

## CHAIRMAN'S STATEMENT

This is the second year Hi Sun implement the consolidation and refocusing scheme. It has been a challenging and rewarding process so far.

For the year 2004, the Group's turnover amounted to HK\$279.70 million, as compared to the turnover of HK\$359.79 million for the year 2003. The net loss for the year was HK\$12.13 million as compared to that of HK\$3.45 million in 2003. It is worth noting that the loss was narrowed down as compared to the loss of approximately HK\$28.19 million as reported in the interim report.

The overall drop in revenue represented the decrease in turnover amounting to approximately HK\$130.76 million attributable to the financial solution segment. It is not difficult to see the other three segments, namely the telecommunication solutions and services segment, the EFT-POS terminal segment, and information technology value-added services segment contributed an increase in turnover of approximately HK\$50.52 million. The latter three segments had brought about profit contribution of approximately HK\$17.60 million.

It is most gratifying to note that the Group was able to increase overall gross margin to 30.73% (2003: 28.32%) and to lower the overall operating expenses resulting from the refocusing, spin-off and streamlining exercises during the year.

What we did in the year 2004 and up to date of this report:

- Successful implementation of the Integrated Banking System for the Industrial and Commercial Bank of China (Asia) Limited and Bank of Communication of China
- The shipment of our EFT-POS terminals in China under the PAX brand name grew by 38%
- The completion and commencement of the Interactive Voice Response ("IVR") platform providing value-added services operation for China Mobile
- Change of the company name to Hi Sun Technology (China) Limited to better describe the scope of business of the Group
- The passing of a resolution approving the share option scheme of a subsidiary to recognize their accomplishment and their hard work
- Attract new investment of US\$4 million from professional investors subscribing approximately 16% interests in Turbo Speed, the holding company of our telecommunication services arm
- We put brakes on a number of loss making divisions

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In order to survive and prosper, we have to embrace the concept of constant reassessment that enable us to keep pace with the ever lasting changes and challenges ahead. In the past years, the Group has been in constantly reassessment process transforming the Group into a company engaging in high value-added ventures. By upholding this principle, we have successfully turned our IVR operation and EFT-POS terminals business into key profit contributors. The endeavor in the IVR operation earned the recognition of professional investors and attracted an investment of US\$4 million in this segment. It signified that the Group is on the right track and starts to create real value to the shareholders. Looking ahead, the Group is committed to striving to making new growth drivers and creating even greater shareholders' value.

Lastly, I would like to thank all of the members of the Board, and especially thank our former independent non-executive director, Mr. Lau Wai Kit and would like to welcome aboard, Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Zhou Jian. Special thanks to Mr. Su Terry Lumin, who was re-designated as the Deputy Chairman of PAX, now specializes in managing the PAX sales and marketing and makes considerable contribution to PAX management. I also want to gratefully acknowledge the invaluable contribution of all the staff in implementing the corporate plan together.

**Cheung Yuk Fung**

*Chairman*

Hong Kong, 22 April 2005