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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 2013

#### FINANCIAL HIGHLIGHTS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	Change +/(–)
<b>RESULTS</b>			
Revenue	1,294,337	868,306	+49.1%
Gross profit	483,927	244,290	+98.1%
Segmental EBITDA (before unallocated items)	70,023	(134,052)	N/A
Share of profit of an associated company	92,612	73,616	+25.8%
Profit/(loss) for the year	26,601	(174,497)	N/A
Profit/(loss) attributable to:			
– Equity holders of the Company	30,045	(160,763)	N/A
– Non-controlling interests	(3,444)	(13,734)	N/A
	<u>26,601</u>	<u>(174,497)</u>	
	<i>HK\$ per share</i>	<i>HK\$ per share</i>	
<b>Earning/(loss) per share for profit/ (loss) attributable to the equity holders of the Company:</b>			
Basic earning/(loss)	0.01	(0.06)	N/A
Diluted loss	<u>(0.01)</u>	<u>(0.06)</u>	N/A

\* For identification purposes only

	As at 31 December		Change +/( -)
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	
<b>HIGHLIGHTS OF FINANCIAL POSITION</b>			
Total equity	<b>2,745,976</b>	2,681,385	+2.4%
Net current assets	<b>890,234</b>	945,471	-5.8%
Total assets	<b><u>3,576,445</u></b>	<u>3,192,299</u>	+12.0%
	<i>HK\$ per share</i>	<i>HK\$ per share</i>	Change +/( -)
Net assets per share	<b><u>0.99</u></b>	<u>1.00</u>	-1.0%

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 2013 together with the comparative figures for the year ended 31 December 2012. The annual results have been reviewed by the Company’s Audit Committee (the “Audit Committee”).

## FINANCIAL REVIEW

### Condensed segment result analysis

		Turnover		EBITDA	
		2013 HK\$'000	2012 HK\$'000 (restated)	2013 HK\$'000	2012 HK\$'000 (restated)
Telecommunication solutions	1	198,561	167,269	26,440	16,656
Financial solutions	2	272,784	251,533	13,942	8,792
Payment platform solutions	3	104,578	89,405	24,333	14,654
Payment processing solutions	4	399,521	81,904	24,916	(78,833)
Electronic power meters and solutions	5	310,924	279,365	(3,955)	(57,286)
Others		11,284	4,110	(15,653)	(38,035)
Segmental results		1,297,652	873,586	70,023	(134,052)
Less: Inter-segment turnover		(3,315)	(5,280)	–	–
Total		1,294,337	868,306	70,023	(134,052)
Depreciation				(38,282)	(33,614)
Amortisation				(5,270)	(7,567)
Segmental operating profit/(loss)				26,471	(175,233)
Unallocated other income				3,853	8,934
Unallocated corporate expenses	6			(87,997)	(81,382)
Operating loss				(57,673)	(247,681)

### Condensed consolidated income statement

		2013 HK\$'000	2012 HK\$'000
Revenue	A	1,294,337	868,306
Cost of sales	B	(810,410)	(624,016)
Gross profit		483,927	244,290
Other income		14,170	11,426
Other gains, net		1,167	4,221
Selling expenses	B	(177,700)	(131,475)
Administrative expenses	B	(367,373)	(351,543)
Impairment of intangible assets	C	(11,864)	(24,600)
Operating loss		(57,673)	(247,681)
Share of profit of an associated company	D	92,612	73,616
Loss on dilution of interest in an associated company	D	(6,883)	–
Finance costs		–	(1,295)
Profit/(loss) before income tax		28,056	(175,360)
Income tax (expense)/credit		(1,455)	863
Profit/(loss) for the year		26,601	(174,497)
Profit/(loss) attributable to:			
– Equity holders of the Company		30,045	(160,763)
– Non-controlling interests		(3,444)	(13,734)
		26,601	(174,497)
<b>Earning/(loss) per share for profit/(loss) attributable to the equity holders of the Company:</b>		<b>HK\$ per share</b>	<b>HK\$ per share</b>
Basic earning/(loss)		0.01	(0.06)
Diluted loss		(0.01)	(0.06)

## Condensed consolidated balance sheet

		As at 31 December	
		2013	2012
		HK\$'000	HK\$'000
<b>ASSETS</b>			
Investment properties, property, plant and equipment and leasehold land	<i>E</i>	193,575	165,774
Intangible assets	<i>F</i>	68,420	84,198
Interest in an associated company	<i>G</i>	1,561,681	1,458,419
Available-for-sale financial assets		30,395	27,267
Inventories	<i>H</i>	76,602	81,310
Trade and bills receivables	<i>I</i>	345,467	329,748
Receivables from payment processing solutions business	<i>I</i>	165,797	175,033
Other receivables, prepayments and deposits	<i>I</i>	49,493	42,791
Amount due from an associated company	<i>K</i>	3,451	42
Financial assets at fair value through profit or loss		–	13,948
Short-term bank deposits		20,428	19,574
Cash and cash equivalents		1,061,136	794,195
<b>Total assets</b>		<b>3,576,445</b>	<b>3,192,299</b>
<b>EQUITY</b>			
Share capital		6,942	6,684
Reserves		2,752,418	2,619,411
<b>Shareholders' funds</b>		<b>2,759,360</b>	<b>2,626,095</b>
<b>Non-controlling interests</b>		<b>(13,384)</b>	<b>55,290</b>
<b>Total equity</b>		<b>2,745,976</b>	<b>2,681,385</b>
<b>LIABILITIES</b>			
Deferred income tax liabilities		1,245	2,307
Trade and bills payables	<i>J</i>	157,836	170,576
Payables for payment processing solutions business	<i>J</i>	243,415	136,414
Other payables	<i>J</i>	349,578	191,475
Amount due to an associated company	<i>K</i>	69,964	4,082
Current income tax liabilities		8,431	6,060
<b>Total liabilities</b>		<b>830,469</b>	<b>510,914</b>
<b>Total equity and liabilities</b>		<b>3,576,445</b>	<b>3,192,299</b>
		2013	2012
		HK\$ per share	HK\$ per share
Net assets per share		0.99	1.00

## Condensed consolidated cash flow statement

	2013	2012
	HK\$'000	HK\$'000
<b>Net cash generated from/(used in) operating activities</b>	<b>326,168</b>	<b>(166,783)</b>
<b>Net cash used in investing activities</b>	<b>(47,971)</b>	<b>(148,869)</b>
<b>Net cash used in financing activities</b>	<b>(294)</b>	<b>(43,857)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>277,903</b>	<b>(359,509)</b>
Cash and cash equivalents at beginning of the year	794,195	1,167,201
Exchange loss on cash and cash equivalents	(10,962)	(13,497)
<b>Cash and cash equivalents at end of the year</b>	<b>1,061,136</b>	<b>794,195</b>

## Segment performance review

### (1) Telecommunication solutions

	<b>2013</b>	2012	Change
	<b>HK\$'000</b>	HK\$'000	+ / (-)
Turnover	<b>198,561</b>	167,269	+18.7%
EBITDA	<b>26,440</b>	16,656	+58.7%
Operating profit	<b>13,638</b>	5,288	+157.9%

During the year, telecommunication solutions segment recorded revenues of HK\$198.6 million, an increase of 18.7% as compared to 2012. Segmental operating profit amounted to HK\$13.6 million as compared to HK\$5.3 million in 2012. The increase in segmental turnover and operating profit was mainly contributed by a project which was substantially completed with most of the expenses incurred and expensed off in last year, but the final acceptance was only received from the customer during the current year. Currently, the provision of nationwide IVR platform and related services to China Mobile continues to be the major revenue contributor of this segment.

### (2) Financial solutions

	<b>2013</b>	2012	Change
	<b>HK\$'000</b>	HK\$'000	+ / (-)
Turnover*	<b>271,532</b>	248,112	+9.4%
EBITDA	<b>13,942</b>	8,792	+58.6%
Operating profit	<b>11,506</b>	3,302	+248.5%

\* Turnover from external customers

Financial solutions segment reported revenues of HK\$271.5 million in 2013, an increase of 9.4% as compared to last year. Segmental operating profit amounted to HK\$11.5 million as compared to HK\$3.3 million in 2012. The increase in segmental turnover and segmental operating profit was mainly attributable to additional income from cross-industry solutions and improved profit margins on a number of projects.

### (3) Payment platform solutions

	<b>2013</b>	2012	Change
	<b>HK\$'000</b>	HK\$'000	+ / (-)
Turnover*	<b>102,515</b>	87,546	+17.1%
EBITDA	<b>24,333</b>	14,654	+66.1%
Operating profit	<b>23,390</b>	13,295	+75.9%

\* Turnover from external customers

Segmental turnover amounted to HK\$102.5 million, an increase of 17.1% as compared to last year. Segmental operating profit amounted to HK\$23.4 million, an increase of 75.9% as compared to 2012. We expect that we will continue to benefit from China Mobile's increasing input into its mobile payment business especially with the launch of 4G services in December 2013.

(4) *Payment processing solutions*

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>	Change + / (-)
Turnover	<b>399,521</b>	81,904	+387.8%
Impairment of intangible assets	<b>(11,864)</b>	–	N/A
EBITDA	<b>24,916</b>	(78,833)	N/A
Operating profit/(loss)	<b>8,050</b>	(86,477)	N/A

Segmental turnover amounted to HK\$399.5 million, an increase of 387.8% as compared to last year. Segmental operating profit amounted to HK\$8.1 million, as compared to a segmental operating loss of HK\$86.5 million in 2012. Our payment processing solutions segment is building up transaction volume and operation scale in Mainland China, leading to an increase in revenue and an operating profit for the year ended 31 December 2013. Impairment of intangible assets amounted to HK\$11.9 million was recorded in the current year due to the changes in market conditions to our operations in Japan.

(5) *Electronic power meters and solutions*

	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>	Change + / (-)
Turnover	<b>310,924</b>	279,365	+11.3%
Impairment of intangible assets	–	(24,600)	N/A
EBITDA	<b>(3,955)</b>	(57,286)	N/A
Operating loss	<b>(11,654)</b>	(69,513)	N/A

During 2013, there was an increase in sales of mag-stripe card security decoder chips and segmental turnover was increased by 11.3% to HK\$310.9 million as compared to 2012. With the increase in revenue and improvement in gross profit margin, segmental operating loss was narrowed down to HK\$11.7 million in 2013. Included in the operating loss of 2012, there was a one-time non-cash impairment charge of HK\$24.6 million against the goodwill of our electronic power meters and solutions business.

(6) *Unallocated corporate expenses*

The amount mainly represents corporate office expenses and net exchange loss. The increase as compared to 2012 was mainly caused by an increase in net foreign exchange loss given the depreciation of Japanese yen.

## Overall financial results and position

### (A) Revenue

The consolidated turnover amounted to HK\$1,294.3 million, representing an increase of 49.1% over 2012. Such increase was mainly contributed by the increase in segmental turnover of our payment processing solutions segment. Please also refer to Note (1) to (5) above.

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

Increase in cost of sales and operating expenses was primarily due to:

- increase in costs of inventories sold given the sales of ancillary products by the payment processing solutions segment;
- increase in selling and marketing expenses such as travelling and sales commission;
- increase in employee benefit expenses given the increase in headcounts in higher salary banding (in particular those professions in the payment processing solutions segment) and general salary inflation during the year; and
- increase in net foreign exchange loss caused by the depreciation of Japanese yen as compared to 2012.

### (C) Impairment of intangible assets

Due to the change in market condition, goodwill of HK\$11.9 million arising from the acquisition of Merchant Support Co., Ltd and MS Car Credit Co., Ltd (“collectively, the MS Group”) in Japan under the payment processing solutions segment was considered to be fully impaired by management during the six months ended 30 June 2013 after taking into account the recent operating environment and diminishing growth rate.

### (D) Share of profit of an associated company and loss on dilution of interest in an associated company

The Group’s share of profit of PAX Global Technology Limited (“PAX Global”), which is listed on the Stock Exchange, for the year ended 31 December 2013 increased in line with the increase in profit of PAX Global in 2013. Loss on dilution of interest in an associated company was due to the effect of exercise of share options of PAX Global by its certain directors and employees.

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

Increase in balance as compared to last year was mainly due to fixed asset acquisition by the payment processing solutions business.

### (F) Intangible assets

Intangible assets include goodwill of HK\$63.4 million allocated to the electronic power meters and solutions segment. Please also refer to Note (C) above for details on impairment of intangible assets during the year.

(G) *Interest in an associated company*

As at 31 December 2013, the fair value of the Group's 42.51% effective interest in PAX Global was HK\$1,385.3 million. As at 31 December 2013, the fair value of the investment is less than its carrying value. An impairment test is performed to determine the recoverable amount of the investment. The recoverable amount calculated based on value-in-use exceeded the carrying value as at 31 December 2013.

(H) *Inventories*

The amount mainly represents inventories of electronic power meters and solutions segment.

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

	<b>2013</b> <b>HK\$'000</b>	2012 <b>HK\$'000</b>
Trade receivables ( <i>Note (i)</i> )	<b>350,153</b>	347,855
Bills receivables	<b>12,508</b>	5,415
Less: provision for impairment of receivables	<b>(17,194)</b>	(23,522)
	<b>345,467</b>	329,748
Receivables from payment processing solutions business ( <i>Note (ii)</i> )	<b>165,797</b>	175,033
Prepayments, deposits and others	<b>49,493</b>	42,791
Total	<b>560,757</b>	547,572

*Note (i):*

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

	<b>2013</b> <b>HK\$'000</b>	2012 <b>HK\$'000</b>
Current to 90 days	<b>272,673</b>	271,850
91 to 180 days	<b>21,565</b>	10,499
181 to 365 days	<b>23,830</b>	10,906
Over 365 days	<b>32,085</b>	54,600
	<b>350,153</b>	347,855

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

*Note (ii):*

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 banks or financial institutions once the underlying transactions of the merchants had been acknowledged by the relevant banks and financial institutions. As at 31 December 2012 and 2013, balances are mainly aged below 90 days.



(J) Trade and bills payables, payables for payment processing solutions business and other payables

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade payables ( <i>Note (i)</i> )	130,547	131,097
Bills payables	27,289	39,479
Payables for payment processing solutions business ( <i>Note (ii)</i> )	243,415	136,414
Other payables and accruals ( <i>Note (iii)</i> )	349,578	191,475
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Total	<u>750,829</u>	<u>498,465</u>

*Note (i):*

The credit period granted by the suppliers ranges from 0 to 180 days. The ageing analysis of the trade payables was as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current to 90 days	83,392	87,658
91 to 180 days	29,653	24,756
181 to 365 days	7,934	7,278
Over 365 days	9,568	11,405
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	<u>130,547</u>	<u>131,097</u>

*Note (ii):*

This balance represents payables to customers (which are generally merchants as detailed in Note (I)) for the payment processing solutions business. The amounts are generally due for settlement with these customers within 30 days.

*Note (iii):*

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Accrued staff costs and pension obligations*	130,090	97,709
Deposits and receipt in advance from customers**	140,921	31,199
Others	78,567	62,567
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	<u>349,578</u>	<u>191,475</u>

\* The increase in accrued staff costs and pension obligations was due to the increase in headcounts in higher salary banding and general salary inflation.

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

*(K) Amounts due from/to an associated company*

The amount due to an associated company represents payable to PAX Global. Increase in amount as compared to last year given the increase in total purchase of EFT-POS terminals under the payment processing solutions business segment during the year.

Amounts due from/to an associated company are unsecured, interest-free and under normal commercial terms.

**Key investing and financing activities**

On 25 January 2013, the Company received an exercise notice from the preference shareholders (the “SBL Preference Shareholders”) of Success Bridge Limited (“Success Bridge”), a subsidiary of the Company, to exercise in full their rights under the shareholders agreement dated 29 January 2010 entered into among the Company, Success Bridge, and the SBL Preference Shareholders to exchange all preference shares of Success Bridge registered in their names for 103,404,000 new ordinary shares of the Company (the “Shares”) at the exchange price of HK\$4.5 per Share. As at the date of the exercise notice, the SBL Preference Shareholders held 900 preference shares of Success Bridge. Upon completion of this transaction, Success Bridge became a wholly-owned subsidiary of the Company. The transaction was completed on 31 January 2013. A debit of HK\$68,395,000 was recognised in other reserve within equity as a result of this transaction.

**Liquidity and financial resources**

As at 31 December 2013, the Group reported total assets of HK\$3,576.4 million (2012: HK\$3,192.3 million), which were financed by total liabilities of HK\$830.5 million (2012: HK\$510.9 million) and equity of HK\$2,746.0 million (2012: HK\$2,681.4 million). The net asset value was HK\$2,746.0 million (2012: HK\$2,681.4 million). Net assets per share amounted to HK\$0.99 as at 31 December 2013 as compared to HK\$1.00 per share as at 31 December 2012.

As at 31 December 2013, the Group had cash and cash equivalents of HK\$1,061.1 million (2012: HK\$794.2 million) and no short term borrowings (2012: Nil). The net cash position as at 31 December 2013 was HK\$1,061.1 million as compared to HK\$794.2 million as at 31 December 2012. The gearing ratio (defined as total borrowings divided by shareholders’ equity) was zero (2012: Same). The gearing ratio is considered healthy and suitable for the continued growth of the Group’s business.

**Capital structure and details of charges**

As at 31 December 2013, the Group had no bank borrowings (2012: Nil) and had banking facilities of approximately HK\$23.0 million (2012: HK\$22.4 million). As at 31 December 2013, the banking facilities were secured by the leasehold land and buildings of a subsidiary of the Company, with a net carrying amount of HK\$3.7 million (2012: HK\$3.6 million) and HK\$14.1 million (2012: HK\$14.9 million), respectively.

Approximately HK\$664.5 million, HK\$118.9 million, HK\$166.8 million, HK\$105.4 million, HK\$0.2 million and HK\$5.3 million of the Group’s cash balances were denominated in Renminbi, Hong Kong dollar, US dollar, Japanese Yen and Euro and Macanese pataca (“MOP”) respectively as at 31 December 2013.

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

## 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

The Group had no material contingent liabilities as at 31 December 2013.

## Employees

The total number of employees of the Group as at 31 December 2013 was 2,493. The breakdown of employees by division is as follows:

Telecommunication solutions	424
Financial solutions	503
Payment platform solutions	408
Payment processing solutions	398
Electronic power meters and solutions	641
Others	86
Corporate office	33
	<hr/>
	2,493
	<hr/> <hr/>

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

Disclaimer:

### *Non-GAAP measures*

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

## **BUSINESS OUTLOOK**

### **Telecommunication solutions**

With the continuous steady growth of the IVR business, the Jiangsu Base of China Mobile is devoted to developing internet integrated and audio portal related innovative products and business, while establishing a consolidated audio service platform with quality content and capacity output. It is expected that we will have even more development opportunities in the future. Alongside the official launch of 4G services by China Mobile in December 2013, together with the merge of colour image business and the colour printing business of China Mobile, the room for future development of mobile animation and comic will be further enhanced. Meanwhile, the cloud communication platform provides applications on internet and mobile internet with various integrated communication ability to both enterprises and developers. In 2013, the cloud communication platform has already built up a cooperation network with various enterprises in the fields of remote medical treatment, remote education, mobile game and e-commerce. The cloud communication business is expected to be a new driver of our business growth.

### **Financial solutions**

In 2014, financial solutions segment will continue to strengthen and expand its leading position in the core banking and financial payment solutions area. As for core banking, we are currently participating in various projects, such as those with China Construction Bank, Bank of Communications, China CITIC Bank and also a number of projects in Hong Kong and Macau. At the same time, the ATM outsourcing operation business continues to derive a relatively stable income. In order to capture the opportunity for internet innovations in the financial industry, we established a laboratory jointly with the School of Management, University of Chinese Academy of Sciences to enhance the R&D process with practical market inputs, with an aim to forge a solid foundation for our internet financial business. Meanwhile, we also attempt to provide independent, prompt and innovative solutions to our business partners through an integrated financial IT services platform.

### **Payment platform solutions**

During the year, we continued to support the mobile payment business and mobile wallet business of the e-commerce base of China Mobile. Following the launch of 4G services by China Mobile in December 2013, it is expected that more efforts will be put into the promotion of “和包”. The product of China Mobile “和包”, which is based on the NFC technology, covers various industries such as UnionPay, banking, public transportation and travelling. Cooperation has been established with a number of national and local banks, with nationwide network connected with various online and offline merchants, covering the payment of a great variety of public utilities in the People’s Republic of China (the “PRC”). As one of the major service providers of the e-commerce base of China Mobile, we expect that a subsisting stable income stream will be generated from such rapid development of our base business. In the meantime, we will be more dedicated to the expansion of the e-commerce and payment business of China Mobile at the provincial level. On the other hand, we will keep abreast of the opportunity for innovations in the mobile internet and internet financial industry, and strive to achieve a breakthrough for our own innovative business leveraging our competitive edge and resources.

## **Payment processing solutions**

The huge market potential, brilliant prospect, broad customer base and a great variety of services together create enormous opportunities in the third-party payment market in Mainland China. In the future, the third-party payment industry is expected to become a more segmented and subdivided market. We will capitalize on the existing competitive edge to seize the priority in developing related value-added services. We will focus on providing different customized services to enhance customer satisfaction and loyalty through utilization of customer resources and establishment of close business relationship with them. We will also identify quality merchants through our marketing efforts and expand the operation scale of the payment processing business to strengthen our market position. Apart from this, we will continue to optimize our compliance and risk control measures and consolidate our cooperation with commercial banks, so as to join hands in expanding into a broader market.

## **Electronic power meters and solutions**

In 2014, State Grid Corporation of China will continue to carry forward the smart grid construction and the standardization of the new technical requirements of smart meters as well as data collection devices. The application of multi-rate meters for the power grid reconstruction work in the rural areas will be further implemented, which is expected to reach a sizable scale. Meanwhile, China Southern Power Grid will put forward the tendering for smart meters as well as the smart grid construction. The market capacity for smart meters and data collection devices is expected to be relatively stable in 2014. We will continue to improve our market information collection channels and make prompt and accurate response. In the meantime, we will maintain and enhance the production capacity of the relevant products by reasonably allocating resources to different production lines, with a view to increase our market share through tendering in the future. In addition, we are constantly strengthening ourselves in terms of market competitiveness in the areas of R&D, marketing and production, so as to maintain a sustainable growth and healthy financial performance.

## CONSOLIDATED INCOME STATEMENT

		<b>For the year ended</b>	
		<b>31 December</b>	
		<b>2013</b>	<b>2012</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2, 3	<b>1,294,337</b>	868,306
Cost of sales	4	<u><b>(810,410)</b></u>	<u>(624,016)</u>
Gross profit		<b>483,927</b>	244,290
Other income	2	<b>14,170</b>	11,426
Other gains, net	2	<b>1,167</b>	4,221
Selling expenses	4	<b>(177,700)</b>	(131,475)
Administrative expenses	4	<b>(367,373)</b>	(351,543)
Impairment of intangible assets	4	<u><b>(11,864)</b></u>	<u>(24,600)</u>
Operating loss		<b>(57,673)</b>	(247,681)
Share of profit of an associated company	8	<b>92,612</b>	73,616
Loss on dilution of interest in an associated company	8	<b>(6,883)</b>	–
Finance costs	5	<u>–</u>	<u>(1,295)</u>
Profit/(loss) before income tax		<b>28,056</b>	(175,360)
Income tax (expense)/credit	6	<u><b>(1,455)</b></u>	<u>863</u>
Profit/(loss) for the year		<u><b>26,601</b></u>	<u>(174,497)</u>
Profit/(loss) attributable to:			
— Equity holders of the Company		<b>30,045</b>	(160,763)
— Non-controlling interests		<u><b>(3,444)</b></u>	<u>(13,734)</u>
		<u><b>26,601</b></u>	<u>(174,497)</u>
		<i>HK\$ per share</i>	<i>HK\$ per share</i>
<b>Earning/(loss) per share for profit/(loss) attributable to the equity holders of the Company:</b>			
Basic earning/(loss)	7	<b>0.01</b>	(0.06)
Diluted loss	7	<u><b>(0.01)</b></u>	<u>(0.06)</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit/(loss) for the year</b>	<b>26,601</b>	(174,497)
<b>Other comprehensive income/(loss), net of tax</b>		
<b>Items that have been reclassified or may be subsequently reclassified to profit and loss</b>		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	17,483	4,075
Fair value gain/(loss) on revaluation of available-for-sale financial assets	2,951	(2,751)
Share of other comprehensive income of an associated company	11,826	2,717
Release of reserve upon dilution of interest in an associated company	(151)	–
	<hr/>	<hr/>
<b>Total comprehensive income/(loss) for the year, net of tax</b>	<b>58,710</b>	(170,456)
	<hr/> <hr/>	<hr/> <hr/>
<b>Total comprehensive income/(loss) attributable to:</b>		
— Equity holders of the Company	62,388	(157,432)
— Non-controlling interests	(3,678)	(13,024)
	<hr/>	<hr/>
	<b>58,710</b>	(170,456)
	<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2013	2012
	Note	HK\$'000	HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties		2,233	2,405
Property, plant and equipment		154,689	126,039
Leasehold land		36,653	37,330
Intangible assets		68,420	84,198
Interest in an associated company	8	1,561,681	1,458,419
Available-for-sale financial assets		30,395	27,267
Long-term deposits	9	2,916	2,563
<b>Total non-current assets</b>		<b>1,856,987</b>	<b>1,738,221</b>
<b>Current assets</b>			
Inventories		76,602	81,310
Trade and bills receivables	9	345,467	329,748
Receivables from payment processing solutions business	9	165,797	175,033
Other receivables, prepayments and deposits	9	46,577	40,228
Amount due from an associated company		3,451	42
Financial assets at fair value through profit or loss		–	13,948
Short-term bank deposits		20,428	19,574
Cash and cash equivalents		1,061,136	794,195
<b>Total current assets</b>		<b>1,719,458</b>	<b>1,454,078</b>
<b>Total assets</b>		<b>3,576,445</b>	<b>3,192,299</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		6,942	6,684
Reserves		2,752,418	2,619,411
		2,759,360	2,626,095
<b>Non-controlling interests</b>		<b>(13,384)</b>	<b>55,290</b>
<b>Total equity</b>		<b>2,745,976</b>	<b>2,681,385</b>



		<b>As at 31 December</b>	
		<b>2013</b>	2012
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<u>1,245</u>	<u>2,307</u>
<b>Total non-current liabilities</b>		<u>1,245</u>	<u>2,307</u>
<b>Current liabilities</b>			
Trade and bills payables	<i>10</i>	157,836	170,576
Payables for payment processing solutions business	<i>10</i>	243,415	136,414
Other payables	<i>10</i>	349,578	191,475
Amount due to an associated company		69,964	4,082
Current income tax liabilities		<u>8,431</u>	<u>6,060</u>
<b>Total current liabilities</b>		<u>829,224</u>	<u>508,607</u>
<b>Total liabilities</b>		<u>830,469</u>	<u>510,914</u>
<b>Total equity and liabilities</b>		<u>3,576,445</u>	<u>3,192,299</u>
<b>Net current assets</b>		<u>890,234</u>	<u>945,471</u>
<b>Total assets less current liabilities</b>		<u>2,747,221</u>	<u>2,683,692</u>

*Notes:*

#### **1 BASIS OF PREPARATION**

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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

## Changes in accounting policy and disclosures

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

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the Group:

Amendment to HKAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

HKFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

HKFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

HKFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements, which are largely aligned between HKFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRS.

There is no other new and amended standards to existing HKFRS that are effective for the Group's accounting year commencing 1 January 2013 that could be expected to have a material impact on the Group.

### (b) *New standards and interpretations not yet adopted:*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, 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', addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the Board.

Amendment to HKAS 36, 'Impairment of assets' on recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13.

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 GAINS, NET

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

	For the year ended	
	31 December	
	2013	2012
	HK\$'000	HK\$'000
		(restated)
Turnover		
Provision of telecommunication solutions	198,561	167,269
Provision of financial solutions	271,532	248,112
Provision of payment platform solutions	102,515	87,546
Provision of payment processing solutions	399,521	81,904
Sales of electronic power meters and solutions	310,924	279,365
Licence income from an associated company	1,164	795
Others	10,120	3,315
	<u>1,294,337</u>	<u>868,306</u>
Other income		
Interest income	4,367	4,911
Value added tax refund	2,691	2,097
Subsidy income	877	527
Rental income	2,096	2,178
Others	4,139	1,713
	<u>14,170</u>	<u>11,426</u>
Other gains, net		
Dividend income on financial assets at fair value through profit or loss	64	20
Fair value gain on financial assets at fair value through profit or loss	1,103	4,201
	<u>1,167</u>	<u>4,221</u>
Turnover, other income and other gains, net	<u>1,309,674</u>	<u>883,953</u>

## 3 SEGMENT INFORMATION

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

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

Due to continual expansion of the Group, management has changed its internal organisation structure to align more closely with the Group's strategic decision and market dynamics to better serve customers. In particular, separate business units has been set up for its payment processing solutions business and payment platform solutions business. The Group has adopted the new organization structure as the reporting format effective for the year ended 31 December 2013. The comparative segment information has been restated to reflect the current organization structure.

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

- (a) Telecommunication solutions — principally engaged in the provision of telecommunication platform operation services and operation value-added services;
- (b) Financial solutions — principally engaged in the provision of information system consultancy, integration and operation services and sales of information technology products to financial institutions and banks;
- (c) Payment platform solutions — principally engaged in the provision of mobile payment platform operation services and operation value-added services;
- (d) Payment processing solutions — principally engaged in provision of payment processing services, merchants recruiting and related products and solutions; and
- (e) Electronic power meters and solutions — principally engaged in the manufacturing and sales of electronic power meters, data collection terminals and provision of information system consultancy services; and the research and development of communication technology.

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

	Telecom- munication solutions HK\$'000	Financial solutions HK\$'000	Payment platform solutions HK\$'000	Payment processing solutions HK\$'000	Electronic power meters and solutions HK\$'000	Others HK\$'000	Total Group HK\$'000
<b>Year ended 31 December 2013</b>							
Segment turnover	198,561	272,784	104,578	399,521	310,924	11,284	1,297,652
Inter-segment turnover	-	(1,252)	(2,063)	-	-	-	(3,315)
Turnover from external customers	198,561	271,532	102,515	399,521	310,924	11,284	1,294,337
Segmental earning/(loss) before interest expense, taxes, depreciation and amortisation ("EBITDA") and before impairment of intangible assets	26,440	13,942	24,333	36,780	(3,955)	(15,653)	81,887
Impairment of intangible assets	-	-	-	(11,864)	-	-	(11,864)
Segmental EBITDA	26,440	13,942	24,333	24,916	(3,955)	(15,653)	70,023
Depreciation	(9,217)	(2,436)	(943)	(16,866)	(6,014)	(2,806)	(38,282)
Amortisation	(3,585)	-	-	-	(1,685)	-	(5,270)
Segmental operating profit/(loss)	13,638	11,506	23,390	8,050	(11,654)	(18,459)	26,471
Unallocated other income							3,853
Unallocated corporate expenses							(87,997)
Share of profit of an associated company							92,612
Loss on dilution of interest in an associated company							(6,883)
Profit before income tax							28,056
Income tax expense							(1,455)
Profit for the year							26,601

	Telecom- munication solutions <i>HK\$'000</i>	Financial solutions <i>HK\$'000</i>	Payment platform solutions <i>HK\$'000</i>	Payment processing solutions <i>HK\$'000</i>	Electronic power meters and solutions <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total Group <i>HK\$'000</i>
<b>Year ended 31 December 2012 (restated)</b>							
Segment turnover	167,269	251,533	89,405	81,904	279,365	4,110	873,586
Inter-segment turnover	<u>-</u>	<u>(3,421)</u>	<u>(1,859)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,280)</u>
Turnover from external customers	<u>167,269</u>	<u>248,112</u>	<u>87,546</u>	<u>81,904</u>	<u>279,365</u>	<u>4,110</u>	<u>868,306</u>
Segmental EBITDA and before impairment of intangible assets	16,656	8,792	14,654	(78,833)	(32,686)	(38,035)	(109,452)
Impairment of intangible assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,600)</u>	<u>-</u>	<u>(24,600)</u>
Segmental EBITDA	<u>16,656</u>	<u>8,792</u>	<u>14,654</u>	<u>(78,833)</u>	<u>(57,286)</u>	<u>(38,035)</u>	<u>(134,052)</u>
Depreciation	(8,843)	(5,490)	(1,359)	(7,644)	(7,185)	(3,093)	(33,614)
Amortisation	<u>(2,525)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,042)</u>	<u>-</u>	<u>(7,567)</u>
Segmental operating profit/(loss)	<u>5,288</u>	<u>3,302</u>	<u>13,295</u>	<u>(86,477)</u>	<u>(69,513)</u>	<u>(41,128)</u>	<u>(175,233)</u>
Unallocated other income							8,934
Unallocated corporate expenses							(81,382)
Share of profit of an associated company							73,616
Finance costs							<u>(1,295)</u>
Loss before income tax							(175,360)
Income tax credit							<u>863</u>
Loss for the year							<u><u>(174,497)</u></u>

Unallocated corporate expenses represent costs that are used for all segments, including depreciation of property, plant and equipment of HK\$1,946,000 (2012: HK\$2,352,000), depreciation of investment properties of HK\$172,000 (2012: HK\$172,000) and amortisation of leasehold land of HK\$759,000 (2012: HK\$760,000), respectively.

The segment assets and liabilities at 31 December 2013 and additions to non-current assets for the year ended 31 December 2013 are as follows:

	Telecom- munication solutions HK\$'000	Financial solutions HK\$'000	Payment platform solutions HK\$'000	Payment processing solutions HK\$'000	Electronic power meters and solutions HK\$'000	Others HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total Group HK\$'000
<b>As at 31 December 2013</b>									
Segment assets	732,878	218,302	88,076	806,116	473,051	116,513	2,261,571	(1,120,062)	3,576,445
Segment liabilities	(133,096)	(177,195)	(211,836)	(700,289)	(263,129)	(414,998)	(49,988)	1,120,062	(830,469)

**Year ended 31 December 2013**

Additions to non-current assets  
(excluding long-term deposits,  
interest in an associated  
company and available-for-  
sale financial assets)

	3,201	2,810	108	56,686	2,142	579	41	-	65,567
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The segment assets and liabilities at 31 December 2012 and additions to non-current assets for the year ended 31 December 2012 are as follows:

	Telecom- munication solutions HK\$'000	Financial solutions HK\$'000	Payment platform solutions HK\$'000	Payment processing solutions HK\$'000	Electronic power meters and solutions HK\$'000	Others HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total Group HK\$'000
<b>As at 31 December 2012 (restated)</b>									
Segment assets	692,579	184,007	62,089	383,384	531,907	132,852	2,237,523	(1,032,042)	3,192,299
Segment liabilities	(125,563)	(139,303)	(206,165)	(382,126)	(314,804)	(323,943)	(51,052)	1,032,042	(510,914)

**Year ended 31 December 2012  
(restated)**

Additions to non-current assets  
(excluding long-term deposits,  
interest in an associated  
company and available-for-  
sale financial assets)

	18,019	4,314	229	41,745	1,576	2,163	-	-	68,046
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Additions to non-current assets comprise additions to property, plant and equipment and intangible assets including additions resulting from acquisition through business combinations.

Revenues of approximately HK\$292,269,000 (2012: HK\$244,110,000) are derived from a single external customer. These revenues are attributable to the telecommunication solutions segment of HK\$187,966,000 (2012: HK\$153,572,000) and payment platform solutions segment of HK\$102,376,000 (2012: HK\$87,546,000) and others of HK\$1,927,000 (2012: HK\$2,992,000) in the PRC.

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

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

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

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Mainland China	<b>1,255,417</b>	816,377
Hong Kong	<b>10,007</b>	18,531
Japan	<b>21,986</b>	26,457
Macau	<b>6,927</b>	6,941
	<b>1,294,337</b>	868,306

The Group's non-current assets (excluding long term deposits, interest in an associated company and available-for-sale financial assets) and current assets by geographical location, which is determined by the geographical location in which the asset is located, is as follows:

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
<b>Non-current assets</b>		
Mainland China	<b>259,023</b>	233,509
Hong Kong	<b>692</b>	1,498
Japan	<b>2,280</b>	14,965
	<b>261,995</b>	249,972
<b>Current assets</b>		
Mainland China	<b>1,267,181</b>	916,693
Hong Kong	<b>233,533</b>	284,637
Japan	<b>211,822</b>	245,607
Macau	<b>6,922</b>	7,141
	<b>1,719,458</b>	1,454,078

#### 4 EXPENSES BY NATURE

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

	For the year ended	
	31 December	
	2013	2012
	HK\$'000	HK\$'000
Auditor's remuneration	2,870	2,600
Depreciation of property, plant and equipment	40,228	35,966
Depreciation of investment properties	172	172
Amortisation of leasehold land	1,001	1,036
Amortisation of intangible assets	5,028	7,291
Employee benefit expense (including Directors' emoluments)	483,690	415,527
Costs of inventories sold (including written back of provision/ provision for inventories)	380,508	288,644
Operating lease rentals in respect of land and buildings	37,501	35,545
Operating lease rentals in respect of equipment	16,775	14,967
Research and development costs	146,532	145,608
Gain on disposal of property, plant and equipment	(190)	(240)
(Written back of provision)/provision for impairment of trade receivables, net	(6,644)	2,158
(Written back of provision)/provision for inventories	(4,363)	14,541
Impairment of intangible assets ( <i>Note below</i> )	11,864	24,600

*Note:* Due to changes in market condition, goodwill of HK\$11,864,000 arising from the acquisition of the MS Group was considered to be fully impaired by the management during the six months ended 30 June 2013, after taking into account the operating environment and market conditions at that point of time.

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

#### 5 FINANCE COSTS

	For the year ended	
	31 December	
	2013	2012
	HK\$'000	HK\$'000
Interest on bank borrowings	–	1,295



## 6 INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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	
	2013	2012
	HK\$'000	HK\$'000
Current tax		
— Hong Kong profits tax	—	—
— Overseas taxation	2,569	617
Deferred tax	(1,114)	(1,338)
Adjustments in respect of prior years	—	(142)
	<u>—</u>	<u>(142)</u>
Income tax expense/(credit)	<u>1,455</u>	<u>(863)</u>

## 7 EARNING/(LOSS) PER SHARE

### (a) Basic

Basic earning/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	For the year ended	
	31 December	
	2013	2012
Profit/(loss) attributable to equity holders of the Company (HK\$'000)	<u>30,045</u>	<u>(160,763)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>2,768,052</u>	<u>2,673,430</u>
Basic earning/(loss) per share attributable to the equity holders of the Company (HK\$ per share)	<u>0.01</u>	<u>(0.06)</u>

**(b) Diluted**

Diluted loss 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. The Company has three categories of potentially dilutive shares: convertible preference shares issued by a subsidiary, share options issued by a subsidiary and share options issued by the associated company.

Potential dilutive effects arise from convertible preference shares issued by a subsidiary and share options issued by the associated company. The convertible preference shares issued by a subsidiary are assumed to be converted into ordinary shares of the Company.

For share options issued by the associated company, the exercise of the outstanding share options in the associated company would have a dilutive effect. The exercise of the share options in the associated company would be dilutive if the net profit attributable to the equity holders of the Company will decrease as a result of decrease in the Group's share of profit of the associated company and increase in loss on dilution of interest in the 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 the associated company. 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 the associated company.

	<b>For the year ended 31 December 2013</b>
Profit attributable to equity holders of the Company (HK\$'000)	30,045
Assuming exercise of all outstanding share options issued by the associated company (HK\$'000):	
— Decrease in share of profit of the associated company	(2,819)
— Increase in loss on dilution of the associated company	(56,201)
Adjusted profit attributable to equity holders of the Company used to determine diluted loss per share (HK\$'000)	<u>(28,975)</u>
Weighted average number of ordinary shares in issue (thousands)	2,768,052
Adjustments for assumed conversion of convertible preference shares issued by a subsidiary (thousands)	<u>8,782</u>
Weighted average number of ordinary shares for diluted loss per share (thousands)	<u>2,776,834</u>
Diluted loss per share attributable to the equity holders of the Company (HK\$ per share)	<u>(0.01)</u>

Diluted loss per share for the year ended 31 December 2012 is the same as the basic loss per share as the conversion of potential ordinary shares in relation to the outstanding convertible preference shares issued by a subsidiary, share options issued by a subsidiary and share options issued by an associated company would have an anti-dilutive effect to the basic loss per share.

**8 INTEREST IN AN ASSOCIATED COMPANY**

	<b>2013 HK\$'000</b>	2012 HK\$'000
At 1 January	<b>1,458,419</b>	1,373,366
Share of profit	<b>92,612</b>	73,616
Share of other comprehensive income	<b>11,826</b>	2,717
Share of other reserve	<b>5,858</b>	8,720
Dilution of interest in an associated company ( <i>Note below</i> )	<b>(7,034)</b>	—
At 31 December	<u><b>1,561,681</b></u>	<u>1,458,419</u>

*Note:* During the year ended 31 December 2013, certain director and employees of PAX Global exercised their share options granted pursuant to a share option scheme set up on 1 December 2010. As a result of the exercise of these share options, the Group's interest in PAX Global was diluted from 42.80% as at 31 December 2012 to 42.51% as at 31 December 2013. A loss on dilution of interest in an associated company of HK\$6,883,000 was recognised in the consolidated income statement, including release of reserve credited to the consolidated income statement of HK\$151,000, during the year.

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

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
<b>Current portion</b>		
Trade receivables ( <i>Note (a)</i> )	<b>350,153</b>	347,855
Bills receivables ( <i>Note (b)</i> )	<b>12,508</b>	5,415
Less: provision for impairment of receivables	<b>(17,194)</b>	(23,522)
	<u><b>345,467</b></u>	<u>329,748</u>
Receivables from payment processing solutions business ( <i>Note (c)</i> )	<u><b>165,797</b></u>	<u>175,033</u>
Prepayments, deposits and other receivables:		
Prepayments	<b>8,389</b>	8,949
Deposits	<b>15,966</b>	16,476
Others	<b>22,222</b>	14,803
	<u><b>46,577</b></u>	<u>40,228</u>
	<u><b>557,841</b></u>	<u>545,009</u>
<b>Non-current portion</b>		
Long-term deposits	<u><b>2,916</b></u>	<u>2,563</u>
<b>Total</b>	<u><b>560,757</b></u>	<u>547,572</u>

*Note (a):*

**Trade receivables**

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

	<b>As at 31 December</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Current to 90 days	<b>272,673</b>	271,850
91 to 180 days	<b>21,565</b>	10,499
181 to 365 days	<b>23,830</b>	10,906
Over 365 days	<b>32,085</b>	54,600
	<u><b>350,153</b></u>	<u>347,855</u>

*Note (b):*

### **Bills receivables**

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

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

	As at 31 December	
	2013	2012
	HK\$'000	HK\$'000
Falling within 90 days	3,555	248
Falling within 91 to 180 days	8,953	5,167
	<u>12,508</u>	<u>5,415</u>

*Note (c):*

### **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 banks or financial institutions once the underlying transactions of the merchants had been acknowledged by the relevant banks and financial institutions. As at 31 December 2012 and 2013, balances are mainly aged below 90 days.

## **10 TRADE AND BILLS PAYABLES, PAYABLES FOR PAYMENT PROCESSING SOLUTIONS BUSINESS AND OTHER PAYABLES**

	As at 31 December	
	2013	2012
	HK\$'000	HK\$'000
Trade payables ( <i>Note (a)</i> )	130,547	131,097
Bills payables ( <i>Note (b)</i> )	27,289	39,479
	<u>157,836</u>	<u>170,576</u>
Payables for payment processing solutions business ( <i>Note (c)</i> )	<u>243,415</u>	<u>136,414</u>
Other payables and accruals ( <i>Note (d)</i> )	<u>349,578</u>	<u>191,475</u>
	<u>750,829</u>	<u>498,465</u>

Note (a):

### Trade payables

At 31 December 2013 and 2012, the ageing analysis of the trade payables was as follows:

	As at 31 December	
	2013	2012
	HK\$'000	HK\$'000
Current to 90 days	83,392	87,658
91 to 180 days	29,653	24,756
181 to 365 days	7,934	7,278
Over 365 days	9,568	11,405
	<u>130,547</u>	<u>131,097</u>

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

Note (b):

### Bills payables

The balance represents bank acceptance notes:

	As at 31 December	
	2013	2012
	HK\$'000	HK\$'000
Due within 90 days	27,289	14,065
Due within 91 to 180 days	–	25,414
	<u>27,289</u>	<u>39,479</u>

Note (c):

### Payables for payment processing solutions business

This balance represents payables to customers (which are generally merchants as detailed in Note 9(c)) for the payment processing solutions business. The amounts are generally due for settlement with these customers within 30 days.

Note (d):

### Other payables and accruals

	As at 31 December	
	2013	2012
	HK\$'000	HK\$'000
Accrued staff costs and pension obligations	130,090	97,709
Deposits and receipt in advance from customers	140,921	31,199
Others	78,567	62,567
	<u>349,578</u>	<u>191,475</u>

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

The Company had not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the year ended 31 December 2013.

## **FINAL DIVIDEND**

No dividend had been paid or declared by the Company during the year ended 31 December 2013 (2012: Nil).

## **CORPORATE GOVERNANCE PRACTICES**

The Company's corporate governance practices are based on the principles (the "Principles") and code provisions (the "Code Provisions") as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company has in formulating its corporate governance practices applied the Principles and complied with all of the Code Provisions for the year ended 31 December 2013.

The Board periodically reviews and monitors the Company's policies and practices on corporate governance or compliance with legal and regulatory requirements. The Board also reviews the employee handbook, training and continuous professional development of Directors and the senior management, to ensure that the operations are conducted in accordance with the standards of the CG Code.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry had been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2013.

The Company has also established written guidelines with exact terms as set out in Appendix 10 to the Listing Rules for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

## **AUDIT COMMITTEE**

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

The Audit Committee provides an important link between the Board and the Company's auditor in matters coming within the scope of the audit of the Group. It also reviews the effectiveness of both external and internal audit and internal controls and risk evaluation. The Audit Committee comprises three independent non-executive directors, namely, Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Xu Sitao. Two meetings were held during the year ended 31 December 2013.

## **SUBSEQUENT EVENTS**

### **Issuance of share options of a subsidiary**

#### *Grant of Options by and Deemed Disposal of a Wholly-owned Subsidiary*

As disclosed in the announcement of the Company dated 6 January 2014 and the circular of 28 January 2014, 重慶結行移動商務有限公司 (“Chongqing Jiexing”), which was accounted for as a wholly owned subsidiary of the Company, and a wholly-owned subsidiary of Chongqing Jiexing (the “Subsidiary”), entered into a conditional options agreement with certain management of the Subsidiary (the “Grantees”) pursuant to which Chongqing Jiexing and the Subsidiary conditionally agreed to grant options to the Grantees to subscribe up to 20% of the enlarged registered capital of the Subsidiary at the exercise price of RMB1.2 for every RMB1.0 in the enlarged registered capital of the Subsidiary within the specified exercise period. Assuming that all of the Grantees exercise the options in full, the Grantees will, in aggregate, own 20% of the enlarged registered capital of the Subsidiary and the Group’s interests in the Subsidiary will be diluted from 100% to 80%.

Mr. Shen Zheng, being one of the Grantees, was a director and general manager of the Subsidiary and a connected person of the Company. Accordingly, the entering into of the options agreement and the transactions contemplated thereunder constituted connected transactions of the Company under Chapter 14A of the Listing Rules. The options were granted to the Grantees on 18 February 2014.

## **REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS**

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2013.

### **Scope of work of PricewaterhouseCoopers**

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2013 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 2013 annual results announcement will be published on the Company’s website at [www.hisun.com.hk](http://www.hisun.com.hk) and the website of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) at [www.hkexnews.hk](http://www.hkexnews.hk). The 2013 Annual Report will be available on the websites of the Stock Exchange and the Company and will be despatched to all shareholders in due course.

The 2013 annual financial information set out above does not constitute the Group's statutory financial statements for the financial year ended 31 December 2013. Instead, it has been derived from the Group's audited consolidated financial statements for the financial year ended 31 December 2013, which will be included in the Company's 2013 Annual Report.

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

Hong Kong, 6 March 2014

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

\* *For identification purpose only*