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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 2015

FINANCIAL HIGHLIGHTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	Change +/(%)
RESULTS			
Revenue	1,376,846	1,529,179	-10%
Gross profit	477,584	509,359	-6%
Segmental EBITDA (before impairment of intangible assets and property, plant and equipment and unallocated items)	135,476	81,962	+65%
Operating profit	6,493	51,014	-87%
Profit for the year	<u>192,692</u>	<u>401,244</u>	-52%
Profit attributable to:			
– Equity holders of the Company	183,486	397,071	-54%
– Non-controlling interests	<u>9,206</u>	<u>4,173</u>	+121%
	<u>192,692</u>	<u>401,244</u>	
	<i>HK\$ per share</i>	<i>HK\$ per share</i>	Change +/(%)
Earnings per share for profit attributable to the equity holders of the Company:			
Basic	0.066	0.143	-54%
Diluted	<u>0.064</u>	<u>0.130</u>	-51%

* For identification purposes only

	As at 31 December		Change + / (-)
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	
HIGHLIGHTS OF FINANCIAL POSITION			
Total equity	3,337,944	3,214,203	+4%
Net current assets	1,532,973	1,663,140	-8%
Total assets	<u>4,576,515</u>	<u>4,110,752</u>	+11%
	<i>HK\$ per share</i>	<i>HK\$ per share</i>	Change + / (-)
Net assets per share	<u>1.202</u>	<u>1.158</u>	+4%

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 2015 together with the comparative figures for the year ended 31 December 2014. 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 2015, the Group reported total assets of HK\$4,576.5 million (2014: HK\$4,110.8 million), which were financed by total liabilities of HK\$1,238.6 million (2014: HK\$896.5 million) and equity of HK\$3,337.9 million (2014: HK\$3,214.2 million). The net asset value was HK\$3,337.9 million (2014: HK\$3,214.2 million). Net assets per share amounted to HK\$1.202 as at 31 December 2015 as compared to HK\$1.158 per share as at 31 December 2014.

As at 31 December 2015, the Group had cash and cash equivalents of HK\$2,292.3 million (2014: HK\$1,977.7 million) and no short term borrowings (2014: Nil). The net cash position as at 31 December 2015 was HK\$2,292.3 million as compared to HK\$1,977.7 million as at 31 December 2014. The gearing ratio (defined as total borrowings divided by shareholders' equity) was zero (2014: 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 2015, the Group had no bank borrowings (2014: Nil) and had banking facilities of approximately HK\$21.2 million (2014: HK\$22.5 million). As at 31 December 2015, the banking facilities were secured by the leasehold land and buildings of a subsidiary of the Company, with a net carrying amount of HK\$3.2 million (2014: HK\$3.5 million) and HK\$11.0 million (2014: HK\$12.7 million), respectively.

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 Macanese pataca ("MOP") respectively as at 31 December 2015.

Approximately HK\$979.4 million, HK\$626.0 million, HK\$272.9 million, HK\$92.2 million and HK\$7.2 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 2014.

Significant investment

Save as disclosed in this announcement, the Group had no significant investment held as at 31 December 2015.

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 2015.

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 2015.

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

During the year, 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 subsidiary of the Group in providing services for a modernisation project with not more than HK\$60,000,000 and claims of infringement of third party's intellectual property right. As at 31 December 2015, the Company does not recognise any liability in relation to the Performance Guarantee Agreement as the Directors of the Company consider the possibility of reimbursement is not probable.

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

Employees

The total number of employees of the Group as at 31 December 2015 was 2,104. The breakdown of employees by division is as follows:

Payment processing solutions	401
Financial solutions	348
Electronic power meters and solutions	443
Telecommunication solutions	260
Payment platform solutions	598
Others	20
Corporate office	34
	<hr/>
	2,104

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 of the Annual Report 2015. 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 (before impairment of intangible assets and property, plant and equipment)	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Payment processing solutions	1	511,188	472,904	99,917	40,313
Financial solutions	2	384,147	408,530	26,814	25,818
Electronic power meters and solutions	3	209,860	326,666	(10,990)	(17,685)
Telecommunication solutions	4	157,025	197,721	9,588	20,477
Payment platform solutions	5	151,012	110,240	25,704	19,708
Others		–	16,813	(15,557)	(6,669)
Segmental results		1,413,232	1,532,874	135,476	81,962
Less: Intra-group turnover		(36,386)	(3,695)	–	–
Total		1,376,846	1,529,179	135,476	81,962
Impairment of property, plant and equipment	3			–	(7,551)
Impairment of intangible assets	3, D			–	(61,978)
Depreciation				(52,645)	(58,720)
Amortisation				(10,763)	(5,419)
Segmental operating profit/(loss)				72,068	(51,706)
Unallocated other income/gain, net	6			7,226	130,681
Unallocated corporate expenses	7			(72,801)	(79,704)
Gain on disposal of a subsidiary	G			–	51,743
Operating profit				6,493	51,014

Condensed consolidated income statement

		2015 HK\$'000	2014 HK\$'000
Revenue	A	1,376,846	1,529,179
Cost of sales	B	(899,262)	(1,019,820)
Gross profit		477,584	509,359
Other income	C	47,249	24,408
Other gains, net	C	–	126,360
Selling expenses	B	(134,839)	(178,907)
Administrative expenses	B	(383,501)	(419,971)
Impairment of intangible assets	D	–	(61,978)
Gain on disposal of a subsidiary	G	–	51,743
Operating profit		6,493	51,014
Share of loss of a joint venture	E	(794)	(37,571)
Share of profit of an associated company	F	199,012	156,472
(Loss on dilution)/net gains on dilution and disposal of interest in an associated company	F	(8,442)	251,215
Profit before income tax		196,269	421,130
Income tax expense		(3,577)	(19,886)
Profit for the year		192,692	401,244
Profit attributable to:			
– Equity holders of the Company		183,486	397,071
– Non-controlling interests		9,206	4,173
		192,692	401,244
Earnings per share for profit attributable to the equity holders of the Company:		HK\$ per share	HK\$ per share
Basic		0.066	0.143
Diluted		0.064	0.130

Condensed consolidated balance sheet

	As at 31 December	
	2015 HK\$'000	2014 HK\$'000
ASSETS		
Investment properties, property, plant and equipment and leasehold land	H 249,908	146,270
Intangible assets	I 18,855	29,389
Interest in an associated company	J 1,525,040	1,370,383
Interest in a joint venture	K –	2,584
Available-for-sale financial asset	L 6,982	–
Inventories	M 53,113	53,726
Trade and bills receivables	N 235,589	336,828
Receivables from payment processing solutions business	N 115,642	106,784
Other receivables, prepayments and deposits	N 44,883	53,314
Amount due from an associated company	O 7,764	12,075
Amount due from a joint venture	O 2,997	10,666
Short-term bank deposits	23,455	11,056
Cash and cash equivalents	2,292,287	1,977,677
Total assets	4,576,515	4,110,752
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	6,942	6,942
Reserves	3,301,886	3,185,439
	3,308,828	3,192,381
Non-controlling interests	29,116	21,822
Total equity	3,337,944	3,214,203
LIABILITIES		
Deferred income tax liabilities	132	187
Trade and bills payables	P 201,223	178,002
Payables for payment processing solutions business	P 472,912	311,391
Other payables and accruals	P 467,030	378,967
Amount due to an associated company	O 70,912	–
Current income tax liabilities	26,362	28,002
Total liabilities	1,238,571	896,549
Total equity and liabilities	4,576,515	4,110,752
	2015	2014
	HK\$ per share	HK\$ per share
Net assets per share	1.202	1.158

Condensed consolidated cash flow statement

	2015 HK\$'000	2014 HK\$'000
Net cash generated from operating activities	477,534	166,241
Net cash (used in)/generated from investing activities	(76,326)	709,528
Net cash (used in)/generated from financing activities	(13,541)	69,269
Net increase in cash and cash equivalents	387,667	945,038
Cash and cash equivalents at beginning of the year	1,977,677	1,061,136
Exchange loss on cash and cash equivalents	(73,057)	(28,497)
Cash and cash equivalents at end of the year	2,292,287	1,977,677

Segment performance review

(1) Payment processing solutions

Key performance indicators

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	Change +/(%)
Turnover*	511,178	472,904	+8%
Employees' incentive programme	–	(27,303)	-100%
EBITDA (before impairment of intangible assets and property, plant and equipment)	99,917	40,313	+148%
Operating profit	60,265	1,320	+4,466%

* *Turnover from external customers*

Segmental turnover amounted to HK\$511.2 million, as compared to HK\$472.9 million in 2014. Despite keen market competition and suspension of acquisition of new merchants in early 2015, we have gradually resumed the acquisition of new merchants in accordance with the requirement of the relevant regulatory bodies in Q2 2015. Segmental operating profit amounted to HK\$60.3 million, as compared to HK\$1.3 million in 2014. The increase in segmental operating profit was mainly due to increased scale of early settlement financial services business. By end of 2015, there were over 800,000 accumulated domestic merchants and the monthly transaction volume in December 2015 exceeded RMB60 billion. Besides, it was due to the fact that no share option expense was being recognised for the payment processing solutions segment in respect of grants of options in a non-wholly owned subsidiary of the Company during 2015 (2014: HK\$27.3 million).

(2) Financial solutions

Key performance indicators

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	Change +/(%)
Turnover*	382,096	406,987	-6%
EBITDA (before impairment of intangible assets and property, plant and equipment)	26,814	25,818	+4%
Operating profit	14,256	21,314	-33%

* *Turnover from external customers*

During the current year, segmental turnover amounted to HK\$382.1 million, decreased by 6% as compared to 2014. Segmental operating profit totaled HK\$14.3 million, a 33% down as compared to last year. Decrease in segmental operating profit was mainly due to increased amortisation of computer software during the year.

(3) *Electronic power meters and solutions*

Key performance indicators

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	Change + / (-)
Turnover	209,860	326,666	-36%
EBITDA (before impairment of intangible assets and impairment of property, plant and equipment)	(10,990)	(17,685)	N/A
Impairment of property, plant and equipment	–	(7,551)	-100%
Impairment of intangible assets	–	(61,978)	-100%
Operating loss	(15,834)	(94,933)	N/A

Segmental turnover amounted to HK\$209.9 million as compared to HK\$326.7 million in 2014. Decline in turnover was mainly due to a drop in shipment level as compared to 2014. Segmental operating loss amounted to HK\$15.8 million, as compared to HK\$94.9 million in 2014. Drop in segmental loss was mainly attributable to the fact that no impairment of property, plant and equipment and intangible assets was being recognised during 2015 (2014: HK\$69.5 million). Also, there was an improved gross profit margin during the year.

(4) *Telecommunication solutions*

Key performance indicators

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	Change + / (-)
Turnover*	130,756	197,721	-34%
EBITDA (before impairment of intangible assets and impairment of property, plant and equipment)	9,588	20,477	-53%
Operating profit	4,280	10,142	-58%

* *Turnover from external customers*

During the year, segmental turnover amounted to HK\$130.8 million as compared to HK\$197.7 million in 2014. Segmental operating profit amounted to HK\$4.3 million, as compared to HK\$10.1 million last year. The decrease in segmental turnover and hence a decrease in operating profit were mainly contributed by the fact that China Mobile has established its own IVR business platform during the year, leading to a decrease in supporting income.

(5) *Payment platform solutions*

Key performance indicators

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	Change + / (-)
Turnover*	142,956	108,088	+32%
EBITDA (before impairment of intangible assets and property, plant and equipment)	25,704	19,708	+30%
Operating profit	25,284	19,346	+31%

* *Turnover from external customers*

Segmental turnover amounted to HK\$143.0 million as compared to HK\$108.1 million in 2014. Segmental operating profit amounted to HK\$25.3 million, as compared to HK\$19.3 million last year. Increase in segmental turnover and operating profit was mainly attributable to increase in income from various new projects. We expect that we will continue to benefit from China Mobile's increasing input into its mobile payment business. Currently, we are developing other value added services such as exploration and innovation of mobile internet business.

(6) *Unallocated other income/gain, net*

The amount mainly represented other income/gain, net unallocated to segments. Please refer to Note (C) below.

(7) *Unallocated corporate expenses*

The amount mainly represented corporate office expenses and net foreign exchange loss.

Overall financial results and position

(A) *Revenue*

The consolidated turnover amounted to HK\$1,376.8 million, representing a decrease of 10% over 2014. Such decrease was mainly contributed by the decrease in segmental turnover of our electronic power meters and solutions and telecommunication solutions segments. Please also refer to Notes (1) to (5) above.

(B) *Cost of sales and operating expenses*

Decrease in cost of sales was primarily due to decrease in turnover of the electronic power meters and solutions segment.

Decrease in operating expenses was primarily due to (i) decrease in employee benefit expenses given the decrease in average headcounts and the fact that no share option expenses was recognised under the payment processing solutions business segment during the year (please refer to Note (1) above); and (ii) decline in rental expenses of properties and equipment.

(C) *Other income and other gains, net*

Decrease in other income and other gains, net was due to the fact that a gain on disposal of available-for-sale financial assets of HK\$126.4 million was recognised in 2014.

(D) *Impairment of intangible assets*

Goodwill allocated to the electronic power meters and solutions segment had been fully impaired with an impairment charge of HK\$62.0 million during the year ended 31 December 2014.

(E) *Share of loss of a joint venture*

As an ordinary shareholder of the joint venture, the Group shared a loss of HK\$0.8 million during the year to the extent the carrying amount of the joint venture reduced to nil.

(F) *Share of profit of an associated company, loss on dilution and net gains on dilution and disposal of interest in an associated company*

Gain of HK\$304.0 million in prior year was recognised on disposal of 80,000,000 ordinary shares 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”).

The Group’s share of profit of PAX Global increased in line with the increase in profit of PAX Global, while partially net off by the effect of decrease in percentage sharing given a reduction in equity interest in PAX Global during the year. Loss on dilution of interest in an associated company of HK\$8.4 million (2014: HK\$52.8 million) was due to the effect of exercise of share options of PAX Global by some of its directors, employees and consultants during the year.

(G) Gain on disposal of a subsidiary

The amount in 2014 represented a gain on disposal of a subsidiary of the Group last year.

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

Balance mainly represented fixed assets of payment processing solutions, financial solutions and electronic power meters and solutions segments. Increase in balance was mainly due to the addition of E-payment terminals by our payment processing solutions segments along with the acquisition of new merchants.

(I) Intangible assets

Intangible assets include computer software of HK\$18.8 million allocated to the financial solutions segment. Decrease in balance was due to amortisation charged during the year.

(J) Interest in an associated company

As at 31 December 2015, the fair value of the Group's 32.7% effective interest in PAX Global was approximately HK\$2,908.4 million. As at 31 December 2015, the fair value of the investment was greater than its carrying value.

(K) Interest in a joint venture

The amount represented interest in a joint venture of the Company and was accounted for using the equity method of accounting. The joint venture was initially measured at fair value. The carrying amount was increased or decreased to recognise the investor's share of the profits or losses and movements in other comprehensive income of the investee after the initial recognition. The carrying amount of the joint venture also included goodwill and intangible assets identified upon the formation of the joint venture. As at 31 December 2015, the carrying amount of the Group interest in the joint venture was zero. Meanwhile, the fair value of the Group's interest in the joint venture was approximately HK\$100.2 million.

(L) Available-for-sale financial asset

As at 31 December 2015, the available-for-sale financial asset included equity security which is an unlisted equity investment outside Hong Kong.

(M) Inventories

The amount mainly represented inventories of electronic power meters and solutions segment. During the year, HK\$5.0 million was recorded for provision for inventories with respect to slow-moving and obsolete stocks.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables (<i>Note (i)(a)</i>)	246,527	352,268
Bills receivables (<i>Note (i)(b)</i>)	7,707	3,747
Less: provision for impairment of receivables	(18,645)	(19,187)
	235,589	336,828
Receivables from payment processing solutions business (<i>Note (ii)</i>)	115,642	106,784
Prepayments, deposits and others receivables	44,883	53,314
Total	396,114	496,926

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 was as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current to 90 days	170,302	250,580
91 to 180 days	7,854	28,886
181 to 365 days	17,248	39,338
Over 365 days	51,123	33,464
	246,527	352,268

- Decrease in trade receivables aged between current to 90 days was mainly due to decline in outstanding balances from financial solutions and telecommunication solutions segments.
- Changes in trade receivables aged between 91 to over 365 days was mainly due to 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.

Note (ii):

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

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 had been acknowledged by the relevant financial institutions.

(O) *Amounts due from/to an associated company and a joint venture*

The amount due from/to an associated company represents balances with PAX Global and its subsidiaries. The amount due from a joint venture represents receivable from Cloopen Group Holding Limited and its subsidiaries. Amounts due from/to an associated company and a joint venture are unsecured, interest-free and repayable on demand.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables (<i>Note (i)(a)</i>)	165,685	176,805
Bills payables (<i>Note (i)(b)</i>)	35,538	1,197
Payables for payment processing solutions business (<i>Note (ii)</i>)	472,912	311,391
Other payables and accruals (<i>Note (iii)</i>)	467,030	378,967
Total	1,141,165	868,360

Note (i):

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current to 90 days	104,471	84,744
91 to 180 days	24,173	43,104
181 to 365 days	21,172	37,557
Over 365 days	15,869	11,400
	165,685	176,805

Increase in trade payables aged between current to 90 days was mainly due to increase in outstanding balances from payment processing solutions segment.

Changes in trade payables aged between 91 to over 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. Increase in balance was mainly due to increased scale of transactions.

Note (iii):

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrued staff costs and pension obligations	136,817	138,818
Deposits and receipt in advance*	148,901	98,421
Accrued subcontracting cost	102,015	85,766
Others	79,297	55,962
	<u>467,030</u>	<u>378,967</u>

* 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.

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 an announcement of the Company dated 2 February 2016.

BUSINESS OUTLOOK

Payment processing solutions

Since the pass of the inspections by the regulatory bodies in the first quarter of 2015 and the gradual resumption of acquiring new merchants in Q2 2015, we are now conducting business in over 27 provinces and cities in the PRC. There was a steady growth in the scale of transactions while there were over 800,000 accumulated merchants in the PRC as at the end of 2015 with a monthly transaction volume of over RMB60 billion in December 2015. During the year, we actively engaged in early settlement financial services business, which was effective and fruitful. The operating income of such business accounted for approximately 20% of the segmental turnover. In addition to the traditional fixed and mobile POS, we have launched MPOS in 2015, and we will launch other innovative payment processing solutions, such as the Smart POS, in an attempt to expand our market share by leveraging on our existing advantages. At the same time, we also began to introduce the internet payment services business and mobile payment services business, providing our customers with the online and offline integrated payment processing solutions. Looking forward, we will further expand our prospective financial businesses such as wealth management and financing business, actively capture the trend of internet finance development, and raise the proportion of income from financial related services. In 2015, the PRC government introduced a series of policies in relation to the internet finance industry, further acknowledging that non-bank payment institutions constitute an integral part of the financial payment system. We, being one of the leading non-bank payment institutions in the industry, will continue to maximize our room for development.

Financial solutions

During the year, the performance of our financial solutions business segment was steady and sound, especially the core banking system sector. Projects of China CITIC Bank and China Construction Bank were successfully put into operations, and other key projects, such as China Guangfa Bank, Dah Sing Bank, China Minsheng Bank (Singapore), China Everbright Bank (Seoul), Bank of Beijing (Hong Kong) were launched as scheduled. Among which, the second phase of China Guangfa Bank project were put into operation in January 2016, and is expected to bring positive return in 2016. The ATM outsourcing operation business has continued to bring steady cash flow. Furthermore, in light of the fact that bank customers have been transiting to internet finance in the payment and internet finance sector, we provided various integrated solutions of banks and internet companies by making use of the third-party payment platforms and P2P platforms. On the other hand, along with the growing customers of city commercial banks in the PRC, their asset size and the investment in IT systems have increased rapidly and transition of business has accelerated. On the premise that we reinforce our market position with the BIG5 (five major banks in China), joint-equity banks and their overseas subsidiaries, we will target city commercial banks as an emerging strategic market for strategic planning and investment.

Electronic power meters and solutions

In 2016, it is anticipated that the total tender volume of smart meters and data collection devices by the State Grid Corporation will remain stable, and the market capacity will be relatively steady. In 2016, the State Grid will focus on deepening the smart dual interactive technology research, innovating the dual interactive model of smart meters, conducting applied researches on harmonic wave electric meters and IR46 meters construction in compliance with the requirements of the international metrology organization, as well as proactively promoting smart manufacturing and energy internet. This demonstrates the higher levels of demand for technology smart meters and data collection devices are required in the future. As such, since 2015, we have begun to focus on key research and development projects, and undergone technical preparation, with the aim of maintaining the competitiveness in the market.

Telecommunication solutions

In 2015, IVR voice value-added business of China Mobile continued to keep its steady status, and the IVR voice Jiangsu Base of China Mobile had been pursuing business innovations for individual users. With the steady growth of data traffic products of the mobile internet – mobile voice magazines, integrated business of voice and short informative messages had been simultaneously conducted. At the same time, as a pilot scheme, the IVR voice base started to focus on the capacity output of voice and information to corporate users, attaining satisfactory achievements. The Migu Animation and Comic Base (咪咕動漫基地) of China Mobile gained some new development opportunities and the related supporting services remained stable. Although the establishment of China Mobile's new and self-owned IVR business platform has created certain challenges on the revenue of the telecommunication solutions business segment, the remaining recurring IVR business is expected to remain stable while the income from innovative business focusing on individual users is set to increase continuously. Meanwhile, we consider that there will be an ample room for growth of the capacity output business focusing on the corporate communication market, and the demand for related supporting services will also increase progressively, restoring and boosting the income gradually.

Payment platform solutions

Looking ahead, we will continue to provide full operational supporting services for the China Mobile's 和包 business (formerly known as "mobile payment" or "mobile wallet"). 和包 offers a variety of safe and trendy experience for online and offline payment which is convenient and expedient for both individual and corporate users. As China Mobile continues to increase their investment, we expect that 和包 business will develop rapidly, and the demand for our supporting services from China Mobile will also increase concurrently, yielding a stable income growth. Meanwhile, given that the E-commerce Base of China Mobile is insistently broadening its business horizon, we will seize such opportunity to cooperate with the base at the operation level. In addition, we will consistently invest into the internet finance sector, exploring the opportunity to innovate our own business in that sector.

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	For the year ended	
		2015	2014
		HK\$'000	HK\$'000
Revenue	2,3	1,376,846	1,529,179
Cost of sales	4	(899,262)	(1,019,820)
Gross profit		477,584	509,359
Other income	2	47,249	24,408
Other gains, net	2	–	126,360
Selling expenses	4	(134,839)	(178,907)
Administrative expenses	4	(383,501)	(419,971)
Impairment of intangible assets	4	–	(61,978)
Gain on disposal of a subsidiary		–	51,743
Operating profit		6,493	51,014
Share of profit of investments accounted for using the equity method	7	198,218	118,901
(Loss on dilution)/net gains on dilution and disposal of interest in an investment accounted for using the equity method	7	(8,442)	251,215
Profit before income tax		196,269	421,130
Income tax expense	5	(3,577)	(19,886)
Profit for the year		192,692	401,244
Profit attributable to:			
— Equity holders of the Company		183,486	397,071
— Non-controlling interests		9,206	4,173
		192,692	401,244
		<i>HK\$ per share</i>	<i>HK\$ per share</i>
Earnings per share for profit attributable to the equity holders of the Company:			
Basic	6	0.066	0.143
Diluted	6	0.064	0.130

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended	
	31 December	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	192,692	401,244
Other comprehensive loss, 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	(38,155)	(16,387)
Share of other comprehensive loss of investments accounted for using the equity method	(36,477)	(13,924)
Release of reserves upon dilution/disposal and dilution of interest in an investment accounted for using the equity method	(88)	(2,791)
Fair value loss on revaluation of an available-for-sale financial asset	(373)	–
Release of reserves upon disposals of available-for-sale financial assets	–	(772)
Release of reserves upon disposal of a subsidiary	–	(248)
	<hr/>	<hr/>
Total comprehensive income for the year, net of tax	117,599	367,122
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income attributable to:		
— Equity holders of the Company	110,305	362,780
— Non-controlling interests	7,294	4,342
	<hr/>	<hr/>
	117,599	367,122
	<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2015	2014
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Investment properties		1,889	2,061
Property, plant and equipment		214,234	108,826
Leasehold land		33,785	35,383
Intangible assets		18,855	29,389
Investments accounted for using the equity method	7	1,525,040	1,372,967
Available-for-sale financial asset		6,982	–
Long-term deposits and prepayments	8	4,318	2,624
Total non-current assets		1,805,103	1,551,250
Current assets			
Inventories		53,113	53,726
Trade and bills receivables	8	235,589	336,828
Receivables from payment processing solutions business	8	115,642	106,784
Other receivables, prepayments and deposits	8	40,565	50,690
Amounts due from investments accounted for using the equity method		10,761	22,741
Short-term bank deposits		23,455	11,056
Cash and cash equivalents		2,292,287	1,977,677
Total current assets		2,771,412	2,559,502
Total assets		4,576,515	4,110,752
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		6,942	6,942
Reserves		3,301,886	3,185,439
		3,308,828	3,192,381
Non-controlling interests		29,116	21,822
Total equity		3,337,944	3,214,203

		As at 31 December	
		2015	2014
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		<u>132</u>	<u>187</u>
Total non-current liabilities		<u>132</u>	<u>187</u>
Current liabilities			
Trade and bills payables	9	201,223	178,002
Payables for payment processing solutions business	9	472,912	311,391
Other payables and accruals	9	467,030	378,967
Amount due to an investment accounted for using the equity method		70,912	–
Current income tax liabilities		<u>26,362</u>	<u>28,002</u>
Total current liabilities		<u>1,238,439</u>	<u>896,362</u>
Total liabilities		<u>1,238,571</u>	<u>896,549</u>
Total equity and liabilities		<u>4,576,515</u>	<u>4,110,752</u>

Notes:

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”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of an available-for-sale financial asset, which is carried at fair value.

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 2015:

Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Amendments from annual improvements to HKFRSs – 2010–2012 Cycle, on HKFRS 8, ‘Operating segments’, HKAS 16, ‘Property, plant and equipment’ and HKAS 38, ‘Intangible assets’ and HKAS 24, ‘Related party disclosures’.

Amendments from annual improvements to HKFRSs – 2011–2013 Cycle, on HKFRS 3, ‘Business combinations’, HKFRS 13, ‘Fair value measurement’ and HKAS 40, ‘Investment property’.

The adoption of the improvements made in the 2010-2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments are not material to the Group.

(b) *New Hong Kong Companies Ordinance (Cap.622)*

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) *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 2015, 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. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the “hedged ratio” to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKFRS 9’s full impact.

HKFRS 15, “Revenue from contracts with customers” deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 “Revenue” and HKAS 11 “Construction contracts” and related interpretations. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

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	
	2015	2014
	HK\$'000	HK\$'000
Turnover		
Provision of payment processing solutions	511,178	472,904
Provision of financial solutions	382,096	406,987
Sales of electronic power meters and solutions	209,860	326,666
Provision telecommunication solutions	130,756	197,721
Provision of payment platform solutions	142,956	108,088
License income from an investment accounted for using the equity method	–	5,078
Others	–	11,735
	<u>1,376,846</u>	<u>1,529,179</u>
Other income		
Interest income	15,783	6,763
Subsidy income	14,252	9,629
Rental income	3,231	1,970
Others	13,983	6,046
	<u>47,249</u>	<u>24,408</u>
Other gains, net		
Gains on disposals of available-for-sale financial assets	–	126,360
	<u>–</u>	<u>126,360</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.

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

- Payment processing solutions – principally engaged in provision of payment processing services, merchants recruiting and related products and solutions;
- 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;
- 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;
- Telecommunication solutions – principally engaged in the provision of telecommunication platform operation services and operation value-added services; and
- Payment platform solutions – principally engaged in the provision of 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/(loss) 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 <i>HK\$'000</i>	Financial solutions <i>HK\$'000</i>	Electronic power meters and solutions <i>HK\$'000</i>	Telecom- munication solutions <i>HK\$'000</i>	Payment platform solutions <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total Group <i>HK\$'000</i>
Year ended 31 December 2015							
Segment turnover	511,188	384,147	209,860	157,025	151,012	-	1,413,232
Intra-group turnover	(10)	(2,051)	-	(26,269)	(8,056)	-	(36,386)
Turnover from external customers	<u>511,178</u>	<u>382,096</u>	<u>209,860</u>	<u>130,756</u>	<u>142,956</u>	<u>-</u>	<u>1,376,846</u>
Segmental EBITDA	<u>99,917</u>	<u>26,814</u>	<u>(10,990)</u>	<u>9,588</u>	<u>25,704</u>	<u>(15,557)</u>	<u>135,476</u>
Depreciation	(39,652)	(2,291)	(4,348)	(5,308)	(420)	(626)	(52,645)
Amortisation	-	(10,267)	(496)	-	-	-	(10,763)
Segmental operating profit/(loss)	<u>60,265</u>	<u>14,256</u>	<u>(15,834)</u>	<u>4,280</u>	<u>25,284</u>	<u>(16,183)</u>	<u>72,068</u>
Unallocated other income							7,226
Unallocated corporate expenses							(72,801)
Share of profit 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							<u>192,692</u>

	Payment processing solutions HK\$'000	Financial solutions HK\$'000	Electronic power meters and solutions HK\$'000	Telecom- munication solutions HK\$'000	Payment platform solutions HK\$'000	Others HK\$'000	Total Group HK\$'000
Year ended 31 December 2014							
Segment turnover	472,904	408,530	326,666	197,721	110,240	16,813	1,532,874
Intra-group turnover	–	(1,543)	–	–	(2,152)	–	(3,695)
Turnover from external customers	<u>472,904</u>	<u>406,987</u>	<u>326,666</u>	<u>197,721</u>	<u>108,088</u>	<u>16,813</u>	<u>1,529,179</u>
Segmental EBITDA and before impairment of intangible assets and property, plant and equipment	40,313	25,818	(17,685)	20,477	19,708	(6,669)	81,962
Impairment of intangible assets	–	–	(61,978)	–	–	–	(61,978)
Impairment of property, plant and equipment	–	–	(7,551)	–	–	–	(7,551)
Segmental EBITDA	<u>40,313</u>	<u>25,818</u>	<u>(87,214)</u>	<u>20,477</u>	<u>19,708</u>	<u>(6,669)</u>	<u>12,433</u>
Depreciation	(38,993)	(2,793)	(6,092)	(8,254)	(362)	(2,226)	(58,720)
Amortisation	–	(1,711)	(1,627)	(2,081)	–	–	(5,419)
Segmental operating profit/(loss)	<u>1,320</u>	<u>21,314</u>	<u>(94,933)</u>	<u>10,142</u>	<u>19,346</u>	<u>(8,895)</u>	<u>(51,706)</u>
Unallocated other income/gains, net							130,681
Unallocated corporate expenses							(79,704)
Share of profit of investments accounted for using the equity method							118,901
Net gains on dilution and disposal of interest in an investment accounted for using the equity method							251,215
Gain on disposal of a subsidiary							<u>51,743</u>
Profit before income tax							421,130
Income tax expense							<u>(19,886)</u>
Profit for the year							<u><u>401,244</u></u>

Unallocated corporate expenses represent costs that are used for all segments, including depreciation of property, plant and equipment of HK\$1,603,000 (2014: HK\$462,000), depreciation of investment properties of HK\$172,000 (2014: HK\$172,000) and amortisation of leasehold land of HK\$759,000 (2014: HK\$759,000), respectively.

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 HK\$'000	Financial solutions HK\$'000	Electronic power meters and solutions HK\$'000	Telecom- munication solutions HK\$'000	Payment platform solutions HK\$'000	Others HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total Group HK\$'000
As at 31 December 2015									
Segment assets	1,323,709	320,848	349,784	732,645	124,734	89,909	2,836,084	(1,201,198)	4,576,515
Segment liabilities	<u>(1,086,065)</u>	<u>(285,740)</u>	<u>(254,614)</u>	<u>(117,095)</u>	<u>(441,908)</u>	<u>(182,878)</u>	<u>(71,469)</u>	<u>1,201,198</u>	<u>(1,238,571)</u>
Year ended 31 December 2015									
Additions to non-current assets (excluding long-term deposits and prepayments, investments accounted for using the equity method and available-for-sale financial asset)	<u>163,855</u>	<u>1,431</u>	<u>2,316</u>	<u>624</u>	<u>1,034</u>	<u>448</u>	<u>1,383</u>	<u>-</u>	<u>171,091</u>

The segment assets and liabilities at 31 December 2014 and additions to non-current assets for the year ended 31 December 2014 are as follows:

	Payment processing solutions HK\$'000	Financial solutions HK\$'000	Electronic power meters and solutions HK\$'000	Telecom- munication solutions HK\$'000	Payment platform solutions HK\$'000	Others HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total Group HK\$'000
As at 31 December 2014									
Segment assets	870,818	318,178	375,413	752,806	97,630	106,776	2,732,244	(1,143,113)	4,110,752
Segment liabilities	<u>(680,978)</u>	<u>(277,056)</u>	<u>(263,151)</u>	<u>(143,890)</u>	<u>(198,600)</u>	<u>(408,385)</u>	<u>(67,602)</u>	<u>1,143,113</u>	<u>(896,549)</u>
Year ended 31 December 2014									
Additions to non-current assets (excluding long-term deposits and prepayments, investments accounted for using the equity method and available-for-sale financial asset)	<u>38,745</u>	<u>37,003</u>	<u>1,620</u>	<u>2,979</u>	<u>300</u>	<u>17</u>	<u>4</u>	<u>-</u>	<u>80,668</u>

Unallocated assets mainly include investment accounted for using the equity method of HK\$1,525,040,000 (2014: HK\$1,370,383,000) and cash and cash equivalents of HK\$720,743,000 (2014: HK\$822,001,000).

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

Revenue of approximately HK\$253,241,000 (2014: HK\$291,964,000) were derived from a single external customer. These revenues were attributable to the telecommunication solutions segment of HK\$118,662,000 (2014: HK\$182,805,000) and payment platform solutions segment of HK\$134,579,000 (2014: HK\$107,840,000) in the PRC. During the year ended 31 December 2014, revenue of HK\$1,319,000 from this single external customer was attributable to the others segment.

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 locations, which is determined by the locations in which the turnover are generated from, is as follows:

	For the year ended	
	31 December	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mainland China	1,336,190	1,490,872
Hong Kong	14,098	8,489
Japan	17,006	20,239
Macau	9,552	9,579
	<u>1,376,846</u>	<u>1,529,179</u>

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

	For the year ended	
	31 December	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Mainland China	243,386	143,857
Hong Kong	20,159	29,306
Japan	5,218	2,496
	<u>268,763</u>	<u>175,659</u>
Current assets		
Mainland China	1,796,956	1,496,234
Hong Kong	760,721	857,142
Japan	203,772	196,689
Macau	9,963	9,437
	<u>2,771,412</u>	<u>2,559,502</u>

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	
	2015	2014
	HK\$'000	HK\$'000
Auditor's remuneration	3,370	3,320
Depreciation of property, plant and equipment	54,248	59,182
Depreciation of investment properties	172	172
Amortisation of leasehold land	995	1,000
Amortisation of intangible assets	10,527	5,178
Impairment of intangible assets	–	61,978
Impairment of property, plant and equipment	–	7,551
Employee benefit expense (including directors' emoluments)	457,179	519,701
Costs of inventories sold (including provision for inventories)	203,931	320,769
Operating lease rentals in respect of land and buildings	37,514	43,968
Operating lease rentals in respect of equipment	6,761	16,916
Research and development costs (including staff cost)	139,906	146,780
Loss/(gain) on disposals of property, plant and equipment	140	(592)
Provision for impairment of trade receivables, net	–	2,188
Provision for inventories	5,012	11,041

5 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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	
	2015	2014
	HK\$'000	HK\$'000
Current tax		
— Hong Kong profits tax	–	–
— Overseas taxation	4,415	20,505
Deferred tax	(48)	(737)
Adjustments in respect of prior years	(790)	118
Income tax expense	3,577	19,886

Effective from 1 January 2008, subsidiaries 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”) was renewed as HNTE in 2012 under the new PRC CIT Law and re-submitted HNTE application in 2015 under the new PRC CIT Law. Hangzhou PAX Electronic Technology Limited (“Hangzhou Electronic Technology”) re-submitted HNTE application in 2014 under the new PRC CIT Law and re-qualified as HNTE in 2015. 隨行付支付有限公司 (“SXF”) submitted HNTE application the first time in 2014 under the new PRC CIT Law and qualified as HNTE in 2014. Hunan Hisun Mobile Pay IT Limited (“HN Mobile Pay”) was qualified as HNTE in 2013 under the new PRC CIT Law.

As such, the applicable corporate income tax rate of ABS, Hangzhou Electronic Technology, SXF and HN Mobile Pay was 15% (2014: 15%) for the year ended 31 December 2015.

6 EARNINGS PER SHARE

(a) Basic

Basic earnings per share are 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	
	2015	2014
Profit attributable to equity holders of the Company (HK\$'000)	<u>183,486</u>	<u>397,071</u>
Weighted average number of ordinary shares in issue (thousands)	<u>2,776,834</u>	<u>2,776,834</u>
Basic earnings per share (HK\$ per share)	<u>0.066</u>	<u>0.143</u>

(b) Diluted

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

The Group has three (2014: four) categories of potentially dilutive shares: share options issued by an associated company, share options issued by a joint venture and convertible preference shares issued by a joint venture (2014: share options issued by an associated company, share options issued by a subsidiary: Mega Hunt Microelectronics Limited (“Mega Hunt Microelectronics”), share options issued by a joint venture and convertible preference shares issued by a joint venture).

For the year ended 31 December 2015, dilutive effects arise from share options issued by an associated company. For the year ended 31 December 2014, dilutive effects arise from share options issued by an associated company and share options issued by Mega Hunt Microelectronics, in which, the dilutive effect of the share options issued by Mega Hunt Microelectronics was considered as insignificant.

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 associated company and increase in loss 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 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.

For share options and convertible preference shares issued by the joint venture, during the year ended 31 December 2015, the Group's share of loss exceeded its interest in the joint venture, and hence, the Group discontinued in recognising share of further losses. The exercise of the outstanding share options and convertible preference shares in a joint venture would have an anti-dilutive effect as the net profit attributable to the equity holders of the Company will increase as a result of decrease in the Group's share of loss of an investment accounted for using the equity method for the years ended 31 December 2015 and 2014.

	For the year ended	
	31 December	
	2015	2014
Profit attributable to equity holders of the Company (HK\$'000)	183,486	397,071
Assuming exercise of all outstanding share options issued by the associated company (HK\$'000)		
— Decrease in share of profit of the associated company	(1,509)	(25,560)
— Increase in loss on dilution of the associated company	(4,770)	(10,693)
	<u>177,207</u>	<u>360,818</u>
Adjusted profit attributable to equity holders of the Company used to determine diluted earnings per share (HK\$'000)		
Weighted average number of ordinary shares for diluted earnings per share (thousands)	2,776,834	2,776,834
	<u>2,776,834</u>	<u>2,776,834</u>
Diluted earnings per share attributable to the equity holders of the Company (HK\$ per share)	0.064	0.130
	<u>0.064</u>	<u>0.130</u>

7 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investment in an associated company

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
At 1 January	1,370,383	1,561,681
Share of profit	199,012	156,472
Share of other comprehensive loss	(33,373)	(14,119)
Share of other reserves	4,828	11,276
Disposal of interest	–	(291,133)
Dilution of interest (<i>Note</i>)	(8,530)	(53,794)
Dividend received	(7,280)	–
	<u>1,525,040</u>	<u>1,370,383</u>
At 31 December		

As at 31 December 2015, the fair value of the Group's interest in PAX Global Technology Limited ("PAX Global"), which is listed on The Stock Exchange of Hong Kong Limited, was HK\$2,908,360,000 (2014: HK\$2,912,000,000) and the carrying amount of the Group's interest was HK\$1,525,040,000 (2014: HK\$1,370,383,000). The fair value is based on the current price in an active market as at balance sheet date.

There are no contingent liabilities relating to the Group's interest in the associated company.

Note:

During the year ended 31 December 2015, certain directors and employees of PAX Global exercised their share options granted pursuant to a share option scheme set up on 1 December 2010. A loss on dilution of interest in an associated company of HK\$8,442,000 (2014: HK\$52,818,000) was recognised in the consolidated income statement, including release of reserve credited to the consolidated income statement of HK\$88,000 (2014: HK\$976,000), during the year.

As at 31 December 2015, the Group's interest in PAX Global was 32.73% (2014: 33.07%).

(b) Investment in a joint venture

Set out below is the joint venture of the Group as at 31 December 2015, which, in the opinion of the directors, is not considered as individually material of the Group. The joint venture has share capital consisting of class A ordinary share, class B ordinary share, series A preferred shares and series B preferred shares.

On 1 August 2014, as a result of the Group's restructuring, Cloopen Group Holding Limited ("Cloopen") and its subsidiaries (together the "Cloopen Group") became a joint venture of the Group.

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

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At 1 January 2015/on the date the Group ceased to have control	2,584	37,759
Share of loss (<i>Note a</i>)	(794)	(37,571)
Share of other comprehensive income (<i>Note a</i>)	(3,104)	195
Share of other reserve	1,314	2,201
	<hr/>	<hr/>
At 31 December (<i>Note b</i>)	–	2,584

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

Note b: The joint venture 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 of the joint venture to the extent the carrying amount of the joint venture reduced to nil due to losses, after the initial recognition. The carrying amount of the joint venture also included goodwill and intangible assets identified upon the formation of the joint venture. As at 31 December 2015, the carrying amount of the investment in a joint venture was zero. As at 31 December 2015, the unrecognised share of loss of a joint venture is HK\$45,115,000.

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

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
Current portion		
Trade receivables (<i>Note (a)</i>)	246,527	352,268
Bills receivables (<i>Note (b)</i>)	7,707	3,747
Less: provision for impairment of receivables (<i>Note (c)</i>)	(18,645)	(19,187)
	<u>235,589</u>	<u>336,828</u>
Receivables from payment processing solutions business (<i>Note (d)</i>)	<u>115,642</u>	<u>106,784</u>
Prepayments, deposits and other receivables:		
Prepayments	10,931	12,377
Deposits	12,640	15,674
Others	16,994	22,639
	<u>40,565</u>	<u>50,690</u>
	<u>391,796</u>	<u>494,302</u>
Non-current portion		
Long-term deposits and prepayments	<u>4,318</u>	<u>2,624</u>
Total	<u>396,114</u>	<u>496,926</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:

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
Current to 90 days	170,302	250,580
91 to 180 days	7,854	28,886
181 to 365 days	17,248	39,338
Over 365 days	51,123	33,464
	<u>246,527</u>	<u>352,268</u>

(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	
	2015	2014
	HK\$'000	HK\$'000
Falling within 90 days	1,216	3,747
Falling within 91 to 180 days	6,491	–
	7,707	3,747

(c) Provision for impairment of receivables

As of 31 December 2015, trade receivables of HK\$18,645,000 (2014: HK\$19,187,000) were impaired. These impaired receivables mainly relate to individual customers who are delinquent in payment. The ageing of these receivables is as follows:

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
91 to 180 days	–	–
181 to 365 days	–	736
Over 365 days	18,645	18,451
	18,645	19,187

(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 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 2014 and 2015, the balance is mainly aged below 90 days.

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

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
Trade payables (<i>Note (a)</i>)	165,685	176,805
Bills payables (<i>Note (b)</i>)	35,538	1,197
	201,223	178,002
Payables for payment processing solutions business (<i>Note (c)</i>)	472,912	311,391
Other payables and accruals (<i>Note (d)</i>)	467,030	378,967
	1,141,165	868,360

Note:

(a) Trade payables

As at 31 December 2015 and 2014, the ageing analysis of the trade payables was as follows:

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
Current to 90 days	104,471	84,744
91 to 180 days	24,173	43,104
181 to 365 days	21,172	37,557
Over 365 days	15,869	11,400
	165,685	176,805

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	
	2015	2014
	HK\$'000	HK\$'000
Due within 90 days	20,987	–
Due within 91 to 180 days	14,551	1,197
	35,538	1,197

(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	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
RMB	388,066	237,057
JPY	84,846	74,334
	<u>472,912</u>	<u>311,391</u>

(d) **Other payables and accruals**

	As at 31 December	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrued staff costs and pension obligations	136,817	138,818
Deposits and receipt in advance	148,901	98,421
Others	181,312	141,728
	<u>467,030</u>	<u>378,967</u>

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 2015.

FINAL DIVIDEND

No dividend had been paid or declared by the Company during the year ended 31 December 2015 (2014: 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 (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 2015.

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 the 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 2015.

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.

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), 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 had 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 2015.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2015.

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 2015 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 2015 annual results 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 2015 will be available on the websites of the Stock Exchange and the Company and will be despatched to all shareholders in due course.

The 2015 annual financial information set out above does not constitute the Group's statutory financial statements for the financial year ended 31 December 2015. Instead, it has been derived from the Group's audited consolidated financial statements for the financial year ended 31 December 2015, which will be included in the Company's Annual Report 2015.

By Order of the Board
Li Wenjin
Executive Director

Hong Kong, 8 March 2016

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; and three Independent Non-Executive Directors, namely Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Chang Kai-Tzung, Richard.

* *For identification purpose only*