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HI SUN TECHNOLOGY (CHINA) LIMITED
高陽科技（中國）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 818)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

	2016	2015	Change
	HK$'000	*HK$'000*	+/(-)
RESULTS			
Revenue	**1,921,237**	1,376,846	+40%
Gross profit	**592,695**	477,584	+24%
Segmental EBITDA (before unallocated items)	**297,073**	135,476	+119%
Operating profit	**132,323**	6,493	+1,938%
Profit for the year	**312,656**	192,692	+62%
Profit attributable to:			
–Equity holders of the Company	**283,964**	183,486	+55%
–Non-controlling interests	**28,692**	9,206	+212%
	312,656	192,692	
	HK$ per share	*HK$ per share*	Change +/(-)
Earnings per share for profit attributable to equity holders of the Company:			
Basic	**0.102**	0.066	+55%
Diluted	**0.100**	0.064	+56%

* For identification purposes only

	As at 31 December		
	2016	2015	Change
	HK$'000	*HK$'000*	+/(-)
HIGHLIGHTS OF FINANCIAL POSITION			
Total equity	**3,585,667**	3,337,944	+7%
Net current assets	**1,424,346**	1,532,973	-7%
Total assets	**5,499,041**	4,576,515	+20%
	HK$ per share	*HK$ per share*	Change +/(-)
Net assets per share	**1.291**	1.202	+7%

The board of directors (the "Board") of Hi Sun Technology (China) Limited (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 together with the comparative figures for the year ended 31 December 2015. The annual results have been reviewed by the Audit Committee of the Company (the "Audit Committee").

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group reported total assets of HK$5,499.0 million (2015: HK$4,576.5 million), which were financed by total liabilities of HK$1,913.3 million (2015: HK$1,238.6 million) and equity of HK$3,585.7 million (2015: HK$3,337.9 million). The net asset value was HK$3,585.7 million (2015: HK$3,337.9 million). Net assets per share amounted to HK$1.291 as at 31 December 2016 as compared to HK$1.202 per share as at 31 December 2015.

As at 31 December 2016, the Group had cash and cash equivalents of HK$2,726.7 million (2015: HK$2,292.3 million) and no short term borrowings (2015: Nil). The net cash position as at 31 December 2016 was HK$2,726.7 million as compared to HK$2,292.3 million as at 31 December 2015. The gearing ratio (defined as total borrowings divided by shareholders' equity) was zero (2015: same). The gearing ratio is considered healthy and suitable for the continuing growth of the Group's business.

CAPITAL STRUCTURE AND DETAILS OF CHARGES

As at 31 December 2016, the Group had no bank borrowings (2015: Nil) and had banking facilities of approximately HK$17.8 million (2015: HK$21.2 million). 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 (2015: HK$3.2 million) and HK$9.3 million (2015: HK$11.0 million), respectively.

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 Macanese Pataca ("MOP") respectively as at 31 December 2016.

Approximately HK$1,403.0 million, HK$522.7 million, HK$271.9 million, HK$87.9 million and HK$6.8 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 2015.

SIGNIFICANT INVESTMENT

Save as disclosed in this announcement, the Group had no significant investment held as at 31 December 2016.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES OR ASSOCIATED COMPANIES

Save as disclosed in this announcement, the Group did not have any material acquisition or disposal of subsidiaries or associated companies during the year ended 31 December 2016.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, there was no specific plan for material investments or capital assets as at 31 December 2016.

EXCHANGE RATES EXPOSURE

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

CONTINGENT LIABILITIES

In 2015, the Company entered into a performance guarantee agreement with a customer (the "Performance Guarantee Agreement"). Pursuant to the Performance Guarantee Agreement, the Company agreed to provide the customer with a guarantee in relation to the due and punctual performance of a service project by a subsidiary of the Group with a surety of not more than HK$60,000,000 and to indemnity the customer against any third-party claim of intellectual property right infringement resulting from the acts of the said subsidiary. As at 31 December 2016, the Company does not recognise any liability in relation to the Performance Guarantee Agreement as the Directors of the Company consider the possibility of the Company recognising forthcoming liability thereunder highly improbable.

Save as disclosed above, the Group had no material contingent liability as at 31 December 2016 and 2015.

EMPLOYEES

The total number of employees of the Group as at 31 December 2016 was 2,006. The breakdown of employees by division is as follows:

Payment processing solutions	554
Financial solutions	282
Electronic power meters and solutions	455
Platform operation solutions	667
Others	10
Corporate office	38
	2,006

The Group ensures that its remuneration packages are comprehensive and competitive. Employees are remunerated with a fixed monthly income plus annual performance related bonuses. The Group operates a share option scheme and an employees' incentive scheme, the details of which are set out in the Report of the Directors. The Group also sponsors selected employees to attend external training courses that suit the needs of the Group's businesses.

Disclaimer:

Non-GAAP measures

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

BUSINESS REVIEW
CONDENSED SEGMENT RESULTS ANALYSIS

		Turnover		EBITDA	
		2016	2015	**2016**	2015
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
			(restated)		*(restated)*
Payment processing solutions	1	**1,050,313**	511,188	**253,239**	99,917
Financial solutions	2	**351,407**	384,147	**26,473**	26,814
Electronic power meters and solutions	3	**314,778**	209,860	**22,744**	(10,990)
Platform operation solutions	4	**210,766**	277,828	**8,055**	35,292
Others		**–**	–	**(13,438)**	(15,557)
Segmental results		**1,927,264**	1,383,023	**297,073**	135,476
Less: Inter-segment turnover		**(6,027)**	(6,177)	**–**	–
Total		**1,921,237**	1,376,846	**297,073**	135,476
Depreciation				**(92,589)**	(52,645)
Amortisation				**(10,504)**	(10,763)
Segmental operating profit				**193,980**	72,068
Unallocated other income				**4,900**	7,226
Unallocated corporate expenses				**(66,557)**	(72,801)
Operating profit				**132,323**	6,493

CONDENSED CONSOLIDATED INCOME STATEMENT

		2016	2015
		HK$'000	*HK$'000*
Revenue	A	**1,921,237**	1,376,846
Cost of sales	B	**(1,328,542)**	(899,262)
Gross profit		**592,695**	477,584
Other income		**46,205**	47,249
Other loss		**(1,120)**	–
Selling expenses	B	**(101,631)**	(134,839)
Administrative expenses	B	**(403,826)**	(383,501)
Operating profit		**132,323**	6,493
Share of results of investments accounted for using the equity method	C	**198,992**	198,218
Gain/(loss) on dilution of interest in an investment accounted for using the equity method	C	**826**	(8,442)
Profit before income tax		**332,141**	196,269
Income tax expense		**(19,485)**	(3,577)
Profit for the year		**312,656**	192,692
Profit attributable to:			
— Equity holders of the Company		**283,964**	183,486
— Non-controlling interests		**28,692**	9,206
		312,656	192,692
		HK$ per share	*HK$ per share*
Earnings per share for profit attributable to equity holders of the Company:			
Basic		**0.102**	0.066
Diluted		**0.100**	0.064

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2016	2015
		HK$'000	*HK$'000*
ASSETS			
Investment properties, property, plant and equipment and leasehold land	D	**301,383**	249,908
Intangible assets	E	**10,466**	18,855
Investments accounted for using the equity method	F	**1,663,250**	1,525,040
Available-for-sale financial assets	G	**106,113**	6,982
Financial asset at fair value through profit or loss	H	**76,880**	–
Inventories	I	**74,972**	53,113
Trade and bills receivables	J	**243,534**	235,589
Receivables from payment processing solutions business	J	**–**	115,642
Other receivables, prepayments and deposits	J	**41,474**	44,883
Amounts due from investments accounted for using equity method	K	**13,258**	10,761
Short-term bank deposits		**18,388**	23,455
Cash and cash equivalents		**2,726,733**	2,292,287
Assets of disposal group classified as held-for-sale	M	**222,590**	–
Total assets		**5,499,041**	4,576,515
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**6,942**	6,942
Reserves		**3,524,274**	3,301,886
		3,531,216	3,308,828
Non-controlling interests		**54,451**	29,116
Total equity		**3,585,667**	3,337,944
LIABILITIES			
Deferred income tax liabilities		**205**	132
Trade and bills payables	L	**266,270**	201,223
Payables for payment processing solutions business	L	**787,667**	472,912
Other payables and accruals	L	**646,400**	467,030
Amounts due to investments accounted for using equity method	K	**81,468**	70,912
Current income tax liabilities		**34,884**	26,362
Liabilities of disposal group classified as held-for-sale	M	**96,480**	–
Total liabilities		**1,913,374**	1,238,571
Total equity and liabilities		**5,499,041**	4,576,515

	2016	2015
	HK$ per share	*HK$ per share*
Net assets per share	**1.291**	1.202

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		For the year ended 31 December	
		2016	2015
		HK$'000	*HK$'000*
Net cash generated from operating activities		**908,831**	477,534
Net cash used in investing activities		**(291,445)**	(76,326)
Net cash generated from / (used in) financing activities		**3,879**	(13,541)
Net increase in cash and cash equivalents		**621,265**	387,667
Cash and cash equivalents at beginning of the year		**2,292,287**	1,977,677
Exchange loss on cash and cash equivalents		**(108,574)**	(73,057)
Cash and cash equivalents at end of the year		**2,804,978**	2,292,287

		As at 31 December	
		2016	2015
		HK$'000	*HK$'000*
Analysis of cash and cash equivalents:			
Cash and cash equivalents		**2,726,733**	2,292,287
Cash and cash equivalents included in disposal group classified as held-for-sale	M	**78,245**	–
		2,804,978	2,292,287

FINANCIAL REVIEW

During the year ended 31 December 2016 ("YEAR 2016"), the consolidated turnover of Hi Sun Technology (China) Limited (the "Company") and its subsidiaries (the "Group") amounted to HK$1,921.2 million, representing an increase of 40% when compared with the year ended 31 December 2015 ("YEAR 2015"). Profit for the year totaled HK$312.7 million as compared to a profit of HK$192.7 million in YEAR 2015.

With regard to the balance sheet, the total assets as at 31 December 2016 amounted to HK$5,499.0 million, when compared with HK$4,576.5 million as at 31 December 2015. As at 31 December 2016, net current assets amounted to HK$1,424.3 million, when compared with HK$1,533.0 million as at 31 December 2015.

SEGMENT PERFORMANCE REVIEW

(1) Payment processing solutions

Key performance indicators

	2016	2015	Change
	HK$'000	*HK$'000*	+/(-)
Turnover*	**1,050,313**	511,178	+105%
EBITDA	**253,239**	99,917	+153%
Operating profit	**169,652**	60,265	+182%

* Turnover from external customers

Segmental turnover amounted to HK$1,050.3 million, as compared to HK$511.2 million in YEAR 2015. Segmental operating profit amounted to HK$169.7 million, as compared to HK$60.3 million in YEAR 2015. The increase in segmental operating profit was mainly due to increased scale of transaction operations. By end of YEAR 2016, there were over 1,400,000 accumulated domestic merchants and the monthly transaction volume in December 2016 exceeded RMB76 billion.

(2) Financial solutions

Key performance indicators

	2016	2015	Change
	HK$'000	*HK$'000*	+/(-)
Turnover*	**348,079**	382,096	-9%
EBITDA	**26,473**	26,814	-1%
Operating profit	**14,757**	14,256	+4%

* Turnover from external customers

During the current year, segmental turnover amounted to HK$348.1 million, as compared to HK$382.1 million in YEAR 2015. Segmental operating profit totaled HK$14.8 million, as compared to HK$14.3 million in YEAR 2015. Effect of decrease in segmental turnover was mitigated by increased profit margins during the year.

(3) Electronic power meters and solutions

Key performance indicators

	2016	2015	Change
	HK$'000	*HK$'000*	+/(-)
Turnover*	**314,778**	209,860	+50%
EBITDA	**22,744**	(10,990)	N/A
Operating profit/(loss)	**18,559**	(15,834)	N/A

* Turnover from external customers

Segmental turnover amounted to HK$314.8 million, 50% up as compared to HK$209.9 million in YEAR 2015. Increase in turnover was mainly due to increased shipment level as compared to YEAR 2015 given the improved tender results. Segmental operating profit amounted to HK$18.6 million, as compared to a segmental operating loss of HK$15.8 million in YEAR 2015. Improved in operating result was mainly attributable to the increase in segmental turnover and improved profit margin during YEAR 2016.

(4) *Platform operation solutions*

Key performance indicators

	2016	2015	Change
	HK$'000	*HK$'000*	+/(-)
		(restated)	
Turnover*	**208,067**	273,712	-24%
EBITDA	**8,055**	35,292	-77%
Operating profit	**4,732**	29,564	-84%

* Turnover from external customers

To promote better efficiency and effectiveness in management, during the year, we have combined our telecommunication solutions segment and payment platform solutions segment into the new "Platform operation solutions segment". During the year, segmental turnover amounted to HK$208.1 million as compared to HK$273.7 million in YEAR 2015. Segmental operating profit amounted to HK$4.7 million, as compared to HK$29.6 million in YEAR 2015. The decrease in segmental turnover and operating profit was mainly contributed by the fact that China Mobile has established its own Interactive Voice Response ("IVR") business platform in YEAR 2015, leading to a reduced demand for the Group's supporting services and thus decrease in supporting income.

OVERALL FINANCIAL RESULTS AND POSITION

(A) *Revenue*

The consolidated turnover amounted to HK$1,921.2 million, representing an increase of 40% over YEAR 2015. 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.

Total operating expenses were comparable to prior year.

(C) Share of results of and gain/(loss) on dilution of interest in an investment accounted for using the equity method

The Group shares 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$0.8 million (YEAR 2015: loss on dilution of interest HK$8.4 million) was due to the effect of exercise of share options of PAX Global by some of its employees during the year.

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, there was no overall financial impact on the consolidated income statement from the investment for the current year.

(D) Investment properties, property, plant and equipment and leasehold land

Balance mainly represents fixed assets of payment processing solutions and electronic power meters and solutions segments.

(E) Intangible assets

Intangible assets mainly include computer software of HK$8.7 million allocated to the financial solutions segment and goodwill of HK$1.5 million upon acquisition of a subsidiary under the platform operation solutions segment.

(F) Investments accounted for using the equity method

Balances mainly represents the Group's interests in PAX Global. As at 31 December 2016, the fair value of the Group's 32.9% effective interest in PAX Global was HK1,871.0 million and the fair value of the investment was greater than its carrying value.

On 10 June 2016, Cloopen issued 27,862,642 ordinary shares to an existing shareholder. Immediately subsequent thereto, Cloopen further issued 7,443,326 and another 37,216,630 Convertible Series C Preferred Shares (the "Convertible Series C Preferred Shares") respectively to a subsidiary of the Group (Note H) and certain other investors (the "Series C Transaction"). Upon completion of the Series C Transaction, 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, reduced from 67.5% to 47.8%. The Group also ceased to have joint control over Cloopen, and Cloopen became an associated company of the Group subsequent to the Series C Transaction. As at 31 December 2016, the Group's share of loss of Cloopen exceeded its interest in the ordinary shares of Cloopen, there was no overall financial impact on the consolidated income statement from the investment for the current year.

As at 31 December 2016, 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$246.0 million.

(G) Available-for-sale financial assets

As at 31 December 2016, the available-for-sale financial assets included equity securities which are unlisted investments outside Hong Kong. As at 31 December 2016, the balance included interest in a venture capital fund of HK$91.4 million and interest in an unlisted equity investment in the PRC of HK$14.7 million.

(H) Financial asset at fair value through profit and loss

On 10 June 2016, a subsidiary of the Company subscribed for 7,443,326 Convertible Series C Preferred Shares of Cloopen at a consideration of US$10 million. As at 31 December 2016, the fair value of the Group's interest in these Convertible Series C Preferred Shares of Cloopen was approximately HK$76.9 million.

(I) Inventories

The amount mainly represents inventories of electronic power meters and solutions segment. During the year, HK$1.4 million was recorded for write-back of provision for inventories with respect to slow-moving and obsolete stocks.

(J) Trade and bills receivables, receivables from payment processing solutions business and other receivables, prepayments and deposits

	2016	2015
	HK$'000	*HK$'000*
Trade receivables *(Note (i) (a))*	**247,647**	246,527
Bills receivables *(Note (i) (b))*	**1,284**	7,707
Less: provision for impairment of receivables *(Note (i) (c))*	**(5,397)**	(18,645)
	243,534	235,589
Receivables from payment processing solutions business *(Note (ii))*	–	115,642
Other receivables, prepayments and deposits	**41,474**	44,883
Total	**285,008**	396,114

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:

	2016	2015
	HK$'000	*HK$'000*
Current to 90 days	**170,730**	170,302
91 to 180 days	**18,925**	7,854
181 to 365 days	**23,981**	17,248
Over 365 days	**34,011**	51,123
	247,647	246,527

— Increase in trade receivables aged between 91 to 180 days and 181 to 365 days was mainly due to increase in outstanding balances from electronic power meters and solutions segment.

— Decline in trade receivables aged over 365 days was mainly due to settlement of outstanding balances by the customers of the electronic power meters and solutions segment.

(b) Bills receivables belonged to the electronic power meters and solutions segment.

(c) Decline in provision for impairment of receivables was mainly due to uncollectible receivables written off by financial solutions segment and write-back of provision by electronic power meters and solutions segment.

Note (ii):

This balance mainly represented receivables arising from the payment processing solutions segment in Japan. For processing payments on behalf of merchants, the amounts usually become collectible by the Group from the financial institutions once the underlying transactions of the merchants have been acknowledged by the relevant financial institutions. Such amount was re-classified to assets of disposal group classified as held-for-sale. Please refer to Note (M).

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

The amounts due from/to investments accounted for using equity method represent payables from/to PAX Global and Cloopen and its subsidiaries as at 31 December 2016. Amounts due from/to investments accounted for using equity method are unsecured, interest-free and repayable on demand.

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

	2016	2015
	HK$'000	*HK$'000*
Trade payables *(Note (i) (a))*	**230,566**	165,685
Bills payables *(Note (i) (b))*	**35,704**	35,538
Payables for payment processing solutions business *(Note (ii))*	**787,667**	472,912
Other payables and accruals *(Note (iii))*	**646,400**	467,030
Total	**1,700,337**	1,141,165

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:

	2016	2015
	HK$'000	*HK$'000*
Current to 90 days	**177,059**	104,471
91 to 180 days	**33,503**	24,173
181 to 365 days	**8,162**	21,172
Over 365 days	**11,842**	15,869
	230,566	165,685

— Increase in trade payables aged between current to 90 days was mainly due to outstanding balances from electronic power meters and solutions segment and payment processing solution segment.

— Changes in trade payables aged between 91 to 180 days and 181 to 365 days was mainly due to outstanding balances from the electronic power meters and solutions segment.

(b) Bills payables belong to the electronic power meters 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 increase in balance was mainly due to increased transaction of acquiring services volume partially net-off by the re-classification of amounts related to disposal group classified as held-for-sale. Please refer to Note (M).

Note (iii):

	2016	2015
	HK$'000	*HK$'000*
Accrued staff costs and pension obligations*	**162,675**	136,817
Deposits and receipt in advance**	**332,501**	148,901
Accrued subcontracting cost	**93,166**	102,015
Others	**58,058**	79,297
	646,400	467,030

* The increase in accrued staff costs and pension obligations was mainly due to the increase in year end bonus as compared to last year.

** 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.

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

During the year, the Company, Merchant Support Co., Ltd ("MS") (a wholly-owned subsidiary of the Company) 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. MS is principally engaged in the provision of early settlement service for credit card transactions in Japan (the "Possible Disposal").

The major classes of assets and liabilities of MS and its subsidiary classified as held-for-sale are as follows:

	2016
Assets of disposal group classified as held-for-sale	***HK$'000***
Property, plant and equipment	**7,530**
Receivables from payment processing solutions business	**133,464**
Cash and cash equivalents	**78,245**
Others	**3,351**
	222,590
Liabilities of disposal group classified as held-for-sale*	
Payables for payment processing solutions business	**95,915**
Others	**565**
	96,480

* Not including the booked amounts of the working capital provided by the Company to MS (the "MS Shareholder's Loan"). As at 31 December 2016, MS Shareholder's Loan indebted to the Company amounted to approximately JPY1,875.5 million (equivalent to approximately HK$124.3 million).

KEY INVESTING AND FINANCING ACTIVITIES

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 January 2016 ("Relevant Period"), the Group has purchased from PAX Global Group E-payment Terminal products in the aggregate amount of approximately HK$175.8 million (inclusive of tax payable by the Group).

The Group provides the E-payment Terminal products to its merchant customers and in return, the Group imposes a fee. The E-payment Terminal products the Group procured 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 of PAX Global Group has 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 was 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 price with PAX Global Group every six months. Please also refer to announcement of the Company dated 2 February 2016.

BUSINESS OUTLOOK

Payment Processing Solutions

Riding on our strength in channels and risk control, the acquiring business has achieved a healthy development. As at the end of December 2016, accumulated number of domestic merchants exceeded 1.4 million with transaction volume reaching RMB76 billion in December 2016. During the year, the size of acquiring transactions and fee incomes basically maintained steady growth, while the income attributable to early settlement financial services business have exceeded 20% of the segmental turnover. On the other hand, MPOS merchants and innovative QR code payment developed rapidly, and the QR code payment business has established reputation in the industry forming in a trend of more diversified business revenue structure and steady business development. The preparation for license renewal of the payment business has completed and the renewal is expected to complete successfully in the middle of the 2017. Following the People's Bank of China's approval of the filling for cross-order RMB payment business during the year, the cross-border payment commercial business was officially launched, generating a new source of income while expanding our reach to customers. Smart POS, whose installation has already embarked in cities such as Beijing, Shanghai and Shenzhen has not only enhanced the expansion of payment fields and the scopes of application, but also laid the foundation for subsequent business layout. Levering the established channels of scale, it is bound to invite good expectations. Furthermore, upon official implementation of the reform on transaction fee rates driven by the People's Bank of China in September 2016, the market expected to usher in favorable development for innovation business, bringing positive influence to the expansion of high value-added merchants and quasi-financial business such as wealth management and financing. As such, we have introduced a number of application solutions. As one of the leading non-bank payment institutions in the industry, we will set to continue to gain more space for development.

Financial Solutions

On the basis of strengthening our market position among traditional customers such as BIG5 (five major banks in China), joint-equity banks and their overseas branches as well as in areas of core banking systems, we actively gained breakthrough in city commercial banks as an emerging market. In the traditional customers markets, in 2016, we have put into operations the core banking systems of China Guangfa Bank and China Everbright Bank (Seoul), and won the tenders of core banking systems construction projects for China Everbright Bank (Luxembourg), China Zheshang Bank (Hong Kong) and China Bohai Bank (Hong Kong). In the city commercial banks market, we have successively won the tenders of construction projects for Bank of Suzhou and Huishang Bank. In the payment and internet financial sectors, we continued to carry out new projects. Through the core construction of banks as the means, we have established connections with commercial banks and financial institutions widely distributed over all cities, laying a solid foundation for subsequent engagement in the huge FinTech innovation market.

Electronic Power Meters and Solutions

This round of smart meter reconstruction started by the State Grid in 2009 is near completion. In 2017, the tender proposals of the State Grid for smart meters and power consumption data collection devices is expected to reduce to two from three in 2016, and it is expected that the total number of tender invitations may decline to a certain extent. To construct the next-generation power consumption data collection system, we expect that the State Grid will have further in-depth research on technologies and standards such as the GB standards for construction of IR46 power energy meter, DLT698.45 object-oriented interchangeable data exchange protocol, four-in-one data collection and broadband power line carrier, and will expand the scope and scale of pilot areas. In recent years, we have closely followed new technology development of the State Grid and actively acquired technologies and talents, believing that we will be the first mover in the new round of meter and data collection construction by the State Grid.

Platform Operation Solutions

During the year, we have integrated the original telecommunication solutions and payment platform solutions into platform operation solutions to optimise our business management. This year the platform solutions business developed steadily. We continued to provide operational supporting services for the "和包" business, IVR voice conventional businesses and animation business of China Mobile, and it is expected that incomes from supporting services will remain stable in the future. China Mobile and the Hunan province government entered into a strategic cooperation agreement this year to enhance the support for e-commerce business, entailing that "和包" business will receive sound support and continue its rapid development. In the future, we will continue to maintain the steady development of our operational support business while actively exploring new business opportunities in related areas, such as cooperation with operators surrounding areas of operation and development of new business cooperation opportunities such as e-coupons. In addition, we will leverage the advantage in product technology business in the area of payment to expand new customers as well as exporting our mature products and technical services to build new business development modes apart from traditional support business, further maintaining long-term stable and healthy development.

Consolidated Income Statement

	Note	For the year ended 31 December 2016 HK$'000	2015 HK$'000
Revenue	2,3	**1,921,237**	1,376,846
Cost of sales	4	**(1,328,542)**	(899,262)
Gross profit		**592,695**	477,584
Other income	2	**46,205**	47,249
Other loss	2	**(1,120)**	–
Selling expenses	4	**(101,631)**	(134,839)
Administrative expenses	4	**(403,826)**	(383,501)
Operating profit		**132,323**	6,493
Share of results of investments accounted for using the equity method	9	**198,992**	198,218
Gain/(loss) on dilution of interest in an investment accounted for using the equity method	9	**826**	(8,442)
Profit before income tax		**332,141**	196,269
Income tax expense	5	**(19,485)**	(3,577)
Profit for the year		**312,656**	192,692
Profit attributable to:			
– Equity holders of the Company		**283,964**	183,486
– Non-controlling interests		**28,692**	9,206
		312,656	192,692
		HK$ per share	HK$ per share
Earnings per share for profit attributable to equity holders of the Company:			
Basic	6	**0.102**	0.066
Diluted	6	**0.100**	0.064

Consolidated Statement of Comprehensive Income

	For the year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Profit for the year	**312,656**	192,692
Other comprehensive (loss)/income, net of tax		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**(47,920)**	(38,507)
Share of other comprehensive loss of investments accounted for using the equity method		
– exchange differences arising on translation of the financial statements of foreign subsidiaries	**(41,132)**	(36,477)
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	**116**	(88)
Fair value gains/(losses) on revaluation of available-for-sale financial assets	**22,755**	(21)
Total comprehensive income for the year, net of tax	**246,475**	117,599
Total comprehensive income attributable to:		
– Equity holders of the Company	**221,140**	110,305
– Non-controlling interests	**25,335**	7,294
	246,475	117,599

Consolidated Balance Sheet

	Note	As at 31 December **2016** ***HK$'000***	 2015 *HK$'000*
ASSETS			
Non-current assets			
Investment properties		**2,054**	1,889
Property, plant and equipment		**267,114**	214,234
Leasehold land		**32,215**	33,785
Intangible assets		**10,466**	18,855
Investments accounted for using the equity method	9	**1,663,250**	1,525,040
Available-for-sale financial assets	7	**106,113**	6,982
Financial asset at fair value through profit or loss	8	**76,880**	–
Long-term deposits and prepayments	10	**3,434**	4,318
Total non-current assets		**2,161,526**	1,805,103
Current assets			
Inventories		**74,972**	53,113
Trade and bills receivables	10	**243,534**	235,589
Receivables from payment processing solutions business	10	**–**	115,642
Other receivables, prepayments and deposits	10	**38,040**	40,565
Amounts due from investments accounted for using the equity method		**13,258**	10,761
Short-term bank deposits		**18,388**	23,455
Cash and cash equivalents		**2,726,733**	2,292,287
		3,114,925	2,771,412
Assets of disposal group classified as held-for-sale	12	**222,590**	–
Total current assets		**3,337,515**	2,771,412
Total assets		**5,499,041**	4,576,515
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**6,942**	6,942
Reserves		**3,524,274**	3,301,886
		3,531,216	3,308,828
Non-controlling interests		**54,451**	29,116
Total equity		**3,585,667**	3,337,944

	Note	As at 31 December **2016** ***HK$'000***	 2015 *HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**205**	132
Total non-current liabilities		**205**	132
Current liabilities			
Trade and bills payables	11	**266,270**	201,223
Payables for payment processing solutions business	11	**787,667**	472,912
Other payables and accruals	11	**646,400**	467,030
Amounts due to investments accounted for using the equity method		**81,468**	70,912
Current income tax liabilities		**34,884**	26,362
		1,816,689	1,238,439
Liabilities of disposal group classified as held-for-sale	12	**96,480**	–
Total current liabilities		**1,913,169**	1,238,439
Total liabilities		**1,913,374**	1,238,571
Total equity and liabilities		**5,499,041**	4,576,515

Note:

1 BASIS OF PREPARATION

The consolidated financial statements of Hi Sun Technology (China) Limited have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and a financial asset at fair value through profit or loss, which are carried at fair values.

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

Changes in accounting policy and disclosures

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

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Accounting for acquisitions of interests in joint operations – Amendments to HKFRS 11
- Clarification of acceptable methods of depreciation and amortisation – Amendments to HKAS 16 and HKAS 38
- Annual improvements to HKFRSs 2012 – 2014 cycle, and
- Disclosure initiative – Amendments to HKAS 1.

The adoption of these amendments did not have material impact on the financial statements for the current year.

(b) New standards and interpretations not yet adopted:

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

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 an 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. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

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.

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$81,413,000. 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.

2 REVENUE, OTHER INCOME AND OTHER LOSS

Revenue, other income and other loss recognised during the year are as follows:

	For the year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
		(restated)
		(Note 3)
Turnover		
Provision of payment processing solutions	**1,050,313**	511,178
Provision of financial solutions	**348,079**	382,096
Sales of electronic power meters and solutions	**314,778**	209,860
Provision of platform operation solutions	**208,067**	273,712
	1,921,237	1,376,846
Other income		
Interest income	**19,704**	15,783
Subsidy income	**10,967**	14,252
Rental income	**3,584**	3,231
Others	**11,950**	13,983
	46,205	47,249
Other loss		
Fair value loss on a financial asset at fair value through profit or loss	**(1,120)**	–

3 SEGMENT INFORMATION

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

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

Due to continual development of the Group, management has changed its internal organisational structure to align more closely with the Group's strategic decision and market dynamics to better serve customers. In particular, telecommunication solutions segment and payment platform solutions segment have been merged into one operating segment – platform operation solutions segment. The Group has adopted the new organisational structure as the reporting format effective for the year ended 31 December 2016. The comparative segment information has been restated to reflect the current organisational structure.

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 and solutions – principally engaged in the manufacturing and sales of electronic power meters, data collection terminals and provision of information system consultancy services and the sales of mag-stripe card security decoder chips; 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 revenue and results for the year by operating segment is as follows:

	Payment processing solutions	Financial solutions	Electronic power meters and solutions	Platform operation solutions	Others	Total Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2016						
Segment turnover	**1,050,313**	**351,407**	**314,778**	**210,766**	**–**	**1,927,264**
Inter-segment turnover	**–**	**(3,328)**	**–**	**(2,699)**	**–**	**(6,027)**
Turnover from external customers	**1,050,313**	**348,079**	**314,778**	**208,067**	**–**	**1,921,237**
Segmental EBITDA	**253,239**	**26,473**	**22,744**	**8,055**	**(13,438)**	**297,073**
Depreciation	**(83,587)**	**(1,449)**	**(3,948)**	**(3,323)**	**(282)**	**(92,589)**
Amortisation	**–**	**(10,267)**	**(237)**	**–**	**–**	**(10,504)**
Segmental operating profit/(loss)	**169,652**	**14,757**	**18,559**	**4,732**	**(13,720)**	**193,980**
Unallocated other income						**4,900**
Unallocated corporate expenses						**(66,557)**
Share of results of investments accounted for using the equity method						**198,992**
Gain on dilution of interest in an investment accounted for using the equity method						**826**
Profit before income tax						**332,141**
Income tax expense						**(19,485)**
Profit for the year						**312,656**

	Payment processing solutions *HK$'000*	Financial solutions *HK$'000*	Electronic power meters and solutions *HK$'000*	Platform operation solutions *HK$'000* *(restated)*	Others *HK$'000*	Total Group *HK$'000*
Year ended 31 December 2015						
Segment turnover	511,188	384,147	209,860	277,828	–	1,383,023
Inter-segment turnover	(10)	(2,051)	–	(4,116)	–	(6,177)
Turnover from external customers	511,178	382,096	209,860	273,712	–	1,376,846
Segmental EBITDA	99,917	26,814	(10,990)	35,292	(15,557)	135,476
Depreciation	(39,652)	(2,291)	(4,348)	(5,728)	(626)	(52,645)
Amortisation	–	(10,267)	(496)	–	–	(10,763)
Segmental operating profit/(loss)	60,265	14,256	(15,834)	29,564	(16,183)	72,068
Unallocated other income						7,226
Unallocated corporate expenses						(72,801)
Share of results of investments accounted for using the equity method						198,218
Loss on dilution of interest in an investment accounted for using the equity method						(8,442)
Profit before income tax						196,269
Income tax expense						(3,577)
Profit for the year						192,692

Unallocated corporate expenses represent costs that are used for all segments, including depreciation of property, plant and equipment of HK$1,542,000 (2015: HK$1,603,000), depreciation of investment properties of HK$206,000 (2015: HK$172,000) and amortisation of leasehold land of HK$760,000 (2015: HK$759,000), respectively.

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

	Payment Processing solutions	**Financial solutions**	**Electronic power meters and solutions**	**Platform operation solutions**	**Others**	**Unallocated**	**Elimination**	**Total Group**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
As at 31 December 2016								
Segment assets	**2,004,105**	**333,645**	**412,233**	**904,958**	**81,248**	**2,945,638**	**(1,182,786)**	**5,499,041**
Segment liabilities	**(1,634,724)**	**(303,450)**	**(300,414)**	**(601,608)**	**(182,146)**	**(73,818)**	**1,182,786**	**(1,913,374)**
Year ended 31 December 2016								
Additions to non-current assets (excluding long-term deposits, investments accounted for using the equity method, available-for-sale financial assets and financial asset at fair value through profit and loss)	**167,628**	**142**	**1,223**	**4,171**	**166**	**82**	**–**	**173,412**

The segment assets and liabilities at 31 December 2015 and additions to non-current assets for the year ended 31 December 2015 are as follows:

	Payment Processing solutions	Financial solutions	Electronic power meters and solutions	Platform operation solutions	Others	Unallocated	Elimination	Total Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(restated)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2015								
Segment assets	1,323,709	320,848	349,784	857,379	89,909	2,836,084	(1,201,198)	4,576,515
Segment liabilities	(1,086,065)	(285,740)	(254,614)	(559,003)	(182,878)	(71,469)	1,201,198	(1,238,571)
Year ended 31 December 2015								
Additions to non-current assets (excluding long-term deposits, investments accounted for using the equity method, available-for-sale financial assets and financial asset at fair value through profit and loss)	163,855	1,431	2,316	1,658	448	1,383	–	171,091

Unallocated assets mainly include investment accounted for using the equity method of HK$1,663,250,000 (2015: HK$1,525,040,000) and cash and cash equivalents of HK$747,471,000 (2015: HK$720,743,000).

During the year, additions to non-current assets mainly comprise additions to property, plant and equipment.

Revenue of approximately HK$185,215,000 (2015: HK$253,241,000) were derived from a single external customer. These revenues were attributable to the platform operation solutions segment in the People's Republic of China (the "PRC") (2015: same).

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

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

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

	For the year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Mainland China	**1,863,410**	1,336,190
Hong Kong	**31,506**	14,098
Japan	**19,110**	17,006
Macau	**7,211**	9,552
	1,921,237	1,376,846

The Group's non-current assets (excluding long-term deposits, investments accounted for using the equity method, available-for-sale financial assets and financial asset at fair value through profit and loss) and current assets by geographical locations, which is determined by the geographical locations in which the asset is located, is as follows:

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Non-current assets		
Mainland China	**302,173**	243,386
Hong Kong	**9,676**	20,159
Japan	**–**	5,218
	311,849	268,763
Current assets		
Mainland China	**2,386,544**	1,796,956
Hong Kong	**720,741**	760,721
Japan	**222,590**	203,772
Macau	**7,640**	9,963
	3,337,515	2,771,412

4 EXPENSES BY NATURE

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

	For the year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Auditor's remuneration	**3,500**	3,370
Depreciation of property, plant and equipment	**94,131**	54,248
Depreciation of investment properties	**206**	172
Amortisation of leasehold land	**983**	995
Amortisation of intangible assets	**10,281**	10,527
Employee benefit expense (including directors' emoluments)	**443,743**	457,179
Costs of inventories sold (including write-back of provision/provision for inventories)	**234,825**	203,931
Operating lease rentals in respect of land and buildings	**27,902**	37,514
Operating lease rentals in respect of equipment	**17**	6,761
Research and development costs (including staff cost)	**154,210**	139,906
Loss on disposals of property, plant and equipment	**754**	140
(Write-back of provision)/provision for inventories	**(1,385)**	5,012
Write-back of provision for impairment of trade receivables, net	**(3,507)**	–

5 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	For the year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
Current tax		
- Hong Kong profits tax	**–**	–
- Overseas taxation	**20,017**	4,415
Deferred tax	**(13)**	(48)
Adjustments in respect or prior years	**(519)**	(790)
Income tax expense	**19,485**	3,577

Effective from 1 January 2008, subsidiaries in the PRC are subject to corporate income tax ("CIT") in accordance with the new PRC CIT Law as approved by the National People's Congress on 16 March 2007. According to the new PRC CIT Law and the relevant regulations, the new CIT tax rate applicable is 25% unless preferential rates are applicable in the cities where the subsidiaries are located.

If a subsidiary is subject to CIT and qualified as High and New Technology Enterprise ("HNTE"), the applicable CIT tax rate is 15%.

Applicable corporate income tax rates of principal subsidiaries

Beijing Hi Sun Advanced Business Solutions Information Technology Limited ("ABS") and Hangzhou PAX Electronic Technology Limited ("Hangzhou Electronic Technology") were renewed as HNTE in 2015 under the new PRC CIT Law. 隨行付支付有限公司("SXF") was qualified as HNTE in 2014 under the new PRC CIT Law. As such, the applicable corporate income tax rate of ABS, Hangzhou Electronic Technology and SXF was 15% (2015: 15%) for the year ended 31 December 2016.

Hunan Hisun Mobile Pay IT Limited ("HN Mobile Pay") was qualified as HNTE in 2013 under the new CIT Law and HNTE qualification was expired in 2016. HN Mobile Pay did not renew for the HNTE qualification and the applicable corporate income tax rate was 25% (2015: 15%) for the year ended 31 December 2016.

6 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 year.

	For the year ended 31 December	
	2016	2015
Profit attributable to equity holders of the Company (HK$'000)	**283,964**	183,486
Weighted average number of ordinary shares in issue (thousands)	**2,776,834**	2,776,834
Basic earnings per share (HK$ per share)	**0.102**	0.066

(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 year ended 31 December 2016, the Group has three categories (2015: 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"), a former joint venture of the Group (Note 9).

Dilutive effects arise from share options issued by PAX Global for the year ended 31 December 2016 (2015: 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 31 December 2016, the carrying amount of the interest in Cloopen was zero (2015: same). As at 31 December 2016, 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.

	For the year ended 31 December	
	2016	2015
Profit attributable to equity holders of the Company (HK$'000)	**283,964**	183,486
Assuming exercise of all outstanding dilutive share options issued by the associated company (HK$'000)		
– Decrease in share of profit of the associated company	**(1,027)**	(1,509)
– Reduce in gain/increase in loss on dilution of the associated company	**(6,573)**	(4,770)
Adjusted profit attributable to equity holders of the Company used to determine diluted earnings per share (HK$'000)	**276,364**	177,207
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,776,834**	2,776,834
Diluted earnings per share attributable to the equity holders of the Company (HK$ per share)	**0.100**	0.064

7 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:

	For the year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
At 1 January	**6,982**	–
Addition	**82,518**	7,355
Fair value gains/(losses) on revaluation recognised in other comprehensive income	**22,755**	(21)
Exchange realignment	**(6,142)**	(352)
At 31 December	**106,113**	6,982
Unlisted equity investments outside Hong Kong	**14,664**	6,982
Unlisted investment fund outside Hong Kong	**91,449**	–
	106,113	6,982

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

8 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial asset at fair value through profit or loss represents investment in unlisted convertible preference shares with the following details:

	For the year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
At 1 January	**–**	–
Addition	**78,000**	–
Fair value loss on revaluation recognised in profit or loss	**(1,120)**	–
At 31 December	**76,880**	–
Unlisted convertible preference shares outside Hong Kong	**76,880**	–

On 10 June 2016, the Group subscribed 7,443,326 Convertible Series C Preferred Shares (the "Convertible Series C Preferred Shares") of Cloopen (Note 9). 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 at the date of initial inception and on 31 December 2016.

The Group's financial asset at fair value through profit or loss represents unlisted Convertible Series C Preferred Shares outside Hong Kong. The carrying amount of the financial asset at fair value through profit or loss is denominated in USD.

Changes in fair value of financial asset at fair value through profit or loss are recorded in 'other loss' in the consolidated income statement.

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investment in PAX Global

	For the year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
At 1 January	**1,525,040**	1,370,383
Share of profit	**198,992**	199,012
Share of other comprehensive loss	**(41.132)**	(33,373)
Share of other reserves	**1,248**	4,828
Dilution of interest (Note ii)	**942**	(8,530)
Dividend received	**(21,840)**	(7,280)
At 31 December	**1,663,250**	1,525,040

As at 31 December 2016, the fair value of the Group's interest in PAX Global, which is listed on The Stock Exchange of Hong Kong Limited, was HK$1,870,960,000 (2015: HK$2,908,360,000) and the carrying amount of the Group's interest was HK$1,663,250,000 (2015: HK$1,525,040,000). The fair value is based on the current price in an active market as at balance sheet date.

As at 31 December 2016, the Group's interest in PAX Global was 32.86% (2015: 32.73%).

There are no contingent liabilities relating to the Group's interest in PAX Global.

Note i: PAX Global is principally engaged in the development and sales of electronic fund transfer point-of-sale ("E-payment Terminals") products, provision of payment solutions services and maintenance services (collectively, the "E-payment Terminals solution business").

Note ii: During the year ended 31 December 2016, 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$826,000 (2015: loss on dilution of interest of HK$8,442,000) was recognised in the consolidated income statement, including release of reserve debited to the consolidated income statement of HK$116,000 (2015: credited to the consolidated income statement of HK$88,000). The Group's interest in PAX Global decreased from 32.73% to 32.56% accordingly.

Note iii: During the year, PAX Global repurchased a total of 10,000,000 ordinary shares on The Stock Exchange of Hong Kong Limited. Such repurchased shares were subsequently cancelled during the year. The Group's interest in PAX Global increased from 32.56% to 32.86% accordingly.

(b) Investment in Cloopen

Set out below is an associated company (2015: joint venture) of the Group as at 31 December 2016 - Cloopen. As at 31 December 2016, the carrying value of Cloopen is nil which is not considered as material to the consolidated financial statements of the Group. Cloopen has share capital consisting of class A ordinary share, class B ordinary share, series A convertible preferred shares, series B convertible preferred shares and series C convertible preferred shares.

On 10 June 2016, Cloopen issued 27,862,642 ordinary shares to an existing shareholder. Immediately subsequent thereto, Cloopen further issued 7,443,326 Convertible Series C Preferred Shares to a subsidiary of the Group and another 37,216,630 Convertible Series C Preferred Shares to certain other investors (the "Series C Transaction"). Upon completion of the Series C Transaction, 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, reduced from 67.5% to 47.8%. The Group also ceased to have joint control over Cloopen, and Cloopen became an associated company of the Group subsequent to the Series C Transaction.

There are no contingent liabilities and commitments to provide funding relating to the Group's interest in Cloopen.

Movement of the share of the interest in Cloopen as follow:

	For the year ended 31 December	
	2016	2015
	HK$'000	*HK$'000*
At 1 January	–	2,584
Share of loss (Note i)	–	(794)
Share of other comprehensive loss (Note i)	–	(3,104)
Share of other reserve	–	1,314
At 31 December (Note ii)	–	–

Note i: Share of loss and other comprehensive loss was determined based on the effective interest of issued ordinary shares of Cloopen which were held by the Group.

Note ii: The interest in Cloopen was initially measured at fair value. The carrying amount was increased or decreased to recognise the Group's share of the profits or losses and movements in other comprehensive income or loss of the interest in Cloopen to the extent the carrying amount of the interest in Cloopen reduced to nil due to losses, after the initial recognition. As at 31 December 2016, 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 consolidated income statement from the investment for the current year.

10 TRADE AND BILLS RECEIVABLES, RECEIVABLES FROM PAYMENT PROCESSING SOLUTIONS BUSINESS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Current portion		
Trade receivables (Note (a))	**247,647**	246,527
Bills receivables (Note (b))	**1,284**	7,707
Less: provision for impairment of receivables (Note (c))	**(5,397)**	(18,645)
	243,534	235,589
Receivables from payment processing solutions business (Note (d))	**–**	115,642
Prepayments, deposits and other receivables:		
Prepayments	**15,086**	10,931
Deposits	**11,193**	12,640
Others	**11,761**	16,994
	38,040	40,565
	281,574	391,796
Non-current portion		
Long-term deposits and prepayments	**3,434**	4,318
Total	**285,008**	396,114

Note:

(a) Trade receivables

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

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Current to 90 days	**170,730**	170,302
91 to 180 days	**18,925**	7,854
181 to 365 days	**23,981**	17,248
Over 365 days	**34,011**	51,123
	247,647	246,527

(b) Bills receivables

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

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

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Falling within 90 days	**1,284**	1,216
Falling within 91 to 180 days	**–**	6,491
	1,284	7,707

(c) Provision for impairment of receivables

As of 31 December 2016, trade receivables of HK$5,397,000 (2015: HK$18,645,000) were impaired. These impaired receivables mainly relate to individual customers who are delinquent in payment. The ageing of these receivables primarily based on invoice date was as follows:

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
91 to 180 days	**–**	–
181 to 365 days	**–**	–
Over 365 days	**5,397**	18,645
	5,397	18,645

(d) Receivables from payment processing solutions business

This balance mainly represents receivables arising from the payment processing solutions business.

For processing payments on behalf of merchants, the amounts are usually become collectible by the Group from the financial institutions once the underlying transactions of the merchants had been acknowledged by the relevant financial institutions.

As at 31 December 2015, balance is aged below 90 days and is denominated in JPY.

11 TRADE AND BILLS PAYABLES, PAYABLES FOR PAYMENT PROCESSING SOLUTIONS BUSINESS AND OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Trade payables (Note (a))	**230,566**	165,685
Bills payables (Note (b))	**35,704**	35,538
	266,270	201,223
Payables for payment processing solutions business (Note (c))	**787,667**	472,912
Other payables and accruals (Note (d))	**646,400**	467,030
	1,700,337	1,141,165

Note:

(a) Trade payables

As at 31 December 2016 and 2015, the ageing analysis of the trade payables primarily based on invoice date was as follows:

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Current to 90 days	**177,059**	104,471
91 to 180 days	**33,503**	24,173
181 to 365 days	**8,162**	21,172
Over 365 days	**11,842**	15,869
	230,566	165,685

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

(b) Bills payables

The balance represents bank acceptance notes:

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Due within 90 days	**19,161**	20,987
Due within 91 to 180 days	**16,543**	14,551
	35,704	35,538

(c) 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 and are denominated in the following currencies:

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
RMB	**787,667**	388,066
JPY	**–**	84,846
	787,667	472,912

(d) Other payables and accruals

	As at 31 December	
	2016	2015
	HK$'000	*HK$'000*
Accrued staff costs and pension obligations	**162,675**	136,817
Deposits and receipt in advance	**332,501**	148,901
Others	**151,224**	181,312
	646,400	467,030

12 ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

The assets and liabilities related to Merchant Support Co., Ltd and its subsidiary (part of the payment processing solutions segment) (the "Disposal Group"), 100% wholly-owned subsidiaries of the Group, have been presented as held-for-sale following a memorandum of understanding entered by the Company, Merchant Support Co., Ltd and an independent third party to sell the Disposal Group in Japan. The transaction is expected to be completed in 2017.

(a) Assets of Disposal Group classified as held-for-sale

	As at 31 December 2016 *HK$'000*
Property, plant and equipment	**7,530**
Long-term deposits and prepayments	**160**
Receivables from payment processing solutions business	**133,464**
Other receivables, prepayments and deposits	**3,191**
Cash and cash equivalents	**78,245**
	222,590

(b) Liabilities of Disposal Group classified as held-for-sale

	As at 31 December 2016 *HK$'000*
Payables for payment processing solutions business	**95,915**
Other payables and accruals	**520**
Amount due to an investment accounted for using the equity method	**12**
Current income tax liabilities	**33**
	96,480

(c) Cumulative income recognised in other comprehensive income relating to Disposal Group classified as held-for-sale

	As at 31 December 2016 *HK$'000*
Exchange difference arising on translation of the financial statements of foreign subsidiaries	**2,847**

The expected consideration of the transaction is higher than the aggregate carrying amount of the related assets and liabilities. Therefore, no impairment loss was recognised on reclassification of the assets and liabilities as held-for-sale.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Shares during the year ended 31 December 2016.

FINAL DIVIDEND

No dividend had been paid or declared by the Company for the year ended 31 December 2016 (2015: Nil).

RECORD DATE FOR DETERMINING ELIGIBILITY TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING

Record date (being the last date for registration of any share transfer given there will be no book closure) for determining the entitlement of the shareholders of the Company to attend and vote at the Annual General Meeting will be Tuesday, 18 April, 2017. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 18 April, 2017.

CORPORATE GOVERNANCE PRACTICES

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

In formulating its corporate governance practices and standards, the Company has applied the Principles and complied with all applicable Code Provisions for the year ended 31 December 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted trading guidelines regulating directors' transactions concerning securities of the Company, on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry had been made to all the directors and the directors have confirmed that they have complied with the required standard set out in Model Code and the Group's trading guidelines throughout the year.

The Company has also established written trading guidelines for employees in respect of their dealings in the Company's securities, who, because of their offices or employment, come to or are likely to come to possess inside information in relation to the Group or securities of the Company, with terms no less exacting than the required standard set out in the Model Code.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In respect of the reporting period, the Company received from the three Independent Non-Executive Directors, namely Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Xu Sitao (resigned on 26 February 2016), written annual confirmations of their independence pursuant to the requirements of Rule 3.13 of the Listing Rules, which confirmed to the Company that each of them has met the independence guidelines set out in the Listing Rules. The Company considers all the Independent Non-Executive Directors to be independent.

In particular, in furtherance to the announcement of the Company dated 26 February 2016, Mr. Chang Kai-Tzung, Richard ("Mr. Chang"), who has served as a Non-Executive Director of the Company since 2009, has been re-designated as an Independent Non-Executive Director of the Company with effect from 26 February 2016. During his tenure as a Non-Executive Director, Mr. Chang had served in areas including management's performance monitoring, risk assessment and internal controls and was not involved in the day-to-day management and operations or executive or management role or functions in the Company, its holding company or any of their subsidiaries or core connected persons of the Company.

Accordingly, it is considered that Mr. Chang has satisfied the independence criteria in Rule 3.13 of the Listing Rules, apart from Rule 3.13(7) in respect of the technicality in his past appointment as a Non-Executive Director of the Company which did not in substance affect his independence to serve as an Independent Non-Executive Director of the Company, and the Company has received a written confirmation from Mr. Chang confirming his independence as such.

AUDIT COMMITTEE

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

The Audit Committee provides an important link between the Board and the Company's auditor in matters coming within the scope of the audit of the Group. It also reviews the effectiveness of both external and internal audit and internal controls and risk evaluation. As at the date of this announcement, the Audit Committee comprises three Independent Non-Executive Directors, namely, Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Chang Kai-Tzung, Richard. Two meetings were held during the year ended 31 December 2016.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2016.

Scope of work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The announcement will be published on the Company's website at www.hisun.com.hk and the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at www.hkexnews.hk. The Annual Report 2016 will be despatched to all shareholders and available on the above websites in due course.

The 2016 annual financial information set out above does not constitute the Group's statutory financial statements for the financial year ended 31 December 2016. Instead, it has been derived from the Group's audited consolidated financial statements for the financial year ended 31 December 2016, which will be included in the Company's Annual Report 2016.

By Order of the Board
Hi Sun Technology (China) Limited
Li Wenjin
Executive Director

Hong Kong, 8 March 2017

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