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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 2014

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>1H2014</b>	<b>1H2013</b>	<b>Change</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>+/(-)</b>
<b>RESULTS</b>			
<b>Revenue</b>	<b>636,973</b>	398,083	+60%
<b>Gross profit</b>	<b>187,057</b>	132,025	+42%
<b>Segmental EBITDA (before unallocated items)</b>	<b>(70,907)</b>	(52,494)	N/A
<b>Share of profit of an associated company</b>	<b>81,874</b>	38,433	+113%
<b>Loss for the period</b>	<b>(79,842)</b>	(86,339)	N/A
<b>Loss attributable to:</b>			
— Equity holders of the Company	<b>(78,508)</b>	(83,508)	N/A
— Non-controlling interests	<b>(1,334)</b>	(2,831)	N/A
	<b>(79,842)</b>	(86,339)	N/A
	<b>HK\$</b>	<b>HK\$</b>	<b>Change</b>
	<b>per share</b>	<b>per share</b>	<b>+/(-)</b>
<b>Loss per share for loss attributable to equity holders of the Company:</b>			
Basic	<b>(0.03)</b>	(0.03)	N/A
Diluted	<b>(0.04)</b>	(0.03)	N/A

\* For identification purposes only

	<b>30 June 2014 <i>HK\$'000</i></b>	31 December 2013 <i>HK\$'000</i>	Change + / (-)
<b>HIGHLIGHTS OF FINANCIAL POSITION</b>			
Total equity	<b>2,664,409</b>	2,745,976	-3%
Net current assets	<b>781,558</b>	890,234	-12%
Total assets	<b><u>3,536,803</u></b>	<u>3,576,445</u>	-1%
	<i><b>HK\$ per share</b></i>	<i><b>HK\$ per share</b></i>	
Net assets per share	<b><u>0.96</u></b>	<u>0.99</u>	-3%

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 2014 together with the unaudited comparative figures for the corresponding period in 2013 as follows:

### INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2014</b>	<b>2013</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	<b>636,973</b>	398,083
Cost of sales	6	<u>(449,916)</u>	<u>(266,058)</u>
Gross profit		<b>187,057</b>	132,025
Other income	4	<b>10,826</b>	4,676
Other losses, net	4	–	(2,827)
Selling expenses	6	<b>(92,621)</b>	(76,036)
Administrative expenses	6	<b>(226,013)</b>	(167,924)
Impairment of intangible assets	6	<u>–</u>	<u>(11,864)</u>
Operating loss		<b>(120,751)</b>	(121,950)
Share of profit of an associated company	14	<b>81,874</b>	38,433
Loss on dilution of interest in an associated company	14	<u>(40,636)</u>	<u>–</u>
Loss before income tax		<b>(79,513)</b>	(83,517)
Income tax expense	8	<u>(329)</u>	<u>(2,822)</u>
<b>Loss for the period</b>		<u><b>(79,842)</b></u>	<u>(86,339)</u>

**Unaudited**  
**Six months ended 30 June**  
**2014**                      **2013**  
*HK\$'000*                      *HK\$'000*

**Loss attributable to:**

— Equity holders of the Company	(78,508)	(83,508)
— Non-controlling interests	(1,334)	(2,831)
	(79,842)	(86,339)

*HK\$ per share*      *HK\$ per share*

**Loss per share for loss attributable to  
equity holders of the Company:**

Basic	(0.03)	(0.03)
Diluted	(0.04)	(0.03)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loss for the period</b>	<u>(79,842)</u>	<u>(86,339)</u>
<b>Other comprehensive loss, net of tax</b>		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	(19,768)	12,326
Fair value gain on revaluation of available-for-sale financial assets	–	1,248
Release of reserve upon disposal of an available-for-sale financial asset	(289)	–
Share of other comprehensive (loss)/income of an associated company	(15,290)	7,123
Release of reserve upon dilution of interest in an associated company	<u>(835)</u>	<u>–</u>
<b>Total comprehensive loss for the period, net of tax</b>	<u><u>(116,024)</u></u>	<u><u>(65,642)</u></u>
<b>Total comprehensive loss attributable to:</b>		
— Equity holders of the Company	(114,450)	(62,917)
— Non-controlling interests	<u>(1,574)</u>	<u>(2,725)</u>
	<u><u>(116,024)</u></u>	<u><u>(65,642)</u></u>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2014 <i>HK\$'000</i>	Audited 31 December 2013 <i>HK\$'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties		2,147	2,233
Property, plant and equipment		154,380	154,689
Leasehold land		35,810	36,653
Intangible assets		63,504	68,420
Interest in an associated company	14	1,593,962	1,561,681
Available-for-sale financial assets		24,000	30,395
Long-term deposits and prepayments	11	9,708	2,916
<b>Total non-current assets</b>		<b>1,883,511</b>	1,856,987
<b>Current assets</b>			
Inventories		87,387	76,602
Trade and bills receivables	10	268,871	345,467
Receivables from payment processing solutions business	11	109,141	165,797
Other receivables, prepayments and deposits	11	52,822	46,577
Amount due from an associated company		693	3,451
Short-term bank deposits		20,728	20,428
Cash and cash equivalents		1,113,650	1,061,136
<b>Total current assets</b>		<b>1,653,292</b>	1,719,458
<b>Total assets</b>		<b>3,536,803</b>	3,576,445
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		6,942	6,942
Reserves		2,672,425	2,752,418
		2,679,367	2,759,360
<b>Non-controlling interests</b>		<b>(14,958)</b>	(13,384)
<b>Total equity</b>		<b>2,664,409</b>	2,745,976

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2014</b>	2013
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		<u>660</u>	<u>1,245</u>
<b>Total non-current liabilities</b>		<u>660</u>	<u>1,245</u>
<b>Current liabilities</b>			
Trade and bills payables	<i>12</i>	<b>168,071</b>	157,836
Payables for payment processing solutions business	<i>13</i>	<b>300,304</b>	243,415
Other payables	<i>13</i>	<b>331,022</b>	349,578
Amount due to an associated company		<b>63,312</b>	69,964
Current income tax liabilities		<u>9,025</u>	<u>8,431</u>
<b>Total current liabilities</b>		<u>871,734</u>	<u>829,224</u>
<b>Total liabilities</b>		<u>872,394</u>	<u>830,469</u>
<b>Total equity and liabilities</b>		<u>3,536,803</u>	<u>3,576,445</u>
<b>Net current assets</b>		<u>781,558</u>	<u>890,234</u>
<b>Total assets less current liabilities</b>		<u>2,665,069</u>	<u>2,747,221</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 platform solutions, provision of payment processing 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 (the “Stock Exchange”).

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 4 August 2014.

This condensed consolidated interim financial information has not been audited.

## **2. BASIS OF PREPARATION**

This condensed consolidated interim financial information for the six months ended 30 June 2014 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 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

## **3. ACCOUNTING POLICIES**

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, 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.

There are no new and amended standards to existing HKFRS that are effective for the Group’s accounting year commencing 1 January 2014 that could be expected to have a material impact on the Group.



#### 4. REVENUE, OTHER INCOME AND OTHER LOSSES, NET

Revenue, other income and other losses, net recognised during the period are as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	<i>HK\$'000</i>
		(restated)
Turnover		
Provision of telecommunication solutions	<b>97,397</b>	107,106
Provision of financial solutions	<b>34,549</b>	45,987
Provision of payment platform solutions	<b>47,880</b>	46,161
Provision of payment processing solutions	<b>302,354</b>	55,004
Sales of electronic power meters and solutions	<b>150,023</b>	141,881
Licence income from an associated company	<b>2,088</b>	438
Others	<b>2,682</b>	1,506
	<u>636,973</u>	<u>398,083</u>
Other income		
Interest income	<b>4,997</b>	841
Value added tax refund	<b>1,365</b>	1,083
Subsidy income	<b>1,077</b>	492
Rental income	<b>1,162</b>	1,040
Others	<b>2,225</b>	1,220
	<u>10,826</u>	<u>4,676</u>
Other losses, net		
Dividend income on financial assets at fair value through profit or loss	–	10
Fair value losses on financial assets at fair value through profit or loss	–	(2,837)
	<u>–</u>	<u>(2,827)</u>
Turnover, other income and other losses, net	<u><b>647,799</b></u>	<u>399,932</u>

## 5. SEGMENT INFORMATION

The 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.

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

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

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

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

	Unaudited						
	Telecomm- unication solutions HK\$'000	Financial solutions HK\$'000	Payment platform solutions HK\$'000	Payment processing solutions HK\$'000	Electronic power meters and solutions HK\$'000	Others HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2014</b>							
Segment turnover	97,397	35,087	48,409	302,354	150,023	4,770	638,040
Inter-segment turnover	–	(538)	(529)	–	–	–	(1,067)
Turnover from external customers	<u>97,397</u>	<u>34,549</u>	<u>47,880</u>	<u>302,354</u>	<u>150,023</u>	<u>4,770</u>	<u>636,973</u>
Segmental earnings/(loss) before interest, taxes, depreciation and amortisation ("EBITDA")	2,739	(54,346)	9,187	(7,466)	(14,128)	(6,893)	(70,907)
Depreciation	(4,286)	(1,184)	(254)	(19,256)	(3,042)	(1,296)	(29,318)
Amortisation	<u>(1,783)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(813)</u>	<u>–</u>	<u>(2,596)</u>
Segmental operating (loss)/profit	<u>(3,330)</u>	<u>(55,530)</u>	<u>8,933</u>	<u>(26,722)</u>	<u>(17,983)</u>	<u>(8,189)</u>	<u>(102,821)</u>
Unallocated other income							1,601
Unallocated corporate expense							(19,531)
Share of profit of an associated company							81,874
Loss on dilution of interest in an associated company							<u>(40,636)</u>
Loss before income tax							(79,513)
Income tax expense							<u>(329)</u>
Loss for the period							<u><u>(79,842)</u></u>

	Unaudited						
	Telecomm- unication solutions HK\$'000	Financial solutions HK\$'000	Payment platform solutions HK\$'000	Payment processing solutions HK\$'000	Electronic power meters and solutions HK\$'000	Others HK\$'000	Total HK\$'000
<b>Six months ended 30 June 2013 (restated)</b>							
Segment turnover	107,106	46,488	46,161	55,004	141,881	1,944	398,584
Inter-segment turnover	–	(501)	–	–	–	–	(501)
Turnover from external customers	107,106	45,987	46,161	55,004	141,881	1,944	398,083
Segmental EBITDA and before impairment of intangible assets	21,533	(47,666)	10,532	(15,723)	4,485	(13,791)	(40,630)
Impairment of intangible assets	–	–	–	(11,864)	–	–	(11,864)
Segmental EBITDA	21,533	(47,666)	10,532	(27,587)	4,485	(13,791)	(52,494)
Depreciation	(4,717)	(1,215)	(534)	(6,990)	(3,022)	(1,397)	(17,875)
Amortisation	(1,779)	–	–	–	(850)	–	(2,629)
Segmental operating profit/(loss)	15,037	(48,881)	9,998	(34,577)	613	(15,188)	(72,998)
Unallocated other loss							(1,728)
Unallocated corporate expense							(47,224)
Share of profit of an associated company							38,433
Loss before income tax							(83,517)
Income tax expense							(2,822)
Loss for the period							<u>(86,339)</u>

Unallocated corporate expenses represent costs that are used for all segments, including depreciation of property, plant and equipment of HK\$626,000 (six months ended 30 June 2013: HK\$992,000), depreciation of investment properties of HK\$86,000 (six months ended 30 June 2013: HK\$86,000) and amortisation of leasehold land HK\$380,000 (six months ended 30 June 2013: HK\$381,000), respectively.

The segment assets and liabilities at 30 June 2014 and additions to non-current assets for the six months ended 30 June 2014 are as follows:

	Telecomm- unication solutions <i>HK\$'000</i>	Financial solutions <i>HK\$'000</i>	Payment platform solutions <i>HK\$'000</i>	Payment processing solutions <i>HK\$'000</i>	Electronic power meters and solutions <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Unaudited</b>									
Segment assets	<u>709,816</u>	<u>111,994</u>	<u>88,935</u>	<u>891,060</u>	<u>458,800</u>	<u>106,514</u>	<u>2,272,974</u>	<u>(1,103,290)</u>	<u>3,536,803</u>
Segment liabilities	<u>(131,631)</u>	<u>(136,074)</u>	<u>(200,939)</u>	<u>(788,821)</u>	<u>(271,049)</u>	<u>(406,839)</u>	<u>(40,331)</u>	<u>1,103,290</u>	<u>(872,394)</u>
<b>Unaudited</b>									
Additions to non-current assets (excluding long-term deposits, interest in an associated company and available-for-sale financial assets)	<u>2,113</u>	<u>504</u>	<u>103</u>	<u>30,434</u>	<u>972</u>	<u>16</u>	<u>-</u>	<u>-</u>	<u>34,142</u>

The segment assets and liabilities at 31 December 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 platform solutions <i>HK\$'000</i>	Payment processing solutions <i>HK\$'000</i>	Electronic power meters and solutions <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Audited</b>									
Segment assets	<u>732,878</u>	<u>218,302</u>	<u>88,076</u>	<u>806,116</u>	<u>473,051</u>	<u>116,513</u>	<u>2,261,571</u>	<u>(1,120,062)</u>	<u>3,576,445</u>
Segment liabilities	<u>(133,096)</u>	<u>(177,195)</u>	<u>(211,836)</u>	<u>(700,289)</u>	<u>(263,129)</u>	<u>(414,998)</u>	<u>(49,988)</u>	<u>1,120,062</u>	<u>(830,469)</u>
<b>Unaudited (restated)</b>									
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>101</u>	<u>13,715</u>	<u>1,202</u>	<u>557</u>	<u>41</u>	<u>-</u>	<u>18,112</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 on 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	
	2014	2013
	HK\$'000	HK\$'000
Auditor's remuneration	1,400	1,300
Depreciation of property, plant and equipment	29,944	18,867
Depreciation of investment properties	86	86
Amortisation of leasehold land	500	500
Amortisation of intangible assets	2,476	2,510
Employee benefit expenses	260,720	199,807
— including share option expenses	27,289	17
Costs of inventories sold (including provision for inventories)	172,031	128,247
Operating lease rentals in respect of land and buildings	23,312	16,592
Operating lease rentals in respect of equipment	8,377	8,318
Research and development costs (including staff cost)	69,302	69,732
(Gain)/loss on disposal of property, plant and equipment	(5)	13
Provision for inventories	3,693	—
Impairment of intangible assets	—	11,864

## 7. NET FOREIGN EXCHANGE GAIN/(LOSS)

The net foreign exchange gain recognised in the condensed consolidated income statement and included in administrative expenses for the period ended 30 June 2014 amounted to HK\$3,337,000 (six months ended 30 June 2013: exchange loss of HK\$25,383,000).

## 8. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Current income tax		
— Hong Kong profits tax	—	—
— Overseas taxation	755	3,375
Deferred tax	(544)	(553)
Adjustments in respect of prior years	118	—
Income tax expense	329	2,822

## 9. 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	
	2014	2013
Loss attributable to equity holders of the Company ( <i>HK\$'000</i> )	<u>(78,508)</u>	<u>(83,508)</u>
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u>2,776,834</u>	<u>2,759,124</u>
Basic loss per share ( <i>HK\$ per share</i> )	<u>(0.03)</u>	<u>(0.03)</u>

### (b) Diluted

Diluted loss per share is calculated by adjusting the net income and the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive shares. The Group has two (six months ended 30 June 2013: three) categories of potentially dilutive shares: share options issued by two subsidiaries: Mega Hunt Microelectronics Limited (“Mega Hunt Microelectronics”) and 隨行付支付有限公司 (“SXF”) and share options issued by an associated company (six months ended 30 June 2013: convertible preference shares issued by a subsidiary: Success Bridge Limited, share options issued by Mega Hunt Microelectronics and share options issued by an associated company).

Dilutive effects arise from share options issued by an associated company.

For share options issued by the associated company, the exercise of the outstanding share options in the associated company would have a dilutive effect. The exercise of the share options in the associated company would be dilutive if the net loss attributable to the equity holders of the Company will increase as a result of decrease in the Group’s share of profit of the associated company and increase in loss on dilution of interest in the associated company. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual fair value of the associated company’s shares) based on the monetary value of the subscription rights attached to outstanding share options of the associated company. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options of the associated company.

For share options issued by SXF, the exercise of the outstanding share options in SXF would have an anti-dilutive effect as the net loss attributable to the equity holders of the Company will decrease.

The share options issued by Mega Hunt Microelectronics were not assumed to be exercised as they would have an anti-dilutive impact to the basic loss per share for the six months ended 30 June 2014.

	<b>Unaudited Six months ended 30 June 2014</b>
Loss attributable to equity holders of the Company ( <i>HK\$'000</i> )	<b>(78,508)</b>
Assuming exercise of all outstanding share options issued by the associated company ( <i>HK\$'000</i> )	
— Decrease in share of profit of the associated company	<b>(3,256)</b>
— Increase in loss on dilution of the associated company	<b>(22,364)</b>
	<hr/>
Adjusted loss attributable to equity holders of the Company used to determine diluted loss per share ( <i>HK\$'000</i> )	<b>(104,128)</b>
	<hr/>
Weighted average number of ordinary shares for diluted loss per share ( <i>thousands</i> )	<b>2,776,834</b>
	<hr/>
Diluted loss per share attributable to the equity holders of the Company ( <i>HK\$ per share</i> )	<b>(0.04)</b>
	<hr/>

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

#### 10. TRADE AND BILLS RECEIVABLES

	<b>Unaudited 30 June 2014 <i>HK\$'000</i></b>	Audited 31 December 2013 <i>HK\$'000</i>
Trade receivables ( <i>Note (a)</i> )	<b>283,901</b>	350,153
Bills receivables ( <i>Note (b)</i> )	<b>1,931</b>	12,508
Less: provision for impairment of receivables	<b>(16,961)</b>	(17,194)
	<hr/>	<hr/>
	<b>268,871</b>	345,467
	<hr/>	<hr/>



*Note (a):* Trade receivables

The Group's credit terms to trade debtors range from 0 to 180 days. At 30 June 2014 and 31 December 2013, the ageing analysis of the trade receivables is as follows:

	<b>Unaudited 30 June 2014 HK\$'000</b>	Audited 31 December 2013 HK\$'000
Current to 90 days	167,259	272,673
91 to 180 days	35,093	21,565
181 to 365 days	40,268	23,830
Over 365 days	41,281	32,085
	<u>283,901</u>	<u>350,153</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:

	<b>Unaudited 30 June 2014 HK\$'000</b>	Audited 31 December 2013 HK\$'000
Falling within 90 days	409	3,555
Falling within 91 to 180 days	1,522	8,953
	<u>1,931</u>	<u>12,508</u>

**11. RECEIVABLES FROM PAYMENT PROCESSING SOLUTIONS BUSINESS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS**

	<b>Unaudited 30 June 2014 HK\$'000</b>	Audited 31 December 2013 HK\$'000
<b>Non-current portion</b>		
Long-term deposits	5,256	2,916
Long-term prepayments	4,452	–
	<u>9,708</u>	<u>2,916</u>
<b>Current portion</b>		
Receivables from payment processing solutions business ( <i>Note (a)</i> )	109,141	165,797
Other receivables, prepayments and deposits	52,822	46,577
	<u>161,963</u>	<u>212,374</u>
Total	<u>171,671</u>	<u>215,290</u>

*Note (a):* Receivables from payment processing solutions business

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

For processing payments on behalf of merchants, the amounts are usually become collectible by the Group from the banks or financial institutions once the underlying transactions of the merchants had been acknowledged by the relevant banks and financial institutions.

## 12. TRADE AND BILLS PAYABLES

	<b>Unaudited</b> <b>30 June</b> <b>2014</b> <i>HK\$'000</i>	Audited 31 December 2013 <i>HK\$'000</i>
Trade payables ( <i>Note (a)</i> )	<b>141,547</b>	130,547
Bills payables ( <i>Note (b)</i> )	<b>26,524</b>	27,289
	<b>168,071</b>	157,836

*Note (a):* Trade payables

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

At 30 June 2014 and 31 December 2013, the ageing analysis of the trade payables was as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2014</b> <i>HK\$'000</i>	Audited 31 December 2013 <i>HK\$'000</i>
Current to 90 days	<b>91,220</b>	83,392
91 to 180 days	<b>30,785</b>	29,653
181 to 365 days	<b>10,960</b>	7,934
Over 365 days	<b>8,582</b>	9,568
	<b>141,547</b>	130,547

*Note (b):* Bills payables

The balance represents bank acceptance notes.

	<b>Unaudited</b> <b>30 June</b> <b>2014</b> <i>HK\$'000</i>	Audited 31 December 2013 <i>HK\$'000</i>
Due within 90 days	<b>8,042</b>	27,289
Due within 91 to 180 days	<b>18,482</b>	–
	<b>26,524</b>	27,289

### 13. PAYABLES FOR PAYMENT PROCESSING SOLUTIONS BUSINESS AND OTHER PAYABLES

	Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 HK\$'000
Payables for payment processing solutions business ( <i>Note (a)</i> )	300,304	243,415
Other payables	331,022	349,578
	<u>631,326</u>	<u>592,993</u>

*Note (a):* Payables for payment processing solutions business

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

### 14. INTEREST IN AN ASSOCIATED COMPANY

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

	Unaudited HK\$'000
At 1 January 2014	1,561,681
Share of profit	81,874
Share of other comprehensive loss	(15,290)
Share of other reserve	7,168
Dilution of interest in an associated company ( <i>Note (i)</i> )	(41,471)
	<u>1,593,962</u>
At 30 June 2014	<u>1,593,962</u>

*Note (i):*

During the six months ended 30 June 2014, certain directors and employees of PAX Global Technology Limited (“PAX Global”) exercised their share options granted pursuant to a share option scheme set up on 1 December 2010. As a result of the exercise of these share options, the Group’s interest in PAX Global was diluted from 42.51% as at 31 December 2013 to 40.88% as at 30 June 2014. A loss on dilution of interest in an associated company of HK\$40,636,000 was recognised in the condensed consolidated income statement, including dilution of interest in an associated company of HK\$41,471,000 offsetted by release of reserve of HK\$835,000.

	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	4,064
	<u>1,508,039</u>
At 30 June 2013	<u>1,508,039</u>

### 15. DIVIDENDS

No dividend on ordinary share has been paid or declared by the Company for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

## INTERIM CONDENSED SEGMENT RESULT ANALYSIS

	<i>Note</i>	Turnover		EBITDA	
		<b>1H2014</b> <b>HK\$'000</b>	1H2013 <i>HK\$'000</i> (restated)	<b>1H2014</b> <b>HK\$'000</b>	1H2013 <i>HK\$'000</i> (restated)
Telecommunication solutions	<i>1</i>	<b>97,397</b>	107,106	<b>2,739</b>	21,533
Financial solutions	<i>2</i>	<b>35,087</b>	46,488	<b>(54,346)</b>	(47,666)
Payment platform solutions	<i>3</i>	<b>48,409</b>	46,161	<b>9,187</b>	10,532
Payment processing solutions	<i>4</i>	<b>302,354</b>	55,004	<b>(7,466)</b>	(27,587)
Electronic power meters and solutions	<i>5</i>	<b>150,023</b>	141,881	<b>(14,128)</b>	4,485
Others		<b>4,770</b>	1,944	<b>(6,893)</b>	(13,791)
		<u><b>638,040</b></u>	<u>398,584</u>	<u><b>(70,907)</b></u>	<u>(52,494)</u>
Segmental results		<b>638,040</b>	398,584	<b>(70,907)</b>	(52,494)
Less: Inter-segment turnover		<b>(1,067)</b>	(501)	<b>–</b>	–
		<u><b>636,973</b></u>	<u>398,083</u>	<u><b>(70,907)</b></u>	<u>(52,494)</u>
Depreciation				<b>(29,318)</b>	(17,875)
Amortisation				<b>(2,596)</b>	(2,629)
Segmental operating loss				<b>(102,821)</b>	(72,998)
Unallocated other income/(loss)				<b>1,601</b>	(1,728)
Unallocated corporate expenses	<i>6</i>			<b>(19,531)</b>	(47,224)
Operating loss				<u><b>(120,751)</b></u>	<u>(121,950)</u>

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	<b>1H2014</b> <i>HK\$'000</i>	1H2013 <i>HK\$'000</i>
Revenue	<i>A</i>	<b>636,973</b>	398,083
Cost of sales	<i>B</i>	<u>(449,916)</u>	<u>(266,058)</u>
Gross profit		<b>187,057</b>	132,025
Other income		<b>10,826</b>	4,676
Other losses, net		–	(2,827)
Selling expenses	<i>B</i>	<b>(92,621)</b>	(76,036)
Administrative expenses	<i>B</i>	<b>(226,013)</b>	(167,924)
Impairment of intangible assets	<i>C</i>	<u>–</u>	<u>(11,864)</u>
Operating loss		<b>(120,751)</b>	(121,950)
Share of profit of an associated company	<i>D</i>	<b>81,874</b>	38,433
Loss on dilution of interest in an associated company	<i>D</i>	<u>(40,636)</u>	<u>–</u>
Loss before income tax		<b>(79,513)</b>	(83,517)
Income tax expense		<u>(329)</u>	<u>(2,822)</u>
Loss for the period		<u><b>(79,842)</b></u>	<u>(86,339)</u>
Loss attributable to:			
– Equity holders of the Company		<b>(78,508)</b>	(83,508)
– Non-controlling interests		<u>(1,334)</u>	<u>(2,831)</u>
		<u><b>(79,842)</b></u>	<u>(86,339)</u>
<b>Loss per share for loss attributable to the equity holders of the Company:</b>		<i>HK\$ per share</i>	<i>HK\$ per share</i>
Basic loss		<u><b>(0.03)</b></u>	<u>(0.03)</u>
Diluted loss		<u><b>(0.04)</b></u>	<u>(0.03)</u>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2014 <i>HK\$'000</i>	As at 31 December 2013 <i>HK\$'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
Investment properties, property, plant and equipment and leasehold land	<i>E</i>	192,337	193,575
Intangible assets	<i>F</i>	63,504	68,420
Interest in an associated company	<i>G</i>	1,593,962	1,561,681
Available-for-sale financial assets		24,000	30,395
Inventories	<i>H</i>	87,387	76,602
Trade and bills receivables	<i>I</i>	268,871	345,467
Receivables from payment processing solutions business	<i>I</i>	109,141	165,797
Other receivables, prepayments and deposits	<i>I</i>	62,530	49,493
Amount due from an associated company	<i>K</i>	693	3,451
Short-term bank deposits		20,728	20,428
Cash and cash equivalents		1,113,650	1,061,136
<b>Total assets</b>		<b>3,536,803</b>	<b>3,576,445</b>
<b>EQUITY</b>			
Share capital		6,942	6,942
Reserves		2,672,425	2,752,418
<b>Shareholders' funds</b>		<b>2,679,367</b>	<b>2,759,360</b>
<b>Non-controlling interests</b>		<b>(14,958)</b>	<b>(13,384)</b>
<b>Total equity</b>		<b>2,664,409</b>	<b>2,745,976</b>
<b>LIABILITIES</b>			
Deferred tax liabilities		660	1,245
Trade and bills payables	<i>J</i>	168,071	157,836
Payables for payment processing solutions business	<i>J</i>	300,304	243,415
Other payables	<i>J</i>	331,022	349,578
Amount due to an associated company	<i>K</i>	63,312	69,964
Current income tax liabilities		9,025	8,431
<b>Total liabilities</b>		<b>872,394</b>	<b>830,469</b>
<b>Total equity and liabilities</b>		<b>3,536,803</b>	<b>3,576,445</b>
		<i>HK\$ per share</i>	<i>HK\$ per share</i>
<b>Net assets per share</b>		<b>0.96</b>	<b>0.99</b>

## INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>1H2014</b> <i>HK\$'000</i>	1H2013 <i>HK\$'000</i>
<b>Net cash generated from operating activities</b>	<b>95,839</b>	72,336
<b>Net cash used in investing activities</b>	<b>(25,319)</b>	(17,360)
<b>Net cash (used in)/generated from financing activities</b>	<b>(916)</b>	6,029
<b>Net increase in cash and cash equivalents</b>	<b>69,604</b>	61,005
Cash and cash equivalents at beginning of the period	<b>1,061,136</b>	794,195
Exchange loss on cash and cash equivalents	<b>(17,090)</b>	(9,255)
<b>Cash and cash equivalents at end of the period</b>	<b>1,113,650</b>	845,945

During the six months ended 30 June 2014 (“1H2014”), the consolidated turnover of the Group amounted to HK\$637.0 million, representing an increase of 60% when compared with the six months ended 30 June 2013 (“1H2013”). Loss for the period totaled HK\$79.8 million as compared to a loss of HK\$86.3 million in 1H2013.

With regard to the balance sheet, the total assets as at 30 June 2014 amounted to HK\$3,536.8 million, when compared with HK\$3,576.4 million as at 31 December 2013. As at 30 June 2014, net current assets amounted to HK\$781.6 million, when compared with HK\$890.2 million as at 31 December 2013.

## SEGMENT PERFORMANCE REVIEW

### (1) Telecommunication solutions

	<b>1H2014</b> <i>HK\$'000</i>	1H2013 <i>HK\$'000</i>	Change +/(–)
Turnover	<b>97,397</b>	107,106	–9%
EBITDA	<b>2,739</b>	21,533	–87%
Operating (loss)/profit	<b>(3,330)</b>	15,037	N/A

During 1H2014, segmental turnover amounted to HK\$97.4 million, a decrease of 9% as compared to 1H2013. Segmental operating loss amounted to HK\$3.3 million as compared to operating profit of HK\$15.0 million in 1H2013. The decline in segmental turnover and operating profit was mainly caused by a project which was substantially completed with most of the expenses incurred and expensed off in 2012, but the final acceptance was only received from the customer during 1H2013. Also, additional resources were placed in certain number of projects such as the cloud communication platform and multi-function communication applications for commercial use. Currently, the provision of nationwide IVR platform and related services to China Mobile continues to be the major revenue contributor of this segment.

## (2) Financial solutions

	<b>1H2014</b>	1H2013	Change
	<b>HK\$'000</b>	HK\$'000	+ / (-)
Turnover*	<b>34,549</b>	45,987	-25%
EBITDA	<b>(54,346)</b>	(47,666)	N/A
Operating loss	<b>(55,530)</b>	(48,881)	N/A

\* *Turnover from external customers*

During the current period, segmental turnover amounted to HK\$34.5 million, decreased by 25% as compared to 1H2013. The drop in segmental turnover was mainly due to the decrease in hardware sales as compared to 1H2013. Segmental operating loss totaled HK\$55.5 million when compared with segmental operating loss of HK\$48.9 million in 1H2013. Such increase in operating loss was mainly attributable to increase in outsourcing costs of a number of projects.

## (3) Payment platform solutions

	<b>1H2014</b>	1H2013	Change
	<b>HK\$'000</b>	HK\$'000	+ / (-)
Turnover*	<b>47,880</b>	46,161	+4%
EBITDA	<b>9,187</b>	10,532	-13%
Operating profit	<b>8,933</b>	9,998	-11%

\* *Turnover from external customers*

Segmental turnover amounted to HK\$47.9 million as compared to HK\$46.2 million in 1H2013. Segmental operating profit amounted to HK\$8.9 million, as compared to HK\$10.0 million in 1H2013. We expect that we will continue to benefit from China Mobile's increasing input into its mobile payment business especially for the launch of 4G services. Currently, we are developing other value added services such as exploration and innovation of mobile internet business.

## (4) Payment processing solutions

	<b>1H2014</b>	1H2013	Change
	<b>HK\$'000</b>	HK\$'000	+ / (-)
Turnover	<b>302,354</b>	55,004	+450%
Impairment of intangible assets	-	(11,864)	N/A
Share option expenses	<b>(27,289)</b>	-	N/A
EBITDA	<b>(7,466)</b>	(27,587)	N/A
Operating loss	<b>(26,722)</b>	(34,577)	N/A



Segmental turnover amounted to HK\$302.4 million, an increase of 450% as compared to 1H2013. Segmental operating profit (before share option expenses and impairment loss) amounted to HK\$0.6 million, as compared to operating loss of HK\$22.7 million in 1H2013. At present, business operations regarding the existing merchants of the payment processing solutions segment continue as usual. Whilst reformation process required by the relevant regulatory bodies is still in progress, the acceptance of new merchants will be resumed upon the passing of inspection.

During the period, as recognition and incentives for several management, share options were granted to those grantees to subscribe for up to 20% of the enlarged registered capital of the operating subsidiary at the exercise price of RMB1.2 for every RMB1.0 in the enlarged registered capital of the operating subsidiary. The fair value of the employee services received in exchange for the grant of the share options of HK\$27.3 million is recognized as an expense in 1H2014. During 1H2013, impairment of intangible assets amounted to HK\$11.9 million was recorded due to the changes in market conditions to our operations in Japan.

#### (5) Electronic power meters and solutions

	<b>1H2014</b> <i>HK\$'000</i>	1H2013 <i>HK\$'000</i>	Change + / (-)
Turnover	<b>150,023</b>	141,881	+6%
EBITDA	<b>(14,128)</b>	4,485	N/A
Operating (loss)/profit	<b>(17,983)</b>	613	N/A

Segmental turnover amounted to HK\$150.0 million as compared to HK\$141.9 million in 1H2013. Segmental operating loss amounted to HK\$18.0 million, as compared to a segmental operating profit of HK\$0.6 million in 1H2013. Such loss was mainly attributable to the decline in gross profit margin due to change in product sales mix and additional resources allocated to R&D and sales and marketing efforts on tendering and provision for slow moving inventory.

#### (6) Unallocated corporate expenses

The amount mainly represents corporate office expenses and net exchange gain. The decrease as compared to 1H2013 was mainly caused by the change from net foreign exchange loss to gain given the appreciation of Japanese yen.

### OVERALL FINANCIAL RESULTS AND POSITION

#### (A) Revenue

The consolidated turnover amounted to HK\$637.0 million, representing an increase of 60% over 1H2013. Such increase was mainly contributed by the increase in segmental turnover of our payment processing solutions segment. Please also refer to Notes (1) to (5) above.

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

Increase in cost of sales was primarily due to increase in turnover of the payment processing solutions segment.

Increase in operating expenses was primarily due to:

- increase in employee benefit expenses given (i) the increase in headcounts in higher salary banding and general salary inflation; and (ii) share option expenses due to share options granted to several management of the payment processing solutions business segment (Please refer to Note (4) above);
- increase in selling and marketing expenses such as travelling and sales commission; and
- partial offset by net foreign exchange gain recognised in current period caused by the appreciation of Japanese yen as compared to net exchange loss recognised in 1H2013.

**(C) Impairment of intangible assets**

During the six months ended 30 June 2013, due to the change in market condition, goodwill of HK\$11.9 million arising from the acquisition of Merchant Support Co., Ltd and MS Car Credit Co., Ltd (collectively, the “MS Group”) in Japan under the payment processing solutions segment was considered to be fully impaired by the management.

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

The Group’s share of profit of PAX Global Technology Limited (“PAX Global”), which is listed on the Stock Exchange, for the six months ended 30 June 2014 increased in line with the increase in profit of PAX Global in 1H2014. Loss on dilution of interest in an associated company was due to the effect of exercise of share options of PAX Global by some of its directors and employees during the period.

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

Balance mainly represent fixed assets of payment processing solution and electronic power meters and solutions segments.

**(F) Intangible assets**

Intangible assets include goodwill of HK\$61.1 million allocated to the electronic power meters and solutions segment.

**(G) Interest in an associated company**

As at 30 June 2014, the fair value of the Group’s 40.88% effective interest in PAX Global was HK\$2,260.0 million. As at 30 June 2014, the fair value of the investment was greater than its carrying value.

## (H) Inventories

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

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

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Trade receivables ( <i>Note (i)</i> )	283,901	350,153
Bills receivables	1,931	12,508
Less: provision for impairment of receivables	<u>(16,961)</u>	<u>(17,194)</u>
	268,871	345,467
Receivables from payment processing solutions business ( <i>Note (ii)</i> )	109,141	165,797
Prepayments, deposits and others	<u>62,530</u>	<u>49,493</u>
Total	<u><u>440,542</u></u>	<u><u>560,757</u></u>

*Note (i):*

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

	As at 30 June 2014 HK\$'000	As at 31 December 2013 HK\$'000
Current to 90 days	167,259	272,673
91 to 180 days	35,093	21,565
181 to 365 days	40,268	23,830
Over 365 days	<u>41,281</u>	<u>32,085</u>
	<u><u>283,901</u></u>	<u><u>350,153</u></u>

— Increase in trade receivables aged between 91 to 180 days and 181 to 365 days was mainly due to billings of customers by the telecommunication solutions and financial solutions segments during the period, with the majority expected to be settled in 2H2014.

*Note (ii):*

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

For processing payments on behalf of merchants, the amounts are usually become collectible by the Group from the banks or financial institutions once the underlying transactions of the merchants had been acknowledged by the relevant banks and financial institutions.

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

	<b>As at 30 June 2014 HK\$'000</b>	As at 31 December 2013 HK\$'000
Trade payables ( <i>Note (i)</i> )	<b>141,547</b>	130,547
Bills payables	<b>26,524</b>	27,289
Payables for payment processing solutions business ( <i>Note (ii)</i> )	<b>300,304</b>	243,415
Other payables and accruals ( <i>Note (iii)</i> )	<b>331,022</b>	349,578
	<hr/>	<hr/>
Total	<b>799,397</b>	750,829
	<hr/> <hr/>	<hr/> <hr/>

*Note (i):*

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

	<b>As at 30 June 2014 HK\$'000</b>	As at 31 December 2013 HK\$'000
Current to 90 days	<b>91,220</b>	83,392
91 to 180 days	<b>30,785</b>	29,653
181 to 365 days	<b>10,960</b>	7,934
Over 365 days	<b>8,582</b>	9,568
	<hr/>	<hr/>
	<b>141,547</b>	130,547
	<hr/> <hr/>	<hr/> <hr/>

*Note (ii):*

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

*Note (iii):*

	<b>As at 30 June 2014 HK\$'000</b>	As at 31 December 2013 HK\$'000
Accrued staff costs and pension obligations*	<b>82,891</b>	130,090
Deposits and receipt in advance from customers**	<b>172,450</b>	140,921
Others	<b>75,681</b>	78,567
	<hr/>	<hr/>
	<b>331,022</b>	349,578
	<hr/> <hr/>	<hr/> <hr/>

- \* The decrease in accrued staff costs and pension obligations was mainly due to the payment of year end bonus for 2013.
- \*\* The increase in deposits and receipt in advance from customers was mainly due to deposits and guarantees received from customers under the payment processing solutions business.

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

The amount due to an associated company represents payable to PAX Global. Amounts due from/to an associated company are unsecured, interest-free and on normal commercial terms.

## **OUTLOOK**

### **Telecommunication solutions**

With China Mobile's devotion to develop its Internet-traffic based business, Jiangsu Base of China Mobile fully exploits the advantages of its platform and content with a focus on developing traffic-based products on its mobile clients, whilst accelerating the deployment of platform capabilities, and further transforms into an integrated platform of Internet/mobile internet voice business and products. During this process, we will further strengthen our superior supporting position and obtain more development opportunities. With the flourishing development of the animation and comic industry in China, while supporting the mobile animation and comic base of China Mobile and its mobile animation clients portal of “和動漫”, we actively expand the support of colour printing (enhanced screen display) business, which is the focus of development of China Mobile Group and expected to bring enormous room for development in the future. Meanwhile, we will launch multi-function smart communications cloud services for SME users, providing overall solutions that meet their demands for flexible communications, mobile office and customer management, and strive to be a new growth point for business development.

### **Financial solutions**

At present, we continue to strengthen the competitive edge in the core banking sector. In the new cycle of banking business transformation, we seize the market opportunities and successfully enter into new contracts with customers such as China Guangfa Bank and China Minsheng Banking Corp., Ltd Hong Kong Branch. In the meantime, high-value IT services relating to core banking systems maintain its steady growth, while providing stable source of income. The business in the innovative field of payment and Internet continues to grow and we are providing integrated payment solutions for new customers such as China Bohai Bank. In relation to the channel cooperation, we fully exploit our product and technology advantages in the banking industry and expand new user base to secure orders from various financial related customers, and a new product line is gradually formed in the new wave of P2P business development.

## **Payment platform solutions**

Currently, as the payment platforms solutions provider to the e-commerce base of China Mobile, we offer operation supporting function and services covering development, business operation, system operation and maintenance, market expansion, risk management and financial settlement for the business of 和包 (i.e. mobile payment). We expect that China Mobile will continue to increase its effort in developing its 和包 business. The development focus of 和包 business includes areas such as air time payment, e-coupons and 和包 NFC (i.e. on-site NFC mobile payment). With China Mobile's increasing demand for various supporting function of its 和包 business, we will achieve stable growth in the income. Meanwhile, we have also commenced exploration and innovation in the mobile Internet business by forming a small-scale team to carry out trial projects. While various supporting functions being performed smoothly, we expect our cooperation relationship with China Mobile will be furthered and strengthened. We will continue to increase our investment in the field of mobile Internet and strive to identify new projects and opportunities.

## **Payment processing solutions**

The huge market potential, brilliant prospect, broad customer base and a great variety of services together create enormous opportunities in the third-party payment market in Mainland China. At present, the business operations regarding the existing merchants of the payment processing solutions segment continue as normal. Whilst the reformation process required by the relevant regulatory bodies is still in process, the acquirement of new merchants was temporarily suspended, and the acquirement of new merchants will be resumed upon the passing of the inspection. At the same time, we are constantly optimising compliance and risk controls. In the future, the third-party payment industry is expected to become a more segmented and subdivided market. We will capitalize on the existing competitive edge to seize the priority in developing related value-added services. We will focus on providing different customized services to enhance customer satisfaction and loyalty through utilization of customer resources and establishment of close business relation with them. We will also acquire and retain quality merchants through our marketing efforts and expand the operation scale of the payment processing business to strengthen our market position.

## **Electronic power meters and solutions**

We expect that the total tenders of smart electronic power meters and collection devices from State Grid will remain stable and the market capacity will be relatively static. State Grid has refined the product technical specifications of smart electronic power meters and collection devices since last year. During 1H2014, we have allocated abundant R&D resources and substantially accomplished the research and development of new products in relation to the technical specifications of State Grid, providing solid foundation for the upcoming centralised tenders. At the same time, we actively devote R&D resources and provide products that meet the new product technical specifications requirements of China Southern Power Grid. We target to achieve better performance in the future tenders through our solid product R&D ability and increased marketing effort.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2014, the Group reported total assets of HK\$3,536.8 million (31 December 2013: HK\$3,576.4 million), which were financed by total liabilities of HK\$872.4 million (31 December 2013: HK\$830.4 million) and equity of HK\$2,664.4 million (31 December 2013: HK\$2,746.0 million). The net asset value was HK\$2,664.4 million (31 December 2013: HK\$2,746.0 million). The net asset value per share amounted to HK\$0.96 per share as compared to HK\$0.99 per share as at 31 December 2013.

As at 30 June 2014, the Group had cash and cash equivalents of HK\$1,113.7 million (31 December 2013: HK\$1,061.1 million) and no short-term borrowings (31 December 2013: nil). The net cash position as at 30 June 2014 was HK\$1,113.7 million as compared to HK\$1,061.1 million as at 31 December 2013. The gearing ratio (defined as total borrowings divided by shareholders' equity) was zero (31 December 2013: 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 2014, the Group had no bank borrowings (at 31 December 2013: nil). As at 30 June 2014, 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\$13.6 million, respectively. As at 31 December 2013, the banking facilities were secured by the leasehold land and buildings of a subsidiary of the Company, with a net carrying amount of HK\$3.7 million and HK\$14.1 million, respectively.

Approximately HK\$745.9 million, HK\$123.2 million, HK\$125.4 million, HK\$117.4 million and HK\$1.8 million of the Group's cash balances were denominated in Renminbi, Hong Kong dollar, US dollar, Japanese Yen and Macanese pataca ("MOP") respectively as at 30 June 2014.

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

## **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 2014.

## **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 2014.

## EMPLOYEES

The total number of employees of the Group as at 30 June 2014 was 2,685. The breakdown of employees by division is as follows:

Telecommunication solutions	409
Financial solutions	447
Payment platform solutions	419
Payment processing solutions	455
Electronic power meters and solutions	865
Others	57
Corporate office	<u>33</u>
	<u><u>2,685</u></u>

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 employees' incentive schemes. The details of which are set out in the Additional Information. 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 2014. As at 30 June 2014, 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 PROGRAMMES**

### **(a) Option deeds of a subsidiary**

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.

Under the option deeds, 50% of the options shall vest upon the expiry of a period of 12 months from the date of the option deeds; and the balance of 50% of the options shall vest upon the expiry of a period of 24 months from the date of the option deeds. Prior to exercise of the option, the option holders are not entitled to dividends. There are also no accelerated vesting rights in case of winding of Mega Hunt Microelectronics.

Up to the date of this announcement, no option has been exercised under the option deeds.

### **(b) Issuance of share options of a subsidiary**

On 6 January 2014, 重慶結行移動商務有限公司 (“Chongqing Jiexing”), a wholly owned subsidiary of the Company, SXF, a wholly owned subsidiary of Chongqing Jiexing, and several management of SXF (“Eligible Employees”) entered into a conditional options agreement pursuant to which Chongqing Jiexing and SXF conditionally agreed to grant options to the Eligible Employees with the right to subscribe for up to 20% of the enlarged registered and paid up capital of SXF at the exercise price of RMB1.2 for every RMB1.0 in the enlarged registered and paid up capital of SXF within a period of 6 months from the date of grant.

The exercise of the options shall be conditional upon and subject to the fulfilment and satisfaction of the exercise condition that each of the Eligible Employees shall have been under full time employment of SXF for at least 2 years on the exercise date and the remaining terms of employment under each of their respective employment contracts with SXF shall not be less than 36 months from exercise date. The options were granted on 18 February 2014. Assuming that all of the Eligible Employees exercise the options in full, the Eligible Employees will, in aggregate, own 20% of the enlarged capital of SXF and the Group's interests in SXF will be diluted from 100% to 80%.

Up to the date of this announcement, no option has been exercised under the options agreement.

## **CONNECTED TRANSACTION**

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

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

Mr. Shen Zheng, being one of the Grantees, was a director and general manager of SXF and a connected person of the Company. Accordingly, the entering into of the options agreement and the transactions contemplated thereunder constituted connected transactions of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The options were granted to the Grantees on 18 February 2014.

## **SUBSEQUENT EVENT**

On 25 July 2014, Main Access Limited ("Main Access"), a subsidiary of the Company, entered into a subscription agreement (the "Subscription Agreement") with Sequoia Capital CV IV Holdco, Ltd. ("Sequoia"), Cloopen Group Holding Limited ("Cloopen Group Holding"), two subsidiaries of Cloopen Group Holding, namely Cloopen Limited and Anxun Guantong (Beijing) Technology Co., Ltd. ("Anxun"), Beijing Ronglian Yitong Information Technology Co. Ltd. ("Ronglian"), a then wholly-owned subsidiary of the Company, together with Cloopen Co., Ltd., Slivo Co., Ltd., Mr. LI Xiaoguang and Mr. SUN Changxun, pursuant to which and Main Access conditionally agreed to subscribe for and purchase from Cloopen Group Holding, and Cloopen Group Holding conditionally agreed to issue and sell to Main Access 45,800,000 Class B Ordinary Shares of Cloopen Group Holding ("Class B Ordinary Shares"); and Sequoia conditionally agreed to subscribe for and purchase from the Company, and Cloopen Group Holding conditionally agreed to issue and sell to Sequoia 8,457,962 Class B Ordinary Shares and 18,642,038 Series A Preferred Shares of Cloopen Group Holding

(“Series A Preferred Shares”). The consideration for the Class B Ordinary Shares issued to Main Access shall be US\$1,382,046; and the consideration for the Class B Ordinary Shares and the Series A Preferred Shares issued to Sequoia shall be US\$1,250,000 and US\$2,750,000 respectively. In addition, Cloopen Group Holding shall duly reserve 13,500,000 Class A Ordinary Shares of Cloopen Group Holding (“Class A Ordinary Shares”), representing 13.5% of its enlarged capital to be issued to the Company’s employees, consultants, officers or directors pursuant to an employee incentive scheme to be adopted following the completion of the Subscription Agreement. Ronglian also entered into certain contractual agreement with among other Anxun.

Upon the completion of the Subscription Agreement on 1 August 2014, the Group’s interests in Ronglian decreased from 100% to 52.9% (or 45.8% on a fully-diluted basis). Moreover, the Group ceased to have control over Ronglian since the Group did not control the majority of the board of directors of Ronglian upon the completion. The relevant financial impact of the transaction will be reflected in the consolidated financial statements of the Group for the year ending 31 December 2014.

## **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 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 2014.

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 2014.

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 the 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 2014 with the Directors.

## **DIRECTORS’ INTEREST IN COMPETING BUSINESS**

None of the Directors 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 2014.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The 2014 interim results announcement is published on the Company’s website at [www.hisun.com.hk](http://www.hisun.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The 2014 interim report will be available on the websites of the Stock Exchange and the Company and will be despatched to all shareholders in due course.

The 2014 interim financial information set out above does not constitute the Group’s statutory financial statements for the six months ended 30 June 2014. Instead, it has been derived from the Group’s unaudited condensed consolidated interim financial information for the six months ended 30 June 2014, which will be included in the Company’s 2014 interim report.

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

Hong Kong, 4 August 2014

*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.*