



HI SUN TECHNOLOGY (CHINA) LIMITED

高陽科技(中國)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 818)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

FINANCIAL HIGHLIGHTS			
Results	1H2008	1H2007	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>+ / (-) %</i>
Turnover	524,420	301,543	+74%
Profit before income tax	114,162	121,635	-6%
Profit for the period	90,291	112,248	-20%
Attributable to:			
– Equity shareholders of the Company	74,429	110,414	-33%
– Minority interests	15,862	1,834	+765%
	<u>90,291</u>	<u>112,248</u>	
Earnings per share for profit attributable to the equity shareholders of the Company:			
– Basic	HK\$0.033	HK\$0.056	-41%
– Diluted	HK\$0.033	HK\$0.050	-34%
Key balance sheet items	30 June 2008	31 December 2007	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>+ / (-) %</i>
Total equity	1,212,650	1,100,860	+10%
Net current assets	884,262	778,581	+14%
Total assets	1,567,791	1,490,745	+5%
	<i>HK\$</i>	<i>HK\$</i>	
Net assets per share	0.543	0.493	+10%

* For identification only

The Board of Directors (the “Board”) of Hi Sun Technology (China) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2008 together with the unaudited comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2008

		Unaudited	
		Six months ended 30 June	
		2008	2007
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	4	524,420	301,543
Cost of sales	5	(275,700)	(161,368)
Gross profit		248,720	140,175
Other gains, net	4	2,054	83,953
Selling expenses	5	(47,808)	(23,126)
Administrative expenses	5	(87,788)	(78,068)
Operating profit		115,178	122,934
Finance costs	7	(1,016)	(1,299)
Profit before income tax		114,162	121,635
Income tax expense	8	(23,871)	(9,387)
Profit for the period		<u>90,291</u>	<u>112,248</u>
Attributable to:			
Equity shareholders of the Company		74,429	110,414
Minority interests		15,862	1,834
		<u>90,291</u>	<u>112,248</u>
Earnings per share for profit attributable to the equity holders of the Company:			
– Basic	10	<u>HK\$0.033</u>	<u>HK\$0.056</u>
– Diluted	10	<u>HK\$0.033</u>	<u>HK\$0.050</u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2008 and 31 December 2007

	<i>Notes</i>	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
ASSETS			
Non-current assets			
Investment properties		3,274	3,363
Property, plant and equipment		157,105	164,817
Leasehold land		43,056	43,377
Intangible assets		135,477	122,244
Total non-current assets		338,912	333,801
Current assets			
Inventories		193,204	138,581
Trade and other receivables, prepayments and deposits	<i>11</i>	495,032	405,548
Due from a fellow subsidiary		1,189	1,111
Financial assets at fair value through profit or loss		24,401	34,488
Restricted cash		7,500	7,500
Cash and cash equivalents		507,553	569,716
Total current assets		1,228,879	1,156,944
Total assets		1,567,791	1,490,745
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		5,580	5,580
Reserves		1,145,291	1,049,267
		1,150,871	1,054,847
Minority interest		61,779	46,013
Total equity		1,212,650	1,100,860

		Unaudited 30 June 2008 <i>HK\$'000</i>	Audited 31 December 2007 <i>HK\$'000</i>
	<i>Notes</i>		
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		<u>10,524</u>	<u>11,522</u>
Total non-current liabilities		<u>10,524</u>	<u>11,522</u>
Current liabilities			
Trade and other payables	<i>12</i>	301,256	301,489
Taxation payable		36,641	34,323
Borrowings		<u>6,720</u>	<u>42,551</u>
Total current liabilities		<u>344,617</u>	<u>378,363</u>
Total liabilities		<u>355,141</u>	<u>389,885</u>
Total equity and liabilities		<u>1,567,791</u>	<u>1,490,745</u>
Net current assets		<u>884,262</u>	<u>778,581</u>
Total assets less current liabilities		<u>1,223,174</u>	<u>1,112,382</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended of 30 June 2008 and 30 June 2007

	Unaudited							Total HK\$'000
	Attributable to equity holders of the Company						Minority interests HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000		
At 1 January 2008	5,580	548,330	168,434	34,496	40,960	257,047	46,013	1,100,860
Share of the Company's additional capital contribution by minority interest	-	-	-	(12,758)	-	-	12,758	-
Acquisition of 5% equity interest in a subsidiary	-	-	-	-	-	-	(15,000)	(15,000)
Profit for the period	-	-	-	-	-	74,429	15,862	90,291
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	-	-	34,353	-	2,146	36,499
At 30 June 2008	<u>5,580</u>	<u>548,330</u>	<u>168,434</u>	<u>21,738</u>	<u>75,313</u>	<u>331,476</u>	<u>61,779</u>	<u>1,212,650</u>
At 1 January 2007	4,699	269,586	168,434	156,494	7,688	72,771	-	679,672
Profit for the period	-	-	-	-	-	110,414	1,834	112,248
Shares issued under a share option scheme of the Company	133	9,740	-	-	-	-	-	9,873
Issue of new shares upon the conversion of convertible preference shares issued by a subsidiary	259	21,821	-	-	-	-	-	22,080
Employee share option scheme – value of employee services	-	-	-	27,615	-	-	-	27,615
Deemed disposal of 20% equity interest of a subsidiary	-	-	-	-	-	-	34,867	34,867
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	-	-	(301)	-	-	(301)
At 30 June 2007	<u>5,091</u>	<u>301,147</u>	<u>168,434</u>	<u>184,109</u>	<u>7,387</u>	<u>183,185</u>	<u>36,701</u>	<u>886,054</u>

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Unaudited	
	Six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	<u>(21,382)</u>	<u>(32,394)</u>
Net cash outflow from investing activities	<u>(27,348)</u>	<u>(5,020)</u>
Net cash (outflow)/inflow from financing activities	<u>(35,831)</u>	<u>86,798</u>
Net (decrease)/increase in cash and cash equivalents	(84,561)	49,384
Exchange gains on cash and cash equivalents	22,398	–
Cash and cash equivalents at beginning of period	<u>569,716</u>	<u>528,076</u>
Cash and cash equivalents at end of period	<u>507,553</u>	<u>577,460</u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<u>507,553</u>	<u>577,460</u>

Notes:

1. GENERAL INFORMATION

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

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the sales of information technology products, provision of business process operation services, provision of information system consultancy and integration services, provision of information technology operation value-added services and sales of electronic power meters and solutions.

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

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

This condensed consolidated interim financial information was approved for issue on 1 September 2008.

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standard (HKFRSs).

3. ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

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

For the year ended 31 December 2007, the Group early adopted HK(IFRIC) – Int 11, ‘HKFRS 2 – Group and treasury share transactions’. For the six months ended 30 June 2008, the following new standards and interpretations to existing standards are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant to the Group:

- HK(IFRIC) – Int 12, ‘Service concession arrangements’
- HK(IFRIC) – Int 14, ‘HKAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction’

The following new standards, amendments to standards and interpretations to existing standard have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted by the Group:

- HKFRS 8, 'Operating segments'¹
- HKAS 23 (revised), 'Borrowing costs'¹
- HKFRS 2 (amendment), 'Share-based payment'¹
- HKFRS 3 (revised), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures'²
- HKAS 1 (revised), 'Presentation of financial statements'¹
- HKAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to HKAS 1, 'Presentation of financial statements'¹
- HK(IFRIC) – Int 13, 'Customer loyalty programmes'³
- IFRS 1 and IAS 27 (revised) 'Cost of an investment in a subsidiary, jointly controlled entity or associate', and consequential amendments to IAS 18 'Revenue', IAS 21 'The Effects of Changes in Foreign Exchange Rates' and IAS 36 'Impairment of Assets'⁴

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

⁴ Equivalent HKFRS has not been published as of 31 May 2008

The Group has already commenced an assessment of the impact of the new standards, amendments to the standards or interpretations to existing standards but is not yet in a position to state whether these new standards, amendments to standards or interpretations to existing standards would have a significant impact to its results of operations and financial position.

4. TURNOVER, OTHER GAINS AND SEGMENT REPORTING

The Group is principally engaged in the sales of information technology and electronic products, provision of business process operation services, provision of information system consultancy and integration services, provision of information technology operation value-added services. Turnover and other gains recognised are as follows:

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Turnover		
Sales of goods	265,021	171,840
Provision of business process operation services	11,636	3,847
Provision of information system consultancy and integration services	17,946	33,585
Provision of information technology operation value-added services	114,039	91,713
Sales of electronic power meters and solutions	115,269	–
Rental income	509	558
	<u>524,420</u>	<u>301,543</u>
Other gains, net		
Interest income	2,726	4,666
Gain on disposal of financial assets at fair value through profit or loss	404	34,406
Fair value loss on financial assets at fair value through profit or loss	(4,118)	(118)
Dividend income on financial assets at fair value through profit or loss	301	–
Gain on deemed disposal of 20% equity interest in a subsidiary	–	43,258
Finance lease income	–	17
Other income	2,741	1,724
	<u>2,054</u>	<u>83,953</u>
Turnover and other gains	<u>526,474</u>	<u>385,496</u>

At 30 June 2008, the Group is organised into six main business segments:

- (a) Electronic payment products and services – sales of electronic fund transfer point-of-sale (“EFT-POS”) terminals;
- (b) Telecommunication solutions:
 - (i) Information technology operation value-added services – provision of Interactive Voice Response (“IVR”) services;
 - (ii) Telecommunication solutions, services and related products – provision of information system consultancy and integration services and sales of information technology products to the telecommunications industries;
- (c) Financial solutions:
 - (i) Financial solutions, services and related products – provision of information system consultancy and integration services and sales of information technology products to financial institutions and banks;
 - (ii) Business process operations – provision of outsourcing services to financial institutions and banks with payment solutions, such as automatic teller machines (“ATM”); and
- (d) Electronic power meters and solutions – manufacturing and sales of electronic power meters, data collection terminals and provision of information system consultancy services.

There are no sales or other transactions between the business segments.

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

	Unaudited Six months ended 30 June 2008							Group HK\$'000
	Electronic payment products and services HK\$'000	Information technology operation value-added services HK\$'000	Telecom- munication solutions, services and related products HK\$'000	Financial solutions, services and related products HK\$'000	Business process operations HK\$'000	Electronic power meters and solutions HK\$'000	Unallocated HK\$'000	
Turnover	265,021	114,039	625	17,321	11,636	115,269	509	524,420
Other gains, net	-	-	-	-	-	-	2,054	2,054
Segment results								
Operating profit/ (loss) before depreciation and amortisation	82,125	63,915	625	(18,204)	3,633	19,499	(12,726)	138,867
Depreciation	(787)	(5,433)	-	(710)	(6,576)	(5,038)	(218)	(18,762)
Amortisation	(2)	-	-	-	-	(4,545)	(380)	(4,927)
Operating profit/(loss)	81,336	58,482	625	(18,914)	(2,943)	9,916	(13,324)	115,178
Finance costs							(1,016)	(1,016)
Profit before income tax								114,162
Income tax expense							(23,871)	(23,871)
Profit for the period								<u>90,291</u>

Unaudited
Six months ended 30 June 2007

	Electronic payment products and services <i>HK\$'000</i>	Information technology operation value-added services <i>HK\$'000</i>	Telecom- munication solutions, services and related products <i>HK\$'000</i>	Financial solutions, services and related products <i>HK\$'000</i>	Business process operations <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover	166,632	91,713	1,581	37,212	3,847	558	301,543
Other gains, net	-	-	-	-	-	83,953	83,953
Segment results							
Operating profit/ (loss) before depreciation and amortisation	35,026	53,157	452	(3,580)	907	47,253	133,215
Depreciation	(692)	(4,448)	-	(985)	(3,583)	(191)	(9,899)
Amortisation	(2)	-	-	-	-	(380)	(382)
Operating profit/(loss)	34,332	48,709	452	(4,565)	(2,676)	46,682	122,934
Finance costs						(1,299)	(1,299)
Profit before income tax							121,635
Income tax expense						(9,387)	(9,387)
Profit for the period							<u>112,248</u>

The segment assets and liabilities at 30 June 2008 and capital expenditure for the six months then ended are as follows:

	Electronic payment products and services <i>HK\$'000</i>	Information technology operation value-added services <i>HK\$'000</i>	Telecom- munication solutions, services and related products <i>HK\$'000</i>	Financial solutions, services and related products <i>HK\$'000</i>	Business process operations <i>HK\$'000</i>	Electronic power meters and solutions <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Total assets (unaudited)	<u>447,735</u>	<u>261,007</u>	<u>4,892</u>	<u>162,441</u>	<u>52,896</u>	<u>473,401</u>	<u>165,419</u>	<u>1,567,791</u>
Total liabilities (unaudited)	<u>(124,406)</u>	<u>(15,447)</u>	<u>(3,124)</u>	<u>(18,926)</u>	<u>-</u>	<u>(140,875)</u>	<u>(52,363)</u>	<u>(355,141)</u>
Capital expenditure (unaudited)	<u>1,059</u>	<u>2,502</u>	<u>-</u>	<u>654</u>	<u>884</u>	<u>2,269</u>	<u>9,725</u>	<u>17,093</u>

The segment assets and liabilities at 31 December 2007 and capital expenditure for the six months ended 30 June 2007 are as follows:

Total assets (audited)	<u>351,438</u>	<u>209,711</u>	<u>4,150</u>	<u>199,715</u>	<u>51,962</u>	<u>467,346</u>	<u>206,423</u>	<u>1,490,745</u>
Total liabilities (audited)	<u>(115,228)</u>	<u>(14,247)</u>	<u>(3,060)</u>	<u>(39,413)</u>	<u>-</u>	<u>(160,664)</u>	<u>(57,273)</u>	<u>(389,885)</u>
Capital expenditure (unaudited)	<u>379</u>	<u>905</u>	<u>-</u>	<u>1,634</u>	<u>6,908</u>	<u>-</u>	<u>22</u>	<u>9,848</u>

Segment assets consist primarily of property, plant and equipment, intangible assets, land use rights, inventories, receivables and operating cash. They exclude deferred income tax assets.

Segment liabilities consist primarily operating liabilities. They exclude deferred income tax liabilities and income tax payable.

Capital expenditure comprises additions to leasehold land, property, plant and equipment and intangible assets including additions resulting from acquisitions through business combinations.

Secondary reporting format – Geographical segments

The Group's six business segments operate in two main geographical areas:

- Mainland China – electronic payment products and services, information technology operation value-added services, telecommunication solutions, services and related products, financial solutions, services and related products, business process operations and electronic power meters and solutions
- Hong Kong, South East Asia, Europe and others – electronic payment products and services, financial solutions, services and related products and electronic power meters and solutions

There are no sales or other transactions between the geographical segments.

Revenue is allocated based on the countries in which the customers are located.

	Unaudited Six months ended 30 June 2008	
	Turnover <i>HK\$'000</i>	Segment results <i>HK\$'000</i>
Mainland China	475,902	125,466
Hong Kong, South East Asia, Europe and others	48,518	3,036
	<u>524,420</u>	<u>128,502</u>
Other gains, net, unallocated		2,054
Unallocated expenses		<u>(15,378)</u>
Operating profit		<u><u>115,178</u></u>

	Unaudited Six months ended 30 June 2007	
	Turnover <i>HK\$'000</i>	Segment results <i>HK\$'000</i>
Mainland China	266,495	74,706
Hong Kong, South East Asia, Europe and others	35,048	1,668
	<u>301,543</u>	<u>76,374</u>
Other gains, net, unallocated		83,953
Unallocated expenses		<u>(37,393)</u>
Operating profit		<u><u>122,934</u></u>

5. EXPENSES BY NATURE

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

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Auditor's remuneration	1,453	1,057
Depreciation of property, plant and equipment	18,673	9,811
Depreciation of investment properties	89	88
Amortisation of leasehold land	965	382
Amortisation of intangible assets	3,962	–
Employee benefit expense (including Directors' emoluments) (Note 6)	89,626	76,447
Costs of inventories sold	223,991	113,230
Operating lease rentals in respect of land and buildings	4,887	4,564
Operating lease rentals in respect of equipment	6,149	5,365
Research and development costs	15,719	3,551
Loss on disposal of property, plant and equipment	913	188
Provision for impairment of trade receivables	–	36
Write-back of provision for impairment of trade receivables	–	(225)
Write-off of trade receivables	642	–
Provision for obsolete inventories	165	–
Write-back of provision for obsolete inventories	(248)	–
Write-off of inventories	–	1,261
Refund of value-added tax	(8,665)	(98)
	<u>89,626</u>	<u>76,447</u>

6. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Wages and salaries	76,828	42,881
Social security costs	6,583	2,860
Employee share option scheme – value of employee services for share options granted	–	27,615
Pension costs – defined contribution plans	6,215	3,091
	<u>89,626</u>	<u>76,447</u>

7. FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Interests on bank loans and overdrafts	1,016	966
Interests on financial liability portion of convertible preference shares issued by a subsidiary	–	333
	<u>1,016</u>	<u>1,299</u>

8. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as there is no estimated assessable profit for the period (six months ended 30 June 2007: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Current Income tax		
– Hong Kong profits tax	–	–
– Overseas taxation	25,407	9,387
Deferred income tax	(1,536)	–
Income tax expense	<u>23,871</u>	<u>9,387</u>

During the period, the PRC tax rate applicable to the Group is 25% (six months ended 30 June 2007: 33%), with certain preferential provisions.

Therefore, the PRC taxation has been provided in advance on the estimated profits of the Group's subsidiaries operating in the PRC and subject to Enterprise Income Tax ("EIT") at a rate of 25%, unless preferential rates are applicable.

Under the New CIT Law, operating subsidiaries which are qualified as High & New Technology Enterprises ("HNTEs") will be eligible to enjoy a reduced income tax rate of 15% subsequently.

9. DIVIDEND

No dividend on ordinary share has been paid or declared by the Company for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

10. EARNINGS PER SHARE

(a) Basic

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

	Unaudited	
	Six months ended 30 June	
	2008	2007
Profit attributable to equity holders of the Company (HK\$'000)	<u>74,429</u>	<u>110,414</u>
Weighted average number of ordinary shares in issue (thousands)	<u>2,231,973</u>	<u>1,970,502</u>
Basic earnings per share (HK\$ per share)	<u>0.033</u>	<u>0.056</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the number of ordinary shares outstanding to assume conversion of all potentially dilutive shares. The Company has two categories of potentially dilutive ordinary shares: convertible preference shares issued by subsidiaries and share options. The convertible preference shares issued by subsidiaries are assumed to be converted into ordinary shares and the net profit is adjusted to eliminate the interest expense less the tax effect. All convertible preference shares issued by subsidiaries have been converted into ordinary shares of the Company during the year ended 31 December 2007. For the share options, a calculation is performed to determine the number of shares that would have been acquired at fair value (determined as the average market share price of the Company's shares during the period) based on the monetary value of the subscription rights attached to the outstanding share options. 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.

	Unaudited Six months ended 30 June 2007 <i>HK\$'000</i>
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	110,414
Interest expense on convertible preference shares issued by a subsidiary (<i>HK\$'000</i>)	<u>333</u>
Profit used to determine diluted earnings per share (<i>HK\$'000</i>)	<u><u>110,747</u></u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	1,970,502
Adjustments for	
– assumed conversion of convertible preference shares issued by subsidiaries (<i>thousands</i>)	167,398
– share options (<i>thousands</i>)	<u>61,933</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands</i>)	<u><u>2,199,833</u></u>
Diluted earnings per share (<i>HK\$ per share</i>)	<u><u>0.050</u></u>

Diluted earnings per share for the six months ended 30 June 2008 has been presented the same as the basic earnings per share as the conversion of potential ordinary shares would have an anti-dilutive effect to the basic earnings per share.

11. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Unaudited 30 June 2008 <i>HK\$'000</i>	Audited 31 December 2007 <i>HK\$'000</i>
Trade receivables (<i>Note (a)</i>)	393,316	250,962
Bills receivables (<i>Note (b)</i>)	49,946	95,403
Less: provision for impairment of receivables	<u>(1,691)</u>	<u>(1,615)</u>
	441,571	344,750
Other receivables, prepayments and deposits	<u>53,461</u>	<u>60,798</u>
	<u><u>495,032</u></u>	<u><u>405,548</u></u>

Note (a): Trade receivables

The Group's credit terms to trade debtors range from 0 to 180 days. At 30 June 2008 and 31 December 2007, the ageing analysis of the trade receivables was as follows:

	Unaudited 30 June 2008 <i>HK\$'000</i>	Audited 31 December 2007 <i>HK\$'000</i>
Current to 90 days	241,396	186,567
91 to 180 day	66,762	25,456
181 to 365 days	61,708	14,278
Over 365 days	23,450	24,661
	<u>393,316</u>	<u>250,962</u>

The Group's sales are made to several major customers and there is a concentration of credit risks. Collections of outstanding receivable balances are closely monitored on an ongoing basis to minimise such credit risk.

Receivables that were past due but not impaired were related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered as fully recoverable. The Group does not hold any collateral over these balances.

Note (b): Bills receivables

The balance represents bank acceptance notes with maturity dates of less than six months.

The maturity profile of the bills receivables is as follows:

	Unaudited 30 June 2008 <i>HK\$'000</i>	Audited 31 December 2007 <i>HK\$'000</i>
Falling due 90 days	32,178	30,212
Falling due 91 to 180 days	17,768	65,191
	<u>49,946</u>	<u>95,403</u>

As at 30 June 2008, none of the Group's bill receivables (31 December 2007: HK\$10,550,000) were pledged to banks for short-term borrowings.

12. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2008 <i>HK\$'000</i>	Audited 31 December 2007 <i>HK\$'000</i>
Trade payables	183,786	130,057
Other payables and accruals	94,254	143,656
Pension obligations	8,782	10,228
Social security and other taxes	14,434	17,548
	<u>301,256</u>	<u>301,489</u>

At 30 June 2008 and 31 December 2007, the ageing analysis of the trade payables was as follows:

	Unaudited 30 June 2008 HK\$'000	Audited 31 December 2007 HK\$'000
Current to 90 days	135,809	98,001
91 days to 180 days	23,215	14,097
181 days to 365 days	22,616	5,123
Over 365 days	2,146	12,836
	<u>183,786</u>	<u>130,057</u>

MANAGEMENT DISCUSSION AND ANALYSIS

	IH2008 HK\$'000	IH2007 HK\$'000	Change +/(-)%
TURNOVER			
Segmental turnover			
Electronic payment products and services	265,021	166,632	+59%
Telecommunication solutions:			
– Telecommunication solutions, services and related products, and	625	1,581	-60%
– Information technology operation value-added services	114,039	91,713	+24%
	114,664	93,294	+23%
Financial solutions:			
– Financial solutions, services and related products	17,321	37,212	-53%
– Business process operations	11,636	3,847	+202%
	28,957	41,059	-29%
Electronic power meters and solutions	115,269	–	N/A
	523,911	300,985	+74%
Unallocated	509	558	-9%
	524,420	301,543	+74%

	IH2008 <i>HK\$'000</i>	IH2007 <i>HK\$'000</i>	Change +/(-)%
Segmental results – Operating profits before depreciation and amortisation (“EBITDA”)			
Electronic payment products and services	82,125	35,026	+134%
Telecommunications solutions:			
– Telecommunication solutions, services and related products, and	625	452	+38%
– Information technology operation value-added services	63,915	53,157	+20%
	64,540	53,609	+20%
Financial solutions:			
– Financial solutions services and related products	(18,204)	(3,580)	N/A
– Business process operations	3,633	907	+301%
	(14,571)	(2,673)	N/A
Electronic power meters and solutions	19,499	–	N/A
	151,593	85,962	+76%
Depreciation	(18,762)	(9,899)	+90%
Amortisation	(4,927)	(382)	+1,190%
Other gains, net			
Gain on disposal of investment securities (including dividend income)	705	34,406	-98%
Loss on revaluation of investment securities	(4,118)	(118)	+3,390%
Gain on deemed disposal of 20% equity interest in a subsidiary	–	43,258	-100%
Interest income	2,726	4,666	-42%
Others	2,741	1,741	+57%
	2,054	83,953	-98%
Other expenses			
Share-based compensation	–	(27,615)	-100%
Overheads	(14,780)	(9,085)	+63%
	115,178	122,934	-6%
Finance costs	(1,016)	(1,299)	-22%
Profit before taxation	114,162	121,635	-6%
Income tax expenses	(23,871)	(9,387)	+154%
Net profit	90,291	112,248	-20%

Our results for 1H2008 reflect an increase in total turnover and segmental operating profit before depreciation and amortisation (“EBITDA”) from that of 1H2007. The Group’s turnover amounted to HK\$524.42 million, representing a growth of 74% compared to 1H2007. Segmental EBITDA amounted to HK\$151.59 million, representing an increase of 76% compared to 1H2007. The strong operating results for the first half of 2008 demonstrated our success in building a diversified IT solutions business. We experienced continuous strong growth from our electronic payment products and services and information technology value-added information technology services which represented 51% and 22% of total turnover for the period, respectively. Our new electronic power meters and solutions segment is picking up momentum in the market and contributed 22% of total turnover for the period.

Profit before taxation dropped by 6% as compared to 1H2007, mainly due to decrease in non-recurring gains during the period, such as other gains on the deemed disposal of a subsidiary and disposals of financial assets at fair value through profit or loss. Effective tax rate increased from 7.7% to 21.0% given the PRC income tax for the subsidiaries operating in the PRC are provided at standard rate of 25% in advance during the current period. Under the New CIT Law, operating subsidiaries which are qualified as High and New Technology Enterprises (“HNTEs”) will be eligible to enjoy a reduced income tax rate of 15% subsequently.

With regard to our balance sheet, the total assets as at 30 June 2008 amounted to HK\$1,567.79 million, compared with HK\$1,490.75 million as at 31 December 2007. Current assets as at 30 June 2008 was HK\$1,228.88 million, compared with HK\$1,156.94 million as at 31 December 2007.

Electronic payment products and services

	1H2008 <i>HK\$’000</i>	1H2007 <i>HK\$’000</i>	Change +/(-)%
Turnover	265,021	166,632	+59%
EBITDA	82,125	35,026	+134%
Operating profit	81,336	34,332	+137%
Research and development costs	6,631	3,551	+87%
EBITDA (%)	31%	21%	
Operating profit margin (%)	31%	21%	

PAX experienced strong volume growth of 77% as compared to 1H2007, with a new sales record of 132,000 units in the first six months of 2008. PAX continued to be the leader in the EFT-POS terminals market in Mainland China. While shipments to Mainland China EFT-POS terminals producers reached 121,000 units in 1H2008 for an increase of 92% as compared with the same period a year ago. Despite the keen market competition, we improved operating profit margin from 21% to 31%, through introducing new product designs, maintaining effective cost controls and leveraging volume growth.

In addition, PAX further strengthened its footprint in the international market where turnover increased by 15%, representing 9% of total sales for the segment. With first class products and services, we endeavor to make PAX an international brand symbolizing top quality electronic payment products and solutions.

Telecommunication solutions

	1H2008 <i>HK\$'000</i>	1H2007 <i>HK\$'000</i>	Change +/(-)%
Turnover	114,664	93,294	+23%
EBITDA	64,540	53,609	+20%
Operating profit	59,107	49,161	+20%
EBITDA (%)	56%	57%	
Operating profit margin (%)	52%	53%	

During the period, we continued to provide the exclusive nation-wide IVR platform for China Mobile. Benefiting from market growth, turnover contributed by the IVR platform operations grew by 23%. In 1H2008, we maintained a healthy operating profit margin compared with 1H2007. Moderate decline in the operating profit margin was due to additional development costs incurred for the preparation of IVVR platform featuring video contents under the new 3G era.

Electronic power meters and solutions

	1H2008 <i>HK\$'000</i>
Turnover	115,269
EBITDA	19,499
Operating profit	9,916
Research and development cost	9,088
EBITDA (%)	17%
Operating profit margin (%)	9%

Our new electronic meters and solutions segment gradually picked up its momentum in 2008 and continues to hold its dominant position in the domestic market. In the first half of 2008, we put in place continuous retrenchment measures to improve the segment's operational efficiency.

Our strategic partnership with international leaders contributed to an increase in exports. Specifically, we have broadened our penetration in European and South East Asian countries such as Sweden and New Zealand. Continuous R&D efforts were put to improve the quality of existing products and development of new series. Likewise, we are consistently launching new and innovative products to meet the ever-changing technology and market demand.

Financial solutions

	1H2008 <i>HK\$'000</i>	1H2007 <i>HK\$'000</i>	Change +/(-)%
Turnover	28,957	41,059	-29%
EBITDA	(14,571)	(2,673)	N/A
Operating loss	(21,857)	(7,241)	N/A

In 1H2008, the financial solutions' segment experienced an operating loss of HK\$21.86 million mainly attributable to certain delays in the Bank of China core banking project. In an effort to create a more stable, sustainable and recurring income streams, we have refocused certain measures to extend our underlying strength and expertise in providing business process operations ("BPO") services to financial institutions.

Our BPO services include payment operation solutions, such as ATMs and other outsourcing services. Total turnover of BPO segment grew by 202% in 1H2008, as compared to 1H 2007. Our strategy is to enhance our position and become a significant service provider to financial institutions in Mainland China. Our relatively significant experience in deploying financial solutions and ATM management provide us with future revenue opportunities as banks and other financial institutions throughout the world are increasingly outsourcing certain non-core management functions to simplify operations and lower costs.

OUTLOOK

Electronic payment products and services

The Group is the largest player in China's EFT-POS terminal market with over 30% market share. Fueled by the increasing acceptance of card payments incessant improvement of payment transactions and processing infrastructure, PAX's EFT-POS terminals sales in Mainland China are expected to maintain its momentum in 2H2008. In addition to the domestic market growth, the Group expects to increase its overseas market penetration. The Group is in the process of opening a subsidiary in Atlanta, Georgia, U.S., which is expected to be fully operational by Q4 2008. The EFT-POS Electronic payment products and, solutions segment is expected to continue generating consistent cash flow strengthening the Group's balance sheet.

Electronic power meters and solutions

Our electronic power meters and solutions segment ("HZ PAX") resumed its full operation in Q1 2008 after certain restructuring and reorganisation exercises subsequent to the Group's acquisition in July 2007. It is expected that the segment's turnover will increase as a result of backlog ready for the 2H2008. Strong R&D backed by the strategic partnership with international industry leaders ensures the segment meets high production standard supporting HZ PAX's domestic sales and overseas expansion. China's demand for power meters and solutions is significantly increasing as a result of the country's booming economy and reformation in the energy sector. Power grid investments, energy supply and efficiency control are at the top of the agenda in the Central Government's Eleventh Five Year Plan making electronic power meters and automated systems/solutions a clear prerequisite for the reformation. As more Chinese companies are moving towards energy-saving solutions, the demand for electronic digital meters is expected to increase. Moreover, the need to replace traditional mechanical meters with the more technologically advanced and automated electronic meters and solutions is rapidly growing worldwide.

Telecommunication solutions

For the 2H2008, we anticipate modest revenue growth in the telecom segment after three consecutive years of significant increase in traffic volume from the IVR business. We expect a steady growth in operating profit as a result of operational efficiencies and effective cost management. The business extension from voice value-added services to video is expected to bring new income stream and growth impetus to the Group in FY2009 as a result of the expected grant of 3G licenses in Q4 2008.

Financial solutions

Hi Sun has established strong relations with renowned banks in China such as Bank of China, Bank of Communications and Industrial & Commercial Bank of China for its financial solutions servicing including core banking systems, ATM and outsourcing services, creating an important competitive advantage as compared to other industry players and places the Group in a favourable position to expand to other financial solution services going forward.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2008, the Group reported total assets of HK\$1,567.79 million (31 December 2007: HK\$1,490.75 million), which were financed by total liabilities of HK\$355.14 million (31 December 2007: HK\$389.89 million) and equity of HK\$1,212.65 million (31 December 2007: HK\$1,100.86 million). The net asset value was HK\$1,212.65 million (31 December 2007: HK\$1,100.86 million). The net asset value per share amounted to HK\$0.54 per share as compared to HK\$0.49 per share as at 31 December 2007.

As at 30 June 2008, the Group had cash of HK\$507.55 million (31 December 2007: HK\$569.72 million) and short term borrowings of HK\$6.72 million (31 December 2007: HK\$42.55 million). The net cash position as at 30 June 2008 was HK\$500.83 million as compared to HK\$527.17 million as at 31 December 2007. The short term borrowings included short term bank loan to fund the Group's working capital requirements. The gearing ratio (defined as total borrowings divided by shareholders' equity) was 0.01 as at 30 June 2008 as compared to 0.04 as at 31 December 2007. The gearing ratio is considered healthy and suitable for the continuous growth of the Group's business.

CAPITAL STRUCTURE AND DETAILS OF CHARGES

As at 30 June 2008, the Group's short term borrowings included short term bank loan which was denominated in Renminbi, amounting to RMB6.0 million. The short term bank loan was charged at interest of 7.6% per annum.

Approximately HK\$255.34 million, HK\$74.65 million, HK\$1.90 million and HK\$175.66 million of the Group's cash balances were denominated in Renminbi, Hong Kong dollar, Euro and US dollar respectively as at 30 June 2008.

As at 30 June 2008, short term bank loans of HK\$6.72 million were secured by:

HK\$ million

The leasehold land and building of a subsidiary of the Company and the corporate guarantee from an independent third party, Shenzhen High and New Technology Investment Guarantee Company Limited

6.72

EMPLOYEES

The total number of employees of the Group as at 30 June 2008 was 1,615. The breakdown of employees by division is as follows:

Electronic payment products and services	211
Telecommunication solutions	304
Financial solutions	433
Electronic power meters and solutions	651
Corporate office	16
	<hr/>
	1,615
	<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 also sponsors selected employees to attend external training courses that suit the needs of the Group's businesses.

SHARE OPTION SCHEME

(a) The Company

The Company operates a share option scheme (the "Scheme") for the purpose of attracting, retaining and motivating talented employees in order to strive for future developments and expansion of the Group. Eligible participants of the Scheme include the Group's full-time employees, and executive and non-executive Directors. The Scheme became effective on 29 November 2001 and unless otherwise cancelled or amended, will remain valid and effective for a period of 10 years from that date.

On 26 September 2005, 33,300,000 share options were granted to certain Directors and employees at an exercise price of HK\$0.768 per shares (the average closing price of the shares as quoted in the daily quotations sheets issued by The Stock Exchange of Hong Kong Limited for the five business days immediately preceding 26 September 2005) with an expiry date of 25 September 2015. The option period commences on 26 September 2005 and expires 10 years thereafter. Option granted are vested as follows:

On 26 September 2005	Up to 50%
On 26 September 2006	Up to 100%

Pursuant to an ordinary resolution passed on 28 June 2006, each of the existing issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company was subdivided into four ordinary shares of HK\$0.0025 each (the "Share Subdivision"), which was approved by the shareholders of the Company and became effective on 29 June 2006.

On 2 January 2007, 43,000,000 share options were granted to certain employees at an exercise price of HK\$2.00 per share (the average closing price of the shares as quoted in the daily quotations sheets issued by The Stock Exchange of Hong Kong Limited for the five business days immediately preceding 2 January 2007) with an expiry date of 1 January 2010.

There are no changes in any term of the Scheme during the six months ended 30 June 2008.

During the six months ended 30 June 2008, no share options have been granted, exercised or lapsed. The Group has no legal or constructive obligation to repurchase or settle the options in cash. As at the date of this announcement, the Company has 41,458,000 share options outstanding.

(b) Employee incentive scheme of a subsidiary

On 4 April 2005, the Company approved its wholly-owned subsidiary, Turbo Speed Technology Limited (“Turbo Speed”), to adopt an employee incentive scheme (the “Employee Incentive Scheme”) to motivate the employees of Turbo Speed and its subsidiary (the “Turbo Speed Group”). Eligible participants of the Employee Incentive Scheme include the full-time employees of Turbo Speed or its subsidiaries, including any Directors of Turbo Speed or its subsidiaries (but excluding any person who is a Director of the Company) provided always that such term shall exclude any person who has tendered his resignation or who at the relevant time is working out his period of notice pursuant to his employment contract or otherwise. The Employee Incentive Scheme became effective from 4 April 2005 to 31 December 2008 unless terminated by resolution of a remuneration committee formed by the Board to administer the Employee Incentive Scheme (the “Committee”).

On 8 July 2005, 1,425,000 share options had been granted to certain directors and employees of a subsidiary of Turbo Speed to subscribe ordinary shares of Turbo Speed at an exercise price of HK\$1.922 per share. The exercisable period of the above share options is from 8 July 2005 to 31 December 2008 (both dates inclusive).

During the six months ended 30 June 2008, no share options have been granted, exercised or lapsed. The Group has no legal or constructive obligation to repurchase or settle the options in cash. As at the date of this announcement, Turbo Speed has 180,000 share options outstanding.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007 Interim: Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liability as at 30 June 2008.

EXCHANGE RATES EXPOSURE

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

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed companies on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the “Model Code”). The Model Code sets a required standard against which Directors and employees of the Company and its subsidiaries (the “Group”) must measure their conduct regarding transactions in securities of the Company.

Specific enquiry had been made to all the Directors and the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2008.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2008, except for the followings:

Code provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting. The Chairman was unable to attend the annual general meeting held on 30 May 2007, however, Mr. Li Wenjin, as an Executive Director of the Company, took the chair pursuant to the Bye-laws of the Company.

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and chief executive officer (“CEO”) should be separate and should not be performed by the same individual. The division of the responsibilities between the chairman and the CEO should be clearly established and set out in writing. For most of the time throughout the six months ended 30 June 2008, the Chairman of the Company was Mr. Cheung Yuk Fung, while the function of the CEO was performed by other executive directors. On 20 June 2008, Mr. Kui Man Chun has been appointed as the CEO. As such, the Company has complied with Code provision A.2.1 of the CG Code.

Code provision A.4.1 of CG Code stipulates that non-executive Director should be appointed for a specific term subject to re-election. All Directors of the Company are subject to retirement by rotation once every three years and any new Director appointed to fill a causal vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment pursuant to the Company’s bye-laws. For most of the time throughout the six months ended 30 June 2008, the independent non-executive Directors were not appointed for a specific term. On 18 April 2008, service contracts have been entered into between the Company and each of the independent non-executive Directors. As such, the Company has complied with Code provision A.4.1 of the CG Code.

As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Xu Sitao. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated interim financial report for the six months ended 30 June 2008 with the Directors.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors of the Company have an interest in any business constituting a competing business to the Group.

PENSION SCHEME

The subsidiaries operating in Hong Kong are required to participate in a defined contribution retirement scheme of the Group or Company set up in accordance with the Hong Kong Mandatory Provident Fund Ordinance. Under the scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK\$1,000 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries up to a maximum of HK\$1,000 (the "Mandatory Contributions"). The employees are entitled to 100% of the employer's Mandatory Contributions upon their retirement at the age of 65 years old, death or total incapacity.

In addition, pursuant to the government regulations in the People's Republic of China (the "PRC"), the Group is required to contribute an amount to certain retirement benefit schemes based on approximately 7% to 20% of the wages for the year of those workers in the PRC. The local municipal government undertakes to assume the retirement benefits obligations of those workers of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained the amount of public float as required under the Listing Rules throughout the six months ended 30 June 2008.

SUBSEQUENT EVENTS

On 13 August 2008, the Company entered into a non-legally binding letter of intent (the "Letter of Intent") with an independent third party (the "Purchaser") in respect of the proposed disposal (the "Disposal") by the Company to the Purchaser a certain percentage of the Company's shareholdings in Hangzhou PAX Electric Technology Limited ("Hangzhou PAX", formerly known as "Hangzhou Baifu Holding Company Limited"). Hangzhou PAX, a wholly-owned subsidiary of the Company, is incorporated in the PRC and, together with its subsidiaries are principally engaged in the design, manufacturing and sale of electronic power meters and solutions to the electric power industry.

According to the Letter of Intent, the intended consideration for the Disposal will be further discussed and, subject to the satisfactory completion of the due diligence to be conducted by the Purchaser. The Disposal may or may not proceed and is subject to the entering into of a formal sale and purchase agreement.

Unless further extended by the parties involved, the provisions of the Letter of Intent will be automatically terminated on 8 October 2008.

By Order of the Board
Li Wenjin
Executive Director

Hong Kong, 1 September 2008

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