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## HI SUN TECHNOLOGY (CHINA) LIMITED

高陽科技(中國)有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 818)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS			
	1H2017 HK\$'000	1H2016 HK\$'000	Change +/(–)
<b>RESULTS</b>			
Revenue	1,075,114	657,453	+64%
Gross profit	300,744	204,026	+47%
Segmental EBITDA (before unallocated items)	172,769	76,134	+127%
Share of result of an investment accounted for using the equity method	88,301	103,764	-15%
Gain on dilution of interest in an investment accounted for using the equity method	113	826	-86%
<b>Profit for the period</b>	<b>209,833</b>	<b>120,095</b>	<b>+75%</b>
<b>Profit attributable to:</b>			
– Equity holders of the Company	193,082	110,118	+75%
– Non-controlling interests	16,751	9,977	+68%
	<b>209,833</b>	<b>120,095</b>	

\* For identification purposes only

	<b>1H2017</b> <i>HK\$</i> <i>per share</i>	1H2016 <i>HK\$</i> <i>per share</i>	Change +/( <i>-</i> )
<b>Earnings per share for profit attributable to equity holders of the Company:</b>			
Basic	<b>0.07</b>	0.04	+75%
Diluted	<b>0.07</b>	0.04	+75%
	<b>As at</b> <b>30 June</b> <b>2017</b> <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>	Change +/( <i>-</i> )
<b>HIGHLIGHTS OF FINANCIAL POSITION</b>			
Total equity	<b>3,864,986</b>	3,585,667	+8%
Net current assets	<b>1,432,916</b>	1,424,346	+1%
Total assets	<b>5,386,495</b>	5,499,041	-2%
	<i>HK\$</i> <i>per share</i>	<i>HK\$</i> <i>per share</i>	Change +/( <i>-</i> )
Net assets per share	<b>1.392</b>	1.291	+8%

The Board of Directors (the “Board”) of Hi Sun Technology (China) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2017 together with the unaudited comparative figures for the corresponding period in 2016 as follows:

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2017</b>	<b>2016</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	4	<b>1,075,114</b>	657,453
Cost of sales	6	<u>(774,370)</u>	<u>(453,427)</u>
<b>Gross profit</b>		<b>300,744</b>	204,026
Other income	4	24,264	17,102
Other gains, net	4	782	198
Selling expenses	6	(58,706)	(47,312)
Administrative expenses	6	(192,179)	(149,450)
Gain on disposal of subsidiaries		<u>63,262</u>	<u>–</u>
<b>Operating profit</b>		<b>138,167</b>	24,564
Share of result of an investment accounted for using the equity method	15	<b>88,301</b>	103,764
Gain on dilution of interest in an investment accounted for using the equity method	15	<u>113</u>	<u>826</u>
<b>Profit before income tax</b>		<b>226,581</b>	129,154
Income tax expense	8	<u>(16,748)</u>	<u>(9,059)</u>
<b>Profit for the period</b>		<b><u>209,833</u></b>	<b><u>120,095</u></b>
<b>Profit attributable to:</b>			
– Equity holders of the Company		<b>193,082</b>	110,118
– Non-controlling interests		<u>16,751</u>	<u>9,977</u>
		<b><u>209,833</u></b>	<b><u>120,095</u></b>
		<i>HK\$ per share</i>	<i>HK\$ per share</i>
<b>Earnings per share for profit attributable to equity holders of the Company:</b>			
Basic	10	<b><u>0.07</u></b>	<u>0.04</u>
Diluted	10	<b><u>0.07</u></b>	<u>0.04</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the period</b>	<b>209,833</b>	120,095
<b>Other comprehensive income/(loss), net of tax</b>		
<b>Items that have been reclassified or may be subsequently reclassified to profit or loss</b>		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	<b>25,504</b>	(566)
Fair value gains on revaluation of available-for-sale financial assets	<b>26,486</b>	12,015
Share of other comprehensive income/(loss) of an investment accounted for using the equity method – exchange differences arising on translation of the financial statements of foreign subsidiaries	<b>18,880</b>	(450)
Release of reserves upon dilution of interest in an investment accounted for using the equity method – exchange differences arising on translation of the financial statements of foreign subsidiaries	<b>315</b>	116
Release of reserves upon disposal of subsidiaries	<b>(1,699)</b>	–
<b>Total comprehensive income for the period, net of tax</b>	<b>279,319</b>	131,210
<b>Total comprehensive income attributable to:</b>		
– Equity holders of the Company	<b>260,368</b>	121,369
– Non-controlling interests	<b>18,951</b>	9,841
	<b>279,319</b>	131,210

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2017 <i>HK\$'000</i>	Audited 31 December 2016 <i>HK\$'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties		1,951	2,054
Property, plant and equipment		420,059	267,114
Leasehold land		31,981	32,215
Intangible assets		5,409	10,466
Investments accounted for using the equity method	15	1,756,299	1,663,250
Available-for-sale financial assets	16	135,678	106,113
Financial asset at fair value through profit or loss	17	77,797	76,880
Long-term deposits and prepayments	12	3,082	3,434
<b>Total non-current assets</b>		<b>2,432,256</b>	<b>2,161,526</b>
<b>Current assets</b>			
Inventories		118,942	74,972
Trade and bills receivables	11	262,116	243,534
Other receivables, prepayments and deposits	12	143,435	38,040
Financial asset at fair value through profit or loss	17	2,815	–
Amounts due from investments accounted for using the equity method		7,961	13,258
Short-term bank deposits		22,956	18,388
Cash and cash equivalents		2,396,014	2,726,733
		<b>2,954,239</b>	<b>3,114,925</b>
Assets of disposal group classified as held-for-sale		–	222,590
<b>Total current assets</b>		<b>2,954,239</b>	<b>3,337,515</b>
<b>Total assets</b>		<b>5,386,495</b>	<b>5,499,041</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		6,942	6,942
Reserves		3,784,642	3,524,274
		<b>3,791,584</b>	<b>3,531,216</b>
Non-controlling interests		<b>73,402</b>	<b>54,451</b>
<b>Total equity</b>		<b>3,864,986</b>	<b>3,585,667</b>

		<b>Unaudited</b> <b>30 June</b> <b>2017</b> <b>HK\$'000</b>	Audited 31 December 2016 HK\$'000
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<u>186</u>	<u>205</u>
<b>Total non-current liabilities</b>		<u>186</u>	<u>205</u>
<b>Current liabilities</b>			
Trade and bills payables	<i>13</i>	<b>216,404</b>	266,270
Payables for payment processing solutions business	<i>14</i>	<b>425,051</b>	787,667
Other payables and accruals	<i>14</i>	<b>740,434</b>	646,400
Amounts due to investments accounted for using the equity method		<b>106,028</b>	81,468
Current income tax liabilities		<u>33,406</u>	<u>34,884</u>
		<b>1,521,323</b>	1,816,689
Liabilities of disposal group classified as held-for-sale		<u>–</u>	<u>96,480</u>
<b>Total current liabilities</b>		<u>1,521,323</u>	<u>1,913,169</u>
<b>Total liabilities</b>		<u>1,521,509</u>	<u>1,913,374</u>
<b>Total equity and liabilities</b>		<u><u>5,386,495</u></u>	<u><u>5,499,041</u></u>

Note:

## 1 GENERAL INFORMATION

The principal activity of Hi Sun Technology (China) Limited (the “Company”) is investment holdings.

The Company and its subsidiaries (collectively referred to as the “Group”), are principally engaged in the provision of payment processing solutions, provision of financial solutions, sales of electronic power meters, information security chips and solutions and provision of platform operation solutions.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in thousands of Hong Kong dollar (HK\$’000), unless otherwise stated.

This condensed consolidated interim financial information was approved for issue on 9 August 2017.

This condensed consolidated interim financial information has not been audited.

### Significant events and transactions

On 27 June 2017, the Group disposed of its 100% equity interests in certain wholly owned subsidiaries, which was classified as held-for-sale as at 31 December 2016. This disposal group was engaged in provision of payment processing solutions. The cash consideration was HK\$66,215,000. A gain on disposal of HK\$63,262,000 was resulted and had been recognised in the interim condensed consolidated income statement.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 ‘Interim financial reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## 3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Amendments to HKFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

(b) Impact of standards issued but not yet applied by the Group

(i) *HKFRS 9, ‘Financial instruments’*

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (“AFS”) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (“FVOCI”) and hence there will be no change to the accounting for these assets.

The other financial assets held by the Group include:

- Equity instruments currently classified as AFS for which a FVOCI election is available, and
- Equity investments currently measured at fair value through profit or loss (“FVPL”) which would likely continue to be measured on the same basis under HKFRS 9.

Accordingly the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 ‘Financial Instruments: Recognition and Measurement’ and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (“ECL”) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 ‘Revenue from Contracts with Customers’, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group does not intend to adopt HKFRS 9 before its mandatory date.

(ii) *HKFRS 15, ‘Revenue from contracts with customers’*

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.



Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- Revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.
- Accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15.
- Rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

(iii) *HKFRS 16, 'Leases'*

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$81,915,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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

#### 4 REVENUE, OTHER INCOME AND OTHER GAINS, NET

The Group is principally engaged in the provision of payment processing solutions, provision of financial solutions, sales of electronic power meters, information security chips and solutions and provision of platform operation solutions.

Revenue, other income and other gains, net recognised during the period are as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover		
Provision of payment processing solutions	<b>742,794</b>	372,164
Provision of financial solutions	<b>88,562</b>	102,354
Sales of electronic power meters, information security chips and solutions	<b>145,515</b>	93,921
Provision of platform operation solutions	<b>98,243</b>	89,014
	<b><u>1,075,114</u></b>	<b><u>657,453</u></b>
Other income		
Interest income	<b>15,605</b>	7,677
Subsidy income	<b>4,405</b>	2,497
Rental income	<b>1,041</b>	3,189
Others	<b>3,213</b>	3,739
	<b><u>24,264</u></b>	<b><u>17,102</u></b>
Other gains, net		
Fair values gains/(losses) on financial assets at fair value through profit or loss		
– Unlisted convertible preference shares	<b>917</b>	198
– Listed trading securities	<b>(135)</b>	–
	<b><u>782</u></b>	<b><u>198</u></b>

#### 5 SEGMENT INFORMATION

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

The Board of Directors considers the business of the Group from a product perspective.

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

- (a) Payment processing solutions – principally engaged in provision of payment processing services, merchants recruiting and related products and solutions;
- (b) Financial solutions – principally engaged in the provision of information system consultancy, integration and operation services and sales of information technology products to financial institutions and banks;

- (c) Electronic power meters, information security chips and solutions – principally engaged in the manufacturing and sales of electronic power meters, data collection terminals and the sales of information security chips and solutions; and
- (d) Platform operation solutions – principally engaged in the provision of telecommunication and mobile payment platform operation services and operation value-added services.

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted earnings/(losses) before interest expense, taxes, depreciation and amortisation (“EBITDA”).

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

	Unaudited					
	Payment processing solutions <i>HK\$'000</i>	Financial solutions <i>HK\$'000</i>	Electronic power meters, information security chips and solutions <i>HK\$'000</i>	Platform operation solutions <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total Group <i>HK\$'000</i>
<b>Six months ended 30 June 2017</b>						
Segment turnover	742,794	88,562	145,515	98,958	–	1,075,829
Inter-segment turnover	–	–	–	(715)	–	(715)
Turnover from external customers	<u>742,794</u>	<u>88,562</u>	<u>145,515</u>	<u>98,243</u>	<u>–</u>	<u>1,075,114</u>
Segmental EBITDA	<u>172,085</u>	<u>(796)</u>	<u>4,386</u>	<u>1,422</u>	<u>(4,328)</u>	<u>172,769</u>
Depreciation	(66,952)	(263)	(1,816)	(1,559)	(71)	(70,661)
Amortisation	–	(5,133)	(115)	(69)	–	(5,317)
Segmental operating profit/(loss)	<u>105,133</u>	<u>(6,192)</u>	<u>2,455</u>	<u>(206)</u>	<u>(4,399)</u>	<u>96,791</u>
Unallocated other income						3,423
Unallocated corporate expenses						(25,309)
Gain on disposal of subsidiaries						63,262
Share of result of an investment accounted for using the equity method						88,301
Gain on dilution of interest in an investment accounted for using the equity method						<u>113</u>
Profit before income tax						226,581
Income tax expense						<u>(16,748)</u>
Profit for the period						<u>209,833</u>

	Unaudited					
	Payment processing solutions	Financial solutions	Electronic power meters, information security chips and solutions	Platform operation solutions	Others	Total Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Six months ended 30 June 2016</b>						
Segment turnover	372,164	102,354	93,921	90,507	–	658,946
Inter-segment turnover	–	–	–	(1,493)	–	(1,493)
Turnover from external customers	<u>372,164</u>	<u>102,354</u>	<u>93,921</u>	<u>89,014</u>	<u>–</u>	<u>657,453</u>
Segmental EBITDA	<u>99,450</u>	<u>(7,406)</u>	<u>(3,338)</u>	<u>(8,875)</u>	<u>(3,697)</u>	<u>76,134</u>
Depreciation	(37,653)	(971)	(2,062)	(1,719)	(167)	(42,572)
Amortisation	–	(5,133)	(121)	–	–	(5,254)
Segmental operating profit/(loss)	<u>61,797</u>	<u>(13,510)</u>	<u>(5,521)</u>	<u>(10,594)</u>	<u>(3,864)</u>	<u>28,308</u>
Unallocated other income						2,547
Unallocated corporate expenses						(6,291)
Share of result of an investment accounted for using the equity method						103,764
Gain on dilution of interest in an investment accounted for using the equity method						<u>826</u>
Profit before income tax						129,154
Income tax expense						<u>(9,059)</u>
Profit for the period						<u>120,095</u>

Unallocated corporate expenses represent costs that are used for all segments, including depreciation of property, plant and equipment of HK\$773,000 (six months ended 30 June 2016: HK\$804,000), depreciation of investment properties of HK\$103,000 (six months ended 30 June 2016: HK\$86,000) and amortisation of leasehold land of HK\$380,000 (six months ended 30 June 2016: HK\$380,000), respectively.

The segment assets and liabilities as at 30 June 2017 and additions to non-current assets for the six months ended 30 June 2017 are as follows:

	Payment processing solutions <i>HK\$'000</i>	Financial solutions <i>HK\$'000</i>	Electronic power meters, information security chips and solutions <i>HK\$'000</i>	Platform operation solutions <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total Group <i>HK\$'000</i>
<b>Unaudited</b>								
Segment assets	<u>1,755,305</u>	<u>268,538</u>	<u>402,210</u>	<u>1,036,012</u>	<u>77,093</u>	<u>3,082,070</u>	<u>(1,234,733)</u>	<u>5,386,495</u>
Segment liabilities	<u>(1,288,439)</u>	<u>(252,143)</u>	<u>(288,058)</u>	<u>(703,726)</u>	<u>(169,476)</u>	<u>(54,400)</u>	<u>1,234,733</u>	<u>(1,521,509)</u>
<b>Unaudited</b>								
Additions to non-current assets (excluding long-term deposit, investments accounted for using equity method, available-for-sale financial assets and financial assets at fair value through profit or loss)	<u>214,304</u>	<u>466</u>	<u>199</u>	<u>1,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>216,569</u>

The segment assets and liabilities as at 31 December 2016 and additions to non-current assets for the six months ended 30 June 2016 are as follows:

	Payment processing solutions <i>HK\$'000</i>	Financial solutions <i>HK\$'000</i>	Electronic power meters, information security chips and solutions <i>HK\$'000</i>	Platform operation solutions <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total Group <i>HK\$'000</i>
<b>Audited</b>								
Segment assets	<u>2,004,105</u>	<u>333,645</u>	<u>412,233</u>	<u>904,958</u>	<u>81,248</u>	<u>2,945,638</u>	<u>(1,182,786)</u>	<u>5,499,041</u>
Segment liabilities	<u>(1,634,724)</u>	<u>(303,450)</u>	<u>(300,414)</u>	<u>(601,608)</u>	<u>(182,146)</u>	<u>(73,818)</u>	<u>1,182,786</u>	<u>(1,913,374)</u>
<b>Unaudited</b>								
Additions to non-current assets (excluding long-term deposits, investments accounted for using equity method, available-for-sale financial assets and financial assets at fair value through profit or loss)	<u>53,519</u>	<u>44</u>	<u>791</u>	<u>235</u>	<u>17</u>	<u>43</u>	<u>-</u>	<u>54,649</u>

Additions to non-current assets comprise additions to property, plant and equipment.

Information provided to the Board of Directors is measured in a manner consistent with that of the condensed consolidated interim financial information. These assets and liabilities are allocated based on the operations of the segment.

Sales between segments are carried out on normal commercial terms. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the condensed consolidated income statement.

The Group principally domiciles in Mainland China, Hong Kong and Macau (six months ended 30 June 2016: Mainland China, Hong Kong, Japan and Macau).

## 6 EXPENSES BY NATURE

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Auditor's remuneration	1,800	1,700
Depreciation of property, plant and equipment	71,434	43,376
Depreciation of investment properties	103	86
Amortisation of leasehold land	488	494
Amortisation of intangible assets	5,209	5,140
Employee benefit expenses	224,695	198,821
Costs of inventories sold (including provision for inventories)	101,224	74,459
Operating lease rentals in respect of land and buildings	15,693	15,562
Operating lease rentals in respect of equipment	–	17
Research and development costs (including staff cost)	76,224	66,627
Loss/(gain) on disposals of property, plant and equipment	357	(55)

## 7 NET FOREIGN EXCHANGE GAIN

The net foreign exchange gain recognised in the interim condensed consolidated income statement and included in administrative expenses for the six months ended 30 June 2017 amounted to HK\$8,059,000 (six months ended 30 June 2016: HK\$21,610,000).

## 8 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (six months ended 30 June 2016: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	–	–
– Overseas taxation	16,772	9,066
Deferred tax	(24)	(7)
Income tax expense	16,748	9,059

## 9 DIVIDENDS

No dividend on ordinary share has been paid or declared by the Company for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

## 10 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
Profit attributable to equity holders of the Company (HK\$'000)	<u><u>193,082</u></u>	<u><u>110,118</u></u>
Weighted average number of ordinary shares in issue (thousands)	<u><u>2,776,834</u></u>	<u><u>2,776,834</u></u>
Basic earnings per share (HK\$ per share)	<u><u>0.07</u></u>	<u><u>0.04</u></u>

### (b) Diluted

Diluted earnings per share is calculated by adjusting the net income and the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive shares.

For the six months ended 30 June 2017, the Group has three categories (six months ended 30 June 2016: same) of potentially dilutive shares: share options issued by an associated company – PAX Global Technology Limited (“PAX Global”), and share options and convertible preference shares issued by an associated company – Cloopen Group Holdings Limited (“Cloopen”) (*Note 15*).

Dilutive effects arise from share options issued by PAX Global for the six months ended 30 June 2017 (six months ended 30 June 2016: same).

For share options issued by PAX Global, the exercise of the outstanding share options in PAX Global would have a dilutive effect. The exercise of the share options in PAX Global would be dilutive if the net profit attributable to the equity holders of the Company will decrease as a result of the decrease in the Group’s share of profit of associated company and reduce in gain on dilution of interest in an associated company. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual fair value of the associated company’s shares) based on the monetary value of the subscription rights attached to outstanding share options of PAX Global. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options of PAX Global.

For share options and convertible preference shares issued by Cloopen, as at 30 June 2017, the carrying amount of the interest in Cloopen was zero (31 December 2016: same). As at 30 June 2017, the Group’s share of loss exceeded its interest in the ordinary shares of Cloopen, the exercise of the abovementioned share options and convertible preference shares would not have any impact on the diluted earnings per share.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
Profit attributable to equity holders of the Company (HK\$'000)	<b>193,082</b>	110,118
Assuming exercise of all outstanding dilutive share options issued by the associated company (HK\$'000)		
– Decrease in share of profit of the associated company	<b>(221)</b>	(435)
– Reduce in gain on dilution of the associated company	<b>(6,769)</b>	(6,572)
Adjusted profit attributable to equity holders of the Company used to determine diluted earnings per share (HK\$'000)	<b>186,092</b>	103,111
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<b>2,776,834</b>	2,776,834
Diluted earnings per share attributable to the equity holders of the Company (HK\$ per share)	<b>0.07</b>	0.04

## 11 TRADE AND BILLS RECEIVABLES

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade receivables ( <i>Note (a)</i> )	<b>267,258</b>	247,647
Bills receivables ( <i>Note (b)</i> )	<b>400</b>	1,284
Less: provision for impairment of receivables	<b>(5,542)</b>	(5,397)
	<b>262,116</b>	243,534

*Notes:*

### (a) Trade receivables

The Group's credit terms to trade debtors range from 0 to 180 days. At 30 June 2017 and 31 December 2016, the ageing analysis of the trade receivables primarily based on invoice date was as follows:

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current to 90 days	<b>150,352</b>	170,730
91 to 180 days	<b>23,076</b>	18,925
181 to 365 days	<b>60,569</b>	23,981
Over 365 days	<b>33,261</b>	34,011
	<b>267,258</b>	247,647



(b) **Bill receivables**

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

The maturity profile of the bills receivables is as follows:

	<b>Unaudited 30 June 2017 HK\$'000</b>	<b>Audited 31 December 2016 HK\$'000</b>
Falling within 90 days	–	1,284
Falling within 91 to 180 days	<u>400</u>	<u>–</u>
	<b><u>400</u></b>	<b><u>1,284</u></b>

**12 OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS**

	<b>Unaudited 30 June 2017 HK\$'000</b>	<b>Audited 31 December 2016 HK\$'000</b>
<b>Non-current portion</b>		
Long-term deposits and prepayments	3,082	3,434
<b>Current portion</b>		
Other receivables, prepayments and deposits	<u>143,435</u>	<u>38,040</u>
<b>Total</b>	<b><u>146,517</u></b>	<b><u>41,474</u></b>

**13 TRADE AND BILLS PAYABLES**

	<b>Unaudited 30 June 2017 HK\$'000</b>	<b>Audited 31 December 2016 HK\$'000</b>
Trade payables ( <i>Note (a)</i> )	185,339	230,566
Bills payables ( <i>Note (b)</i> )	<u>31,065</u>	<u>35,704</u>
	<b><u>216,404</u></b>	<b><u>266,270</u></b>

Notes:

**(a) Trade payables**

At 30 June 2017 and 31 December 2016, the ageing analysis of the trade payables primarily based on invoice date was as follows:

	<b>Unaudited 30 June 2017 HK\$'000</b>	<b>Audited 31 December 2016 HK\$'000</b>
Current to 90 days	112,762	177,059
91 to 180 days	36,219	33,503
181 to 365 days	24,848	8,162
Over 365 days	11,510	11,842
	<u>185,339</u>	<u>230,566</u>

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

**(b) Bills payables**

The balance represents bank acceptance notes:

	<b>Unaudited 30 June 2017 HK\$'000</b>	<b>Audited 31 December 2016 HK\$'000</b>
Due within 90 days	11,009	19,161
Due within 91 to 180 days	20,056	16,543
	<u>31,065</u>	<u>35,704</u>

**14 PAYABLES FOR PAYMENT PROCESSING SOLUTIONS BUSINESS AND OTHER PAYABLES AND ACCRUALS**

	<b>Unaudited 30 June 2017 HK\$'000</b>	<b>Audited 31 December 2016 HK\$'000</b>
Payables for payment processing solutions business ( <i>Note (a)</i> )	425,051	787,667
Other payables and accruals	740,434	646,400
	<u>1,165,485</u>	<u>1,434,067</u>

Note:

(a) **Payables for payment processing solutions business**

This balance represents payables to merchants for the payment processing solutions business. The amounts are generally due for settlement within 30 days.

**15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

(a) **Investment in PAX Global**

The movement on interest in PAX Global is as follows:

	<b>Unaudited</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
At 1 January	<b>1,663,250</b>	1,525,040
Share of profit	<b>88,301</b>	103,764
Share of other comprehensive gain/(loss)	<b>18,880</b>	(450)
Share of other reserves	–	1,243
Dilution of interest ( <i>Note i</i> )	<b>428</b>	942
Dividend received	<b>(14,560)</b>	(7,280)
	<hr/> <b>1,756,299</b> <hr/>	<hr/> 1,623,259 <hr/>
At 30 June	<b>1,756,299</b>	1,623,259

Note:

- (i) During the six months ended 30 June 2017, certain employees of PAX Global exercised their share options granted pursuant to a share option scheme set up on 1 December 2010. A gain on dilution of interest in an associated company of HK\$113,000 (six months ended 30 June 2016: HK\$826,000) was recognised in the interim condensed consolidated income statement, including release of reserve credited to the interim condensed consolidated income statement of HK\$315,000 (six months ended 30 June 2016: HK\$116,000). The Group's interest in PAX Global decreased from 32.86% to 32.70% accordingly.

(b) **Investment in Cloopen**

As at 30 June 2017, the carrying value of Cloopen is nil (31 December 2016: same) and there is no movement on the interest in Cloopen during the period (six months ended 30 June 2016: same).

The Group's share of loss of Cloopen exceeded its interest in the ordinary shares of Cloopen, there are no overall financial impact on the interim condensed consolidated income statement from the investment for the current period (six months ended 30 June 2016: same).

## 16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group's available-for-sale financial assets include unlisted equity security and unlisted investment fund with the following details:

	<b>Unaudited</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1 January	<b>106,113</b>	6,982
Addition	–	82,518
Fair value gains on revaluation recognised in other comprehensive income	<b>26,486</b>	12,015
Exchange realignment	<b>3,079</b>	(99)
	<hr/>	<hr/>
At 30 June	<b>135,678</b>	101,416
	<hr/> <hr/>	<hr/> <hr/>
Unlisted equity investments outside Hong Kong	<b>15,983</b>	9,844
Unlisted investment fund outside Hong Kong	<b>119,695</b>	91,572
	<hr/>	<hr/>
	<b>135,678</b>	101,416
	<hr/> <hr/>	<hr/> <hr/>

The carrying amounts of the available-for-sale financial assets are denominated in RMB.

## 17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial assets at fair value through profit or loss represent investment in unlisted convertible preference shares and listed equity securities with the following details:

	<b>Unaudited</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1 January	<b>76,880</b>	–
Addition	<b>2,950</b>	78,000
Net fair value gains on revaluation recognised in profit or loss	<b>782</b>	198
	<hr/>	<hr/>
At 30 June	<b>80,612</b>	78,198
	<hr/> <hr/>	<hr/> <hr/>
<b>Non-current assets</b>		
Unlisted convertible preference shares outside Hong Kong ( <i>Note (a)</i> )	<b>77,797</b>	78,198
	<hr/>	<hr/>
<b>Current assets</b>		
Listed equity securities in Hong Kong ( <i>Note (b)</i> )	<b>2,815</b>	–
	<hr/>	<hr/>
	<b>80,612</b>	78,198
	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

**(a) Unlisted convertible preference shares outside Hong Kong**

On 10 June 2016, the Group subscribed 7,443,326 Convertible Series C Preferred Shares (the “Convertible Series C Preferred Shares”) of Cloopen (refer to Note 15). The consideration for the Convertible Series C Preferred Shares subscribed by the Group was approximately HK\$78,000,000 (equivalent to US\$10,000,000).

The Group, as a holder of the Convertible Series C Preferred Shares has:

- i) an option to request Cloopen to redeem the Convertible Series C Preferred Shares at the price equal to the greater of the issue price with an 8% compound interest per annum return plus any accrued but unpaid dividends or the fair value at the date of redemption after the earliest of 10 June 2020 or the occurrence of other conditions as provided for under the definitive subscription agreement; and
- ii) an option to convert the Convertible Series C Preferred Shares into ordinary shares of Cloopen at the conversion price based on certain conditions on the date of conversion as provided for under the definitive subscription agreement.

The Convertible Series C Preferred Shares, together with the abovementioned options, were designated as a financial asset at fair value through profit or loss and recognised at fair values. The fair values of the Convertible Series C Preferred Shares were valued by an independent valuer on the balance sheet date.

The carrying amount of the unlisted convertible preference shares is denominated in United States dollar (“USD”).

**(b) Listed equity securities in Hong Kong**

The fair value of the listed equity securities is based on their current bid prices in an active market and their carrying amount is denominated in Hong Kong dollar (“HKD”).

Changes in fair value of financial asset at fair value through profit or loss are recorded in ‘other gains, net’ in the condensed consolidated income statement.

## INTERIM CONDENSED SEGMENT RESULT ANALYSIS

	Note	Turnover		EBITDA	
		1H2017 HK\$'000	1H2016 HK\$'000	1H2017 HK\$'000	1H2016 HK\$'000
Payment processing solutions	1	742,794	372,164	172,085	99,450
Financial solutions	2	88,562	102,354	(796)	(7,406)
Electronic power meters, information security chips and solutions	3	145,515	93,921	4,386	(3,338)
Platform operation solutions	4	98,958	90,507	1,422	(8,875)
Others		–	–	(4,328)	(3,697)
		<hr/>	<hr/>	<hr/>	<hr/>
Segmental results		1,075,829	658,946	172,769	76,134
Less: Inter-segment turnover		(715)	(1,493)	–	–
		<hr/>	<hr/>	<hr/>	<hr/>
Total		<b>1,075,114</b>	<b>657,453</b>	<b>172,769</b>	<b>76,134</b>
		<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				(70,661)	(42,572)
Amortisation				(5,317)	(5,254)
				<hr/>	<hr/>
Segmental operating profit				96,791	28,308
Unallocated other income				3,423	2,547
Unallocated corporate expenses				(25,309)	(6,291)
Gain on disposal of subsidiaries				63,262	–
				<hr/>	<hr/>
Operating profit				<b>138,167</b>	<b>24,564</b>
				<hr/>	<hr/>

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	<b>1H2017</b> <i>HK\$'000</i>	1H2016 <i>HK\$'000</i>
Revenue	<i>A</i>	<b>1,075,114</b>	657,453
Cost of sales	<i>B</i>	<b>(774,370)</b>	(453,427)
Gross profit		<b>300,744</b>	204,026
Other income		<b>24,264</b>	17,102
Other gains, net		<b>782</b>	198
Selling expenses	<i>B</i>	<b>(58,706)</b>	(47,312)
Administrative expenses	<i>B</i>	<b>(192,179)</b>	(149,450)
Gain on disposal of subsidiaries	<i>C</i>	<b>63,262</b>	–
Operating profit		<b>138,167</b>	24,564
Share of result of an investment accounted for using the equity method	<i>D</i>	<b>88,301</b>	103,764
Gain on dilution of interest in an investment accounted for using the equity method	<i>D</i>	<b>113</b>	826
Profit before income tax		<b>226,581</b>	129,154
Income tax expense		<b>(16,748)</b>	(9,059)
Profit for the period		<b>209,833</b>	120,095
Profit attributable to :			
– Equity holders of the Company		<b>193,082</b>	110,118
– Non-controlling interests		<b>16,751</b>	9,977
		<b>209,833</b>	120,095
		<i>HK\$ per share</i>	<i>HK\$ per share</i>
<b>Earnings per share for profit attributable to equity holders of the Company:</b>			
Basic		<b>0.07</b>	0.04
Diluted		<b>0.07</b>	0.04

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2017 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
Investment properties, property, plant and equipment and leasehold land	<i>E</i>	453,991	301,383
Intangible assets	<i>F</i>	5,409	10,466
Investments accounted for using the equity method	<i>G</i>	1,756,299	1,663,250
Available-for-sale financial assets	<i>H</i>	135,678	106,113
Financial assets at fair value through profit or loss	<i>I</i>	80,612	76,880
Inventories	<i>J</i>	118,942	74,972
Trade and bills receivables	<i>K</i>	262,116	243,534
Other receivables, prepayments and deposits	<i>K</i>	146,517	41,474
Amounts due from investments accounted for using the equity method	<i>L</i>	7,961	13,258
Short-term bank deposits		22,956	18,388
Cash and cash equivalents		2,396,014	2,726,733
Assets of disposal group classified as held-for-sale	<i>N</i>	–	222,590
<b>Total assets</b>		<b>5,386,495</b>	<b>5,499,041</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		6,942	6,942
Reserves		3,784,642	3,524,274
		<b>3,791,584</b>	<b>3,531,216</b>
<b>Non-controlling interests</b>		<b>73,402</b>	<b>54,451</b>
<b>Total equity</b>		<b>3,864,986</b>	<b>3,585,667</b>
<b>LIABILITIES</b>			
Deferred income tax liabilities		186	205
Trade and bills payables	<i>M</i>	216,404	266,270
Payables for payment processing solutions business	<i>M</i>	425,051	787,667
Other payables and accruals	<i>M</i>	740,434	646,400
Amounts due to investments accounted for using the equity method	<i>L</i>	106,028	81,468
Current income tax liabilities		33,406	34,884
Liabilities of disposal group classified as held-for-sale	<i>N</i>	–	96,480
<b>Total liabilities</b>		<b>1,521,509</b>	<b>1,913,374</b>
<b>Total equity and liabilities</b>		<b>5,386,495</b>	<b>5,499,041</b>
		As at 30 June 2017 <i>HK\$</i> <i>per share</i>	As at 31 December 2016 <i>HK\$</i> <i>per share</i>
Net assets per share		<b>1.392</b>	<b>1.291</b>



## INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>1H2017</b>	1H2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Net cash used in operating activities</b>	<b>(381,288)</b>	(141,805)
<b>Net cash used in investing activities</b>	<b>(77,421)</b>	(195,662)
<b>Net cash (used in)/generated from financing activities</b>	<b>(4,039)</b>	6,757
<b>Net decrease in cash and cash equivalents</b>	<b>(462,748)</b>	(330,710)
Cash and cash equivalents at beginning of the period	<b>2,804,978</b>	2,292,287
Exchange gain on cash and cash equivalents	<b>53,784</b>	15,569
<b>Cash and cash equivalents at end of the period</b>	<b><u>2,396,014</u></b>	<b><u>1,977,146</u></b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
<i>Note</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Analysis of cash and cash equivalents:</b>		
Cash and cash equivalents	<b>2,396,014</b>	2,726,733
Cash and cash equivalents included in disposal group classified as held-for-sale	<i>N</i> <u>–</u>	<u>78,245</u>
	<b><u>2,396,014</u></b>	<b><u>2,804,978</u></b>

During the six months ended 30 June 2017 (“1H2017”), the consolidated turnover of Hi Sun Technology (China) Limited (the “Company”) and its subsidiaries (the “Group”) amounted to HK\$1,075.1 million, representing an increase of 64% when compared with the six months ended 30 June 2016 (“1H2016”). Profit for the period totalled HK\$209.8 million as compared to a profit of HK\$120.1 million in 1H2016.

With regard to the balance sheet, the total assets as at 30 June 2017 amounted to HK\$5,386.5 million, when compared with HK\$5,499.0 million as at 31 December 2016. As at 30 June 2017, net current assets amounted to HK\$1,432.9 million, when compared with HK\$1,424.3 million as at 31 December 2016.

## SEGMENT PERFORMANCE REVIEW

### (1) Payment processing solutions

	<b>1H2017</b> <b>HK\$'000</b>	1H2016 <i>HK\$'000</i>	Change + / (-)
Turnover*	<b>742,794</b>	372,164	+100%
EBITDA	<b>172,085</b>	99,450	+73%
Operating profit	<b>105,133</b>	61,797	+70%

\* Turnover from external customers

Segmental turnover amounted to HK\$742.8 million, as compared to HK\$372.2 million in 1H2016. Segmental operating profit amounted to HK\$105.1 million, as compared to HK\$61.8 million in 1H2016. The increase in segmental operating profit was mainly due to increased scale of transaction operations. By the end of 1H2017, there were over 2,000,000 accumulated active domestic merchants and the monthly transaction volume in June 2017 exceeded RMB90 billion.

### (2) Financial solutions

	<b>1H2017</b> <b>HK\$'000</b>	1H2016 <i>HK\$'000</i>	Change + / (-)
Turnover*	<b>88,562</b>	102,354	-13%
EBITDA	<b>(796)</b>	(7,406)	N/A
Operating loss	<b>(6,192)</b>	(13,510)	N/A

\* Turnover from external customers

During the current period, segmental turnover amounted to HK\$88.6 million, as compared to HK\$102.4 million in 1H2016. Segmental operating loss totalled HK\$6.2 million, as compared to HK\$13.5 million in 1H2016. Effect of decrease in segmental turnover was mitigated by increased profit margins during the period.

### (3) Electronic power meters, information security chips and solutions

	<b>1H2017</b> <b>HK\$'000</b>	1H2016 <i>HK\$'000</i>	Change +/(-)
Turnover*	<b>145,515</b>	<b>93,921</b>	+55%
– Electronic power meters and data collection terminals	91,627	67,846	+35%
– Information security chips and solutions	53,888	26,075	+107%
EBITDA	<b>4,386</b>	<b>(3,338)</b>	N/A
– Electronic power meters and data collection terminals	(1,787)	(4,919)	N/A
– Information security chips and solutions	6,173	1,581	+290%
Operating profit/(loss)	<b>2,455</b>	<b>(5,521)</b>	N/A
– Electronic power meters and data collection terminals	(3,479)	(6,860)	N/A
– Information security chips and solutions	5,934	1,339	+343%

\* Turnover from external customers

Segmental turnover amounted to HK\$145.5 million as compared to HK\$93.9 million in 1H2016. Increase in turnover as compared to 1H2016 was mainly due to (i) increase in sales of information security chips and solutions; and (ii) increased shipment level of electronic power meters and data collection terminals from tenders won in prior years. Segmental operating profit amounted to HK\$2.5 million, as compared to segmental operating loss of HK\$5.5 million in 1H2016. Improved operating result was mainly attributable to the increase in segmental turnover during 1H2017.

### (4) Platform operation solutions

	<b>1H2017</b> <b>HK\$'000</b>	1H2016 <i>HK\$'000</i>	Change +/(-)
Turnover*	<b>98,243</b>	89,014	+10%
EBITDA	<b>1,422</b>	(8,875)	N/A
Operating loss	<b>(206)</b>	(10,594)	N/A

\* Turnover from external customers

During the period, segmental turnover amounted to HK\$98.2 million as compared to HK\$89.0 million in 1H2016. Segmental operating loss amounted to HK\$0.2 million, as compared to operating loss of HK\$10.6 million in 1H2016. The decrease in operating loss was mainly contributed by streamline of operations after combining our telecommunication solutions segment and payment platform solutions segment into the new “Platform operation solutions segment” last year.

## **OVERALL FINANCIAL RESULTS AND POSITION**

### **(A) Revenue**

The consolidated turnover amounted to HK\$1,075.1 million, representing an increase of 64% over 1H2016. Such increase was mainly contributed by increase in segmental turnover of our payment processing solutions segment. Please also refer to Notes (1) to (4) above.

### **(B) Cost of sales and operating expenses**

Increase in cost of sales was primarily due to increase in turnover of the payment processing solutions segment.

Increase in operating expenses during the current period was primarily due to (i) decrease in a net foreign exchange gain; (ii) increase in employee benefit expenses mainly due to the increase in headcounts; and (iii) increase in R&D expenses.

### **(C) Gain on disposal of subsidiaries**

Amount represented the gain on the disposal of Merchant Support Co., Ltd. (“MS”), a then wholly owned subsidiary of the Company, completed in June 2017 (please also refer to the announcement of the Company dated 18 May 2017 for further details).

### **(D) Share of result of and gain on dilution of interest in an investment accounted for using the equity method**

The Group shares the results of PAX Global Technology Limited (“PAX Global”), an associated company, the shares of which are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Gain on dilution of interest in an associated company of HK\$0.1 million (1H2016: HK\$0.8 million) was due to the effect of exercise of share options of PAX Global by some of its employees during the period.

As an ordinary shareholder of Cloopen Group Holding Limited (“Cloopen”), an associated company of the Group, the Group’s share of loss exceeded its interest in the ordinary shares of Cloopen, and there is no overall financial impact on the interim condensed consolidated income statement from the investment for the current period.

### **(E) Investment properties, property, plant and equipment and leasehold land**

Balance mainly represents fixed assets of payment processing solutions and electronic power meters, information security chips and solutions segments.

**(F) Intangible assets**

Intangible assets include computer software of HK\$3.4 million allocated to the financial solutions segment. Decrease in balance was due to amortisation charged during the period.

**(G) Investments accounted for using the equity method**

Balances mainly represents the Group's interests in PAX Global. As at 30 June 2017, the fair value of the Group's 32.7% effective interest in PAX Global was HK\$1,823.6 million and the fair value of the investment was greater than its carrying value.

The Group's effective interest in the ordinary shares of Cloopen, calculated based on all issued and outstanding ordinary shares of Cloopen which are held by the Group, was 50.5%. As at 30 June 2017, the Group's share of loss of Cloopen exceeded its interest in the ordinary shares of Cloopen, and there was no overall financial impact on the consolidated income statement from the investment for the current period. As at 30 June 2017, the carrying amount of the Group's interest in the ordinary shares of Cloopen was zero. Meanwhile, the fair value of the Group's interest in the ordinary shares of Cloopen was approximately HK\$240.7 million.

**(H) Available-for-sale financial assets**

As at 30 June 2017, the available-for-sale financial assets consisted of equity securities which are unlisted investments outside Hong Kong. As at 30 June 2017, the balance included interest in a venture capital fund of HK\$119.7 million and interest in an unlisted equity investment in the PRC of HK\$16.0 million.

**(I) Financial assets at fair value through profit and loss**

The balance represented the fair value of the Group's interest in the Convertible Series C Preferred Shares of Cloopen of HK\$77.8 million and fair value of trading securities listed in Hong Kong of HK\$2.8 million.

**(J) Inventories**

The amount mainly represents inventories of electronic power meters, information security chips and solutions segment.

**(K) Trade and bills receivables and other receivables, prepayments and deposits**

	<b>As at 30 June 2017 HK\$'000</b>	<b>As at 31 December 2016 HK\$'000</b>
Trade receivables ( <i>Note (i) (a)</i> )	<b>267,258</b>	247,647
Bills receivables ( <i>Note (i) (b)</i> )	<b>400</b>	1,284
Less: provision for impairment of receivables	<b>(5,542)</b>	(5,397)
	<b>262,116</b>	243,534
Other receivables, prepayments and deposits ( <i>Note (ii)</i> )	<b>146,517</b>	41,474
Total	<b>408,633</b>	285,008

*Note (i):*

- (a) The Group's credit terms to trade debtors normally range from 0 to 180 days. The ageing analysis of the trade receivables primarily based on invoice date was as follows:

	<b>As at 30 June 2017 HK\$'000</b>	<b>As at 31 December 2016 HK\$'000</b>
Current to 90 days	<b>150,352</b>	170,730
91 to 180 days	<b>23,076</b>	18,925
181 to 365 days	<b>60,569</b>	23,981
Over 365 days	<b>33,261</b>	34,011
	<b>267,258</b>	247,647

- Increase in trade receivables aged between 181 to 365 days was mainly from electronic power meters, information security chips and solutions segment.

- (b) Bills receivables belonged to the electronic power meters, information security chips and solutions segment.

*Note (ii):*

The increase in balance was mainly due to prepayment to suppliers from electronic power meters, information security chips and solutions segment.

**(L) Amounts due from/to investments accounted for using equity method**

The amounts due from/to investments accounted for using the equity method represent payables from/to PAX Global and Cloopen and its subsidiaries as at 30 June 2017. Amounts due from/to investments accounted for using the equity method are unsecured, interest-free and repayable on demand.

**(M) Trade and bills payables, payables for payment processing solutions business and other payables and accruals**

	As at 30 June 2017 HK\$'000	As at 31 December 2016 HK\$'000
Trade payables ( <i>Note (i) (a)</i> )	185,339	230,566
Bills payables ( <i>Note (i) (b)</i> )	31,065	35,704
Payables for payment processing solutions business ( <i>Note (ii)</i> )	425,051	787,667
Other payables and accruals ( <i>Note (iii)</i> )	740,434	646,400
Total	<u>1,381,889</u>	<u>1,700,337</u>

*Note (i):*

- (a) The credit period granted by the suppliers ranges from 0 to 180 days. The ageing analysis of the trade payables primarily based on invoice date was as follows:

	As at 30 June 2017 HK\$'000	As at 31 December 2016 HK\$'000
Current to 90 days	112,762	177,059
91 to 180 days	36,219	33,503
181 to 365 days	24,848	8,162
Over 365 days	11,510	11,842
	<u>185,339</u>	<u>230,566</u>

- Decrease in trade payables aged between current to 90 days was mainly due to settlements by financial solutions segment during the period.
- (b) Bills payables belong to the electronic power meters, information security chips and solutions segment.

Note (ii):

This balance represents payables to merchants for the payment processing solutions business. The amounts are generally due for settlement with these customers within 30 days. The decrease in balance was mainly due to increase in volume of early settlement financial services transactions.

Note (iii):

	<b>As at 30 June 2017 HK\$'000</b>	As at 31 December 2016 HK\$'000
Accrued staff costs and pension obligations*	<b>123,126</b>	162,675
Deposits and receipt in advance**	<b>389,276</b>	332,501
Accrued subcontracting cost	<b>82,764</b>	93,166
Others***	<b>145,268</b>	58,058
	<b><u>740,434</u></b>	<b><u>646,400</u></b>

\* The decrease in accrued staff costs and pension obligations was mainly due to the payment of year end bonus for 2016 during the period.

\*\* The increase in deposits and receipt in advance was mainly due to increase in deposits and guarantees received from merchants and agents under the payment processing solutions business.

\*\*\* The increase in balance was mainly due to payable for purchase of fixed assets of HK\$76.1 million by payment processing solutions segment.

#### **(N) Assets and liabilities of disposal group classified as held-for-sale**

During the year ended 31 December 2016, the Company, MS and an independent third party entered into a memorandum of understanding (the "MOU") for the possible sale of the Group's entire interests in MS. As a result, the major classes of assets and liabilities (not including the booked amounts of the working capital provided by the Company to MS) of MS and its subsidiary were classified as held-for sale as at 31 December 2016. The disposal was completed in June 2017. Please also refer to Note (C) above.



## **KEY INVESTING AND FINANCING ACTIVITIES**

### **(A) PURCHASES E-PAYMENT TERMINAL PRODUCTS FROM PAX GLOBAL GROUP**

In connection with the business of provision of payment processing solutions, the Group from time to time purchases E-payment Terminal products from PAX Global, an associated company, and its subsidiaries (collectively the “PAX Global Group”).

During the 12-month period preceding 31 March 2017 (“Relevant Period”), the Group has purchased from PAX Global Group E-payment Terminal products in an aggregate amount of approximately HK\$187.5 million (inclusive of tax payable by the Group).

The Group provides E-payment Terminal products to its merchant customers and in return, receives a fee. The E-payment Terminal products the Group purchased from PAX Global Group during the Relevant Period have been recorded as fixed assets while the relevant depreciation charges have been recorded as cost of sales in the financial statements of the Group.

During the Relevant Period, relevant members of the Group and PAX Global Group have from time to time entered into individual agreements setting out the detailed terms of the sale and purchase of the relevant E-payment Terminal products.

The prices payable for the E-payment Terminal products were agreed between the Group and PAX Global Group by reference to the prevailing market prices of products with similar specifications at the relevant time. The Group generally settles the purchase cost with PAX Global Group every six months. Reference is made to the announcement of the Company dated 31 March 2017 in relation to the purchase.

### **(B) DISPOSAL OF THE MERCHANT SUPPORT CO., LTD AND ITS SUBSIDIARY**

On 18 May 2017, the Company entered into a deed of sale and purchase with Merchant Support Co., Ltd (“MS”), MS’s subsidiary and UnionPay Merchant Services International Holdings Limited (“UnionPay”), pursuant to which the Company has conditionally agreed to sell and UnionPay has conditionally agreed to acquire the entire issued shares of MS, at the aggregate consideration of JPY950,000,000 (subject to adjustment). The disposal was completed on 27 June 2017. Further details of the disposal are set out in the announcement of the Company dated 18 May 2017.

## **OUTLOOK**

### **Payment processing solutions**

At the end of June 2017, we passed the review of the People's Bank of China and extended the term of bank card acquiring, internet payment and mobile payment licenses to June 2022. In response to the rate reform implemented by the People's Bank of China in September 2016, we have successfully completed the switch in the rate reform process and smooth operation of card acquiring services offered to merchants has been secured. As of the end of June 2017, the accumulated number of active merchants in Mainland China reached 2 million and the accumulated transaction volume exceeded RMB450 billion in the first half of the year. During the period, the size of bank card acquiring transactions maintained steady growth, while value-added financial services comprising mainly early settlement business became one of the major sources of income for the segment. Mobile point of sale ("MPOS") merchants and innovative QR code payment merchants also developed rapidly, their accumulated number accounted for over 50% of the total number of merchants. Since the Group obtained the qualification for cross-border RMB payment business at the end of last year, the internet payment and cross-border payment business has experienced brisk growth, recording a transaction volume of over RMB5 billion in half a year's time alone. Attributing to the preliminary integration of payment services (which supports bank card payment, mobile payment, QR code payment and other mainstream and innovative payment methods) last year, we upgraded and launched the "smart payment platform" solution in the first half of 2017. Based on the principles of "openness" and "integration (connection)", the platform caters to provide a set of application solutions to industry players that better supports smart payment terminals and various payment scenarios. As one of the leading non-bank offline payment institutions in the industry, we believe the Group is well-positioned to sustain development in the future.

### **Financial solutions**

On the basis of strengthening and expanding our presence in the fields of traditional customer market and core banking system that serves major state-owned banks, joint-equity commercial banks and their overseas branches, we continued to devote strategic resources in the markets of city commercial banks and foreign banks. During the period, with regard to the traditional customer market, we have put into operation the core system construction projects for the China Everbright Bank (Luxembourg) and the operating system project for retail and other core businesses of the China Minsheng Bank (Hong Kong). In terms of the city commercial bank market, we have put into operation the core system construction project for the Bank of Suzhou and won the tender for the core system renovation project for Dongguan Rural Commercial Bank Co., Ltd. As to foreign banks and the overseas market, we have put into operation the core system construction project for Dah Sing Bank (Mainland China) and won the tender for the system construction projects for Goopal International Limited. For the payment and internet finance sector, we will continue to pursue business expansion and offer financial IT services to payment and online companies.

### **Electronic power meters, information security chips and solutions**

Electronic power meters, information security chips and solutions segment mainly comprises two business lines: electronic power meters and data collection terminals and information security chips and solutions.

### ***Electronic power meters and data collection terminals***

In the first half of 2017, the State Grid invited one tender exercise for electronic power meters and data collection devices. While the total volume and scale of tenders were significantly reduced as compared to the same period last year, we were not awarded with any tender during the period and have been facing a challenging operating environment. In the recent years, we have been closely monitoring the latest technological development of the State Grid and have also achieved progress in the development of DLT698.45 related products. As the State Grid continues to promote new technological development, especially the DLT698.45 object-oriented interchangeable data exchange protocol. We expect to gain certain advantages if these related products become subjects of the second tender exercise this year.

### ***Information security chips and solutions***

Information security chips and solutions business experienced a strong upward trend in the first half of 2017, recording a sales volume approaching the annual sales for 2016. Sales of mag-stripe card security decoder chips was stable while that of security micro controller (“MCU”) gained momentum and is expected to generate more sales revenue in the future. Meanwhile, the research projects have been progressing smoothly and cost reduction initiatives of various products have been rolled out in an orderly manner.

### ***Platform operation solutions***

In the first half of the year, we have renewed the operational supporting services contract with the E-commerce Base of China Mobile. At the same time, we expect to maintain steady business as the supporting services contract with the interactive voice response “IVR” Base of China Mobile is still subsisting, while the supporting services contract with the Animation Base of China Mobile is under negotiation. Overall, the Company will continue to focus on its platform operation business and carry on providing operational supporting services to “和包” business, IVR voice business and animation business of China Mobile. The E-commerce Base of China Mobile will focus on user development and step-up the promotion of the bundling of “和包” users and user engagement this year. The base will also launch key products such as “和包” red pockets to boost the development of “和包” business. Looking ahead, we will continue to offer high quality and efficient operational supporting services to China Mobile while actively exploring new opportunities for business development in relevant areas. Capitalizing on our product, technical and business advantages acquired from years of development in the telecommunication and e-commerce industry, we are set to reach out for new customers beyond the operators and explore new business development model apart from the operational supporting services business, thereby achieving sustainable and steady business growth.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2017, the Group reported total assets of HK\$5,386.5 million (31 December 2016: HK\$5,499.0 million), which were financed by total liabilities of HK\$1,521.5 million (31 December 2016: HK\$1,913.3 million) and equity of HK\$3,865.0 million (31 December 2016: HK\$3,585.7 million). The net asset value was HK\$3,865.0 million (31 December 2016: HK\$3,585.7 million). The net asset value per share amounted to HK\$1.392 per share as compared to HK\$1.291 per share as at 31 December 2016.

As at 30 June 2017, the Group had cash and cash equivalents of HK\$2,396.0 million (31 December 2016: HK\$2,726.7 million) and no short-term borrowings (31 December 2016: nil). The net cash position as at 30 June 2017 was HK\$2,396.0 million as compared to HK\$2,726.7 million as at 31 December 2016. The gearing ratio (defined as total borrowings divided by shareholders' equity) was zero (31 December 2016: zero). The gearing ratio is considered healthy and suitable for the continuous growth of the Group's business.

## **CAPITAL STRUCTURE AND DETAILS OF CHARGES**

As at 30 June 2017, the Group had no bank borrowings (at 31 December 2016: nil) and had banking facilities of approximately HK\$18.3 million (at 31 December 2016: HK\$17.8 million). As at 30 June 2017, the banking facilities were secured by the leasehold land and buildings of a subsidiary of the Company, with a net book amount of HK\$3.0 million and HK\$9.1 million, respectively. As at 31 December 2016, the banking facilities were secured by the leasehold land and buildings of a subsidiary of the Company, with a net carrying amount of HK\$2.9 million and HK\$9.3 million, respectively.

Approximately HK\$1,633.4 million, HK\$361.4 million, HK\$209.1 million, HK\$189.5 million and HK\$2.6 million of the Group's cash balances were denominated in Renminbi, Hong Kong dollar, US dollar, Japanese Yen and Macanese pataca ("MOP") respectively as at 30 June 2017.

Approximately HK\$1,977.7 million, HK\$468.6 million, HK\$273.8 million, HK\$0.2 million and HK\$6.4 million of the Group's cash balances were denominated in Renminbi, Hong Kong dollar, US dollar, Japanese Yen and MOP respectively as at 31 December 2016.

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

Save as disclosed in this announcement, the Group did not have any material acquisition or disposal of subsidiaries during the six months ended 30 June 2017.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in this interim report, there was no specific plan for material investments or capital assets as at 30 June 2017.

## **EXCHANGE RATES EXPOSURE**

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

Disclaimer:

### *Non-GAAP measures*

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

### **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the period.

### **CORPORATE GOVERNANCE**

The Company's corporate governance practices are based on the principles (the "Principles") and code provisions (the "Code Provisions") in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

In formulating and implementing its corporate governance practices and standards, the Company has applied the Principles and complied with all applicable Code Provisions for the six months ended 30 June 2017.

### **REVIEW OF 2017 INTERIM RESULTS BY THE AUDIT COMMITTEE**

The audit committee of the Company has reviewed the unaudited interim condensed consolidated interim results for the six months ended 30 June 2017.

### **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The 2017 interim results announcement is published on the Company's website at [www.hisun.com.hk](http://www.hisun.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The 2017 interim report will be available on the websites of the Stock Exchange and the Company and will be despatched to all shareholders in due course.

The 2017 interim financial information set out above does not constitute the Group's statutory financial statements for the six months ended 30 June 2017. Instead, it has been derived from the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2017, which will be included in the Company's 2017 interim report.

By Order of the Board  
**Li Wenjin**  
*Executive Director*

Hong Kong, 9 August 2017

*As at the date of this announcement, the Board comprises five executive Directors namely Mr. Cheung Yuk Fung, Mr. Kui Man Chun, Mr. Xu Wensheng, Mr. Li Wenjin and Mr. Xu Chang Jun; and three independent non-executive Directors, namely Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Chang Kai-Tzung, Richard.*