Others | 69,410 | 44,754 |
| | <u>545,009</u> | <u>441,345</u> |
| Non-current portion | | |
| Long-term deposits | <u>2,563</u> | <u>2,839</u> |
| Total | <u>547,572</u> | <u>444,184</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 was as follows:

| | As at 31 December | |
|--------------------|-------------------------|-------------------------|
| | 2012 <i>HK\$'000</i> | 2011 <i>HK\$'000</i> |
| Current to 90 days | 392,276 | 259,240 |
| 91 to 180 days | 10,499 | 19,114 |
| 181 to 365 days | 10,906 | 63,780 |
| Over 365 days | 54,600 | 42,771 |
| | <u>468,281</u> | <u>384,905</u> |

Note (b):

Bills receivables

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

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

| | As at 31 December | |
|-------------------------------|-------------------|----------|
| | 2012 | 2011 |
| | HK\$'000 | HK\$'000 |
| Falling within 90 days | 248 | – |
| Falling within 91 to 180 days | 5,167 | – |
| | <u>5,415</u> | <u>–</u> |

10 TRADE AND OTHER PAYABLES

| | As at 31 December | |
|--|-------------------|----------------|
| | 2012 | 2011 |
| | HK\$'000 | HK\$'000 |
| Trade payables (Note (a)) | 207,102 | 232,417 |
| Bills payables (Note (b)) | 39,479 | 18,290 |
| Other payables and accruals (Note (c)) | 251,884 | 172,400 |
| | <u>498,465</u> | <u>423,107</u> |

Note (a):

Trade payables

At 31 December 2012, the ageing analysis of the trade payables was as follows:

| | As at 31 December | |
|--------------------|-------------------|----------------|
| | 2012 | 2011 |
| | HK\$'000 | HK\$'000 |
| Current to 90 days | 163,663 | 151,170 |
| 91 to 180 days | 24,756 | 41,331 |
| 181 to 365 days | 7,278 | 31,394 |
| Over 365 days | 11,405 | 8,522 |
| | <u>207,102</u> | <u>232,417</u> |

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

Note (b):

Bills payables

The balance represents bank acceptance notes:

| | As at 31 December | |
|---------------------------|--------------------------|-----------------|
| | 2012 | 2011 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Due within 90 days | 14,065 | 18,290 |
| Due within 91 to 180 days | 25,414 | – |
| | <u>39,479</u> | <u>18,290</u> |

Note (c):

Other payables and accruals

| | As at 31 December | |
|---|--------------------------|-----------------|
| | 2012 | 2011 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Accrued staff costs and pension obligations | 97,709 | 75,545 |
| Receipt in advance from customers | 29,101 | 46,585 |
| Others | 125,074 | 50,270 |
| | <u>251,884</u> | <u>172,400</u> |

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 2012.

FINAL DIVIDEND

No dividend had been paid or declared by the Company during the year ended 31 December 2012 (2011: 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 of Hong Kong Limited (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 2012.

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 inside information of the Company.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles (the "Principles") and code provisions ("Code Provisions") as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules. The Board has approved the adoption of the revised CG Code which came into effect from 1 April 2012.

The Company has in formulating its corporate governance practices applied the Principles and complied with all the Code Provisions for the year ended 31 December 2012.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted.

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 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 2012.

SUBSEQUENT EVENTS

Exercise of Exchange Rights in respect of Convertible Preference Shares of Success Bridge Limited

Reference is made to the announcements of the Company dated 30 December 2009, 29 January 2010 and 10 June 2011 respectively and the circular dated 8 January 2010 (the “Circular”). Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

On 25 January 2013, the Company received an exercise notice from the SBL Preference Shareholders to exercise in full their rights under the Shareholders Agreement to exchange all SBL Preference Shares and SBL Ordinary Shares (that have arisen from the conversion of the SBL Preference Shares) registered in their names for 103,404,000 new Shares (the “Exchange Shares”) at the exchange price of HK\$4.5 per Share. As at the date of the exercise notice, the SBL Preference Shareholders held 900 SBL Preference Shares. The SBL Preference Shareholders did not hold any SBL Ordinary Shares.

Upon the issuance of the Exchange Shares on 31 January 2013, the total number of issued shares of the Company increased from 2,673,429,835 to 2,776,833,835. The Exchange Shares represent approximately 3.87% of the entire issued share capital of the Company before the issue of the Exchange Shares and approximately 3.72% of the entire issued share capital of the Company as enlarged by the Exchange Shares. Upon completion, Success Bridge became a wholly-owned subsidiary of the Company. The related financial impact of this transaction will be reflected within equity of the Group during the year ended 31 December 2013.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2012.

Scope of work of PricewaterhouseCoopers

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2012 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 2012 annual results announcement will be published on the Company's website at www.hisun.com.hk and the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at www.hkexnews.hk. The 2012 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 2012 annual financial information set out above does not constitute the Group's statutory financial statements for the financial year ended 31 December 2012. Instead, it has been derived from the Group's audited consolidated financial statements for the financial year ended 31 December 2012, which will be included in the Company's 2012 Annual Report.

By Order of the Board
Li Wenjin
Executive Director

Hong Kong, 14 March 2013

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*