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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 2013

FINANCIAL HIGHLIGHTS			
	1H2013	1H2012	Change
	HK\$'000	HK\$'000	+/(-)
RESULTS			
Revenue	398,083	262,426	+52%
Gross profit	132,025	49,138	+169%
Segmental EBITDA (before unallocated items)	(52,494)	(124,373)	-58%
Share of profit of an associated company	38,433	32,842	+17%
Loss for the period	<u>(86,339)</u>	<u>(144,802)</u>	-40%
Loss attributable to:			
— Equity holders of the Company	(83,508)	(136,616)	-39%
— Non-controlling interests	<u>(2,831)</u>	<u>(8,186)</u>	-65%
	<u>(86,339)</u>	<u>(144,802)</u>	-40%
	HK\$ per share	HK\$ per share	Change
			+/(-)
Loss per share for loss attributable to equity holders of the Company:			
Basic and diluted	<u>(0.030)</u>	<u>(0.051)</u>	-41%

* For identification purposes only

	30 June 2013	31 December 2012	Change + / (-)
	<i>HK\$'000</i>	<i>HK\$'000</i>	
HIGHLIGHTS OF FINANCIAL POSITION			
Total equity	2,619,824	2,681,385	-2%
Net current assets	846,983	945,471	-10%
Total assets	<u>3,873,123</u>	<u>3,192,299</u>	+21%
	<i>HK\$ per share</i>	<i>HK\$ per share</i>	
Net assets per share	<u>0.943</u>	<u>1.003</u>	-6%

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 2013 together with the unaudited comparative figures for the corresponding period in 2012 as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2013	2012
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	398,083	262,426
Cost of sales	6	<u>(266,058)</u>	<u>(213,288)</u>
Gross profit		132,025	49,138
Other income	4	4,676	6,833
Other (loss)/gains, net	4	(2,827)	546
Selling expenses	6	(76,036)	(50,783)
Administrative expenses	6	(167,924)	(156,489)
Impairment of intangible assets	6	<u>(11,864)</u>	<u>(24,558)</u>
Operating loss		(121,950)	(175,313)
Share of profit of an associated company	15	38,433	32,842
Finance costs	8	<u>–</u>	<u>(895)</u>
Loss before income tax		(83,517)	(143,366)
Income tax expense	9	<u>(2,822)</u>	<u>(1,436)</u>
Loss for the period		<u>(86,339)</u>	<u>(144,802)</u>

		Unaudited	
		Six months ended 30 June	
		2013	2012
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Loss attributable to:			
— Equity holders of the Company		(83,508)	(136,616)
— Non-controlling interests		(2,831)	(8,186)
		<u>(86,339)</u>	<u>(144,802)</u>
		<i>HK\$ per share</i>	<i>HK\$ per share</i>
Loss per share for loss attributable to equity holders of the Company:			
Basic and diluted	<i>10</i>	<u>(0.030)</u>	<u>(0.051)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(86,339)	(144,802)
Other comprehensive loss, net of tax		
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	12,326	(6,484)
Fair value gain/(loss) on revaluation of available-for-sale financial assets	1,248	(100)
Share of other comprehensive income/(loss) of an associated company	7,123	(3,894)
	<u>(65,642)</u>	<u>(155,280)</u>
Total comprehensive loss for the period, net of tax	(65,642)	(155,280)
Total comprehensive loss attributable to:		
— Equity holders of the Company	(62,917)	(147,045)
— Non-controlling interests	(2,725)	(8,235)
	<u>(65,642)</u>	<u>(155,280)</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2013 <i>HK\$'000</i>	Audited 31 December 2012 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Investment properties		2,319	2,405
Property, plant and equipment		127,148	126,039
Leasehold land		37,035	37,330
Intangible assets		70,072	84,198
Interest in an associated company	15	1,508,039	1,458,419
Available-for-sale financial assets		28,623	27,267
Long-term deposits	12	1,395	2,563
Total non-current assets		1,774,631	1,738,221
Current assets			
Inventories		88,020	81,310
Trade and bills receivables	11	337,810	450,174
Other receivables, prepayments and deposits	12	801,523	94,835
Amount due from an associated company		160	42
Financial assets at fair value through profit or loss		11,201	13,948
Short-term bank deposits		13,833	19,574
Cash and cash equivalents		845,945	794,195
Total current assets		2,098,492	1,454,078
Total assets		3,873,123	3,192,299
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		6,942	6,684
Reserves		2,625,313	2,619,411
		2,632,255	2,626,095
Non-controlling interests		(12,431)	55,290
Total equity		2,619,824	2,681,385

		Unaudited	Audited
		30 June	31 December
		2013	2012
	<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		<u>1,790</u>	<u>2,307</u>
Total non-current liabilities		<u>1,790</u>	<u>2,307</u>
Current liabilities			
Trade and bills payables	<i>13</i>	203,647	246,581
Other payables	<i>14</i>	1,013,788	251,884
Amount due to an associated company		24,623	4,082
Current income tax liabilities		<u>9,451</u>	<u>6,060</u>
Total current liabilities		<u>1,251,509</u>	<u>508,607</u>
Total liabilities		<u>1,253,299</u>	<u>510,914</u>
Total equity and liabilities		<u>3,873,123</u>	<u>3,192,299</u>
Net current assets		<u>846,983</u>	<u>945,471</u>
Total assets less current liabilities		<u>2,621,614</u>	<u>2,683,692</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, provision of financial solutions, provision of payment solutions 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 is presented in thousands of Hong Kong dollar (HK\$’000), unless otherwise stated.

This condensed consolidated interim financial information was approved for issue on 1 August 2013.

This condensed consolidated interim financial information has not been audited.

During the period, due to the changes in market conditions, impairment of goodwill of HK\$11,864,000 arising from acquisition of Merchant Support Co., Ltd (“Merchant Support”) and MS Car Credit Co., Ltd. (“MSCC”) (collectively, the “MS Group”), was recognised in the condensed consolidated income statement after taking into account the recent operating environment.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2013 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 2012, 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 2012, 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.

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

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

- (b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

HKFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: Recognition and measurement' and have not been changed. The Group has not yet decided when to adopt HKFRS 9.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

4. REVENUE, OTHER INCOME AND OTHER (LOSS)/GAINS, NET

The Group is principally engaged in the provision of telecommunication solutions, provision of financial solutions, provision of payment solutions and sales of electronic power meters and solutions.

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

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Turnover		
Provision of telecommunication solutions	107,106	87,592
Provision of financial solutions	45,987	56,076
Provision of payment solutions	91,607	28,010
Sales of electronic power meters and solutions	141,881	77,546
Provision of payment settlement services	11,064	12,543
Licence income from an associated company	438	659
	<u>398,083</u>	<u>262,426</u>
Other income		
Interest income	841	2,929
Value added tax refund	1,083	1,907
Subsidy income	492	204
Rental income	1,040	1,255
Others	1,220	538
	<u>4,676</u>	<u>6,833</u>
Other (loss)/gains, net		
Dividend income on financial assets at fair value through profit or loss	10	8
Fair value (loss)/gain on financial assets at fair value through profit or loss	(2,837)	538
	<u>(2,827)</u>	<u>546</u>
Turnover, other income and other (loss)/gains, net	<u>399,932</u>	<u>269,805</u>

5. SEGMENT INFORMATION

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

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

The Group is organised into four main operating segments in these internal reports:

- (a) Telecommunication solutions — principally engaged in the provision of telecommunication platform operation services and operation value-added services;
- (b) Financial solutions — principally engaged in the provision of information system consultancy, integration and operation services and sales of information technology products to financial institutions and banks;

- (c) Payment solutions — principally engaged in the provision of mobile payment platform operation services and payment solutions and services and related products; and
- (d) Electronic power meters and solutions — principally engaged in the manufacturing and sales of electronic power meters, data collection terminals and provision of information system consultancy services and the research and development of communication technology.

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

	Unaudited					Total HK\$'000
	Telecomm- unication solutions HK\$'000	Financial solutions HK\$'000	Payment solutions HK\$'000	Electronic power meters and solutions HK\$'000	Others HK\$'000	
Six months ended 30 June 2013						
Segment turnover	107,106	46,488	91,607	141,881	11,502	398,584
Inter-segment turnover	-	(501)	-	-	-	(501)
Turnover from external customers	<u>107,106</u>	<u>45,987</u>	<u>91,607</u>	<u>141,881</u>	<u>11,502</u>	<u>398,083</u>
Segmental earnings/(loss) before interest, taxes, depreciation and amortisation ("EBITDA") and before impairment of intangible assets	21,533	(47,666)	(18,161)	4,485	(821)	(40,630)
Impairment of intangible assets	-	-	-	-	(11,864)	(11,864)
Segmental EBITDA	<u>21,533</u>	<u>(47,666)</u>	<u>(18,161)</u>	<u>4,485</u>	<u>(12,685)</u>	<u>(52,494)</u>
Depreciation	(4,717)	(1,215)	(8,061)	(3,022)	(860)	(17,875)
Amortisation	(1,779)	-	-	(850)	-	(2,629)
Segmental operating profit/(loss)	<u>15,037</u>	<u>(48,881)</u>	<u>(26,222)</u>	<u>613</u>	<u>(13,545)</u>	<u>(72,998)</u>
Unallocated other loss						(1,728)
Unallocated corporate expense						(47,224)
Share of profit of an associated company						<u>38,433</u>
Loss before income tax						(83,517)
Income tax expense						<u>(2,822)</u>
Loss for the period						<u><u>(86,339)</u></u>

	Unaudited					Total HK\$'000
	Telecomm- unication solutions HK\$'000	Financial solutions HK\$'000	Payment solutions HK\$'000	Electronic power meters and solutions HK\$'000	Others HK\$'000	
Six months ended 30 June 2012						
Segment turnover	87,592	59,011	29,239	77,546	13,202	266,590
Inter-segment turnover	–	(2,935)	(1,229)	–	–	(4,164)
Turnover from external customers	87,592	56,076	28,010	77,546	13,202	262,426
Segmental EBITDA and before impairment of intangible assets	13,255	(30,296)	(52,637)	(24,862)	(5,275)	(99,815)
Impairment of intangible assets	–	–	–	(24,558)	–	(24,558)
Segmental EBITDA	13,255	(30,296)	(52,637)	(49,420)	(5,275)	(124,373)
Depreciation	(4,271)	(3,737)	(2,427)	(3,619)	(1,880)	(15,934)
Amortisation	–	–	–	(3,705)	–	(3,705)
Segmental operating profit/(loss)	8,984	(34,033)	(55,064)	(56,744)	(7,155)	(144,012)
Unallocated other income						2,620
Unallocated corporate expense						(33,921)
Share of profit of an associated company						32,842
Finance costs						(895)
Loss before income tax						(143,366)
Income tax expense						(1,436)
Loss for the period						<u>(144,802)</u>

Unallocated corporate expenses represent costs that are used for all segments, including depreciation of property, plant and equipment of HK\$992,000 (six months ended 30 June 2012: HK\$1,243,000), depreciation of investment properties of HK\$86,000 (six months ended 30 June 2012: HK\$76,000) and amortisation of leasehold land HK\$381,000 (six months ended 30 June 2012: HK\$379,000), respectively.

The segment assets and liabilities at 30 June 2013 and additions to non-current assets for the six months ended 30 June 2013 are as follows:

	Telecomm- unication solutions <i>HK\$'000</i>	Financial solutions <i>HK\$'000</i>	Payment solutions <i>HK\$'000</i>	Electronic power meters and solutions <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Unaudited Segment assets	<u>711,940</u>	<u>118,049</u>	<u>1,143,380</u>	<u>486,790</u>	<u>219,354</u>	<u>2,247,764</u>	<u>(1,054,154)</u>	<u>3,873,123</u>
Segment liabilities	<u>(120,571)</u>	<u>(129,592)</u>	<u>(1,472,652)</u>	<u>(266,159)</u>	<u>(276,432)</u>	<u>(42,047)</u>	<u>1,054,154</u>	<u>(1,253,299)</u>
Unaudited Additions to non-current assets (excluding long-term deposits, interest in an associated company and available-for-sale financial assets)	<u>2,108</u>	<u>388</u>	<u>14,373</u>	<u>1,202</u>	<u>-</u>	<u>41</u>	<u>-</u>	<u>18,112</u>

The segment assets and liabilities at 31 December 2012 and additions to non-current assets for the six months ended 30 June 2012 are as follows:

	Telecomm- unication solutions <i>HK\$'000</i>	Financial solutions <i>HK\$'000</i>	Payment solutions <i>HK\$'000</i>	Electronic power meters and solutions <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Audited Segment assets	<u>692,579</u>	<u>184,007</u>	<u>265,983</u>	<u>531,907</u>	<u>269,854</u>	<u>2,237,523</u>	<u>(989,554)</u>	<u>3,192,299</u>
Segment liabilities	<u>(125,563)</u>	<u>(139,303)</u>	<u>(537,618)</u>	<u>(314,804)</u>	<u>(332,128)</u>	<u>(51,052)</u>	<u>989,554</u>	<u>(510,914)</u>
Unaudited Additions to non-current assets (excluding long-term deposits, interest in an associated company and available-for-sale financial assets)	<u>9,803</u>	<u>163</u>	<u>22,364</u>	<u>408</u>	<u>6,612</u>	<u>-</u>	<u>-</u>	<u>39,350</u>

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

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

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

The Group principally domiciles in Mainland China, Hong Kong, Japan and Macau.

6. EXPENSES BY NATURE

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

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Auditor's remuneration	1,300	1,050
Depreciation of property, plant and equipment	18,867	17,177
Depreciation of investment properties	86	76
Amortisation of leasehold land	500	518
Amortisation of intangible assets	2,510	3,566
Employee benefit expenses	199,807	166,669
Costs of inventories sold (including provision for inventories)	128,247	102,893
Operating lease rentals in respect of land and buildings	16,592	14,935
Operating lease rentals in respect of equipment	8,318	8,955
Research and development costs (including staff costs)	69,732	55,225
Loss/(gain) on disposal of property, plant and equipment	13	(262)
Provision for inventories	–	279
Impairment of intangible assets	11,864	24,558

7. NET FOREIGN EXCHANGE LOSS

The net foreign exchange loss recognised in the condensed consolidated income statement and included in administrative expenses for the period ended 30 June 2013 amounted to HK\$25,383,000 (six months ended 30 June 2012: HK\$7,974,000).

8. FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Interest on bank borrowings	–	895

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (six months ended 30 June 2012: 16.5%) on the estimated assessable profit for the period. 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	
	2013	2012
	HK\$'000	HK\$'000
Current income tax		
— Hong Kong profits tax	—	—
— Overseas taxation	3,375	1,965
Deferred tax	(553)	(529)
Income tax expense	<u>2,822</u>	<u>1,436</u>

10. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss 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	
	2013	2012
Loss attributable to equity holders of the Company (HK\$'000)	<u>(83,508)</u>	<u>(136,616)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>2,759,124</u>	<u>2,673,430</u>
Basic loss per share (HK\$ per share)	<u>(0.030)</u>	<u>(0.051)</u>

(b) Diluted

Diluted loss 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 shares: convertible preference shares issued by a subsidiary and share options issued by a subsidiary. The convertible preference shares issued by a subsidiary are assumed to be converted into ordinary shares of the Company and share options are assumed to be fully vested and exercised into ordinary shares of that subsidiary.

Diluted loss per share for the six months ended 30 June 2013 is the same as the basic loss per share (six months ended 30 June 2012: same) as the conversion of potential ordinary shares in relation to the outstanding convertible preference shares issued by a subsidiary and share options issued by a subsidiary would have an anti-dilutive effect to the basic loss per share.

11. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2013 <i>HK\$'000</i>	Audited 31 December 2012 <i>HK\$'000</i>
Trade receivables (<i>Note (a)</i>)	351,117	468,281
Bills receivables (<i>Note (b)</i>)	10,468	5,415
Less: provision for impairment of receivables	(23,775)	(23,522)
	<u>337,810</u>	<u>450,174</u>

Note (a): Trade receivables

The Group's credit terms to trade debtors range from 0 to 180 days. At 30 June 2013 and 31 December 2012, the ageing analysis of the trade receivables is as follows:

	Unaudited 30 June 2013 <i>HK\$'000</i>	Audited 31 December 2012 <i>HK\$'000</i>
Current to 90 days	240,764	392,276
91 to 180 days	25,892	10,499
181 to 365 days	53,798	10,906
Over 365 days	30,663	54,600
	<u>351,117</u>	<u>468,281</u>

Note (b): Bills receivables

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

The maturity profile of the bills receivables is as follows:

	Unaudited 30 June 2013 <i>HK\$'000</i>	Audited 31 December 2012 <i>HK\$'000</i>
Falling within 90 days	1,278	248
Falling within 91 to 180 days	9,190	5,167
	<u>10,468</u>	<u>5,415</u>

12. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000
Non-current portion		
Long-term deposits	<u>1,395</u>	<u>2,563</u>
Current portion		
Receivables from payment solutions business (<i>Note (a)</i>)	759,909	54,607
Other receivables, prepayments and deposits	<u>41,614</u>	<u>40,228</u>
	<u>801,523</u>	94,835
Total	<u><u>802,918</u></u>	<u><u>97,398</u></u>

Note (a): Receivables from payment solutions business

This balance mainly represents receivables from banks or financial institutions which arises from the payment solutions business. These balances are collectible on behalf of its customers. The increase was mainly due to the significant expansion in transaction volume and operating scale of this business.

13. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000
Trade payables (<i>Note (a)</i>)	178,309	207,102
Bills payables (<i>Note (b)</i>)	<u>25,338</u>	<u>39,479</u>
	<u><u>203,647</u></u>	<u><u>246,581</u></u>

Note (a): Trade payables

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

At 30 June 2013 and 31 December 2012, the ageing analysis of the trade payables was as follows:

	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000
Current to 90 days	116,246	163,663
91 to 180 days	31,513	24,756
181 to 365 days	21,399	7,278
Over 365 days	<u>9,151</u>	<u>11,405</u>
	<u><u>178,309</u></u>	<u><u>207,102</u></u>

Note (b): Bills payables

The balance represents bank acceptance notes.

	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000
Due within 90 days	10,267	14,065
Due within 91 to 180 days	<u>15,071</u>	<u>25,414</u>
	<u>25,338</u>	<u>39,479</u>

14. OTHER PAYABLES

	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000
Payables from payment solutions business (Note (a))	859,947	60,409
Other payables	<u>153,841</u>	<u>191,475</u>
	<u>1,013,788</u>	<u>251,884</u>

Note (a): Payables from payment solutions business

This balance represents payables to customers of the payment solutions business for balances collectible on behalf of them. The increase was mainly due to the significant expansion in transaction volume and operating scale of this business.

15. INTEREST IN AN ASSOCIATED COMPANY

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

	Unaudited HK\$'000
At 1 January 2013	1,458,419
Share of profit	38,433
Share of other comprehensive income	7,123
Share of other reserve	<u>4,064</u>
At 30 June 2013	<u>1,508,039</u>
At 1 January 2012	1,373,366
Share of profit	32,842
Share of other comprehensive loss	(3,894)
Share of other reserve	<u>4,480</u>
At 30 June 2012	<u>1,406,794</u>

16. DIVIDENDS

No dividend on ordinary share has been paid or declared by the Company for the six months ended 30 June 2013 (six months ended 30 June 2012: same).

MANAGEMENT DISCUSSION AND ANALYSIS

	Turnover			EBITDA		
	1H 2013 HK\$'000	1H 2012 HK\$'000	Change +/(-)	1H 2013 HK\$'000	1H 2012 HK\$'000	Change +/(-)
Telecommunication solutions	107,106	87,592	+22%	21,533	13,255	+62%
Financial solutions	46,488	59,011	-21%	(47,666)	(30,296)	+57%
Payment solutions	91,607	29,239	+213%	(18,161)	(52,637)	-65%
Electronic power meters and solutions	141,881	77,546	+83%	4,485	(49,420)	-109%
Others	11,502	13,202	-13%	(12,685)	(5,275)	+140%
Segmental results	398,584	266,590	+50%	(52,494)	(124,373)	-58%
Less: Inter-segment turnover	(501)	(4,164)	-88%	-	-	N/A
Total	<u>398,083</u>	<u>262,426</u>	+52%	<u>(52,494)</u>	<u>(124,373)</u>	-58%
Depreciation				(17,875)	(15,934)	+12%
Amortisation				(2,629)	(3,705)	-29%
Segmental operating loss				(72,998)	(144,012)	-49%
Unallocated other (loss)/income				(1,728)	2,620	-166%
Unallocated corporate expense				(47,224)	(33,921)	+39%
Share of profit of an associated company				38,433	32,842	+17%
Finance costs				-	(895)	-100%
Loss before income tax				(83,517)	(143,366)	-42%
Income tax expense				(2,822)	(1,436)	+97%
Loss for the period				<u>(86,339)</u>	<u>(144,802)</u>	-40%

During the six months ended 30 June 2013 (“1H2013”), the consolidated turnover of Hi Sun Technology (China) Limited (the “Company”) and its subsidiaries (the “Group”) amounted to HK\$398.1 million, representing an increase of 52% when compared with the six months ended 30 June 2012 (“1H2012”). Segmental operating loss amounted to HK\$73.0 million during the period as compared to segmental operating loss of HK\$144.0 million in 1H2012. Loss for the period totaled HK\$86.3 million as compared to a loss of HK\$144.8 million in 1H2012.

With regard to our balance sheet, the total assets as at 30 June 2013 amounted to HK\$3,873.1 million, when compared with HK\$3,192.3 million as at 31 December 2012. As at 30 June 2013, net current assets amounted to HK\$847.0 million, when compared with HK\$945.5 million as at 31 December 2012.

KEY INVESTING AND FINANCING ACTIVITIES

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

KEY BUSINESS OPERATIONS

The performance of the four key business segments during the period is set out below.

Telecommunication solutions

	1H2013 <i>HK\$'000</i>	1H2012 <i>HK\$'000</i>	Change + / (-)
Turnover	107,106	87,592	+22%
EBITDA	21,533	13,255	+62%
Operating profit	15,037	8,984	+67%

During 1H2013, segmental turnover amounted to HK\$107.1 million, an increase of 22% as compared to HK\$87.6 million in 1H2012. Segmental operating profit amounted to HK\$15.0 million as compared to HK\$9.0 million in 1H2012. The increase in segmental turnover and operating profit was mainly contributed by a project which was substantially completed with most of the expenses were incurred and expensed off in last year, but the final acceptance was only received from the customer during the current period. Currently, the provision of nationwide IVR platform and related services to China Mobile continues to be the major revenue contributor of this segment.

Financial solutions

	1H2013 <i>HK\$'000</i>	1H2012 <i>HK\$'000</i>	Change + / (-)
Turnover	46,488	59,011	-21%
EBITDA	(47,666)	(30,296)	+57%
Operating loss	(48,881)	(34,033)	+44%

During the current period, segmental turnover amounted to HK\$46.5 million, decreased by 21% as compared to HK\$59.0 million in 1H2012. Drop in segmental turnover was mainly due to a decrease in hardware sales as compared to 1H2012. Segmental operating loss totaled HK\$48.9 million when compared with segmental operating loss of HK\$34.0 million in 1H2012. Such increase in operating loss was mainly attributable to additional resources placed in a number of new projects which are still under development stages.

Payment solutions

	1H2013 <i>HK\$'000</i>	1H2012 <i>HK\$'000</i>	Change +/(-)
Turnover	91,607	29,239	+213%
EBITDA	(18,161)	(52,637)	-65%
Operating loss	(26,222)	(55,064)	-52%

During 1H2013, our payment solutions segment recorded a turnover of HK\$91.6 million as compared to HK\$29.2 million in 1H2012, representing an increase of 213%. Segmental operating loss amounted to HK\$26.2 million in 1H2013 as compared to HK\$55.1 million in 1H2012. Our payment solutions segment is gradually building up transaction volume and operation scale, leading to an increase in revenue and decline in operating loss. During the period, we continue to dedicate substantial investment in developing various innovative payment-related value-added services and solutions.

Electronic power meters and solutions

	1H2013 <i>HK\$'000</i>	1H2012 <i>HK\$'000</i>	Change +/(-)
Turnover	141,881	77,546	+83%
EBITDA	4,485	(49,420)	-109%
Operating profit/(loss)	613	(56,744)	-101%

During 1H2013, there was increase in sales of concentrators, data collection terminals and mag-stripe card security decoder chips and segmental turnover was increased by 83% to HK\$141.9 million as compared to 1H2012. With the increase in revenue and improvement in gross profit margin, this segment turned from loss to profit in current period. Included in the operating loss of 1H2012, there was a one-time non-cash impairment charge of HK\$24.6 million against the goodwill of our electronic power meters and solutions business.

OUTLOOK

Telecommunication solutions

On an overall basis, we are continuously developing IVR business with China Mobile, while generating steady income stream. Jiangsu Base of China Mobile is devoted in developing an automatic audio output base platform, which is modeled based on the IVR platform, and gradually being upgraded into WAVE (Web Audio Video Engine) platform, providing integrated services including audio, data, video and web contents. Therefore, we anticipate that such platform will bring reliable and original business opportunities to the Group. In addition, our colour image development is underway at the Animation and Comic Station Base of China Mobile Fujian, and is expected to be launched in the second half year. Meanwhile, the Company will launch its cloud communication platform, providing a standard interface for the application developers, so as to enhance their communication services and reduce development and usage cost. New functions such as video and conference call services have been added to the platform this year. Currently, we have been conducting trial operation with over one hundred customers, and several enterprises have initiated trials for commercial use.

Financial solutions

At present, the development trend of network virtualisation, market-oriented pricing and service differentiation of the banks in the PRC has been established, which drive the banks to continuously upgrade their IT system. In terms of traditional financial solutions, we have secured contracts with commercial banks from Mainland China, Hong Kong and Macau, as well as several third-party payment companies, thus strengthening our leading position in the core banking and financial payment solutions industry. Leverage on years of experience and competitive advantages within the industry, we continue to expand into the upper and lower stream of the value chain, while aggressively develop and tailor professional consultation, operation, maintenance and related outsourcing services to meet the needs of our client. In terms of channels innovation, we have launched the smart equipment solutions business that integrate our software and hardware services, for example, the VTM (Virtual Teller Machine) was modeled after the ATM outsourcing operation business, so as to fill the need of the banking industry to lower channel costs and to reform and innovate itself. The potential growth of such businesses will manifest as economies of scale is reached at the advanced stage of operation, and could be a new driver of our business growth.

Payment solutions

During the year, China Mobile has put in more effort into the mobile payment business. Currently, China Mobile is focusing and pushing on the development of e-commerce business in various provinces, resulting in higher investment into the payment-related businesses, and has begun the promotion of on-site payment business. As one of the important partners on the mobile payment business of China Mobile, we have been providing high-level supporting services for its mobile payment operation. Meanwhile, we will put extra effort into the market expansion targeted at China Mobile at provincial level, with the prospect of generating new sales income. Over the years, we have been providing efficient and reliable support to the e-commerce base of China Mobile, as well as related work and technological operation of mobile payment business in various provinces. As such, our source of income will be

expanded along with the rapid growth of mobile payment business of China Mobile. Moreover, following the issuance of the third-party payment licenses to nearly 200 companies by the People's Bank of China from mid-2011 to 2012, the payment market in Mainland China has been showing a rapid growth momentum. We will seize the opportunities arisen in the market, so as to actively expand our value-added businesses within the payment solution business and related products/services.

Electronic power meters and solutions

Under the 12th Five-Year Plan, China plunged into the construction of the smart grid infrastructure. The smart meter is one of the main basic equipment of the smart grid, as a result, China has become one of the largest consumption markets of smart meters. During 1H2013, the tender sizes were maintained at a relatively high level. Besides, in view of the characteristic of such construction work, the demand in data collection devices is expected to surge in order to counterpart the large amount of power meter tenders in 2012. New technical requirement of the 2013 national power grid smart meters as well as the data collection devices has been announced. In addition to the amendment on technical requirement, multi-rate meters applicable to the power grid reconstruction work in the rural areas were also introduced, stimulating the equipment upgrade and replacement market and creating new market demand. Therefore, high volume tender projects are expected to continue during the year. As the market is getting rationalized, prices of products would gradually stabilize. This is undoubtedly beneficial to the development of companies within the industry. In view of such factors, we are cautiously optimistic towards our future development. We will continue to strengthen ourselves in terms of competitiveness in marketing, research and development as well as production, so as to sustain a healthy growth.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group reported total assets of HK\$3,873.1 million (31 December 2012: HK\$3,192.3 million), which were financed by total liabilities of HK\$1,253.3 million (31 December 2012: HK\$510.9 million) and equity of HK\$2,619.8 million (31 December 2012: HK\$2,681.4 million). The net asset value was HK\$2,619.8 million (31 December 2012: HK\$2,681.4 million). The net asset value per share amounted to HK\$0.943 per share as compared to HK\$1.003 per share as at 31 December 2012.

As at 30 June 2013, the Group had cash and cash equivalents of HK\$845.9 million (31 December 2012: HK\$794.2 million) and no short-term borrowings (31 December 2012: Nil). The net cash position as at 30 June 2013 was HK\$845.9 million as compared to HK\$794.2 million as at 31 December 2012. The gearing ratio (defined as total borrowings divided by shareholders' equity) was zero (at 31 December 2012: zero). 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 2013, the Group had banking facilities of RMB18.0 million, equivalent to HK\$22.8 million (31 December 2012: RMB18.0 million, equivalent to HK\$22.4 million). As at 30 June 2013, the banking facilities were secured by the leasehold land and buildings of a subsidiary of the Company, with a net book amount of HK\$3.7 million and HK\$14.6 million,

respectively. As at 31 December 2012, the banking facilities were secured by the leasehold land and buildings of a subsidiary of the Company, with a net book amount of HK\$3.6 million and HK\$14.9 million, respectively.

Approximately HK\$417.3 million, HK\$143.5 million, HK\$164.8 million, HK\$119.5 million, HK\$0.2 million and HK\$0.6 million of the Group's cash balances were denominated in Renminbi, Hong Kong dollar, US dollar, Japanese Yen, Euro and Macanese pataca ("MOP") respectively as at 30 June 2013.

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in this announcement, the Group did not have any material acquisition or disposal of subsidiaries during the six months ended 30 June 2013.

EXCHANGE RATES EXPOSURE

The Group derives its revenue, makes purchases and incurs expenses denominated mainly in US dollar, Renminbi, Hong Kong dollar and Japanese Yen. 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 2013.

EMPLOYEES

The total number of employees of the Group as at 30 June 2013 was 2,584. The breakdown of employees by division is as follows:

Telecommunication solutions	434
Financial solutions	590
Payment solutions	780
Electronic power meters and solutions	710
Others	37
Corporate office	33
	<hr/>
	2,584
	<hr/> <hr/>

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

Disclaimer:

Non-GAAP measures

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

The Company operates a share option scheme 2011 (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 (the "Participants") 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. Further details of the Scheme can be found in the circular of the Company dated 28 March 2011.

As at the date of this announcement, 267,342,983 Shares were available for issue under the Scheme.

No share option of the Company was granted or exercised during the six months ended 30 June 2013. As at 30 June 2013, and up to the date of this announcement, there was no issued and outstanding share option under the Scheme which has not been exercised or lapsed.

EMPLOYEES' INCENTIVE PROGRAMME

On 1 September 2011, Mega Hunt Microelectronics Limited ("Mega Hunt Microelectronics"), an indirectly owned subsidiary of the Group, entered into six option deeds with certain directors and employees of Mega Hunt Microelectronics and its subsidiary. 3,500,000 ordinary shares of Mega Hunt Microelectronics may be issued upon the exercise of all options granted under the option deeds at an exercise price of HK\$1.00 per share. Unless otherwise cancelled or amended, the option deeds will remain valid and effective for the period of 36 months from 1 September 2011.

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.

DIRECTORS' SECURITIES TRANSACTIONS

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

Specific enquiry had been made to all the directors of the Company (the "Directors") and the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2013.

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

CORPORATE GOVERNANCE

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

The Company has in formulating its corporate governance practices applied the Principles and complied with all of the Code Provisions for the six months ended 30 June 2013.

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

AUDIT COMMITTEE

The audit committee of the Company (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 review of the unaudited condensed consolidated interim financial report for the six months ended 30 June 2013 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.

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 2013.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2013 interim results announcement is published on the Company's website at www.hisun.com.hk and the website of the Stock Exchange of Hong Kong Limited at www.hkexnews.hk. The 2013 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 2013 interim financial information set out above does not constitute the Group's statutory financial statements for the six months ended 30 June 2013. Instead, it has been derived from the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2013, which will be included in the Company's 2013 interim report.

By Order of the Board
Li Wenjin
Executive Director

Hong Kong, 1 August 2013

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; one non-executive Director, namely 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.