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HI SUN TECHNOLOGY (CHINA) LIMITED

高陽科技（中國）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 818)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

FINANCIAL HIGHLIGHTS	1H2011	1H2010
	HK\$'000	HK\$'000 (Restated)
RESULTS		
Continuing operations		
Turnover	357,215	408,105
Segmental EBITDA	(61,926)	(16,353)
Share of profit of an associated Company	28,778	–
Loss for the period from continuing operations	(81,646)	(58,241)
Discontinued operation		
Profit from discontinued operation	–	50,173
Loss for the period	(81,646)	(8,068)
(Loss)/profit attributable to:		
– Equity holders of the Company	(76,062)	(22,558)
– Non-controlling interests	(5,584)	14,490
	(81,646)	(8,068)

* For identification purposes only

	1H2011	1H2010 (Restated)
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company		
Basic and diluted (HK\$)		
From continuing operations	(0.028)	(0.019)
From discontinued operation	–	0.011
	<u>(0.028)</u>	<u>0.008</u>
	30 June	31 December
	2011	2010
KEY BALANCE SHEET ITEMS	HK\$'000	HK\$'000
Total equity	3,105,547	3,167,806
Net current assets	1,359,237	1,457,821
Total assets	3,528,661	3,657,369
Net assets per share (HK\$)	1.162	1.185

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 2011 together with the unaudited comparative figures for the corresponding period in 2010 as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Unaudited	
		Six months ended 30 June	
		2011	2010
		HK\$'000	HK\$'000
			(Restated)
			(Note 1)
Continuing operations			
Turnover	5	357,215	408,105
Cost of sales	7	(308,184)	(311,509)
Gross profit		49,031	96,596
Other income	5	7,824	6,707
Other (loss)/gains	5	(1,815)	6,100
Selling expenses	7	(35,094)	(43,091)
Administrative expenses	7	(129,795)	(118,523)
Operating loss		(109,849)	(52,211)
Finance costs	8	(730)	–
Share of profit of an associated company		28,778	–
Loss before income tax		(81,801)	(52,211)
Income tax credit/(expense)	9	155	(6,030)
Loss for the period from continuing operations		(81,646)	(58,241)
Discontinued operation			
Profit from discontinued operation	6, 13	–	50,173
Loss for the period		(81,646)	(8,068)

Unaudited
Six months ended 30 June
2011 2010
HK\$'000 *HK\$'000*
(Restated)
(Note 1)

(Loss)/profit attributable to:		
Equity holders of the Company	(76,062)	(22,558)
Non-controlling interests	(5,584)	14,490
	<u> </u>	<u> </u>
	(81,646)	(8,068)
	<u> </u>	<u> </u>

HK\$ per share HK\$ per share
(Restated)
(Note 1)

(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company		
Basic and diluted		
From continuing operations	(0.028)	(0.019)
From discontinued operation	–	0.011
	<u> </u>	<u> </u>
	(0.028)	(0.008)
	<u> </u>	<u> </u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
		(Note 1)
Loss for the period	(81,646)	(8,068)
Other comprehensive (loss)/income		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	14,496	19,063
Fair value gain on available-for-sale financial assets	180	–
Share of other comprehensive income of an associated company	4,711	–
	<hr/>	<hr/>
Total comprehensive (loss)/income for the period	(62,259)	10,995
	<hr/>	<hr/>
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(58,190)	(7,132)
Non-controlling interests	(4,069)	18,127
	<hr/>	<hr/>
	(62,259)	10,995
	<hr/>	<hr/>
Total comprehensive (loss)/income attributable to equity holders of the Company arises from:		
Continuing operations	(58,190)	(40,619)
Discontinued operation	–	33,487
	<hr/>	<hr/>
	(58,190)	(7,132)
	<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited	Audited
	30 June	31 December
	2011	2010
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS		
Non-current assets		
Investment properties	2,384	2,438
Property, plant and equipment	115,999	116,733
Leasehold land	38,507	38,826
Intangible assets	256,799	252,595
Interest in an associated company	16 1,317,318	1,285,714
Available-for-sale financial assets	23,680	23,500
Long-term deposits	1,624	1,596
	1,756,311	1,721,402
Total non-current assets		
Current assets		
Inventories	155,047	168,426
Trade and other receivables, prepayments and deposits	11 473,158	291,880
Tax recoverable	2,197	3,590
Financial assets at fair value through profit or loss	658	12,898
Short-term bank deposits	168,553	177,557
Cash and cash equivalents	972,737	1,281,616
	1,772,350	1,935,967
Total current assets		
	3,528,661	3,657,369
Total assets		
EQUITY		
Capital and reserves attributable to the equity holders of the Company		
Share capital	6,684	6,684
Reserves	2,958,908	3,043,776
	2,965,592	3,050,460
Non-controlling interests	139,955	117,346
	3,105,547	3,167,806
Total equity		

		Unaudited	Audited
		30 June	31 December
		2011	2010
	<i>Notes</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		<u>10,001</u>	<u>11,417</u>
Total non-current liabilities		<u>10,001</u>	<u>11,417</u>
Current liabilities			
Trade and other payables	12	390,100	455,520
Current income tax liabilities		138	136
Borrowings		<u>22,875</u>	<u>22,490</u>
Total current liabilities		<u>413,113</u>	<u>478,146</u>
Total liabilities		<u>423,114</u>	<u>489,563</u>
Total equity and liabilities		<u>3,528,661</u>	<u>3,657,369</u>
Net current assets		<u>1,359,237</u>	<u>1,457,821</u>
Total assets less current liabilities		<u>3,115,548</u>	<u>3,179,223</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited							Total HK\$'000
	Attributable to equity holders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Other reserves HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Non- controlling interests HK\$'000	
At 1 January 2011	6,684	930,020	168,434	533,412	104,393	1,307,517	117,346	3,167,806
Comprehensive income								
Loss for the period	-	-	-	-	-	(76,062)	(5,584)	(81,646)
Other comprehensive income								
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	-	-	12,981	-	1,515	14,496
Fair value gain on available-for-sale financial assets	-	-	-	180	-	-	-	180
Share of other comprehensive income of an associated company	-	-	-	-	4,711	-	-	4,711
Total comprehensive (loss)/income	-	-	-	180	17,692	(76,062)	(4,069)	(62,259)
Disposal of interest in subsidiaries (Note 14)	-	-	-	(26,678)	-	-	26,678	-
At 30 June 2011	<u>6,684</u>	<u>930,020</u>	<u>168,434</u>	<u>506,914</u>	<u>122,085</u>	<u>1,231,455</u>	<u>139,955</u>	<u>3,105,547</u>

Unaudited

	Attributable to equity holders of the Company							Total (Note 4) HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Other reserves (Note 4) HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Non- controlling interests (Note 4) HK\$'000	
At 1 January 2010	6,684	930,020	168,434	108,785	81,675	457,242	162,936	1,915,776
Comprehensive income								
(Loss)/profit for the period	-	-	-	-	-	(22,558)	14,490	(8,068)
Other comprehensive income								
Exchange differences arising on translation of the financial statements of foreign subsidiaries	-	-	-	-	15,426	-	3,637	19,063
Total comprehensive (loss)/income	-	-	-	-	15,426	(22,558)	18,127	10,995
Issue of convertible preference shares by a subsidiary	-	-	-	407,354	-	-	55,440	462,794
Acquisition of a subsidiary	-	-	-	17,173	-	-	91,042	108,215
At 30 June 2010	<u>6,684</u>	<u>930,020</u>	<u>168,434</u>	<u>533,312</u>	<u>97,101</u>	<u>434,684</u>	<u>327,545</u>	<u>2,497,780</u>

Note:

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 provision of telecommunication solutions and operation value-added services, provision of financial solutions, services and related products, provision of payment solutions and 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 Main Board of The Stock Exchange of Hong Kong Limited.

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

This condensed consolidated interim financial information was approved for issue on 22 August 2011.

This condensed consolidated interim financial information has not been audited.

In 2010, the Group span off its POS terminal solutions business through a separate listing of PAX Global Technology Limited (“PAX Global”), a then subsidiary of the Company, on the Main Board of The Stock Exchange of Hong Kong Limited (the “Spin-off”).

The Spin-off was completed on 20 December 2010. Upon the completion of the Spin-off, the Group’s interest in PAX Global was diluted from 60.0% to 44.4% and resulted in losing control of PAX Global, PAX Global was deconsolidated from the date that control ceased and was accounted as an associated company. On 12 January 2011, the over-allotment option of PAX Global was partially exercised by the global coordinator of the Spin-off and the Company’s interest in PAX Global was reduced from 44.4% to approximately 42.8% (Note 16). For the presentation of the condensed consolidated interim financial information for the six months ended 30 June 2010, the POS terminal solutions business was regarded as a “discontinued operation” (Note 13).

During the period, the Company acquired Merchant Support Co., Ltd. (“Merchant Support”), a company that is principally engaged in the provision of early settlement service for credit card transactions in Japan. Further details are given in Note 15.

On 10 June 2011, the Group transferred 3% equity interest of Success Bridge Limited (“Success Bridge”), a subsidiary of the Group, to a non-controlling shareholder at a cash consideration of HK\$1. Further details are given in Note 14.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“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 2010, 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.

The following amendment to standard is mandatory for the first time for the financial year beginning 1 January 2011:

Amendment to HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

The following standards, amendments and interpretations are mandatory for the first time for the financial period beginning 1 January 2011, but do not currently have any material financial impact on the Group:

HKAS 24 (Revised), 'Related Party Disclosures' is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. It also clarifies and simplifies the definition of a related party. This is not currently applicable to the Group, as it does not have any related parties which is a government related entities.

Amendment to HKAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.

Amendment to HK(IFRIC)-Int 14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.

HK(IFRIC)-Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.

Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by HKICPA, except for amendment to HKAS 34 'Interim financial reporting' as disclosed above and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

4. RESTATEMENT OF 30 JUNE 2010 CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

In accordance with HKFRS 3 (Revised) 'Business Combinations' ("HKFRS 3 (R)"), the provisionally estimated fair values of the consideration transferred, identifiable assets acquired and liabilities assumed on acquisition of Mega Hunt Investments Limited ("Mega Hunt") and JIM Holdings Limited ("JIM") were used for the preparation of the condensed consolidated interim financial information for the six months ended 30 June 2010. The fair value exercise was completed during the second half of 2010, and the comparative figures for the six months ended 30 June 2010 have been restated accordingly to reflect the revised fair values. The effect of the restatement is as follows:

	<i>HK\$'000</i>
Decrease in deferred tax liabilities	348
Decrease in trade and other payables	1,625
Decrease in intangible assets	1,024
Increase in non-controlling interests	190
Increase in other reserves	759

5. TURNOVER, OTHER INCOME AND OTHER (LOSS)/GAINS

Subsequent to the Spin-off on 20 December 2010, the Group focuses its activities on provision of telecommunication solutions and operation value-added services, provision of financial solutions, services and related products, provision of payment solutions and services and the sales of electronic power meters and solutions. For the presentation of the condensed consolidated interim financial information for the six months end 30 June 2010, POS terminal solutions business was regarded as a “discontinued operation”.

Turnover, other income and other (loss)/gains, net recognised during the period are as follows:

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
		(Restated)
		(Note 1)
Continuing operations		
Turnover		
Provision of telecommunication solutions and operation value-added services	88,165	256,994
Provision of financial solutions, services and related products	33,121	29,525
Provision of payment solutions and services	21,911	16,907
Sales of electronic power meters and solutions	210,942	104,679
Others	3,076	–
	<u>357,215</u>	<u>408,105</u>
Other income		
Interest income	4,379	4,527
Value added tax refund	–	1,530
Subsidy income	1,368	–
Rental income	891	475
Others	1,186	175
	<u>7,824</u>	<u>6,707</u>
Other (loss)/gains		
(Loss)/gain on disposal of financial assets at fair value through profit or loss	(400)	6,049
Dividend income on financial assets at fair value through profit or loss	380	8
Fair value gain on financial assets at fair value through profit or loss	90	43
Loss on dilution of interests in an associated company (Note 16)	(1,885)	–
	<u>(1,815)</u>	<u>6,100</u>
Turnover, other income and other (loss)/gains, from continuing operations, net	<u>363,224</u>	<u>420,912</u>

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

	Unaudited Six months ended 30 June 2011					
	Continuing operations					
	Telecomm- unication solutions and operation value-added services <i>HK\$'000</i>	Financial solutions, services and related products <i>HK\$'000</i>	Payment solutions and services <i>HK\$'000</i>	Electronic power meters and solutions <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total Group <i>HK\$'000</i>
Segment turnover	88,165	33,121	21,911	210,942	3,076	357,215
Inter-segment turnover	-	-	-	-	-	-
Turnover from external customers	88,165	33,121	21,911	210,942	3,076	357,215
Segmental earnings/(loss) before interest, taxes, depreciation and amortisation ("EBITDA")	12,723	(30,556)	(17,159)	(14,865)	(12,069)	(61,926)
Depreciation	(4,726)	(8,975)	(1,551)	(3,642)	(1,237)	(20,131)
Amortisation	-	-	(4,330)	(3,617)	-	(7,947)
Segmental operating profit/(loss)	7,997	(39,531)	(23,040)	(22,124)	(13,306)	(90,004)
Unallocated other income						143
Unallocated corporate expense						(19,988)
Share of profit of an associated company						28,778
Finance costs						(730)
Loss before income tax						(81,801)
Income tax credit						155
Loss for the period						(81,646)

Unaudited
Six months ended 30 June 2010

	Continuing operations						Discontinued operation	Total Group HK\$'000
	Telecomm- unication solutions and operation value-added services HK\$'000	Financial solutions, services and related products HK\$'000	Payment solutions and services HK\$'000	Electronic power meters and solutions HK\$'000	Others HK\$'000	Total HK\$'000	POS terminal solutions HK\$'000	
Segment turnover	256,994	48,417	16,907	104,679	-	426,997	267,698	694,695
Inter-segment turnover	-	(18,892)	-	-	-	(18,892)	-	(18,892)
Turnover from external customers	256,994	29,525	16,907	104,679	-	408,105	267,698	675,803
Segmental EBITDA	61,120	(11,858)	(33,569)	(27,392)	(4,654)	(16,353)	59,892	43,539
Depreciation	(5,712)	(8,217)	(478)	(4,339)	(23)	(18,769)	(1,227)	(19,996)
Amortisation	-	-	(2,017)	(3,144)	-	(5,161)	(3)	(5,164)
Segmental operating profit/(loss)	55,408	(20,075)	(36,064)	(34,875)	(4,677)	(40,283)	58,662	18,379
Unallocated other income						7,553	-	7,553
Unallocated corporate expense						(19,481)	-	(19,481)
(Loss)/profit before income tax						(52,211)	58,662	6,451
Income tax expense						(6,030)	(8,489)	(14,519)
(Loss)/profit for the period						(58,241)	50,173	(8,068)

The segment assets and liabilities at 30 June 2011 and additions to non-current assets for the six months ended 30 June 2011 are as follows:

	Continuing operations							Total HK\$'000
	Telecomm- unication solutions and operation value-added services HK\$'000	Financial solutions, services and related products HK\$'000	Payment solutions and services products HK\$'000	Electronic power meters and solutions HK\$'000	Others HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	
Unaudited Segment assets	544,751	97,480	222,854	667,399	261,116	2,120,231	(385,170)	3,528,661
Segment liabilities	(25,264)	(41,685)	(131,104)	(350,260)	(258,753)	(1,218)	385,170	(423,114)
Unaudited Additions to non-current assets	1,120	312	1,438	9,410	14,027	-	-	26,307

The segment assets and liabilities at 31 December 2010 and additions to non-current assets for the six months ended 30 June 2010 are as follows:

	Continuing operations							Discontinued operation		
	Telecomm- unication solutions and operation value-added services HK\$'000	Financial solutions, services and related products HK\$'000	Payment solutions and services HK\$'000	Electronic power meters and solutions HK\$'000	Others HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total HK\$'000	POS terminal solutions HK\$'000	Total Group HK\$'000
Audited Segment assets	541,728	162,622	226,345	694,884	11,620	2,136,466	(116,296)	3,657,369	-	3,657,369
Segment liabilities	(38,650)	(60,383)	(113,239)	(359,700)	(5,959)	(27,928)	116,296	(489,563)	-	(489,563)
Unaudited Additions to non-current assets (Note 4)	6,011	4,252	161,202	10,279	2,047	853	-	184,644	2,885	187,529

Unallocated corporate expenses represent costs that are used for all segments, including depreciation of property, plant and equipment of HK\$539,000 (for the six months ended 30 June 2010: HK\$651,000), depreciation of investment properties of HK\$54,000 (for the six months ended 30 June 2010: HK\$55,000) and amortisation of leasehold land HK\$379,000 (for the six months ended 30 June 2010: HK\$380,000), respectively.

Additions to non-current assets comprise additions to property, plant and equipment and intangible assets including additions resulting from acquisition through business combinations.

The amounts provided to the Board of Directors with respect to total assets and total liabilities are measured in a manner consistent with that of the 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 turnover from external parties reported to the Board of Directors is measured in a manner consistent with that in the income statement.

The Group principally domiciles in Hong Kong and the Mainland China.

7. EXPENSES BY NATURE

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

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
		(Restated)
		(Note 1)
Auditor's remuneration	791	1,057
Depreciation of property, plant and equipment	20,670	19,420
Depreciation of investment properties	54	55
Amortisation of leasehold land	514	536
Amortisation of intangible assets	7,812	5,005
Employee benefit expenses	140,516	113,845
Costs of inventories sold	206,366	95,630
Operating lease rentals in respect of land and buildings	11,470	11,725
Operating lease rentals in respect of equipment	6,646	6,060
Research and development costs	37,856	31,090
Loss/(gain) on disposal of property, plant and equipment	182	(81)
Provision for impairment of trade receivables	–	284
Write-back of provision for impairment of trade receivables	(3,329)	(269)
	<u> </u>	<u> </u>

8. FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Interest on bank loans	730	–
	<u> </u>	<u> </u>

9. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the period (six months ended 30 June 2010: 16.5%). 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	
	2011	2010
	HK\$'000	HK\$'000
		(Restated)
		(Note 1)
Current Income tax		
– Hong Kong profits tax	–	–
– Overseas taxation	1,441	7,137
Deferred income tax	(1,596)	(1,107)
	<hr/>	<hr/>
Income tax (credit)/expense	(155)	6,030
	<hr/>	<hr/>

10. DIVIDEND

No dividend on ordinary share has been paid or declared by the Company for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

11. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
Trade receivables (<i>Note (a)</i>)	400,524	225,296
Bills receivables (<i>Note (b)</i>)	1,084	1,308
Less: provision for impairment of receivables	<u>(16,144)</u>	<u>(19,333)</u>
	385,464	207,271
Other receivables, prepayments and deposits	<u>87,694</u>	<u>84,609</u>
	<u>473,158</u>	<u>291,880</u>

Note (a): Trade receivables

The Group's credit terms to trade debtors range from 0 to 180 days. At 30 June 2011 and 31 December 2010, the ageing analysis of the trade receivables was as follows:

	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
Current to 90 days	244,351	157,280
91 to 180 days	74,967	31,348
181 to 365 days	58,634	12,100
Over 365 days	<u>22,572</u>	<u>24,568</u>
	<u>400,524</u>	<u>225,296</u>

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 2011 HK\$'000	Audited 31 December 2010 HK\$'000
Falling within 90 days	530	948
Falling within 91 to 180 days	<u>554</u>	<u>360</u>
	<u>1,084</u>	<u>1,308</u>

12. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2011 <i>HK\$'000</i>	Audited 31 December 2010 <i>HK\$'000</i>
Trade payables (<i>Note (a)</i>)	275,061	251,749
Other payables and accruals	115,039	203,771
	<hr/> 390,100 <hr/>	<hr/> 455,520 <hr/>

Note (a): Trade payables

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

At 30 June 2011 and 31 December 2010, the ageing analysis of the trade payables was as follows:

	Unaudited 30 June 2011 <i>HK\$'000</i>	Audited 31 December 2010 <i>HK\$'000</i>
Current to 90 days	179,526	199,090
91 to 180 days	70,894	42,508
181 to 365 days	19,668	5,833
Over 365 days	4,973	4,318
	<hr/> 275,061 <hr/>	<hr/> 251,749 <hr/>

13. DISCONTINUED OPERATION

Upon the completion of the Spin-off, the effective interest held by the Group in PAX Global reduced from 60% to 44.4%. This has resulted in the Group losing control over PAX Global and PAX Global is accounted by the Group as an associated company since 20 December 2010. On 12 January 2011, the over-allotment option of PAX Global was partially exercised by the global coordinator of the Spin-off and the Company's interest in PAX Global was further diluted from 44.4% to approximately 42.8%

	Unaudited Six months ended 30 June 2010 HK\$'000
Profit from discontinued operation:	
Turnover	267,698
Cost of sales	(158,748)
	<hr/>
Gross profit	108,950
Other income	4,317
Selling expenses	(29,094)
Administrative expenses	(25,511)
	<hr/>
Operating profit/profit before income tax	58,662
Income tax expense	(8,489)
	<hr/>
Profit for the period from discontinued operation	50,173
	<hr/>
Profit from discontinued operation attributable to:	
– Equity holders of the Company	30,050
– Non-controlling interests	20,123
	<hr/>
	50,173
	<hr/>
Cash flows from discontinued operation:	
Net cash outflow from operating activities	(49,513)
Net cash outflow from investing activities	(2,516)
Net cash inflow from financing activities	858
	<hr/>

14. TRANSACTION WITH NON-CONTROLLING INTERESTS

On 24 December 2009, the Company and Wise World Group Limited (the “Subscriber”) entered into a conditional subscription agreement, pursuant to which Success Bridge Limited (“Success Bridge”), a then wholly-owned subsidiary of the Company, shall issue and the Subscriber shall subscribe for 600 convertible preference shares of US\$0.001 each in the share capital of Success Bridge (the “SBL Preference Shares”) at a total consideration of US\$60 million (equivalent to approximately HK\$465 million) (the “Subscription”). The SBL Preference Shares represent 6.0% of the issued share capital of Success Bridge as enlarged by the Subscription.

The Subscription was completed on 29 January 2010. As a result of the issuance of the SBL Preference Shares, the Group’s shareholding in Success Bridge was diluted to 94%.

In accordance with the subscription agreement, depending on the net profit of Success Bridge in 2010 and subject to certain conditions specified in the subscription agreement, the Company may need to transfer up to 3% ordinary shares of Success Bridge (“SBL Ordinary Shares”) to the Subscriber (“Ratchet Disposal”) or the Subscriber may need to transfer up to 2% SBL Preference Shares and/or SBL Ordinary Shares to the Company (“Ratchet Acquisition”).

On 10 June 2011, the Group transferred 3% of the equity interest in Success Bridge to the Subscriber. As a result the Group’s shareholding in Success Bridge was further reduced to 91%. An amount of HK\$26,678,000, being the difference between the net proceeds received from the transfer of the SBL Ordinary Shares and 3% of net asset value of Success Bridge has been recognised directly in equity.

The SBL Ordinary Shares transferred and re-designated under the Ratchet Disposal are to be returned to the Company if the volume weighted average price of the shares of the Company exceeds HK\$4.50 for a period of thirty consecutive trading days during the period from (and including) 29 October 2010 (being the date falling nine months immediately following the date of Completion) up to (and excluding) 29 January 2012 (being the date falling on the second anniversary of the date of Completion). The Company, the Subscriber and Success Bridge entered into a supplemental agreement to the shareholders agreement dated 10 June 2011 in order to document the mechanics for such return, if any, of the SBL Ordinary Shares.

15. BUSINESS COMBINATION

On 13 May 2011, the Group acquired 100% of the share capital and the shareholder's loan in Merchant Support Co., Ltd. ("Merchant Support") at a cash consideration of JPY1,730.8 million (equivalent to approximately HK\$166.1 million). The acquisition is a strategic move which is expected to potentially enable the Group to gain access and establish relationships with players in the payment services industry, in particular, the credit card companies, banks and other financial institutions.

The goodwill of HK\$7,388,000 arises from a number of factors. Most significant amongst these is the premium attributable to a pre-existing, well positioned business operating in a competitive market. Other important elements include expected synergies through combining a highly skilled workforce.

None of the goodwill recognised is expected to be deductible for income tax purposes. The following table summarise the consideration paid for Merchant Support and the amounts of the assets acquired and liabilities assumed recognised as at the acquisition date.

Purchase consideration:

	HK\$'000
Cash paid	166,102
Total purchase consideration	<u>166,102</u>

Recognised amounts of identifiable assets acquired and liabilities assumed

	Provisional fair value HK\$'000
Cash and cash equivalents	62,672
Property, plant and equipment	4,279
Trade receivables and other receivables	181,170
Trade payables	(88,676)
Accruals and other payables	(731)
Total identifiable net assets	<u>158,714</u>
Goodwill	<u>7,388</u>
	HK\$'000
Acquisition-related costs included in administrative expenses in the interim condensed consolidated income statement for the six months ended 30 June 2011	<u>763</u>

HK\$'000

Outflow of cash to acquire business, net of cash acquired

Cash consideration	166,102
Less: cash and cash equivalents in the subsidiary acquired	<u>(62,672)</u>
Net cash outflow on acquisition	<u>103,430</u>

(a) Acquired receivables

The fair value of trade and other receivables is HK\$181,170,000 and includes trade receivables with a fair value of HK\$180,926,000. The gross contractual amount for trade receivables due is HK\$180,926,000, all of which is expected to be collectible.

(b) Provisional fair value of acquired identifiable assets

The fair value of the acquired identifiable assets is provisional pending receipt of the final valuations for those assets.

(c) Turnover and profit contribution

The acquired business contributed turnover of JPY31,946,000 (equivalent to approximately HK\$3,076,000) and net loss of JPY30,735,000 (equivalent to approximately HK\$2,960,000) to the Group for the period from 14 May 2011 to 30 June 2011. If the acquisition had occurred on 1 January 2011, consolidated turnover and consolidated loss for the six months ended 30 June 2011 would have been HK\$364,710,000 and HK\$83,644,000, respectively.

16. INTEREST IN AN ASSOCIATED COMPANY AND CHANGES IN OWNERSHIP INTERESTS IN AN ASSOCIATED COMPANY

On 12 January 2011, PAX Global, an associated company of the Company allotted and issued 37,728,000 new shares to CITIC Securities International, the global coordinator of the Spin-off, as a result of its partial exercise of the over-allotment option in relation to the Spin-off. An amount of HK\$1,885,000, being the difference between the share of net proceeds received by PAX Global and the carrying value of the interest disposed has been recognised in the interim condensed consolidated income statement.

The movement on interest in an associated company is as follow:

	Unaudited HK\$'000
At 1 January 2011	1,285,714
Share of profit of an associated company	28,778
Share of other comprehensive income at an associated company	4,711
Dilution of interest in an associated company	<u>(1,885)</u>
At 30 June 2011	<u>1,317,318</u>

MANAGEMENT DISCUSSION AND ANALYSIS

	Turnover*			EBITDA		
	1H 2011 HK\$'000	1H 2010 HK\$'000	Change +/(–)	1H 2011 HK\$'000	1H 2010 HK\$'000	Change +/(–)
Continuing Operations						
Telecommunication solutions and operation value-added services	88,165	256,994	-66%	12,723	61,120	-79%
Financial solutions, services and related products	33,121	29,525	+12%	(30,556)	(11,858)	+158%
Payment solutions and services	21,911	16,907	+30%	(17,159)	(33,569)	-49%
Electronic power meters and solutions	210,942	104,679	+102%	(14,865)	(27,392)	-46%
Others	3,076	–	N/A	(12,069)	(4,654)	+159%
Total	357,215	408,105	-12%	(61,926)	(16,353)	+279%
Depreciation				(20,131)	(18,769)	+7%
Amortisation				(7,947)	(5,161)	+54%
Segmental operating loss				(90,004)	(40,283)	+123%
Unallocated other income				143	7,553	-98%
Unallocated corporate expense				(19,988)	(19,481)	+3%
Share of profit of an associated company				28,778	–	N/A
Finance cost				(730)	–	N/A
Loss before income tax				(81,801)	(52,211)	+57%
Income tax credit/(expense)				155	(6,030)	-103%
Loss for the period from continuing operations				(81,646)	(58,241)	+40%
Discontinued operation						
Profit from discontinued operation				–	50,173	N/A
Loss for the period				(81,646)	(8,068)	+912%

* Turnover from external customers

During the six months ended 30 June 2011 (“1H2011”), the Group’s consolidated turnover from continuing operations amounted to HK\$357.2 million, representing a decrease of 12% compared to 1H2010. Segmental operating loss amounted to HK\$90.0 million as compared to segmental operating loss of HK\$40.3 million in 1H2010, which was mainly due to, a decline in operating profit of telecommunication solutions; and an increase in operating loss from financial solution, service and related products segment for the six months ended 30 June 2011. Profit from discontinued operation was HK\$50.2 million in 1H2010.

The total assets as at 30 June 2011 amounted to HK\$3,528.7 million, compared with HK\$3,657.4 million as at 31 December 2010. As at 30 June 2011 net current assets amounted HK\$1,359.2 million, compared with HK\$1,457.8 million as at 31 December 2010.

KEY INVESTING AND FINANCING ACTIVITIES

On 20 December 2010, PAX Global Technology Limited (“PAX Global”) was listed on the Main Board of the Stock Exchange of Hong Kong Limited. Prior to the Spin-off and separate listing of PAX Global, it was a then 60% owned subsidiary to the Group. Upon the listing of shares of PAX Global, the Company’s interest was reduced from 60% to 44.4% by way of issuance of new shares by PAX Global. In January 2011, the over-allotment option was partially exercised by the global coordinator of the global offering of PAX Global. The Company’s interest in PAX Global was reduced from 44.4% to approximately 42.8%. Following the Spin-off and separate listing of PAX Global, PAX Global’s results are reflected in the Group’s share of profit of an associated company.

On 11 January 2011, the Company entered into a sale and purchase agreement with an independent third party (the “Vendor”), pursuant to which the Vendor agreed to sell and the Company conditionally agreed to purchase the entire issued share capital (the “Sales Share”) of Merchant Support Co., Ltd. (“Merchant Support”), a company incorporated in Japan, and the sales claims, which comprise (i) the loan claims (which represent the Vendor’s loan claims against Merchant Support and Merchant Capital Limited (“Merchant Capital”) under certain loan agreements between the Vendor and Merchant Support or between the Vendor and Merchant Capital which remain outstanding as at three business days before the completion date); and (ii) AM Claims (which represent the Vendor’s right to demand payment of remuneration incurred until the completion date (inclusive) under the cost reimbursement agreement between the Vendor and Merchant Support). The acquisition was completed on 13 May 2011 and the total consideration was JPY1,730.8 million (equivalent to approximately HK\$166.1 million).

On 29 January 2010, Success Bridge Limited (“Success Bridge”) allotted 600 preference shares (“SBL Preference Shares”) at a total subscription price of US\$60 million (equivalent to approximately HK\$465 million) to a subscriber. The SBL Preference Shares shall represent 6% of the total issued share capital of Success Bridge as enlarged by the subscription. On the same date, the Company, the subscriber and Success Bridge entered into a shareholders agreement (the “Shareholders Agreement”) relating to, among other things, (i) the grant of exchange rights by the Company to the holders of SBL Preference Shares; (ii) the transfer of a specified number of ordinary shares of Success Bridge (“SBL Ordinary Shares”) equal to up to 3% of the aggregate number of shares of Success Bridge in issue as at completion at an aggregate consideration of HK\$1.00 by the Company to the holders of SBL Preference Share if the

2010 net profit of Success Bridge is less than RMB450,000,000 (the “Ratchet Disposal”); and (iii) the transfer of a specified number of SBL Preference Shares and/or SBL Ordinary Shares equal to up to 2% of the aggregate number of shares of Success Bridge in issue as at completion at an aggregate consideration of HK\$1.00 by the holders of SBL Preference Shares to the Company if the 2010 net profit of Success Bridge is RMB500,000,000 or more (the “Ratchet Acquisition”). As the 2010 net profit of Success Bridge was less than RMB375,000,000, the Company has transferred 300 SBL Ordinary Shares (representing 3% of the issued share capital of Success Bridge, assuming full conversion of all SBL Preference Shares into SBL Ordinary Shares) to the holders of SBL Preference shares in accordance with the Shareholders Agreement. The SBL Ordinary Shares so transferred have, upon completion of the transfer, been re-designated into SBL Preference Shares. The SBL Ordinary Shares transferred and re-designated under the Ratchet Disposal are to be returned to the Company if the volume weighted average price of the shares of the Company exceeds HK\$4.50 for a period of thirty consecutive trading days during the period from (and including) 29 October 2010 (being the date falling nine months immediately following the date of completion) up to (and excluding) 29 January 2012 (being the date falling on the second anniversary of the date of completion). The Company, the subscriber and Success Bridge entered into a supplemental agreement to the Shareholders Agreement dated 10 June 2011 in order to document the mechanics for such return, if any, of the SBL Ordinary Shares. The Ratchet Disposal was completed on 10 June 2011.

CONTINUING OPERATIONS

The performance of the four key business segments under the continuing operations during the period is set out as below.

Telecommunications solutions and operation value-added services

	1H2011 <i>HK\$'000</i>	1H2010 <i>HK\$'000</i>	Change +/-(-)
Turnover	88,165	256,994	-66%
EBITDA	12,723	61,120	-79%
Operating profit	7,997	55,408	-86%

During 1H2011, segmental turnover amounted to HK\$88.2 million as compared to HK\$257.0 million in 1H2010. Decline in segmental EBITDA and segmental operating profit was mainly contributed by the decrease in traffic volume of traditional IVR business as impacted by certain policy changes in the wireless value-added services sector in the industry. Meanwhile, certain new businesses are still under development. We anticipate that the provision of nationwide IVR platform to China Mobile will continue to be one of the major revenue contributors of this segment and year 2011 will continue to be a challenging year. During the period, additional resources have been placed for developing new and innovation products and services, such as voice microblog and expansion in mobile games, animation and comics etc.

Financial solutions, services and related products

	1H2011 <i>HK\$'000</i>	1H2010 <i>HK\$'000</i>	Change +/-(-)
Turnover*	33,121	29,525	+12%
EBITDA	(30,556)	(11,858)	+158%
Operating loss	(39,531)	(20,075)	+97%

During the current period, segmental turnover amounted to HK\$33.1 million as compared to HK\$29.5 million in 1H2010. Segmental operating loss totaled HK\$39.5 million compared with segmental operating loss of HK\$20.1 million in 1H2010. With the aim to create more stable, sustainable and recurring income streams, we focus on a number of development projects on cross-industry solutions, including industrial advisory, business operation solutions, system development and operation services, and other outsourcing services.

* Turnover from external customers

Payment solutions and services

	1H2011 <i>HK\$'000</i>	1H2010 <i>HK\$'000</i>	Change +/-(-)
Turnover	21,911	16,907	+30%
EBITDA	(17,159)	(33,569)	-49%
Operating loss	(23,040)	(36,064)	-36%

Currently, our payment solution segment is principally engaged in the operation and development of the first nation-wide mobile payment platform and solution with China Mobile and other related services. During 1H2011, our payment solution segment recorded a turnover of HK\$21.9 million as compared to HK\$16.9 million in 1H2010 and segmental operating loss of HK\$23.0 million as compared to HK\$36.1 million in 1H2010, respectively, awaiting for the building up of transaction volume and operation scale in this business segment.

Electronic power meters and solutions

	1H2011 <i>HK\$'000</i>	1H2010 <i>HK\$'000</i>	Change +/-(-)
Turnover	210,942	104,679	+102%
EBITDA	(14,865)	(27,392)	-46%
Operating loss	(22,124)	(34,875)	-37%

During 1H2011, segmental turnover increased by 102% as compared with 1H2010. With the change in tendering process from which centralised tendering was conducted by the State Grid and the new standards of smart meters conforming to the smart grid infrastructure, intensive competition is enforcing market consolidation of the electronic meter industry. However, the effect of increase in turnover was partially offset by the drop in gross profit margin. We experienced segmental operating loss of HK\$22.1 million in 1H2011 as compared to a segmental operating loss of HK\$34.9 million in 1H2010. The drop in gross profit

margin was mainly due to increased competition in the market. Besides, there were new product specifications which had reduced our production efficiency. To increase our market competitiveness, we had placed more exertion to streamline product cost, improve the quality of existing products and develop new series of products through research and development so as to be meet the needs of the market.

OUTLOOK

It is anticipated that the business environment in year 2011 will continue to be challenging. With the enormous room for growth in various businesses, combined with our strong financial position, Hi Sun will keep its momentum with various existing business opportunities ahead.

Telecommunications solutions and operation value-added services

Hi Sun continues to benefit from its agreement with China Mobile to provide the sole nationwide IVR platform which brings to the Group a recurring revenue stream. In 2011, Hi Sun plans to place more exertion on the development of communitisation voice related services such as voice microblog business and expanding into other business area such as mobile games, animation and comics. Hi Sun believes that the rapid and strong growth in mobile internet will bring opportunities for new innovative wireless products and high value-added services and solutions in the long run.

Financial solutions, services and related products

During the recent years, we have refocused certain measures to extend our underlying strength and expertise in providing cross-industry value-added solutions, including industrial advisory, business operation solutions, system development and operation services, and other outsourcing services in order to create more stable, sustainable and recurring income streams. The banks and other financial institutions worldwide are increasingly outsourcing certain non-core management functions to simplify operations and lower costs. Taking advantage of our relatively significant experience in deploying financial solutions, we are able to leverage upon our expertise to take advantage of the future business opportunities.

Payment solutions and services

Being the largest mobile phone market in the world, mobile phones permeate all spheres of people's social life in China. Such huge base of mobile phone users has established an excellent foundation for the development of mobile payment. The evolution of the mobile phone payment market is mainly attributable to the favorable payment environment, coupled with the determination of promoting the mobile phone payment market by telecom operators, banks, third-party payments and other players in the industry.

Electronic power meters and solutions

Whereas global awareness on energy saving solutions is increasing, power grids are looking out for environmental-friendly, effective and efficient electricity network and energy system. In China, the State Grid has proposed to construct a Strong and Smart Grid by year 2020. All these factors are expected to contribute to the market demand for electronic power meters. With the change in tendering process and the new standards of smart meters conforming to the smart grid infrastructure, intensive competition is enforcing market consolidation of the electronic meter industry. It is anticipated that only the strong enterprises will survive. In the early stage of the market restructuring, the profit margin of this segment is expected to diminish. Looking ahead, we will place tremendous effort in R&D and cost saving measures to improve our profit margin.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group reported total assets of HK\$3,528.7 million (31 December 2010: HK\$3,657.4 million), which were financed by total liabilities of HK\$423.1 million (31 December 2010: HK\$489.6 million) and equity of HK\$3,105.5 million (31 December 2010: HK\$3,167.8 million). The net asset value was HK\$3,105.5 million (31 December 2010: HK\$3,167.8 million). The net asset value per share amounted to HK\$1.162 per share as compared to HK\$1.185 per share as at 31 December 2010.

The gearing ratio (defined as total borrowings divided by shareholders' equity) was 0.0074 as compared to 0.0071 as at 31 December 2010. The gearing ratio is considered healthy and suitable for the continuous growth of the Group's business.

As at 30 June 2011, the Group had cash and short-term bank deposit of HK\$1,141.3 million (31 December 2010: HK\$1,459.2 million). The net cash position as at 30 June 2011 was HK\$1,118.4 million as compared to HK\$1,436.7 million as at 31 December 2010.

CAPITAL STRUCTURE AND DETAILS OF CHARGES

Approximately HK\$153.5 million, HK\$342.2 million, HK\$348.7 million, HK\$128.1 million and HK\$0.2 million of the Group's cash balances were denominated in Renminbi, Hong Kong dollar, US dollar, Japanese Yen and Euro respectively as at 30 June 2011.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in this announcement, the Group does not have any material acquisition or disposal of subsidiaries during the six months ended 30 June 2011.

EXCHANGE RATES EXPOSURE

The Group derives its revenue, makes purchases and incurs expenses denominated mainly in US dollars, Renminbi, Japanese Yen 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, Renminbi or Japanese Yen may have an impact on the operating results of the Group.

CONTINGENT LIABILITIES

The Group had no material contingent liability as at 30 June 2011.

EMPLOYEES

The total number of employees of the Group as at 30 June 2011 was 2,487. The breakdown of employees by division is as follows:

Telecommunication solutions	431
Financial solutions	426
Payment solutions	439
Electronic power meters and solutions	1,033
Others	122
Corporate office	36
	<hr/>
	2,487

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.

Disclaimer:

Non-GAAP measures

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

SHARE CAPITAL

	Ordinary shares of HK\$0.0025 each	
	Number of shares	HK\$'000
Authorised:		
At 1 January 2010, 30 June 2010, 1 January 2011 and 30 June 2011	<u>4,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
At 1 January 2010, 30 June 2010, 1 January 2011 and 30 June 2011	<u>2,673,429,835</u>	<u>6,684</u>

(a) Share option scheme of 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 April 2011 and unless otherwise cancelled or amended, will remain valid and effective for a period of 10 years from that date.

The share option scheme for the Company and its subsidiaries which was adopted by the Company at its special general meeting on 29 November 2001 was terminated on 29 April 2011.

During the six months ended 30 June 2011, no share options was granted. As at 30 June 2011, there is no outstanding share option.

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. The Company has also established written guidelines with exact terms as set out in Appendix 10 of the Listing Rules for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information 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 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 2011, except for the following:

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 29 April 2011, however, Mr. Li Wenjin, as an Executive Director of the Company, took the chair pursuant to the Bye-laws of the Company.

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.

CONVERTIBLE PREFERENCE SHARES ISSUED BY A SUBSIDIARY

As disclosed in the announcement of the Company dated 30 December 2009 and the circular of 8 January 2010, the Company and Wise World Group Limited (the “Subscriber”) entered into a conditional subscription agreement (the “Subscription Agreement”) on 24 December 2009, pursuant to which the Company shall procure the issue and allotment by Success Bridge (a then wholly-owned subsidiary of the Company) of, and the Subscriber shall subscribe for 600 preference shares of US\$0.001 each in the share capital of Success Bridge (“SBL Preference Shares”) at a total consideration of US\$60 million (equivalent to approximately HK\$465 million) (the “Subscription”). The 600 SBL Preference Shares represent 6.0% of the issued share capital of Success Bridge as enlarged by the Subscription. The 600 SBL Preference Shares have been issued on 29 January 2010.

On completion of the Subscription Agreement (“Completion”), the Company, the Subscriber and Success Bridge had entered into a shareholders’ agreement, pursuant to which the Company agreed to grant the rights to holders of SBL Preference Shares (other than the Company) to, within a prescribed time frame, transfer to the Company all SBL Preference Shares together with all ordinary shares of Success Bridge (“SBL Ordinary Shares”) (that have arisen from the conversion of the SBL Preference Shares) then in issue and held by holders of such SBL Preference Shares in consideration of the issue of new ordinary shares of the Company (“Shares”) at the initial exchange price of HK\$4.5 per Share (subject to adjustments). The Company had also agreed, (i) if the audited consolidated net profit after taxation of Success Bridge and its subsidiaries for the financial year ending 31 December 2010 (the “2010 SBL Net Profit”) was less than RMB450,000,000, the Company had to transfer to the SBL Preference Shareholders such aggregate number of additional SBL Ordinary Shares equal to up to 3% of the aggregate number of ordinary and preference shares of Success Bridge (“SBL Shares”) in issue as at Completion at a consideration of HK\$1.00 (the “Ratchet Disposal”); and (ii) if the 2010 SBL Net Profit is RMB500,000,000 or more,

the SBL Preference Shareholders had to transfer to the Company such aggregate number of SBL Preference Shares and/or SBL Ordinary Shares equal to up to 2% of the aggregate number of SBL Shares in issue as at Completion at a consideration of HK\$1.00 (the “Ratchet Acquisition”).

Pursuant to the Shareholders’ Agreement, at any time during a period from (and including) the day falling nine months after the date of the first issue of the SBL Preference Shares to (and excluding) the date falling on the third anniversary thereof and subject to the number of SBL Preference Shares then outstanding exceeding 50% in number of the aggregate number of such SBL Preference Shares and SBL Ordinary Shares (that have arisen on the conversion of the SBL Preference Shares), the majority SBL Preference Shareholders may, at their sole option, require the Company to acquire all SBL Preference Shares then in issue and SBL Ordinary Shares (that have arisen from the conversion of the SBL Preference Shares) and held by the SBL Preference Shareholders (other than the Company) in consideration of the issue to the relevant SBL Preference Shareholder or the person (not being a connected person of the Company) designated by it of such number of new Shares to be calculated by US\$60 million (or its HK\$ equivalent calculated at the exchange rate of US\$1: HK\$7.7553) divided by the initial exchange price of HK\$4.5 per Share (subject to adjustments) (“Exchange Rights”). There will be no Ratchet Disposal or Ratchet Acquisition if the Exchange Rights are exercised in full.

The Subscriber was wholly-owned by Hao Capital Fund II L.P., Hao Capital Fund II L.P. and Hao Capital China Fund L.P. (being funds under common control) through their wholly owned subsidiaries were substantial shareholders of the Company’s non-wholly owned subsidiary. Accordingly, each of the Subscription, the Ratchet Disposal, the Ratchet Acquisition, the purchase of SBL Shares on exercise of the Exchange Rights, constituted a connected transaction of the Company, subject to reporting, announcement and Independent Shareholders approval requirement under Chapter 14A of the Listing Rules. The Completion took place on 29 January 2010.

As the 2010 SBL Net Profit was less than RMB375,000,000, the Company has transferred 300 SBL Ordinary Shares (representing 3% of the issued share capital of Success Bridge, assuming full conversion of all SBL Preference Shares into SBL Ordinary Shares) to the SBL Preference Shareholders in accordance with the Shareholders Agreement. The SBL Ordinary Shares so transferred have, upon completion of the transfer, been re-designated into SBL Preference Shares, the principal terms of which are set out in the circular dated 8 January 2010. The SBL Ordinary Shares transferred and re-designated under the Ratchet Disposal are to be returned to the Company if the volume weighted average price of the Shares exceeds HK\$4.50 for a period of thirty consecutive trading days during the period from (and including) 29 October 2010 (being the date falling nine months immediately following the date of Completion) up to (and excluding) 29 January 2012 (being the date falling on the second anniversary of the date of Completion). The Company, the Subscriber and Success Bridge entered into a supplemental agreement to the Shareholders Agreement dated 10 June 2011 in order to document the mechanics for such return, if any, of the SBL Ordinary Shares. The Ratchet Disposal was completed on 10 June 2011.

ACQUISITION OF MERCHANT SUPPORT CO., LTD.

On 11 January 2011, the Company entered into a sale and purchase agreement (the “Agreement”) with an independent third party (the “Vendor”), pursuant to which the Vendor agreed to sell and the Company conditionally agreed to purchase the entire issued share capital (the “Sales Share”) of Merchant Support Co., Ltd (“Merchant Support”), a company incorporated in Japan, and the Sales Claims, which comprise (i) the Loan Claims (which represent the Vendor’s loan claims against Merchant Support and Merchant Capital Limited (“Merchant Capital”) under certain loan agreements between the Vendor and Merchant Support or between the Vendor and Merchant Capital which remain outstanding as at three Business Days before the Completion Date); and (ii) AM Claims (which represent the Vendor’s right to demand payment of remuneration incurred until the Completion Date (inclusive) under the cost reimbursement agreement between the Vendor and Merchant Support).

The acquisition was completed on 13 May 2011 and the total consideration was JPY1,730.8 million (equivalent to approximately HK\$166.1 million).

EXERCISE OF OVER-ALLOTMENT OPTION OF PAX GLOBAL TECHNOLOGY LIMITED

On 12 January 2011, the over-allotment option as detailed in the Prospectus dated 8 December 2010 of PAX Global Technology Limited (“PAX Global”), an associated company of the Company, was partially exercised by the global coordinator of the global offering of PAX Global. PAX Global issued an aggregate of 37,728,000 additional shares at Offer Price and the Company’s interest in PAX Global was reduced from 44.4% to approximately 42.8%.

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 2011 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 2011.

SUBSEQUENT EVENTS

Disposal of 21% shares of Max Ascent Limited with several independent third parties

On 11 July 2011, Max Ascent Limited ("Max Ascent"), a subsidiary of the Company, entered into conditional subscription agreements with three independent third parties, pursuant to which the three subscribers conditionally agreed to purchase 9%, 9% and 3% of the issued share capital of Max Ascent at the consideration of HK\$2,340,000, HK\$2,340,000 and HK\$780,000, respectively. The subscription was completed on 25 July 2011. This represents a transaction with non-controlling interests. The difference between the net proceeds received and the share of net asset value of Max Ascent transferred to the three subscribers will be recognised in equity.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2011 interim results announcement is published on the Company's website at www.hisun.com.hk and the website of the Hong Kong Stock Exchange at www.hkexnews.hk. The 2011 interim report will be available on the websites of The Stock Exchange of Hong Kong Limited and the Company and will be despatched to all shareholders in due course.

The 2011 interim financial information set out above does not constitute the Group's statutory financial statements for the six months ended 30 June 2011. Instead, it has been derived from the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011, which will be included in the Company's 2011 interim report.

By Order of the Board
Li Wenjin
Executive Director

Hong Kong, 22 August 2011

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; two non-executive Directors, namely Mr. Yang Lei, Raymond and Mr. Chang Kai-Tzung, Richard and three independent non-executive Directors, namely Mr. Tam Chun Fai, Mr. Xu Sitao and Mr. Leung Wai Man, Roger.