THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hi Sun Group Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an offer of, nor is it intended to invite offers for, the securities in Hi Sun Group Limited.

HISUN

HI SUN GROUP LIMITED

高陽集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0818)

MAJOR TRANSACTION
ISSUE OF CONVERTIBLE PREFERENCE SHARES BY A SUBSIDIARY
AND
ADOPTION OF EMPLOYEE INCENTIVE SCHEME BY A SUBSIDIARY

Financial adviser

TAI FOOK

大福融資有限公司
TAI FOOK CAPITAL LIMITED

A notice convening a special general meeting of Hi Sun Group Limited to be held at 10:00 a.m. on 4 April 2005, at Suite 2316, 23/F., One International Finance Centre, No.1 Harbour View Street, Central, Hong Kong ("SGM") is set out on pages 75 to 76 to this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the principal place of business of the Company at Suite 2316, 23/F., One International Finance Centre, No.1 Harbour View Street, Central, Hong Kong as soon as practicable but in any event for the form of proxy, not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

* *For identification purpose only*

18 March 2005

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acme Partner"	Acme Partner International Limited, a company incorporated in the British Virgin Islands
"Announcement"	the announcement of the Company dated 11 November 2004 in relation to the issue of the Convertible Preference Shares by Turbo Speed
"associate"	has the meaning ascribed to it under the Listing Rules
"Beijing Hi-Sunsray"	北京高陽聖思園信息技術有限公司 (Beijing Hi-Sunsray Information Technology Limited), a wholly foreign owned enterprise incorporated in the PRC with limited liability and a wholly owned subsidiary of Turbo Speed
"Benchmark Price"	US$0.58 (approximately HK$4.5), being the price at which each Convertible Preference Share is to be issued pursuant to the Subscription Agreement
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for business
"China Mobile"	China Mobile Communications Corporation
"Circular"	the circular of the Company dated 3 December 2004 in relation to the issue of the Convertible Preference Shares by Turbo Speed
"Company"	Hi Sun Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
"Completion"	completion of the Subscription Agreement
"Comtel Development"	Comtel Development Limited, a company incorporated in the British Virgin Islands
"Conversion"	the exercise of the conversion rights under the Subscription Agreement to convert the Convertible Preference Shares into the Shares at an initial conversion price of HK$1.2 per Share, subject to adjustments

"Conversion Shares"	Shares falling to be issued upon the Conversion
"Convertible Preference Shares"	6,837,608 new convertible preference shares of US$0.10 each in the share capital of Turbo Speed to be issued pursuant to the Subscription Agreement
"Directors"	the directors of the Company
"Employee"	any bona fide full-time employee of Turbo Speed or any of its subsidiaries, who has attained 21 years of age, including any director of Turbo Speed or any of its subsidiary (but excluding any person who is a Director) provided always that such term shall exclude any person who has tendered his resignation or who at the relevant time is working out his period of notice pursuant to his employment contract or otherwise
"Employee Incentive Scheme"	the employee incentive scheme proposed to be adopted by Turbo Speed
"General Mandate"	the general mandate granted to the Board at the annual general meeting of the Company held on 28 May 2004
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IT"	information technology
"IVR Contract"	the contract entered into between Beijing Hi-Sunsray and China Mobile dated 9 December 2003 in relation to the cooperative provision of a unified connection and interface platform for voice value added services in the PRC and the construction, development and maintenance of, among other things, that platform and a user database, for a period of one year from 9 December 2003 to 8 December 2004
"Latest Practicable Date"	16 March 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Committee"	the listing sub-committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Offer"	the offer of a grant of an Option to an Employee pursuant to the Employee Incentive Scheme
"Option"	an option to subscribe for Turbo Speed Shares granted pursuant to the Employee Incentive Scheme
"Option Shares"	the number of Scheme Shares to be offered to the Selected Employees
"PRC"	People's Republic of China
"SGM"	the special general meeting of the Company to be held on 4 April 2005 to consider and approve (i) the Subscription Agreement and the transactions contemplated therein and the issue of the Conversion Shares; and (ii) the adoption of the Employee Incentive Scheme
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Scheme Shares"	up to 4,682,275 Turbo Speed Shares, which are currently held by a wholly-owned subsidiary of the Company, less the number of Turbo Speed Shares sold under the Employee Incentive Scheme to Selected Employees at any time
"Selected Employees"	those Employees who are granted Options pursuant to the terms of the Employee Incentive Scheme and who has accepted the grant of an Option in accordance with the terms of the Employee Incentive Scheme or (where the context so permits) a person entitled to any Option in consequence of the death of the original Selected Employee
"Shareholders"	holders of the Shares
"Shareholders Agreement"	the shareholders agreement to be entered into amongst the Company, Comtel Development, Acme Partner and Turbo Speed upon Completion
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscribers"	Comtel Development and Acme Partner

"Subscription"	the subscription of the Convertible Preference Shares by the Subscribers pursuant to the Subscription Agreement
"Subscription Agreement"	the conditional subscription agreement dated 9 November 2004 and entered into between the Company, Turbo Speed and the Subscribers in relation to the Subscription
"Turbo Speed"	Turbo Speed Technology Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
"Turbo Speed Group"	Turbo Speed and its subsidiaries
"Turbo Speed Shares"	ordinary share(s) of US$0.10 each in the share capital of Turbo Speed upon completion of the sub-division of the existing shares of US$1.00 each in the share capital of Turbo Speed on or before the Completion
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"US$"	United States dollars, the lawful currency of the United States of America

Unless the context requires otherwise, translation of US$ into HK$ is made in this circular, for illustration purpose only, at the rate of US$1.00 = HK$7.80.

HI SUN GROUP LIMITED
高 陽 集 團 有 限 公 司 *

(Incorporated in Bermuda with limited liability)
(Stock Code: 0818)

Executive Directors:
Mr. CHEUNG Yuk Fung *(Chairman)*
Mr. KUI Man Chun
Mr. LO Siu Yu
Mr. XU Wensheng
Mr. LI Wenjin
Mr. CHAN Yiu Kwong
Mr. XU Chang Jun
Mr. ZHOU Jian

Independent non-executive Directors:
Mr. TAM Chun Fai
Mr. XU Sitao
Mr. LEUNG Wai Man, Roger

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:
Suite 2316, 23rd Floor
One International Finance Centre
No. 1 Harbour View Street
Central
Hong Kong

18 March 2005

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
ISSUE OF CONVERTIBLE PREFERENCE SHARES BY A SUBSIDIARY
AND
ADOPTION OF EMPLOYEE INCENTIVE SCHEME BY A SUBSIDIARY

INTRODUCTION

As announced by the Company on 11 November 2004, on 9 November 2004, Turbo Speed, a wholly owned subsidiary of the Company, entered into the Subscription Agreement with the Subscribers in relation to the subscription by the Subscribers of the Convertible Preference Shares at a total subscription price of US$4 million (approximately HK$31.2 million). The Subscription will result in a material dilution of the Company's interest in Turbo Speed under Rule 13.36(1)(a)(ii) of the Listing Rules.

* *For identification purpose only*

As set out in the Circular, a written approval has been obtained from Rich Global Limited, the controlling shareholder of the Company holding approximately 56.8% in the nominal value of the securities giving the right to attend and vote at a general meeting of the Company to approve the Subscription. Subsequent to the issue of the Circular, the Stock Exchange and the Company have agreed the Subscription, which constitutes a material dilution of the Company's interest in Turbo Speed pursuant to Rule 13.36(1)(a)(ii) of the Listing Rules, is subject to Shareholders' approval in a general meeting. Accordingly, a general meeting will be convened for the Shareholders to consider and, if thought fit, approve the Subscription and the issue of the Conversion Shares pursuant to the Subscription Agreement.

As set out in the Announcement and the Circular, the Company intended to issue the Conversion Shares under the General Mandate. However, to allow greater flexibility to the Company given that under the terms of the Subscription Agreement, the number of Conversion Shares may exceed the maximum limit of the number of Shares issuable under the General Mandate, the Board decided to seek Shareholders' approval for the issue of the Conversion Shares.

Also, the Board intends Turbo Speed to adopt the Employee Incentive Scheme.

The Subscription, which represents a deemed disposal of the Company's interest in Turbo Speed, and the grant of the Option Shares, which represents a possible disposal of the Company's interest in Turbo Speed, when aggregated constitutes a major transaction for the Company pursuant to the Listing Rules. Accordingly, the adoption of the Employee Incentive Scheme is subject to Shareholders' approval under the Listing Rules.

The purpose of this circular is to (i) provide the Shareholders with information relating to the Subscription and the issue of the Convertible Preference Shares (including and in addition to those set out in the Circular); (ii) provide the Shareholders with information relating to the Employee Incentive Scheme; and (iii) give the Shareholders notice of the SGM to be convened for the purpose of considering and, if thought fit, approving (i) the Subscription Agreement and the transactions contemplated therein, including the issue of the Conversion Shares; and (ii) the adoption of the Employee Incentive Scheme.

ISSUE OF THE CONVERTIBLE PREFERENCE SHARES BY TURBO SPEED

The Subscription Agreement

As disclosed in the Announcement and the Circular, on 9 November 2004, Turbo Speed, a wholly owned subsidiary of the Company, entered into the Subscription Agreement with the Subscribers in relation to the subscription by the Subscribers of the Convertible Preference Shares at a total subscription price of US$4 million (approximately HK$31.2 million). The Convertible Preference Shares represent approximately 19.1% of the existing total number of issued shares of Turbo Speed and approximately 16.0% of the total number of issued shares of Turbo Speed as enlarged by the Subscription. The details of the Subscription Agreement is set out below:

Date	:	9 November 2004
Issuer	:	Turbo Speed, a wholly owned subsidiary of the Company
Subscribers	:	(i) Comtel Development (ii) Acme Partner To the Directors' best knowledge, information and belief having made all reasonable enquiry, each of the Subscribers and their respective ultimate beneficial shareholders are not connected (for the purpose of the Listing Rules) with any of the directors, chief executive or substantial shareholders of the Company and its subsidiaries or any of their respective associates.
Warrantor	:	The Company The Company has essentially guaranteed the performance by Turbo Speed of its obligations under the Subscription Agreement.
The Subscription	:	Pursuant to the Subscription Agreement, Turbo Speed will issue the Convertible Preference Shares to the Subscribers for a total consideration of US$4 million (approximately HK$31.2 million). The Convertible Preference Shares represent approximately 16.0% of the total number of issued shares of Turbo Speed as enlarged by the Subscription and will be issued to the Subscribers in the following manner:– (i) 5,128,206 of the Convertible Preference Shares, which represent approximately 12.0% of the total number of issued shares of Turbo Speed as enlarged by the Subscription, will be issued to Comtel Development at an aggregate subscription price of US$3 million (approximately HK$23.4 million); and

(ii) 1,709,402 of the Convertible Preference Shares, which represent approximately 4.0% of the total number of issued shares of Turbo Speed as enlarged by the Subscription, will be issued to Acme Partner at an aggregate subscription price of US$1 million (approximately HK$7.8 million).

Settlement of the subscription price : The total subscription price of US$4 million (approximately HK$31.2 million) will be settled in cash by the Subscribers in the following manner:–

(i) as to a sum of US$3 million (approximately HK$23.4 million) by Comtel Development; and

(ii) as to a sum of US$1 million (approximately HK$7.8 million) by Acme Partner.

The subscription monies, which have been paid by Comtel Development and Acme Partner on 12 November 2004 and 10 November 2004 respectively, are currently held in jointly controlled bank accounts and will be released to Turbo Speed on Completion.

Principal terms of the Convertible Preference Shares :

- The Convertible Preference Shares will rank in priority to any other class of shares in the capital of Turbo Speed to the return of an amount equal to the unpaid Preferred Dividend (as defined below) (if any) and the aggregate initial subscription price of the Convertible Preference Shares and thereafter with no entitlement to the return of capital on winding up of Turbo Speed or otherwise.

- Holders of the Convertible Preference Shares together will be entitled to a fixed cumulative preferred dividend equal to HK$624,000 (the "Preferred Dividend") (being the HK dollar equivalent of 2% of the initial subscription amounts) for each financial year of Turbo Speed, assuming no conversion of those Convertible Preference Shares.

- Holders of the Convertible Preference Shares shall be entitled to participate in part of dividends (the "Ordinary Dividend") declared and payable by Turbo Speed (after the Preferred Dividend), calculated by applying an agreed formula so that the aggregate of the Preferred Dividend and Ordinary Dividend to the holders of the Convertible Preference Shares will be equal initially to 16% (on an annual basis) of the total dividends payable by Turbo Speed, assuming no conversion of those Convertible Preference Shares *(Note)* .

Note: In the event when there has been a Conversion of the Convertible Preference Shares, the initial percentage of 16% will be adjusted downward to the percentage of the total number of the Convertible Preference Shares after the Conversion divided by the total number of the Turbo Speed Shares then in issue.

- Holders of the Convertible Preference Shares will be entitled to convert at a minimum value of US$500,000 (approximately HK$3.9 million) or integral multiples thereof at any time from the date of Completion for a period of 24 months into the Shares at a conversion price of HK$1.2 per Share, subject to adjustment as set out below:–

  1. on consolidation or sub-division of the Shares;

  2. if, at any time prior to 31 December 2005, the Company shall issue any shares (otherwise than pursuant to the exercise of conversion rights under the Convertible Preference Shares and/or subscription rights attached to options or other securities already in issue before the date of the Subscription Agreement) at a price ("Alternative Price") which is lower than the then prevailing conversion price of the Convertible Preference Shares, then any holder of the Convertible Preference Shares shall be entitled to convert the Convertible Preference Shares into the Shares at the Alternative Price for a period of 20 Business Days after the holder of the Convertible Preference Shares is notified of the issue *(Note 1)*; and

3. on issues of Shares by way of bonus or rights if the issue price is less than 90% of the market price of the Shares at the date of the announcement of the terms of the offer, to take into account the dilution effect resulting from such issues *(Note 1 & 2)*.

Notes:

(1) The price adjustment triggering events set out in paragraph 2 and 3 above may co-exist in the event that the Company issues Shares by way of bonus or rights prior to 31 December 2005 and the issue price is lower than both the then prevailing conversion price of the Convertible Preference Shares and 90% of the then market price of the Shares. Under such circumstances, the holder of the Convertible Preference Shares shall be entitled to convert the Convertible Preference Shares into Shares at the Alternative Price in the period of 20 Business Days pursuant to paragraph 2 above or if the holders take no such action to convert, the conversion price of the Convertible Preference Shares will be adjusted to take into account the dilution effect as contemplated in paragraph 3 above.

(2) The market price refers to the average of the closing prices for one Share for the five trading days ending on the last trading day immediately preceding the day on which such price is to be ascertained.

- On the Business Day after Turbo Speed has paid total dividends on each Convertible Preference Share which exceed its original issue price (i.e. Benchmark Price), Turbo Speed will be entitled to convert the Convertible Preference Shares into ordinary shares of Turbo Speed at a conversion ratio of 1:1, subject to adjustment on consolidation/sub-division of ordinary shares of Turbo Speed.

- Holders of the Convertible Preference Shares shall have the right to receive notice of and to attend general meeting of Turbo Speed, but shall have no right to vote at such meetings except on matters that affect the rights of the Convertible Preference Shares.

- Transfer of the Convertible Preference Share is subject to certain pre-emptive rights set out in the Shareholders Agreement.

Conditions precedent : Completion is conditional upon the following conditions being fulfilled:–

(a) provision by Turbo Speed a written confirmation from China Mobile that the IVR Contract has been renewed;

(b) no event having occurred which could reasonably be construed as one that could prevent or impede China Mobile from performing its obligations under the IVR Contract on or before the Business Day immediately preceding the date of Completion;

(c) no circumstances occurring which could frustrate the performance of the IVR Contract or make the performance of the IVR Contract illegal, unenforceable or impossible on or before the Business Day immediately preceding the date of Completion;

(d) permission to deal in the Conversion Shares having been granted by the Listing Committee;

(e) the approval of the Subscription Agreement and the transactions contemplated thereunder by the Shareholders (if required) in a manner as required under the Listing Rules; and

(f) the amendment to the Memorandum of Association of Turbo Speed relating to the creation of the Convertible Preference Shares having been agreed by the parties.

If any of the conditions above has not been fulfilled or waived (save that item (d), (e) and (f) above shall not be capable of being waived) in writing by the Subscribers on or prior to 30 April 2005 (or such later date as the Company, Turbo Speed and the Subscribers may agree in writing), then the Subscription Agreement shall terminate and none of the parties shall have any claim against the others for costs, damages, compensation or otherwise (save in respect of any prior breach of the Subscription Agreement).

Undertakings in the Shareholders Agreement	:	On Completion, the Company is required to enter into the Shareholders Agreement which provides for the following:

1. If the audited net profit after taxation of Beijing Hi-Sunsray (and its subsidiaries on a consolidated basis, if applicable) under the generally accepted accounting principles of Hong Kong for either the financial year ending 31 December 2005 or the financial year ending 31 December 2006 is less than RMB40 million (approximately HK$37.6 million) ("Profit Target") *(Note 1)*, the Company is required to transfer to the Subscribers (pro rata to their initial equity interest in Turbo Speed) additional Turbo Speed Shares ("Additional Shares") equivalent to 2% interest in the equity capital of Turbo Speed at a nominal consideration of HK$1. The actual number of the Additional Shares will be determined based on the then equity capital of Turbo Speed which includes all outstanding Turbo Speed Shares and Convertible Preference Shares then in issue plus the Convertible Preference Shares which were in issue at the date of the Subscription Agreement and thereafter converted and less any Turbo Speed Shares issued after Completion at a price which is equal to or exceeds the Benchmark Price.

2. If at any time for so long as Comtel Development and/or Acme Partner is/are holding any shares of Turbo Speed, Turbo Speed issues further shares at a price per share below the Benchmark Price, each of Comtel Development and Acme Partner shall be entitled to subscribe within 25 Business Days immediately after such issue at par such number of ordinary shares of Turbo Speed which maintains their interest in Turbo Speed before such issue (but after taking into account the Subscribers' interest in the Convertible Preference Shares which they have by then converted or transferred). *(Note 2)*

Moratorium	:	The Company has agreed and undertaken to the Subscribers that it shall not issue any Shares prior to 30 April 2005 (otherwise than pursuant to the exercise of conversion rights under the Convertible Preference Shares and/or subscription rights attached to options or other securities already in issue before the date of the Subscription Agreement). *(Note 3)*
Completion	:	Completion shall take place on the third Business Day following the day on which the conditions of the Subscription Agreement set out in (a), (d), (e) and (f) under the paragraph headed "Conditions precedent" above have been satisfied or waived.

Notes:

1. The Profit Target was determined after commercial negotiations on pricing, a private transaction between the Subscribers and the Company having considered the business potential of Beijing Hi-Sunsray going forward and the financial budget of Beijing Hi-Sunsray ("Budget") for the two years ending 31 December 2006. The Directors do not intend to and did not in the Subscription Agreement nor the Shareholders Agreement give the Subscribers any assurance as to whether all or part of the Budget could be achieved, and the Budget just represents the financial target which the management of Beijing Hi-Sunsray would like it to achieve. The Directors consider that the Profit Target only represents one of the commercial terms for the pricing of the Subscription and does not quantify the anticipated level of future profits of Beijing Hi-Sunsray. Assuming that the Profit Target is not met and the Company is required to transfer 2% ordinary shares in Turbo Speed to the Subscribers and no Conversion has taken place, the aggregate number of ordinary shares in Turbo Speed and Convertible Preference Shares held by the Subscribers will represent a maximum of approximately 18% of the total issued share capital of Turbo Speed as enlarged by the Subscription. Given that the Company would only be required to transfer to the Subscribers up to 2% equity interest in Turbo Speed at nominal consideration and no cash compensation to the Subscribers would be required in the event that the Profit Target could not be met, the Directors consider the provision of the adjustment provision is commercially acceptable.

   In the event that the Profit Target is not met and the Company is required to transfer additional equity interest in Turbo Speed to the Subscribers, the Company will make a further announcement.

2. Any issue of the Turbo Speed Shares to the Subscribers, if required under the Listing Rules, will be subject to compliance with applicable Listing Rules by the Company.

3. As at the Latest Practicable Date, there were outstanding options granted under the share option scheme of the Company to issue up to 33,000,000 Shares.

Reason for the Subscription and proposed use of proceeds

The Directors consider that the Subscription will provide new funding to Turbo Speed for its business expansion, principally relating to the provision of telecommunication solutions and services, and working capital of Beijing Hi-Sunsray and is in the best interests of the Shareholders as a whole.

The Directors also consider that the terms of the Subscription Agreement, which were negotiated on an arm's length basis and agreed on normal commercial terms between the parties involved, to be fair and reasonable.

Following Completion, Turbo Speed will remain as a subsidiary of the Company and Beijing Hi-Sunsray will continue to engage in its existing businesses. Save for the transfer of shares in Turbo Speed pursuant to the Employee Incentive Scheme and the deemed disposal arising from the Subscription, the Directors' present intention is to retain the Company's interest in Turbo Speed.

Financial effects of the Subscription on the Group

Upon Completion, the Group is expected to record a gain on the deemed disposal amounting to approximately HK$27 million after deducting the professional fees and all related expenses, which gain is subject to adjustment and review by the auditors of the Company. Such gain will be calculated by reference to the carrying value of Turbo Speed in the Company's accounts. Given there will be a gain on the deemed disposal in relation to the Subscription, the net asset value of the Group is expected to increase. Subsequent to Completion, the Group's net profit (loss) attributable to Shareholders will be adjusted by the minority shareholders' interest in Turbo Speed.

Material dilution

Given that Turbo Speed is a major subsidiary of the Company and the Subscription will result in a material dilution of the Company's interest in Turbo Speed under Rule 13.36(1)(a)(ii) of the Listing Rules, the Subscription is subject to approval of the Shareholders at a general meeting. As set out in the Circular, a written approval has been obtained from Rich Global Limited, the controlling shareholder of the Company holding approximately 56.8% in the nominal value of the securities giving the right to attend and vote at a general meeting of the Company to approve the Subscription. Subsequent to the issue of the Circular, the Stock Exchange and the Company have agreed the Subscription, which constitutes a material dilution of the Company's interest in Turbo Speed pursuant to Rule 13.36(1)(a)(ii) of the Listing Rules, is subject to shareholders' approval in a general meeting. Accordingly, a general meeting will be convened for the Shareholders to consider and, if thought fit, approve the Subscription and the issue of the Conversion Shares pursuant to the Subscription Agreement.

Issue of the Conversion Shares

Pursuant to the Subscription Agreement, holders of the Convertible Preference Shares will be entitled to convert at a minimum value US$500,000 (approximately HK$3.9 million) or integral multiples thereof at any time from the date of Completion for a period of 24 months into the Shares at the initial conversion price of HK$1.2 per Share, subject to adjustments. Based on the initial conversion price of HK$1.2 per Share, a total of 26,000,000 Shares will be issued pursuant to the Conversion. As disclosed in the Announcement and the Circular, the Company intended to issue the Conversion Shares under the General

Mandate. However, to allow greater flexibility to the Company given that under the terms of the Subscription Agreement, the number of Conversion Shares may exceed the maximum limit of the number of Shares issuable under the General Mandate, the Board decided to seek Shareholders' approval for the issue of the Conversion Shares.

According to the terms of the Subscription Agreement, the conversion price for the Conversion may be adjusted upon occurrence of certain triggering events (see paragraph headed "Principal terms of the Convertible Preference Shares" above for a detailed description of the triggering events and the relevant adjustment provisions). In the event of the occurrence of any of such triggering events, the Company will make a further announcement in relation to the adjustment of the conversion price and the potential dilution effect resulted therefrom. The following table sets out the shareholding structure of the Company before and after the Conversion assuming different conversion prices:

	Existing		**After full Conversion assuming a conversion price of HK$1.2 per Share**		**After full Conversion assuming a conversion price of HK$0.36 per Share** *(Note 1 & 2)*		**After full Conversion assuming a conversion price of HK$0.25 per Share** *(Note 1 & 3)*		**After full Conversion assuming a conversion price of HK$0.01 per Share** *(Note 1 & 4)*	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Rich Global Limited	189,270,909	56.8	189,270,909	52.7	189,270,909	45.1	189,270,909	41.3	189,270,909	5.5
Holders of the Convertible Preference Shares	–	–	26,000,000	7.2	86,666,667	20.6	124,800,000	27.3	3,120,000,000	90.3
Public	143,783,121	43.2	143,783,121	40.1	143,783,121	34.3	143,783,121	31.4	143,783,121	4.2
	333,054,030	100.0	359,054,030	100.0	419,720,697	100.0	457,854,030	100.0	3,453,054,030	100.0

Notes:

1. As disclosed in the preceding paragraph, the conversion price of the Convertible Preference Shares is subject to adjustment upon occurrence of certain triggering events. For illustrative purpose, it is set out in the above table the shareholding structure of the Company assuming the Conversion Shares are issued at prices (to be explained in the paragraphs 2, 3 and 4 below) lower than the initial conversion price of HK$1.2 per Share.

2. Being the average closing price of the Shares for the 20 trading days ended on the Latest Practicable Date.

3. Being the lowest closing price of the Shares for the year ended on the Latest Practicable Date.

4. Being the lowest theoretical conversion price for the Conversion pursuant to the Subscription Agreement i.e. the par value of the Shares of HK$0.01.

The Company will make further announcement in relation to any conversion, which announcement will include details on the number of the Conversion Shares, the number of Convertible Preference Shares to be converted and the actual conversion price per Share.

Application for Listing

The Convertible Preference Shares will not be listed on any stock exchange. No application will be made for the listing of the Convertible Preference Shares.

An application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

INFORMATION OF THE SUBSCRIBERS

Comtel Development is wholly-owned by On Capital China Tech Fund, a Cayman Islands regulated mutual fund company. The fund's investment objective is to seek medium to long term capital appreciation and superior returns, principally by means of investment in early stage high-growth technology enterprises in the PRC, with a focus on electronics and information technology.

Acme Partner is wholly-owned by The Yangtze Ventures Limited, a private investment fund company which aims to achieve superior returns for investors through investing in equity linked investments in technology-based and high growth enterprises along the Yangtze River Delta.

To the Directors' best knowledge, information and belief having made all reasonable enquiry, each of the Subscribers and their respective ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

ADOPTION OF THE EMPLOYEE INCENTIVE SCHEME BY TURBO SPEED

The Board intends Turbo Speed to adopt the Employee Incentive Scheme. A summary of the principal terms of the Employee Incentive Scheme is set out below:

Purpose of the Employee Incentive Scheme	:	To provide the Employees with the opportunity to share the pride of ownership in Turbo Speed and to reward them for their performance and contribution
Eligible persons	:	The Employees
Number of Scheme Shares	:	Up to 4,682,275 Turbo Speed Shares, representing approximately 13.0% of the existing issued share capital of Turbo Speed and approximately 11.0% of the issued share capital of Turbo Speed as enlarged by the Subscription, currently held by a wholly-owned subsidiary of the Company

Duration of the Employee Incentive Scheme	:	From the date of adoption of the Employee Incentive Scheme by Turbo Speed or, the date of the SGM, whichever is later, to 31 December 2008, unless terminated by resolution of a remuneration committee formed by the Board to administer the Employee Incentive Scheme (the "Committee") *(Note 1)*
Grant of Options	:	Options may be offered to any Employee determined by the Committee in its absolute discretion from time to time by reference to: (i) the performance of that Employee; and (ii) the financial performance of the Turbo Speed Group and the extent to which the Turbo Speed Group has achieved its intended business plans The maximum number of the Turbo Speed Shares which may be offered to an Employee who is also a director of companies within the Turbo Speed Group in any 12-month period may not exceed 1% of the entire issued share capital of Turbo Speed *(Note 2)* An Option may be exercised in whole or in part (in the number or integral multiples of 50,000 Turbo Speed Shares) in accordance with the terms of the Employee Incentive Scheme at any time during the option period as specified by the Committee, the last day of such period shall not fall after 31 December 2008 (the "Option Period")
Purchase price	:	HK$1.922 per Scheme Share, which is subject to adjustments on consolidation and/or subdivision of Turbo Speed Shares
Lapse of Option	:	An Option shall lapse automatically and not be exercisable (to the extent not already exercised), among other things, on the earliest of: 1. the expiry of the Option Period; 2. the expiry of the 12 months period following the death of a Selected Employee; 3. the expiry of the offer period in the event of a general offer by way of takeover or otherwise (other than by way of scheme

of arrangement) made to all holders of Turbo Speed Shares provided that if any court of competent jurisdiction makes an order the effect of which is to prohibit the offeror from acquiring the remaining Turbo Speed Shares in the offer, the relevant period within which Options may be exercised shall not begin to run until the discharge of the order in question or unless the offer lapses or is withdrawn before that date;

4. the date on which the Selected Employee ceases to be an Employee by reason of the termination of his employment or directorship for cause specified under the Employee Incentive Scheme;

5. the date on which the Selected Employee ceases to be an Employee for any reason other than death or circumstances described in (4) above;

6. the date on which any of company of the Turbo Speed Group by which the Selected Employee is employed ceases to be subsidiary of the Company; and

7. 10 Business Days before the date on which the pre-listing corporate reorganization of the Turbo Speed Group takes place for the purpose of a proposed listing of the Turbo Speed Group on the Stock Exchange or any overseas stock exchange (the "Listing") *(Note 3)*.

Restriction of disposal of Option Shares :

1. An Option shall be personal to the Selected Employee and shall not be transferable or assignable, subject to his personal representative on death.

2. No Selected Employee may sell, transfer or otherwise dispose of (including creating encumbrances over) more than 50% of Option Shares prior to the Listing, without the prior written consent of the Committee.

		3. The Company shall have a right of first refusal over any Scheme Shares intended to be sold by a Selected Employee.
Alteration of the Employee Incentive Scheme	:	Terms of the Employee Incentive Scheme (except the number of Scheme Shares and the maximum number of Option Shares which may be granted to any director of the Turbo Speed Group) may be altered by a resolution of the Committee but no alteration may adversely affect the rights of Selected Employees under Options already granted except (i) with consent of the relevant Selected Employees in writing; or (ii) with the sanction of a special resolution passed at a meeting of the Selected Employees. In addition, any alteration to the purchase price such that it is less than HK$1.922 per share will have to be approved by the shareholders of Turbo Speed in general meeting. In any event, any alteration of the principal terms of the Employee Incentive Scheme (including those as disclosed in this circular) will be subject to Shareholders' approval and full compliance with any other applicable Listing Rules by the Company.

Notes:

1. The Committee will be constituted by members of the Board (including independent non-executive Directors).

2. In the event that the Turbo Speed Shares will be offered to an Employee who is also a connected person (as defined in the Listing Rules) of the Company, the Company will ensure such offer to be made in full compliance with Chapter 14A of the Listing Rules.

3. The Directors do not have any definite plan to seek for the listing of the Turbo Speed Group at present. However, the Directors do not rule out the possibility of pursuing such exercise when appropriate circumstances arise.

The initial purchase price of HK$1.922 per Scheme Share represents a premium of approximately HK$2.279 per Turbo Speed Share over the unaudited consolidated net liabilities of HK$0.357 per Turbo Speed Share as at 30 September 2004.

Exercise of Options offered to Employees depends on the performance of Turbo Speed and Options granted may or may not be exercised.

The transfer of the Scheme Shares to the Selected Employees will result in a disposal of the equity interest in Turbo Speed by the Company. The gain or loss arising from such disposal depends on the net assets per Scheme Share as at the time of the purchase of the Option Shares. For illustrative purposes, based on the unaudited net assets of Turbo Speed as at 30 September 2004 and the initial purchase price per Scheme Share of HK$1.922, the Company is expected to record a gain of approximately HK$11 million assuming all the Scheme Shares are granted to and purchased by the Selected Employees, which gain is subject to adjustment and review by the auditors of the Company and on this basis, the net asset value of the Group is expected to increase.

The net proceeds from the disposal of the Scheme Shares will be used for the working capital of the Group. The Directors consider that the terms of the Employee Incentive Scheme are fair and reasonable and in the interests of the Shareholders as a whole.

As at the Latest Practicable Date, the Company owns the entire issued share capital of Turbo Speed. Following completion of the Subscription, the Company's equity interest in Turbo Speed will be reduced to approximately 84.0%.

The transfer of all the Scheme Shares to the Selected Employees will further reduce the Company's equity interest in Turbo Speed to approximately 73.0%. Subject to no further change to its share capital, Turbo Speed will continue to remain as a subsidiary of the Company.

INFORMATION OF THE GROUP AND TURBO SPEED

The Group is an IT solution provider with focus on the provision of IT related consultancy and services. Turbo Speed is a company incorporated in the British Virgin Islands on 28 January 2000 and is in the business of investment holding with its sole investment being its ownership of the 100% equity interest in Beijing Hi-Sunsray. Beijing Hi-Sunsray, a wholly foreign owned enterprise incorporated in the PRC on 24 May 2000, is engaged principally in the provision of telecommunication solutions and services and system integration services in the PRC. Management systems and value added systems for telecommunication carriers remain the two principal solutions of Beijing Hi-Sunsray. In December 2003, Beijing Hi-Sunsray entered into the IVR Contract with China Mobile, a leading mobile telecommunication carrier in the PRC, for a period of one year from 9 December 2003 to 8 December 2004, to run Interactive Voice Response (IVR) system service for China Mobile which involves the cooperative provision of a unified connection and interface platform for voice value added services and for the construction, development and maintenance of that platform and a user database by itself. Pursuant to the IVR Contract, the terms of the IVR Contract can be extended by one year upon mutual agreement between Beijing Hi-Sunsray and China Mobile, and Beijing Hi-Sunsray is in the process of renewing the IVR Contract subject to finalisation of the terms. The Directors expect that IVR business of the Turbo Speed Group will experience rapid growth in the coming years with China Mobile and other telecommunication carriers in the PRC pursuing their business expansion, and that it is the plan of the Turbo Speed Group to further develop other value added multi-media services to users through their mobile phone.

Based on the audited financial statements of Turbo Speed, which are prepared in accordance with accounting principles generally accepted in Hong Kong, the consolidated net loss (before and after taxation) for the two years ended 31 December 2003 and the consolidated net asset value of Turbo Speed as at 31 December 2002 and 2003 are as follows:

	For the year ended 31 December	
	2002	**2003**
	HK$'000	*HK$'000*
Net loss before and after taxation *(Note)*	6,262	2,267

	As at 31 December	
	2002	**2003**
	HK$'000	*HK$'000*
Net liabilities	7,990	10,257

Note: No tax was required to be paid by Turbo Speed for each of the two years ended 31 December 2003 since it incurred losses during such period. Pursuant to an approval from the Beijing Tax Bureau, the taxable income in respect of information technology products and services of certain subsidiaries of the Group, including Beijing Hi-Sunsray, are entitled to three years' PRC income tax exemption commencing from 1 January 2000. In addition, no provision for overseas profits tax has been provided in these accounts as the Group has no estimated assessable overseas profit for the year.

Based on the unaudited management accounts of Turbo Speed, the unaudited consolidated net loss (before and after taxation) for six months ended 30 June 2004 and the unaudited consolidated net liablities of Turbo Speed as at 30 June 2004 are approximately HK$7,081,000 and approximately HK$17,339,000 respectively.

LISTING RULES IMPLICATIONS

Since Turbo Speed is a major subsidiary of the Company and the Subscription will result in a material dilution of the Company's interest in Turbo Speed under Rule 13.36(1)(a)(ii) of the Listing Rules, the Subscription is subject to the approval of the Shareholders at a general meeting.

Given the aggregated consideration for (i) the Subscription, which represents a deemed disposal of the Company's interest in Turbo Speed; and (ii) the grant of the Option Shares (based on the maximum number of Scheme Shares to be granted), which represents a possible disposal of the Company's interest in Turbo Speed, is over 25% but less than 100% of the Company's market capitalization, the Subscription and the grant of the Option Shares when aggregated constitutes a major transaction for the Company pursuant to the Listing Rules and is subject to approval of the Shareholders at the SGM. No Shareholder is required to abstain from voting under the Listing Rules.

SGM

Set out on pages 75 and 76 of this circular is a notice convening the SGM to be held at Suite 2316, 23/F., One International Finance Centre, No.1 Harbour View Street, Central, Hong Kong on 4 April 2005 for the purpose of considering and, if thought fit, pass the resolutions to approve (i) the Subscription Agreement and the transactions contemplated therein, including the issue of the Conversion Shares; and (ii) the adoption of the Employee Incentive Scheme.

A form of proxy is herewith enclosed for use at the SGM. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the principal place of business of the Company at Suite 2316, 23/F., One International Finance Centre, No.1 Harbour View Street, Central, Hong Kong as soon as practicable but in any event for the form of proxy, not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM of any adjourned meeting should you so wish.

PROCEDURES FOR DEMANDING A POLL AT GENERAL MEETING

Pursuant to Bye-Law 76 of the bye-laws of the Company, a resolution put to the vote of a meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by: (i) the chairman; or (ii) at least three members present in person or by proxy or by representative for the time being entitled to vote at the meeting; or (iii) a member or members present in person or by proxy or by representative and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or (iv) by a member or members present in person or by proxy or by representative and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription and the Employee Incentive Scheme are fair and reasonable and in the best interests of the Company and the Shareholders as a whole. The Directors recommend that the Shareholders vote in favour of the resolution for approving the Subscription Agreement and the transactions contemplated therein, including the issue of the Conversion Shares and the adoption of the Employee Incentive Scheme.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Hi Sun Group Limited
Chan Yiu Kwong
Executive Director

1. SHARE CAPITAL

The authorized and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised:		*HK$*
1,000,000,000	Shares as at the Latest Practicable Date	10,000,000
Issued, fully paid or credited as fully paid:		
333,054,030	Shares in issue as at the Latest Practicable Date	3,330,540

The Shares are listed on the Stock Exchange. No part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange.

There has been no alteration in the capital of any member of the Group since 31 December 2003, the date to which the latest published audited consolidated financial statements of the Group were made up, up to the Latest Practicable Date.

As at the Latest Practicable Date, the Company has 33,000,000 outstanding share options under a share option scheme adopted by the Company in November 2001. These options were granted to certain directors and employees of the Group which entitled the holders to convert into 33,000,000 Shares at the exercise price of HK$0.374.

Save as disclosed above and the Convertible Preference Shares to be issued pursuant to completion of the Subscription, the Company has no other convertible securities, options or warrants in issue as at the Latest Practicable Date.

2. FINANCIAL INFORMATION

(a) Summary of the audited consolidated financial results of the Group for each of the three years ended 31 December 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2003

	2003	2002	2001
	HK$'000	*HK$'000*	*HK$'000*
Turnover	359,790	369,996	35,475
Cost of sales	(257,915)	(300,116)	(42,351)
Gross profit/(loss)	101,875	69,880	(6,876)
Other revenue	328	1,939	426
Gain on disposal of discontinuing operations	–	6,701	–
Selling expenses	(35,899)	(46,652)	–
Administrative expenses	(68,133)	(79,402)	(19,322)
Write-back of provision for doubtful debts	–	3,651	4,594
Write-back of provision for contract work in progress	–	5,218	12,866
Operating loss	(1,829)	(38,665)	(8,312)
Finance costs	(1,625)	(2,140)	(5,094)
Net non-operating income	–	–	353,795
(Loss)/profit before taxation	(3,454)	(40,805)	340,389
Taxation	–	(23)	3
(Loss)/profit before minority interests	(3,454)	(40,828)	340,392
Minority interests	–	–	2,573
(Loss)/profit attributable to shareholders	(3,454)	(40,828)	342,965
Basic (loss)/earnings per share	HK$(0.01)	HK$(0.19)	HK$2.01
Diluted (loss)/earnings per share	HK$(0.01)	HK$(0.19)	HK$2.01

(b) Financial statements

The following is the audited consolidated financial statements of the Group for the year ended 31 December 2003 together with accompanying notes, extracted from the Company's 2003 annual report:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2003

	Note	2003 HK$'000	2002 HK$'000
Turnover	2	359,790	369,996
Cost of sales		(257,915)	(300,116)
Gross profit		101,875	69,880
Other revenue	2	328	1,939
Gain on disposal of discontinuing operations	3	–	6,701
Selling expenses		(35,899)	(46,652)
Administrative expenses		(68,133)	(79,402)
Write-back of provision for doubtful debts		–	3,651
Write-back of provision for contract work in progress		–	5,218
Operating loss	4	(1,829)	(38,665)
Finance costs	5	(1,625)	(2,140)
Loss before taxation		(3,454)	(40,805)
Taxation	8	–	(23)
Loss attributable to shareholders	9	(3,454)	(40,828)
Basic loss per share	10	HK$(0.01)	HK$(0.19)
Diluted loss per share	10	HK$(0.01)	HK$(0.19)

CONSOLIDATED BALANCE SHEET
As at 31 December 2003

	Note	2003 HK$'000	2002 HK$'000
Non current assets			
Fixed assets	11	18,283	25,760
Current assets			
Inventories	13	20,738	25,518
Trade and other receivables	14	82,131	167,759
Pledged bank deposits	16	18,879	20,014
Bank balances and cash		23,645	73,261
		145,393	286,552
Current liabilities			
Trade payables, other payables and accruals	15	72,206	180,645
Due to ultimate holding company	17	3,042	3,839
Due to fellow subsidiaries	17	3,154	6,369
Taxation payable		41	41
Short term bank borrowings	16	24,475	57,206
		102,918	248,100
Net current assets		42,475	38,452
Total assets less current liabilities		60,758	64,212
Financed by:			
Share capital	19	3,330	3,330
Reserves	20	57,428	60,882
Shareholders' funds		60,758	64,212

BALANCE SHEET
As at 31 December 2003

	Note	2003 HK$'000	2002 HK$'000
Non current assets			
Fixed assets	11	9	11
Interests in subsidiaries	12	76,607	63,214
		76,616	63,225
Current assets			
Prepayments, deposits and other receivables	14	1,056	1,592
Bank balances and cash		2,874	39,436
		3,930	41,028
Current liabilities			
Other payables and accruals	15	819	713
Net current assets		3,111	40,315
Total assets less current liabilities		79,727	103,540
Financed by:			
Share capital	19	3,330	3,330
Reserves	20	76,397	100,210
Shareholders' funds		79,727	103,540

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2003

	Note	2003 HK$'000	2002 HK$'000
Total equity as at 1 January		64,212	20,273
Loss for the year	20	(3,454)	(40,828)
Exchange difference transferred to profit and loss account upon disposal of subsidiaries	20	–	825
Reserve funds transferred to profit and loss account upon disposal of subsidiaries	20	–	(273)
Issue of shares	19, 20	–	86,341
Share issue expenses	20	–	(2,126)
Total equity as at 31 December		60,758	64,212

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2003

	Note	2003 HK$'000	2002 HK$'000
Operating activities			
Net cash outflow from operations	22(a)	(14,987)	(80,568)
Interest paid		(1,625)	(2,140)
Net cash outflow from operating activities		(16,612)	(82,708)
Investing activities			
Purchase of fixed assets		(2,273)	(6,464)
Sale of fixed assets		574	12,157
Disposal of discontinuing operations, net of cash disposed		–	(1,415)
Purchase of subsidiaries, net of cash acquired		–	7,055
Interest received		291	460
Decrease/(increase) in pledged bank deposits		1,135	(10,014)
Net cash (outflow)/inflow from investing activities		(273)	1,779
Net cash outflow before financing activities		(16,885)	(80,929)
Financing activities			
Issue of ordinary shares	22(b)	–	84,215
Inception of short term bank borrowings	22(b)	–	36,551
Repayment of short term bank borrowings	22(b)	(27,972)	–
Net cash (outflow)/inflow from financing activities		(27,972)	120,766
(Decrease)/increase in cash and cash equivalents		(44,857)	39,837
Cash and cash equivalents at 1st January		59,809	19,972
Cash and cash equivalents at 31 December		14,952	59,809
Analysis of balances of cash and cash equivalents			
Bank balances and cash		23,645	73,261
Bank overdrafts		(8,693)	(13,452)
		14,952	59,809

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention.

In the current year, the Group adopted Statement of Standard Accounting Practice ("SSAP") No. 12 "Income taxes" (revised) issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

The adoption of the above revised SSAP had no material financial impact on these accounts.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of Directors; or to cast majority of votes at the meetings of the board of Directors.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account and any related accumulated foreign currency translation reserve.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(d) Fixed assets

(i) Fixed assets

Leasehold improvements, office furniture and equipment, plant and equipment and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

(ii) Depreciation

All fixed assets are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	20%
Office furniture and equipment	18% – 25%
Plant and equipment	9% – 25%
Motor vehicles	18% – 25%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(iii) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(e) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(f) Inventories

Inventories comprise raw materials, work in progress and finished goods and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials and direct labour. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(g) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(h) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(j) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision, where appropriate, is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Pension Scheme") set up pursuant to the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated profit and loss account as they become payable in accordance with the rules of the Pension Scheme. The assets of the Pension Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed to the Pension Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to vesting fully in the contributions, in accordance with the rules of the Pension Scheme.

In addition, pursuant to the government regulations in the People's Republic of China (the "PRC"), the Group is required to contribute an amount to certain retirement benefit schemes based on 25.5% of the wages for the year of those workers in the PRC. The local municipal government undertakes to assume the retirement benefits obligations of those workers of the Group. Contributions to these retirement benefits schemes are charged to the consolidated profit and loss account as incurred.

(k) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(l) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(m) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(n) Construction and installation contracts

The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a given period; the stage of completion is measured by reference to the costs, comprising direct materials, direct labour and an appropriate proportion of variable and fixed construction overheads, incurred to date as compared to the estimated total costs to be incurred under the construction and installation contracts and or by reference to independent qualified surveyor's assessment reports. When it is probable total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Provision is made for foreseeable losses as soon as they are anticipated by management.

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the year-end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers on construction and installation contracts, under current assets. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on construction and installation contracts, under current liabilities.

(o) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Information system consultancy and integration service income is recognised when the services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(p) Negative goodwill

Negative goodwill represents the excess of the fair value of the Group's share of the net assets of the acquired subsidiary over the cost of acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the remaining weighted average useful life of those assets of 5 years; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the consolidated profit and loss account immediately.

(q) Related parties

Related parties included companies in which the Directors of the Company have beneficial interests or parties which are subject to common control or common significant influence in making significant financial and operating decisions.

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the sale of computer hardware and software, provision of information system consultancy and integration services. Revenues recognised during the year are as follows:

	2003	2002
	HK$'000	*HK$'000*
Turnover		
Sales of goods	240,295	287,247
Provision of information system consultancy and integration services	119,495	78,803
Value of construction and installation work performed	–	3,946
	359,790	369,996
Other revenues		
Rental income	–	238
Interest income	291	460
Waiver of payment to a sub-contractor	–	454
Others	37	787
	328	1,939
Total revenue	360,118	371,935

Primary reporting format – business segments

The Group is organised into three main business segments:

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

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

(c) Electronic payment products and services – sales of point-of-sale ("POS") terminals.

In 2002, the Group also engaged in the construction and installation of curtain wall system and aluminium windows. This segment was disposed of on 30 September 2002.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers.

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

Secondary reporting format – geographical segments

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

Hong Kong, Korea and South East Asia	–	financial solutions, services and related products, and electronic payment products and services
Mainland China	–	financial solutions, services and related products, telecommunication solutions, services and related products, and electronic payment products and services

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

Primary reporting format – business segments

	Financial solutions, services and related products 2003 *HK$'000*	Telecommunication solutions, services and related products 2003 *HK$'000*	Electronic payment products and services 2003 *HK$'000*	Other operations 2003 *HK$'000*	Group 2003 *HK$'000*
Turnover	260,545	29,238	69,957	50	359,790
Other revenue	161	7	159	1	328
Segment results	5,595	(2,162)	3,859	(9,121)	(1,829)
Finance costs					(1,625)
Loss before taxation					(3,454)
Taxation					–
Loss attributable to shareholders					(3,454)
Segment assets	83,383	23,168	52,488	4,637	163,676
Segment liabilities	(38,499)	(32,334)	(31,119)	(966)	(102,918)
Other segment information:					
Depreciation	6,977	1,160	677	2	8,816
Provision for doubtful debts	1,701	–	–	–	1,701
Provision for other receivables	1,196	–	–	–	1,196
Write-back of provision for obsolete inventories	–	–	(346)	–	(346)
Loss on disposal and write off of fixed assets	336	–	24	–	360
Capital expenditure	1,867	247	159	–	2,273

	Financial solutions, services and related products 2002 HK$'000	Telecommunication solutions, services and related products 2002 HK$'000	Electronic payment products and services 2002 HK$'000	Discontinuing operations 2002 HK$'000	Other operations 2002 HK$'000	Group 2002 HK$'000
Turnover	287,168	33,146	45,736	3,946	–	369,996
Other revenue	530	97	491	248	573	1,939
Segment results	(26,443)	(4,548)	(6,330)	(3,413)	(4,632)	(45,366)
Gain on disposal of discontinuing operations						6,701
Operating loss						(38,665)
Finance costs						(2,140)
Loss before taxation						(40,805)
Taxation						(23)
Loss attributable to shareholders						(40,828)
Segment assets	192,362	22,445	56,368	–	41,137	312,312
Segment liabilities	(178,035)	(29,450)	(39,527)	–	(1,088)	(248,100)
Other segment information:						
Depreciation	5,458	1,019	481	469	2	7,429
Provision for/(write-back) of provision for doubtful debts	481	–	–	(3,651)	–	(3,170)
Provision for other receivables	280	–	–	–	–	280
Provision for obsolete inventories	–	–	2,237	–	–	2,237
Write-back of provision for contract work in progress	–	–	–	(5,218)	–	(5,218)
Loss on disposal and write off of fixed assets	73	–	12	2,370	–	2,455
Capital expenditure	5,372	292	677	111	12	6,464

Secondary reporting format – geographical segments

	Turnover 2003 *HK$'000*	**Segment results 2003** *HK$'000*	**Total assets 2003** *HK$'000*	**Capital expenditure 2003** *HK$'000*
Hong Kong, Korea and South East Asia	54,823	(3,855)	40,136	11
Mainland China	304,967	1,735	123,540	2,262
	359,790	(2,120)	163,676	2,273
Unallocated income, net		291		
Operating loss		(1,829)		

	Turnover 2002 *HK$'000*	Segment results 2002 *HK$'000*	Total assets 2002 *HK$'000*	Capital expenditure 2002 *HK$'000*
Hong Kong, Korea and South East Asia	42,353	(9,975)	52,269	124
Mainland China	327,643	(35,391)	260,043	6,340
	369,996	(45,366)	312,312	6,464
Unallocated income, net		6,701		
Operating loss		(38,665)		

3. GAIN ON DISPOSAL OF DISCONTINUING OPERATIONS

The gain on disposal of discontinuing operations represented the gain arising from the disposal of the construction and installation of curtain wall system segment and the sales and distribution of sanitary-ware and kitchen cabinets segment on 30 September 2002.

4. OPERATING LOSS

The Group's operating loss is stated after crediting and charging the following:

	2003 *HK$'000*	2002 *HK$'000*
Crediting		
Refund of value added tax	3,355	2,507
Write-back of provision for obsolete inventories	346	–
Charging		
Auditors' remuneration	1,152	1,160
Depreciation	8,816	7,429
Staff costs *(Note 6)*	86,335	90,149
Operating lease rentals for land and buildings	10,717	9,032
Loss on disposal and write off of fixed assets	360	2,455
Provision for doubtful debts	1,701	481
Provision for other receivables	1,196	280
Provision for obsolete inventories	–	2,237
Net exchange losses	218	150

5. FINANCE COSTS

	2003 *HK$'000*	2002 *HK$'000*
Interest on bank loans and overdrafts	1,625	2,140

6. STAFF COSTS

Excluding Directors' remuneration

	2003 *HK$'000*	2002 *HK$'000*
Wages and salaries	80,874	87,408
Pension costs – defined contribution plan	5,461	3,121
Less: staff costs capitalised into contract work in progress	–	(380)
	86,335	90,149

7. DIRECTORS' AND SENIOR MANAGEMENT EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid/payable to Directors of the Company during the year are as follows:

	2003	2002
	HK$'000	*HK$'000*
Fees	372	305
Other emoluments:		
Basic salaries, other allowances and benefits in kind	280	320
Contributions to pension schemes for Directors	10	8
	662	633

Directors' fees disclosed above include HK$252,000 (2002: HK$225,000) paid to independent non-executive Directors.

The emoluments of the Directors fell within the following bands:

	Number of Directors	
	2003	2002
Emolument bands		
HK$nil – HK$1,000,000	11	9

There was no arrangement under which a Director waived or agreed to waive any emolument during the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included none of the Directors (2002: one). The emoluments payable to the five (2002: four) individuals during the year are as follows:

	2003	2002
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	4,081	3,057

The emoluments fell within the following bands:

	Number of individuals	
	2003	2002
Emolument bands		
HK$nil – HK$1,000,000	4	3
HK$1,500,001 – HK$2,000,000	1	1

8. TAXATION

The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

	2003	2002
	HK$'000	*HK$'000*
Current taxation:		
– Hong Kong profits tax	–	41
– Overseas taxation	–	–
	–	41
Over-provision in prior years	–	(18)
Taxation charge for the year	–	23

Hong Kong profits tax has not been provided in these accounts as the Group has no estimated assessable profit for the year (2002: 16%).

Pursuant to an approval from the Beijing Tax Bureau, the taxable income in respect of information technology products and services of certain subsidiaries of the Group are entitled to three years' PRC income tax exemption commencing from 1 January 2000. In addition, no provision for overseas profits tax has been provided in these accounts as the Group has no estimated assessable overseas profit for the year.

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

	2003	2002
	HK$'000	*HK$'000*
Loss before taxation	(3,454)	(40,805)
Calculated at a taxation rate of 17.5% (2002: 16%)	(604)	(6,529)
Effect of different taxation rates in other countries	1,450	(8,134)
Effect of tax holiday	(3,832)	–
Income not subject to taxation	(4)	(1,682)
Expenses not deductible for taxation purposes	401	896
Utilisation of previously unrecognised tax losses	–	(871)
Unrecognised tax losses	2,589	16,361
Over-provision in prior years	–	(18)
Taxation charge	–	23

9. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$23,813,000 (2002: HK$916,000).

10. BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK$3,454,000 (2002: HK$40,828,000) and 333,054,030 (2002: weighted average number of 215,119,396) ordinary shares in issue during the year.

The weighted average number of shares in issue used to calculate the basic loss per share for the year ended 31 December 2002 has been adjusted for the effect of the Company's bonus issue and rights issue as set out in note 19(a) and (c) respectively.

There were no dilutive effects on the basic loss per share for the years ended 31 December 2003 and 2002.

11. FIXED ASSETS

	Group				
	Leasehold improvements	**Office furniture and equipment**	**Plant and equipment**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:					
At 1 January 2003	6,200	22,242	443	3,818	32,703
Additions	1,501	709	63	–	2,273
Disposals	–	(1,380)	–	(188)	(1,568)
At 31 December 2003	7,701	21,571	506	3,630	33,408
Accumulated depreciation and impairment:					
At 1 January 2003	2,359	3,776	45	763	6,943
Charge for the year	2,605	5,218	85	908	8,816
Disposals	–	(577)	–	(57)	(634)
At 31 December 2003	4,964	8,417	130	1,614	15,125
Net book value:					
At 31 December 2003	2,737	13,154	376	2,016	18,283
At 31 December 2002	3,841	18,466	398	3,055	25,760

	Company Office furniture and equipment
	HK$'000
Cost:	
At 1 January 2003	12
Additions	–
At 31 December 2003	12
Accumulated depreciation:	
At 1 January 2003	1
Charge for the year	2
At 31 December 2003	3
Net book value:	
At 31 December 2003	9
At 31 December 2002	11

12. INTERESTS IN SUBSIDIARIES

	Company	
	2003	**2002**
	HK$'000	*HK$'000*
Unlisted investments, at cost	4,136	4,136
Due from subsidiaries	92,471	59,078
Less: Provision for diminution in value	(20,000)	–
	76,607	63,214

The balances with subsidiaries are unsecured, interest free, and have no fixed terms of repayment, except for amounts due from subsidiaries of HK$5,900,000 (2002: HK$3,000,000), which are unsecured, bear interest at Hong Kong Dollar Prime Lending Rate plus 2% per annum, and are repayable within one year.

The following is a full list of the subsidiaries at 31 December 2003:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Interest held
Autocare Limited	British Virgin Islands ("BVI"), limited liability company	Investment holding in BVI	4,230,769 ordinary shares of US$1 each	100%
北京高陽金信信息技術有限公司 (Beijing Hi Sun Advanced Business Solutions Information Technology Limited)	PRC, limited liability company	Provision of financial and banking solutions and services in the PRC	HK$60,000,000	100%
北京高陽聖思園信息技術有限公司 (Beijing Hi Sunsray Information Technology Limited)	PRC, limited liability company	Provision of telecommunication solutions and services in the PRC	HK$27,000,000	100%
Emerging Technology Limited	BVI, limited liability company	Investment holding in BVI	7,692,308 ordinary shares of US$1 each	100%
Hi Sun (BVI) Limited	BVI, limited liability company	Investment holding in BVI	2 ordinary shares of US$1 each	*100%
Hi Sun Consulting Limited	BVI, limited liability company	Provision of consultancy services in Hong Kong	100 ordinary shares of US$1 each	100%
Hi Sun Development Management Limited	Hong Kong, limited liability company	Provision of management services in Hong Kong	2 ordinary shares of HK$1 each	100%
Hi Sun Technology Holding Limited	Bermuda, limited liability company	Provision of financial and banking solutions and services in Hong Kong	168,070,000 ordinary shares of HK$0.1 each	100%
Pax Technology Limited	Hong Kong, limited liability company	Sale of POS terminals in Hong Kong	35,000,000 ordinary shares of HK$1 each	100%
Turbo Speed Technology Limited	BVI, limited liability company	Investment holding in BVI	3,589,744 ordinary shares of US$1 each	100%
百富計算機技術(深圳)有限公司 (Pax Technology (Shenzhen) Limited)	PRC, limited liability company	Sale of POS terminals in the PRC	HK$10,000,000	100%

* *Shares held directly by the Company*

13. INVENTORIES

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Finished goods	7,729	14,898
Raw materials	7,608	5,472
Work in progress	5,401	5,148
	20,738	25,518

As 31 December 2003, the amount of inventories that are carried at net realisable value amounted to HK$2,693,000 (2002: HK$3,039,000).

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables, net of provisions *(Note)*	64,812	143,467	–	–
Prepayments, deposits and other receivables	17,319	24,292	1,056	1,592
	82,131	167,759	1,056	1,592

Note: The Group's credit terms to trade debtors range from 0 to 180 days. At 31 December 2003, the ageing analysis of the trade receivables was as follows:

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Current to 90 days	40,614	118,510
91 to 180 days	18,820	14,451
181 to 365 days	1,861	8,871
Over 365 days	3,517	1,635
	64,812	143,467

15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables *(Note)*	23,303	65,963	–	–
Other payables and accruals	48,903	114,682	819	713
	72,206	180,645	819	713

Note:

At 31 December 2003, the ageing analysis of the trade payables was as follows:

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Current to 90 days	17,834	53,822
91 to 180 days	503	8,568
181 to 365 days	2,309	3,573
Over 365 days	2,657	–
	23,303	65,963

16. SHORT TERM BANK BORROWINGS

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Bank overdrafts, secured *(Note (a))*	8,693	13,452
Trust receipt loans, secured *(Note (a))*	7,184	2,960
Short term bank loans, secured *(Note (a))*	8,598	12,757
Short term bank loan, unsecured	–	28,037
	24,475	57,206

Note:

(a) As at 31 December 2003, bank overdrafts, trust receipt loans and secured short term bank loans of HK$24,475,000 (2002: HK$29,169,000) were secured by fixed deposits at banks of HK$14,459,000 (2002: HK$19,000,000), deposits in a bank guaranteed fund of HK$4,420,000 (2002: HK$1,014,000), personal guarantee of HK$7,000,000 (2002: HK$7,000,000) from a Director of the Company, and corporate guarantee of HK$30,000,000 (2002: HK$30,000,000) by the Company in accordance with the banking facility terms provided to certain subsidiaries of the Group for trading arrangement with their suppliers.

17. DUE TO FELLOW SUBSIDIARIES AND THE ULTIMATE HOLDING COMPANY

The amounts due to fellow subsidiaries and the ultimate holding company are interest free, unsecured, and have no fixed terms of repayment.

18. PENSION OBLIGATIONS

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Obligations on:		
– pensions – defined contribution plan *(Note)*	3,097	1,234

Note: No contribution was forfeited during the year (2002: Nil).

19. SHARE CAPITAL

	Note	**Authorised Ordinary shares of HK$0.01 each** **No. of shares**	*HK$'000*
At 31 December 2002 and 2003		1,000,000,000	10,000

	Note	**Issued and fully paid Ordinary shares of HK$0.01 each** **No. of shares**	*HK$'000*
At 1 January 2002		101,018,010	1,010
Bonus issue of shares in 2002	*(a)*	101,018,010	1,010
Issue of shares (on 17 July 2002)	*(b)*	20,000,000	200
Issue of shares (on 24 December 2002)	*(c)*	111,018,010	1,110
At 31 December 2002 and 2003		333,054,030	3,330

Note:

(a) On 30 May 2002, a bonus issue of 101,018,010 ordinary shares of HK$0.01 each was made on the basis of one bonus share for every one share held on 23 May 2002 by applying HK$1,010,180 standing to the credit of the share premium account. These shares rank pari passu in all respects with the existing share capital of the Company.

(b) On 17 July 2002, 20,000,000 shares of HK$0.01 each were issued at HK$0.82 per share by way of placing for a total cash consideration, before expenses, of HK$16,400,000. These shares rank pari passu in all respects with the existing share capital of the Company.

(c) On 24 December 2002, 111,018,010 shares of HK$0.01 each were issued at HK$0.63 per share by way of rights issue for a total cash consideration, before expenses, of HK$69,941,000, on the basis of one rights share for every two shares held on that date. These shares rank pari passu in all respects with the existing share capital of the Company.

(d) Share option scheme

Pursuant to an ordinary resolution passed on 29 November 2001, a share option scheme (the "Scheme") was adopted. The Board of Directors is authorised to grant options to eligible employees including full time employees, and executive and non-executive Directors of the Group. The total number of shares in respect of which options may be granted shall not (together with all the other share option schemes, if any) exceed 10% of the total issued share capital of the Company. The maximum number of shares in respect of which options may be granted under the Scheme, together with any unexercised share options granted under the Scheme and any other share option schemes of the Company in issue, may not exceed 30% of the relevant class of securities of the Company in issue at any time.

No share options were granted during the year or outstanding at the balance sheet date. Details of share options granted on 17 March 2004 are set out in note 26 to the accounts.

20. RESERVES

	Group					
	Share premium	Contri-buted surplus *(Note i)*	Reserve funds	Exchange difference	Accumu-lated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2002	18,661	125,310	273	(825)	(124,156)	19,263
Loss for the year	–	–	–	–	(40,828)	(40,828)
Bonus issue of shares *(Note 19(a))*	(1,010)	–	–	–	–	(1,010)
Reserves transferred to profit and loss account upon disposal of subsidiaries	–	–	(273)	825	–	552
Issue of shares *(Note 19(b) and (c))*	85,031	–	–	–	–	85,031
Share issue expenses	(2,126)	–	–	–	–	(2,126)
At 31 December 2002	100,556	125,310	–	–	(164,984)	60,882
At 1 January 2003	100,556	125,310	–	–	(164,984)	60,882
Loss for the year	–	–	–	–	(3,454)	(3,454)
At 31 December 2003	100,556	125,310	–	–	(168,438)	57,428

Note:

(i) The contributed surplus of the Group represents the difference between the nominal value of the shares and share premium account of Hi Sun Holdings Limited ("HSHL") acquired pursuant to the group reorganisation (the "Reorganisation") on 17 October 2001 as set out in the circular to the shareholders of HSHL dated 9 August 2001, over the nominal value of the Company's shares issued in exchange therefor.

	Company			
	Share premium	Contributed surplus *(Note)*	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2002	18,661	3,293	(2,723)	19,231
Bonus issue of shares *(Note 19(a))*	(1,010)	–	–	(1,010)
Issue of shares *(Note 19(b) and (c))*	85,031	–	–	85,031
Share issue expenses	(2,126)	–	–	(2,126)
Loss for the year	–	–	(916)	(916)
At 31 December 2002	100,556	3,293	(3,639)	100,210
At 1 January 2003	100,556	3,293	(3,639)	100,210
Loss for the year	–	–	(23,813)	(23,813)
At 31 December 2003	100,556	3,293	(27,452)	76,397

Note: The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Reorganisation over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, a company may make distributions to its members out of the contributed surplus under certain circumstances.

21. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2002: 16%).

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$12,536,000 (2002: HK$50,260,000) to carry forward against future taxable income. These tax losses have not been recognised for due to uncertainty of their future recoverability. The tax losses will expire according to the prevailing tax laws and regulations in the countries in which the Group operates.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities

	Accelerated tax depreciation	
	2003	**2002**
	HK$'000	*HK$'000*
At 1 January	44	72
Credited to profit and loss account	(34)	(28)
At 31 December	10	44

Deferred tax assets

	Tax losses	
	2003	**2002**
	HK$'000	*HK$'000*
At 1 January	(44)	(72)
Charged to profit and loss account	34	28
At 31 December	(10)	(44)
Net deferred taxation at 31 December	–	–

22. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating loss to net cash outflow from operations

	2003 *HK$'000*	2002 *HK$'000*
Operating loss	(1,829)	(38,665)
Interest income	(291)	(460)
Depreciation	8,816	7,429
Negative goodwill recognised directly in the profit and loss account	–	(421)
Loss on disposal and write off of fixed assets	360	2,455
Provision for doubtful debts	1,701	481
Provision for other receivables	1,196	280
Write-back of provision for doubtful debts	–	(3,651)
Write-back of provision for contract work in progress	–	(5,218)
(Write-back)/provision for obsolete inventories	(346)	2,237
Gain on disposal of discontinuing operations	–	(6,701)
Operating profit/(loss) before working capital changes	9,607	(42,234)
Decrease/(increase) in trade and other receivables	82,731	(49,403)
Decrease in construction and installation contract receivables	–	10,360
Decrease in inventories	5,126	5,861
(Decrease)/increase in trade payables, other payables and accruals	(108,439)	34,320
Decrease in amount due to ultimate holding company	(797)	(45,841)
(Decrease)/increase in amounts due to fellow subsidiaries	(3,215)	6,369
Net cash outflow from operations	(14,987)	(80,568)

(b) Analysis of changes in financing during the year

	Issued capital (including share premium account and contributed surplus) *HK$'000*	Bank loans *HK$'000*
Balance at 1 January 2002	144,981	1,656
Cash items:		
New bank loans	–	36,551
Issue of shares	84,215	–
Non cash items:		
Acquisition of subsidiaries	–	5,547
Balance at 31 December 2002	229,196	43,754
Cash items:		
Loan repayments	–	(27,972)
Balance at 31 December 2003	229,196	15,782

23. CONTINGENT LIABILITIES

As at 31 December 2003, the Group had no other contingent liabilities (2002: Nil).

24. OPERATING LEASE COMMITMENTS

At 31 December 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	2003	**2002**
	HK$'000	*HK$'000*
Not later than one year	6,383	2,469
Later than one year and not later than five years	2,366	2,743
	8,749	5,212

25. RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

		Group	
		2003	**2002**
		HK$'000	*HK$'000*
Management fees paid to a related company	*(a)*	280	700
Consultancy fees paid to a related company	*(b)*	74	288

(a) Two subsidiaries, Hi Sun Technology Holding Limited and Pax Technology Limited, received management services from Hi Sun Management Limited, a company owned by a Director, who is also a substantial shareholder, of the Company.

(b) A subsidiary, Pax Technology Limited, received consultancy services from Hi Sun Information Technology Services Limited, a company owned by a Director, who is also a substantial shareholder, of the Company.

26. SUBSEQUENT EVENTS

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

27. ULTIMATE HOLDING COMPANY

In the opinion of the Directors, the ultimate holding company is Hi Sun Limited, a company incorporated in the British Virgin Islands.

28. APPROVAL OF ACCOUNTS

The accounts were approved by the board of Directors on 26 April 2004.

The following is the unaudited consolidated financial statements of the Group for the six months ended 30 June 2004 together with accompanying notes, extracted from the Company's 2004 interim report:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June 2004

		Unaudited	
		Six months ended 30th June	
		2004	**2003**
	Note	*HK$'000*	*HK$'000*
Turnover	*2*	66,650	131,165
Cost of sales		(43,775)	(86,571)
Gross profit		22,875	44,594
Other revenue		146	199
Selling and distribution expenses		(18,722)	(19,198)
Administrative expenses		(31,988)	(33,191)
Loss from operation	*3*	(27,689)	(7,596)
Finance costs		(496)	(964)
Loss attributable to shareholders		(28,185)	(8,560)
Basic loss per share	*5*	HK$(0.08)	HK$(0.03)

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30th June 2004 and 31st December 2003

	Note	Unaudited 30th June 2004 HK$'000	Audited 31st December 2003 HK$'000
Non current assets			
Fixed assets	6	25,056	18,283
Current assets			
Inventories		32,253	20,738
Trade receivables	7	53,862	64,812
Prepayments, deposits and other receivables		24,909	17,319
Pledged bank deposits		4,368	18,879
Bank balances and cash		11,283	23,645
		126,675	145,393
Current liabilities			
Trade payables	8	36,933	23,303
Other payables and accruals		52,955	48,903
Short term bank borrowings	9	2,373	24,475
Due to ultimate holding company	10	23,848	3,042
Due to fellow subsidiaries	10	3,008	3,154
Taxation payable		41	41
		119,158	102,918
Net current assets		7,517	42,475
Total assets less current liabilities		32,573	60,758
Financed by:			
Share capital	11	3,330	3,330
Reserves		29,243	57,428
Shareholders' funds		32,573	60,758

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2004

	Unaudited Six months ended 30th June	
	2004	**2003**
	HK$'000	*HK$'000*
Net cash inflow/(outflow) from operating activities	6,929	(19,961)
Net cash inflow/(outflow) from investing activities	2,811	(5,223)
Net cash outflow from financing activities	(13,773)	(26,464)
Decrease in cash and cash equivalents	(4,033)	(51,648)
Cash and cash equivalents at 1st January	14,952	59,809
Cash and cash equivalents at 30th June	10,919	8,161
Analysis of balances of cash and cash equivalents		
Bank balances and cash	11,283	22,260
Bank overdrafts	(364)	(14,099)
	10,919	8,161

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE 2004

	Share capital	Share premium	Contributed surplus	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January 2004	3,330	100,556	125,310	(168,438)	60,758
Loss for the period	–	–	–	(28,185)	(28,185)
At 30th June 2004	3,330	100,556	125,310	(196,623)	32,573
At 1st January 2003	3,330	100,556	125,310	(164,984)	64,212
Loss for the period	–	–	–	(8,560)	(8,560)
At 30th June 2003	3,330	100,556	125,310	(173,544)	55,652

NOTES TO CONDENSED ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting," issued by the Hong Kong Institute of Certified Public Accountants.

These condensed accounts should be read in conjunction with the 2003 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st December 2003.

2. SEGMENT REPORTING

The Group is organised into three main business segments:

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

(b) Telecommunication solutions, services and related products – provision of customised information system consultancy and integration services, provision of value-added services and sales of computer hardware to the telecommunication industries; and

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

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers.

An analysis of the Group's revenue and results for the period by business segment is as follows:

	Unaudited Six months ended 30th June 2004				
	Financial solutions, services and related products	**Telecom-munications solutions, services and related products**	**Electronic payment products and services**	**Other operations**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	20,559	5,872	40,119	100	66,650
Segment results	(18,501)	(7,075)	3,969	(6,228)	(27,835)
Unallocated income					146
Loss from operation					(27,689)
Finance costs					(496)
Loss attributable to shareholders					(28,185)

	Unaudited Six months ended 30th June 2003				
	Financial solutions, services and related products	**Telecom-munications solutions, services and related products**	**Electronic payment products and services**	**Other operations**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	98,582	10,524	22,059	–	131,165
Segment results	1,123	(1,158)	(2,731)	(5,002)	(7,768)
Unallocated income					172
Loss from operation					(7,596)
Finance costs					(964)
Loss attributable to shareholders					(8,560)

There are no sales or other transactions between the business segments. Unallocated income represents interest income.

An analysis of the Group's turnover and contribution to operating loss for the period by geographical segment is as follows:

	Unaudited Turnover Six months ended 30th June		Unaudited Loss from operation Six months ended 30th June	
	2004	**2003**	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong, Korea and South East Asia	18,729	20,312	(1,763)	(5,642)
Mainland China	47,921	110,853	(25,926)	(1,954)
	66,650	131,165	(27,689)	(7,596)

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

3. LOSS FROM OPERATION

Loss from operation is stated after crediting and charging the following:

	Unaudited Six months ended 30th June	
	2004	**2003**
	HK$'000	*HK$'000*
Crediting		
Reversal of provision for inventory	371	–
Charging		
Auditors' remuneration	500	600
Depreciation	4,412	4,276
Staff costs (including directors' remuneration):		
Wages and salaries	30,912	42,668
Pension contributions	1,955	1,240
Less: staff costs capitalised into contract work in progress	(5,050)	(2,036)
	27,817	41,872
Operating lease rentals for land and buildings	5,236	4,601
Loss on disposed and write off of fixed assets	19	320
Provision for doubtful debts	–	1,646

4. TAXATION

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits for the current period (2003: Nil).

No provision for overseas profits tax has been made as the Group has no estimated assessable profits for the current period (2003: Nil).

5. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK$28,185,000 (2003: loss of HK$8,560,000) and on the number of 333,054,030 (2003: 333,054,030) ordinary shares in issue during the period.

Diluted loss per share has not been presented for the period ended 30th June 2004 as the conversion of potential ordinary shares would have anti-dilutive effect to the basic loss per share.

There were no dilutive effect on the basic loss per share for the period ended 30th June 2003.

6. FIXED ASSETS

	HK$'000
Net book value as at 1st January 2004	18,283
Additions	11,212
Disposals	(27)
Depreciation	(4,412)
Net book value as at 30th June 2004	25,056

7. TRADE RECEIVABLES

The Group's credit term to trade receivables ranges from 0 to 180 days. An aged analysis of the Group's trade receivables is as follows:

	Unaudited 30th June 2004	**Audited 31st December 2003**
	HK$'000	*HK$'000*
Current to 90 days	30,882	40,614
91 days to 180 days	1,116	18,820
181 to 365 days	15,510	1,861
Over 365 days	6,354	3,517
	53,862	64,812

8. TRADE PAYABLES

An aged analysis of the Group's trade payables is as follows:

	Unaudited 30th June 2004 HK$'000	Audited 31st December 2003 HK$'000
Current to 90 days	25,507	17,834
91 days to 180 days	5,650	503
181 to 365 days	1,970	2,309
Over 365 days	3,806	2,657
	36,933	23,303

9. SHORT TERM BANK BORROWINGS

	Unaudited 30th June 2004 HK$'000	Audited 31st December 2003 HK$'000
Bank overdrafts, secured *(note (a))*	364	8,693
Trust receipt loans, secured	–	7,184
Short term bank loans, secured *(note (a))*	2,009	8,598
	2,373	24,475

Note:

(a) As at 30th June 2004, bank overdrafts and short term bank loans of HK$2,373,000 were secured by deposits in a bank guaranteed fund of HK$4,368,000, personal guarantee of HK$7,000,000 from a director of the Company, and corporate guarantee of HK$30,000,000 by the Company in accordance with the banking facility terms provided to certain subsidiaries of the Group for trading arrangement with their suppliers.

10. DUE TO ULTIMATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

The amounts due to ultimate holding company and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

11. SHARE CAPITAL

	Unaudited Six months ended 30th June 2004		Audited Year ended 31st December 2003	
	No. of shares	*HK$'000*	*No. of shares*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	1,000,000,000	10,000	1,000,000,000	10,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each	333,054,030	3,330	333,054,030	3,330

12. COMMITMENTS UNDER OPERATING LEASES

As at 30th June 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Others	
	Unaudited 30th June 2004	**Audited 31st December 2003**	**Unaudited 30th June 2004**	**Audited 31st December 2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not later than one year	6,169	6,383	391	–
Later than one year and not later than five years	4,044	2,366	–	–
	10,213	8,749	391	–

13. RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

		Unaudited Six months ended 30th June	
		2004	**2003**
		HK$'000	*HK$'000*
Management fees paid to a related company	*(a)*	–	280
Consultancy fees paid to a related company	*(b)*	–	74

(a) *Two subsidiaries, Hi Sun Technology Holding Limited and Pax Technology Limited, received management services from Hi Sun Management Limited ("HSML"), a company owned by a director, who is also a substantial shareholder, of the Company, on terms mutually agreed between the subsidiaries and HSML.*

(b) *A subsidiary, Pax Technology Limited, received consultancy services from Hi Sun Information Technology Services Limited ("HSITSL"), a company owned by a director, who is also a substantial shareholder, of the Company, on terms mutually agreed between the subsidiary and HSITSL.*

3. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2003, the date to which the latest audited financial statements of the Group were made up.

4. INDEBTEDNESS

At the close of business on 31 December 2004, being the latest practicable date of this indebtedness statement prior to the printing of this circular, the Group had outstanding short term bank loans of approximately HK$13.36 million which were secured by a corporate guarantee from a fellow subsidiary of the Company, and other loans of HK$0.93 million were obtained from 深圳市福田區科學技術局 (Shenzhen Fu Tian Science Technology Bureau) which were secured by a corporate guarantee from an independent third party, 深圳市高新技術投資擔保有限公司(Shenzhen High and New Technology Investment Guarantee Company Limited).

As the close of business on 31 December 2004, the Group's unutilised banking facilities were HK$1.25 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade debts payable, neither the Company nor any companies comprising the Group had outstanding at the close of business on 31 December 2004 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirmed that there had been no material change in the indebtedness and contingent liabilities of the Group since 31 December 2004.

Foreign currency amounts have, for the purpose of this indebtedness statement, been translated into Hong Kong dollars at the approximate exchange rates prevailing at the close of business on 31 December 2004.

5. WORKING CAPITAL

Taking into account the available banking facilities and internal resources of the Group, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF THE GROUP

The Group is principally engaged in the trading of IT products and provision of customized information system consultancy and integration services.

Operating results

The Group's turnover for 2003 amounted to approximately HK$359.79 million, representing a slight drop of 3% from that of the previous year. The modest adjustment was due to a decline of HK$46.95 million in hardware and product sales and the absence of contribution from the discontinued construction business that accounted for approximately HK$3.95 million in 2002. The reduced contribution from these items was offset by the increase of HK$40.69 million in turnover from the provision of consultancy and IT services.

Capitalising on the market recovery and completion of contracts during the second half of the year, the Group's turnover for this period increased by 74% from the first half of the year to HK$228.63 million.

Apart from a stable turnover, the Group had succeeded in narrowing down its loss from approximately HK$40.83 million in 2002 to HK$3.45 million in 2003. The remarkable improvement evidenced the Group's successful strategy to switch its sales composition from low margin product sales to high margin consultancy and IT services and the Group's effective cost control measures. During 2003, the Group's gross profit increased from HK$69.88 million in 2002 to HK$101.88 million, while the gross profit margin improved from 19% in 2002 to 28%.

The Group's transformation into a pure IT solution provider received further proof of success. In the second half of the year, the Group returned to profitability and reported a net profit of HK$5.11 million against a loss of HK$8.56 million in the first half of the year.

Business segments

Financial solutions, application, services and related products – major turnover and profit contributor of the Group

This business segment remained the major contributor to the Group's turnover and profit for the year under review. Turnover and profit from this business segment amounted to HK$260.55 million (2002: HK$287.17 million) and a profit of HK$5.6 million (2002: loss of HK$26.44 million). The outstanding performance in this segment was mainly attributed to the Group's exercising of stringent cost control during the second half of 2003 and substantial growth in the high margin consultancy and IT services operation, which continued to increase its contribution to this business segment. During 2003, consultancy and IT services accounted for 46% (2002: 27%) and 76% (2002: 53%) of the turnover and gross profit of this business segment respectively, while hardware products accounted for 54% (2002: 73%) and 24% (2002: 47%) of the turnover and gross profit of this business segment respectively.

Consultancy and IT services – new growth driver of the Group

IT services had become a new growth driver of this business segment and ranked the highest in terms of profit growth within the Group in 2003. For the year ended 31 December 2003, IT services reported a gross profit of HK$54.22 million, which represented 92% increase from that of the previous year and accounted for 76% of the gross profit generated from this business segment. The upsurge in the profit growth of IT services was mainly due to the contribution from several major contracts during the year. These contracts included the upgrading of the core banking systems of ICBC (Asia) Limited and Bank of Communications of China with the Group's IBS. The application of the Group's integrated banking system ("IBS") in two of China's largest banks not only marked the Company's core competitiveness and market niche, but also the Company's successful transformation from a traditional system integrator to a leading high value-added IT service provider.

The Group had also targeted its consultancy services at personal banking, credit card and brokerage, and the strategy had proved to be successful. Prestigious clients of the Group included Industrial and Commercial Bank of China ("ICBC"), China Construction Bank, Bank of China and Guangdong Securities Company Limited, etc.

System integration and hardware trading – effective inventory and cost control helped mitigate adverse impact from severe competition

The Group's hardware product business experienced a retreat in profit margin as a result of severe market competition and reduced investment in IT infrastructure within the financial sector. To cope with these challenges, the Group adopted a "zero-inventory sales strategy", which enabled the Group to mitigate risk of capital lock-up as well as helped boost profitability.

During the second half of 2003, the Group also optimized management resources, which emphasised profit margin-oriented operation. Through contracting out lower margin activities and retaining higher margin activities, the Group better utilised its resources and improved cost-effectiveness.

Electronic payment solutions and products – outstanding performance in the second half of 2003

The electronic payment business segment made a sharp turnabout in the second half of 2003, realising a profit of HK$6.59 million as compared to a loss of HK$2.73 million in the first half of the year. For the full year of 2003, this segment reported a turnover and profit of HK$69.96 million (2002: HK$45.74 million) and HK$3.86 million (2002: loss of HK$6.33 million) respectively. During the first half of 2003, this business segment suffered from the adverse impact of the outbreak of SARS, which led to deferred business negotiation, contracts and delivery. With the containment of the SARS epidemic by the end of the first half of 2003 and the rapid development of our major clients, demand for the Group's EFT POS terminals quickly bounced back.

Under the PAX brand name, EFT POS terminals, PIN pads and smart card readers had been gaining increasing market recognition and acceptance. By the end of 2003, PAX terminal sales growth had ranked the Group the major EFT POS terminal vendor in China and positioned it well for becoming a major player in Hong Kong and Southeast Asia.

As PAX is an important partner of Visa International in the Asia Pacific region with respect to the transition to EMV infrastructure, PAX, through Visa International, is currently seeking collaboration with Small Terminal Interoperability Platform ("STIP") Consortium. STIP Consortium is an international association of secure transaction solution providers, including terminal manufacturers, payphone manufacturers, smart card manufacturers and others, for the development of interoperable platform specification for secure transaction devices. The Group intends to collaborate with STIP Consortium in developing PAX POS terminals that can implement STIP specification. Such collaboration would enable the Group to enhance its know-how in the development of PAX products and its technical capability through acquiring the latest technology and experience of the international electronic payment industry.

Telecommunication solutions, services and related products, and a big partner earned through dedicated services

Competition among IT service providers in China's telecommunication market remained acute during the year under review. Turnover and loss from this business segment for 2003 were HK$29.24 million (2002: HK$33.15 million) and loss of HK$2.16 million (2002: HK$4.55 million) respectively. Compared with last year's results, this segment had substantially reduced its loss by HK$2.39 million in 2003. If the approximately HK$1.8 million attributable to the initial investment in the IVR operation were excluded, this segment would have further narrowed down its loss to less than HK$1 million.

Management systems and value added systems for telecommunication carriers remained the two principal solutions of this segment. Major systems completed during the year included the billing systems for 18 provinces for China Unicom, the billing systems for 3 provinces for China Mobile, the billing system for Beijing Telecom, decision support systems for Jilin Telecom and Inner Mongolia Telecom, and customer service systems for China Unicom in Yunan, Jiangxi and Ningxia.

The long term dedicated services of the Group earned the recognition of China Mobile, the leading mobile telecommunication carrier in China, which entered into an exclusive agreement with the Group towards the end of the year under review on the use of the Group's IVR system. The contract provides the Group with a new significant growth driver.

Under the cooperative agreement, the Group acts as the operator, responsible for constructing and managing the infrastructure for the "12586 mobile chat services" and the "12590 voice-SMS (Short Messages Services) information services" offered by China Mobile. The Group is entitled to a share of revenue from China Mobile and the Service Providers for those services through the Group's unified high network capacity platform. The Group's platform is designed to cater for the future growth of the voice businesses of China Mobile. 12590 voice-SMS information services provide a platform that supports voice response system. Through touch-tone input, users can retrieve voice messages from themselves or others, receive and send voice-SMS messages. On the other hand, 12586 mobile chat services provide China Mobile's users with a registered "chat room", where members can chat with friends from far and wide.

China Mobile and the other carriers in China have unswervingly been pursuing their business expansion. Short Message Service (SMS), which has grown at a compound annual growth rate of over 200% in the past three years and continues to be the main source of revenue and profit growth for carriers, is a remarkable case in point. Although the development of IVR is still in the initial investment stage, it is expected to experience rapid growth for the coming years.

As China becomes the world's largest mobile telecommunication market and China Mobile is the major mobile carrier in the country, the Group sees its collaboration with China Mobile on the IVR business an important step in diversifying into value-added telecommunication services and establishing a strong presence in a market of enormous growth potential.

Liquidity and financial resources

As at 31 December 2003, the Group reported a total assets of HK$163.68 million, which were financed by liabilities of HK$102.92 million and equity of HK$60.76 million. The net assets value was HK$60.76 million (2002: HK$64.21 million). It amounted to HK$0.18 per share as compared to HK$0.19 per share as at 31 December 2002.

As at 31 December 2003, the Group had cash of HK$42.52 million and bank borrowings of HK$24.48 million. The net cash position as at that date was HK$18.04 million as compared to HK$36.07 million as at 31 December 2002. All the borrowings were short-term loans and overdrafts utilised to fund the Group's working capital requirements. The gearing ratio (defined as total interest bearing debts divided by shareholders' equity) was 0.40 compared to 0.89 as at 31 December 2002 due to the repayment of certain bank borrowings after the rights issue exercise in December 2002. The gearing ratio is considered healthy and suitable for the continued growth of the Group's business.

Capital structure and details of charges

The Group's bank borrowings are short term loans and overdrafts with interests charged at floating rates. As at 31 December 2003, bank loans amounting to RMB9.2 million (equivalent to HK$8.6 million) were denominated in Renminbi with average interest rates of 5.31%. Short term bank loans and overdrafts amounting to US$0.62 million (equivalent to HK$4.85 million) and HK$11.03 million were denominated in US dollar and Hong Kong dollar respectively. The Hong Kong dollar and US dollar denominated loans were charged at Hong Kong Prime Lending rate and floating interest rate respectively.

Approximately HK$17.52 million, HK$24.17 million and HK$0.83 million of the Group's cash balances were denominated in Renminbi, Hong Kong dollar and US dollar respectively as at 31 December 2003.

The bank loans were secured by fixed deposits of HK$14.46 million, deposits in bank guaranteed funds of HK$4.42 million, a personal guarantee of HK$7 million from a Director and corporate guarantee of HK$30 million by the Company.

Exchange rates exposure

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

Contingent liabilities

The Group had no contingent liability as at 31 December 2003.

Employees

The total number of employees of the Group as at 31 December 2003 was 627. The breakdown of employees by division is as follows:

Financial solutions, services and related products	392
Electronic payment solutions and products	85
Telecommunication solutions, services and related products	77
IVR operation	65
Corporate office	8
	627

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.

Share Options

To provide further incentive to motivate talented employees, the Company adopted a share option scheme in November 2001. On 17 March 2004, 33,000,000 share options were granted to Directors and employees at HK$0.374 (the average closing price of the shares as quoted in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding 18 March 2004) with an expiry date of 17 March 2014.

Rights issue

The net proceeds of HK$68 million raised from the rights issue completed in December 2002 had already been utilised. As at 31 December 2003, the application of the net proceeds was as follows:

Intended application of proceeds as disclosed in the Company's circular dated 4 December 2002

	Intended application *HK$ million*	**Utilised** *HK$ million*
Expansion of the Group's IT Business	15	10
Expansion of the Group's electronic payment products and services	10	14
Reduction of the Group's indebtedness	25	26
General working capital	18	18
	68	68

Prospects

The Directors expect the demand for upgrading of IT infrastructure in the financial industry and the transition to EMV infrastructure promoted by international payment associations such as Visa International, MasterCard International, etc. will create much room for development for the Group.

With respect to the financial sector, the establishment of the China Banking Regulatory Commission, changes in China's financial policies, new rules regarding the granting of licence to financial institutions and intensified competition will lead to continued enhancement of IT infrastructure in the industry. However, more and more IT service providers are expected to vie for a market share in the industry. Taking the advantage of its leading and first-mover position, the Group is confident in enlarging its market coverage through taking the following initiatives: 1) to continue to explore the markets for banking and insurance core business products and IT services; 2) to further develop the service market for credit card business; 3) to upgrade the value services added of consultancy business; 4) to strengthen the Group's data processing and analysis systems and 5) to realign the Group's management resources and technical resources, in order to meet the growing demand for IT consultancy in respect of project management, supervision and software development management.

The Group's electronic payment business is expected to continue to display strong performance. A large number of traditional POS terminals have to be renewed by 2006 in order to comply with the requirements of EMV infrastructure, which is an accelerating trend in the payment industry. The Group believes its EFT POS terminals under the PAX brand name will continue to enjoy a solid competitive advantage over its major competitors. To cater for different needs and enrich the Group's existing product portfolio, the Group is launching a number of new hardware and software products.

Besides, the PAX products have been consolidating its leading position in China due to its price competitiveness, quality and technical support. For the year under review, through its collaboration with CUP, the country's national card association, the Group has taken approximately 25% of the new deployment market in China. In view of CUP's dominant position and rapid development, the Group believes there will be uniquely big room for the growth of the PAX products sales in China.

On the telecommunication front, the Group expects its IT business to generate satisfactory income in respect of capacity expansion and system upgrade of the management and value-added system projects for telecommunication carriers. More significantly, as the sole operator of China Mobile's IVR system services, the Group anticipates that its IVR business will become a key profit driver of the Group in the future. The market size of the IVR operation in China is expected to reach US$300 million within the next two to three years.

In its new capacity, the Group is committed to maintaining its leading IT consultancy and service provider position in China and to creating greater shareholder value.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation(s) (within the meaning of Part XV of the SFO) which required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(i) Interests in ordinary shares of the Company

Name of Director	Capacity in which such interests are held	Number of shares of the Company *(Note 1)*	Approximate % of the issued share capital
Mr. KUI Man Chun	Corporate *(Note 2)*	189,270,909 (L)	56.83%

(ii) Interests in ordinary shares of the associated corporations

Name of Director	Capacity in which such interests are held	Name of associated corporation	Number of shares held *(Note 1)*
Mr. KUI Man Chun	Corporate	Rich Global Limited	2 (L)
Mr. KUI Man Chun	Personal	Hi Sun Limited	30,245,000 (L)
Mr. LI Wenjin	Personal	Hi Sun Limited	255,000 (L)

Notes:

1. The letter "L" denotes a long position in shares.

2. These shares were held by Mr. KUI Man Chun through Hi Sun Limited, a company which Mr. KUI Man Chun holds a 99.16% interest, and Rich Global Limited, a wholly-owned subsidiary of Hi Sun Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short position in the shares, underlying shares and debentures of the Company and its associated corporations.

(b) Interests of Directors in share options of the Company

As at the Latest Practicable Date, the Directors and their associates had the following beneficial interests in share options of the Company as recorded in the register required under Section 29 of the Securities (Disclosure of Interests) Ordinance:

Directors	Number of options granted	Number of options outstanding	Date of grant *(Note 1)*	Exercise Price *(HK$)*
Mr. KUI Man Chun	3,000,000	3,000,000	18 March 2004	0.374
Mr. LO Siu Yu	3,300,000	3,300,000	18 March 2004	0.374
Mr. XU Wensheng	3,300,000	3,300,000	18 March 2004	0.374
Mr. LI Wenjin	3,300,000	3,300,000	18 March 2004	0.374
Mr. XU Chang Jun	3,300,000	3,300,000	18 March 2004	0.374
Mr. CHAN Yiu Kwong	1,500,000	1,500,000	18 March 2004	0.374

Note:

1. The exercise period of the above share options is from 18 March 2004 to 17 March 2014 (both dates inclusive).

Save as disclosed herein, none of the directors, or their associates had any interests in the share options of the Company or any of its associated corporations.

(c) Interests of substantial shareholders

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Name of shareholder	Number of shares of the Company *(Note 1)*	Approximate % of the issued share capital
Rich Global Limited	189,270,909 (L)	56.83%
Hi Sun Limited	189,270,909 (L) *(Note 2)*	56.83%
Mr. KUI Man Chun	189,270,909 (L) *(Note 3)*	56.83%
Pacific Pilot Limited	30,000,000 (L)	9.00%

Notes:

1. The letter "L" denotes a long position in shares.

2. Hi Sun Limited is interested in the share capital of the Company by virtue of its 100% shareholding in Rich Global Limited.

3. Mr. KUI Man Chun is interested in the share capital of the Company by virtue of his interest 99.16% shareholding in Hi Sun Limited.

Save as disclosed herein, according to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors, there is no other person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had notified to the Company any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital.

(d) Particulars of executive Directors' service contracts

As at the Latest Practicable Date, each of Mr. KUI Man Chan, Mr. LI Wenjin, Mr. LO Siu Yu, Mr. XU Wensheng, Mr. XU Chang Jun and Mr. CHAN Yiu Kwong has entered into a service contract with the Company for a term of one year from 1 January 2004 and shall continue thereafter unless and until terminated by either the Company or the Directors giving to the other not less than a notice of three months. Save as disclosed herein, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation other than statutory compensation).

(e) Other interests of Directors

(i) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) exists between (i) the Subscribers or any person acting in concert with them; and (ii) any Director or recent Directors or Shareholders or recent Shareholders having any connection with or dependence upon the Subscription.

(ii) Save as disclosed in this circular, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date, which is significant in relation to the business of the Group.

(iii) Save as disclosed in this circular, none of the Directors had as at the Latest Practicable Date any direct or indirect interest in any assets which have been since 31 December 2003, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired, disposed of by or leased to, any member of the Group or are proposed to be acquired, disposed of by or leased to, any member of the Group.

3. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claims which is in the opinion of the Directors of material importance and no litigation or claims which is in the opinion of the Directors of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

To the best knowledge of the Directors, none of the Directors or their respective associates has any interests in a business, which competes or may compete with the business of the Group.

5. MATERIAL CONTRACT

The following contract (not being contract in the ordinary course of business) has been entered into by the Company or any of its subsidiaries after the date two years preceding the date of the Latest Practicable Date and is or may be material:

(a) the Subscription Agreement

6. GENERAL

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(b) The head office and principal office of the Company is at Suite 2316, 23rd Floor, One International Finance Centre, No. 1 Harbour View Street, Central, Hong Kong.

(c) The secretary of the Company is Mr. CHAN Yiu Kwong, who is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Chartered Association of Certified Accountants in the United Kingdom.

(d) The qualified accountant of the Company is Mr. CHAN Yiu Kwong, who is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Chartered Association of Certified Accountants in the United Kingdom (as required under Rule 3.24 of the Listing Rules).

(e) The branch share registrar of the Company in Hong Kong is Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

(f) The English text of this circular shall prevail over the Chinese text.

(g) Save as disclosed in this circular, there was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant to the business of the Group.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the office of Suite 2316, 23rd Floor, One International Finance Centre, No.1 Harbour View Street, Central, Hong Kong at 10:00 a.m. from the date of this circular up to and including 4 April 2005 and at the SGM:

(a) the Bye-Laws of the Company;

(b) the material contract referred to in the paragraph headed "Material contract" in this appendix;

(c) the annual report for the Company for the financial year ended 31 December 2002 and 31 December 2003;

(d) the interim report for the Company for the six months ended 30 June 2003 and 30 June 2004;

(e) the Announcement, the Circular and this circular; and

(f) the service contracts as set out in section 2(d) in this appendix.

HI SUN GROUP LIMITED
高陽集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0818)

NOTICE IS HEREBY GIVEN that a special general meeting of the holders of the Shares of Hi Sun Group Limited ("the Company") will be held at 10:00 a.m. on 4 April 2005 at Suite 2316, 23/F., One International Finance Centre, No.1 Harbour View Street, Central, Hong Kong for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) "**THAT**:

the conditional subscription agreement (the "Subscription Agreement") dated 9 November 2004 and entered into between Hi Sun Group Company (the "Company"), Turbo Speed Technology Limited ("Turbo Speed"), Acme Partner International Limited and Comtel Development Limited and the transactions contemplated thereunder, including without limitation the entering into and the performance of the shareholders agreement upon completion of the Subscription Agreement and the issue of convertible preference shares of Turbo Speed and the issue and allotment of ordinary shares of the Company upon exercise of the conversion rights under the Subscription Agreement, be and are hereby approved and that the directors of the Company be and are hereby authorised to do all things and acts and sign all documents which they consider necessary desirable or expedient in connection with the Subscription Agreement and the transactions contemplated thereunder."

(2) "**THAT**:

the employee incentive scheme of Turbo Speed (the "Scheme"), details of which are set out in the circular of the Company dated 18 March 2005, be and is hereby approved and that the directors of the Company be and are hereby authorised to do all things and acts and sign all documents in connection with the Scheme and the transactions contemplated thereunder."

By Order of the Board
Chan Yiu Kwong
Executive Director

Hong Kong, 18 March 2005

* *For identification purpose only*

Head office and principal place of Business:
Suite 2316, 23rd Floor
One International Finance Centre
No. 1 Harbour View Street
Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. A form of proxy for use at the meeting is enclosed.

3. Completion and delivery of the form of proxy will not preclude a shareholder from attending and voting at the meeting if the member so desires.

4. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority must be lodged at the principal place of the business of the Company at Suite 2316, 23rd Floor, One International Finance Centre, No. 1 Harbour View Street, Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting.