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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 2015

| FINANCIAL HIGHLIGHTS | | | |
|--|------------------|------------------|---------------|
| | 1H2015 | 1H2014 | Change |
| | HK\$'000 | HK\$'000 | +/(-) |
| RESULTS | | | |
| Revenue | 465,191 | 636,973 | -27% |
| Gross profit | 157,145 | 187,057 | -16% |
| Segmental EBITDA (before unallocated items) | (7,039) | (70,907) | N/A |
| Share of profit of investments accounted for using the equity method | 97,546 | 81,874 | +19% |
| Profit/(loss) for the period | 26,971 | (79,842) | N/A |
| Profit/(loss) attributable to: | | | |
| – Equity holders of the Company | 29,755 | (78,508) | N/A |
| – Non-controlling interests | (2,784) | (1,334) | N/A |
| | 26,971 | (79,842) | |
| | HK\$ | HK\$ | Change |
| | per share | per share | +/(-) |
| Earnings/(loss) per share for profit(loss) attributable to equity holders of the Company: | | | |
| Basic | 0.01 | (0.03) | N/A |
| Diluted | 0.01 | (0.04) | N/A |

* For identification purposes only

| | 30 June 2015 <i>HK\$'000</i> | 31 December 2014 <i>HK\$'000</i> | Change + / (-) |
|---|--|--|-------------------|
| HIGHLIGHTS OF FINANCIAL POSITION | | | |
| Total equity | 3,243,720 | 3,214,203 | +1% |
| Net current assets | 1,616,730 | 1,663,140 | -3% |
| Total assets | <u>4,308,477</u> | <u>4,110,752</u> | +5% |
| | <i>HK\$ per share</i> | <i>HK\$ per share</i> | Change + / (-) |
| Net assets per share | <u>1.17</u> | <u>1.16</u> | +1% |

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 2015 together with the unaudited comparative figures for the corresponding period in 2014 as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

| | | Unaudited | |
|---|-------------|---------------------------------|-----------------------|
| | | Six months ended 30 June | |
| | | 2015 | 2014 |
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | 4 | 465,191 | 636,973 |
| Cost of sales | 6 | <u>(308,046)</u> | <u>(449,916)</u> |
| Gross profit | | 157,145 | 187,057 |
| Other income | 4 | 18,031 | 10,826 |
| Selling expenses | 6 | (62,757) | (92,621) |
| Administrative expenses | 6 | <u>(174,227)</u> | <u>(226,013)</u> |
| Operating loss | | (61,808) | (120,751) |
| Share of profit of investments accounted for using the equity method | 15 | 97,546 | 81,874 |
| Loss on dilution of interest in an investment accounted for using the equity method | 15 | <u>(8,550)</u> | <u>(40,636)</u> |
| Profit/(loss) before income tax | | 27,188 | (79,513) |
| Income tax expense | 8 | <u>(217)</u> | <u>(329)</u> |
| Profit/(loss) for the period | | <u>26,971</u> | <u>(79,842)</u> |
| Profit/(loss) attributable to: | | | |
| – Equity holders of the Company | | 29,755 | (78,508) |
| – Non-controlling interests | | <u>(2,784)</u> | <u>(1,334)</u> |
| | | <u>26,971</u> | <u>(79,842)</u> |
| | | <i>HK\$ per share</i> | <i>HK\$ per share</i> |
| Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company: | | | |
| Basic | 10 | <u>0.01</u> | <u>(0.03)</u> |
| Diluted | 10 | <u>0.01</u> | <u>(0.04)</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Unaudited | |
|---|---------------------------------|-----------------|
| | Six months ended 30 June | |
| | 2015 | 2014 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit/(loss) for the period | 26,971 | (79,842) |
| Other comprehensive income/(loss), net of tax | | |
| <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 | 211 | (19,768) |
| Fair value loss on revaluation of an available-for-sale financial asset | (198) | – |
| Release of reserve upon disposal of an available-for-sale financial asset | – | (289) |
| Share of other comprehensive loss of investments accounted for using the equity method | (1,307) | (15,290) |
| Release of reserve upon dilution of interest in an investment accounted for using the equity method | (83) | (835) |
| | <hr/> | <hr/> |
| Total comprehensive income/(loss) for the period, net of tax | 25,594 | (116,024) |
| | <hr/> | <hr/> |
| Total comprehensive income/(loss) attributable to: | | |
| – Equity holders of the Company | 28,360 | (114,450) |
| – Non-controlling interests | (2,766) | (1,574) |
| | <hr/> | <hr/> |
| | 25,594 | (116,024) |
| | <hr/> | <hr/> |

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

| | | Unaudited 30 June 2015 <i>HK\$'000</i> | Audited 31 December 2014 <i>HK\$'000</i> |
|--|-------------|---|---|
| | <i>Note</i> | | |
| ASSETS | | | |
| Non-current assets | | | |
| Investment properties | | 1,975 | 2,061 |
| Property, plant and equipment | | 92,904 | 108,826 |
| Leasehold land | | 34,892 | 35,383 |
| Intangible assets | | 24,012 | 29,389 |
| Investments accounted for using the equity method | 15 | 1,464,496 | 1,372,967 |
| Available-for-sale financial asset | | 7,219 | – |
| Long-term deposits and prepayments | 12 | 1,639 | 2,624 |
| | | 1,627,137 | 1,551,250 |
| Total non-current assets | | 1,627,137 | 1,551,250 |
| Current assets | | | |
| Inventories | | 76,833 | 53,726 |
| Trade and bills receivables | 11 | 206,082 | 336,828 |
| Receivables from payment processing solutions business | 12 | 94,418 | 106,784 |
| Other receivables, prepayments and deposits | 12 | 42,482 | 50,690 |
| Amounts due from investments accounted for using the equity method | | 12,524 | 22,741 |
| Short-term bank deposits | | 6,823 | 11,056 |
| Cash and cash equivalents | | 2,242,178 | 1,977,677 |
| | | 2,681,340 | 2,559,502 |
| Total current assets | | 2,681,340 | 2,559,502 |
| Total assets | | 4,308,477 | 4,110,752 |
| EQUITY | | | |
| Capital and reserves attributable to the Company's equity holders | | | |
| Share capital | | 6,942 | 6,942 |
| Reserves | | 3,217,722 | 3,185,439 |
| | | 3,224,664 | 3,192,381 |
| Non-controlling interests | | 19,056 | 21,822 |
| Total equity | | 3,243,720 | 3,214,203 |

| | | Unaudited | Audited |
|--|-------------|------------------|------------------|
| | | 30 June | 31 December |
| | | 2015 | 2014 |
| | <i>Note</i> | HK\$'000 | HK\$'000 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred income tax liabilities | | <u>147</u> | <u>187</u> |
| Total non-current liabilities | | <u>147</u> | <u>187</u> |
| Current liabilities | | | |
| Trade and bills payables | <i>13</i> | 134,901 | 178,002 |
| Payables for payment processing solutions business | <i>14</i> | 546,438 | 311,391 |
| Other payables and accruals | <i>14</i> | 359,478 | 378,967 |
| Amount due to an investment accounted for using the equity method | | 456 | – |
| Current income tax liabilities | | <u>23,337</u> | <u>28,002</u> |
| Total current liabilities | | <u>1,064,610</u> | <u>896,362</u> |
| Total liabilities | | <u>1,064,757</u> | <u>896,549</u> |
| Total equity and liabilities | | <u>4,308,477</u> | <u>4,110,752</u> |
| Net current assets | | <u>1,616,730</u> | <u>1,663,140</u> |
| Total assets less current liabilities | | <u>3,243,867</u> | <u>3,214,390</u> |

Note:

1. GENERAL INFORMATION

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

The Company and its subsidiaries (collectively referred to as the “Group”), are principally engaged in the provision of payment processing solutions, provision of financial solutions, sales of electronic power meters and solutions, provision of telecommunication solutions and provision of payment platform 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 6 August 2015.

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 2015 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 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

Amendments to HKFRSs effective for the financial year ending 31 December 2015 do not have a material impact on the Group.

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 other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

4. REVENUE AND OTHER INCOME

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

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

| | Unaudited | |
|--|--------------------------|----------------|
| | Six months ended 30 June | |
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Turnover | | |
| Provision of payment processing solutions | 143,157 | 302,354 |
| Provision of financial solutions | 108,165 | 34,549 |
| Sales of electronic power meters and solutions | 82,869 | 150,023 |
| Provision of telecommunication solutions | 66,897 | 97,397 |
| Provision of payment platform solutions | 64,103 | 47,880 |
| Licence income from an associated company | – | 2,088 |
| Others | – | 2,682 |
| | <u>465,191</u> | <u>636,973</u> |
| Other income | | |
| Interest income | 7,638 | 4,997 |
| Subsidy income | 6,340 | 2,442 |
| Rental income | 2,948 | 1,162 |
| Others | 1,105 | 2,225 |
| | <u>18,031</u> | <u>10,826</u> |
| Turnover and other income | <u>483,222</u> | <u>647,799</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 five main operating segments in these internal reports:

- (a) Payment processing solutions – principally engaged in provision of payment processing services, merchants recruiting and related products and solutions;
- (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) Electronic power meters and solutions – principally engaged in the manufacturing and sales of electronic power meters, data collection terminals and provision of information system consultancy services and the sales of mag-stripe card security decoder chips;

- (d) Telecommunication solutions – principally engaged in the provision of telecommunication platform operation services and operation value-added services; and
- (e) Payment platform solutions – principally engaged in the provision of mobile payment platform operation services and operation value-added services.

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

| | Unaudited | | | | | | Total HK\$'000 |
|---|--|------------------------------------|--|---|--|--------------------|-------------------|
| | Payment processing solutions HK\$'000 | Financial solutions HK\$'000 | Electronic power meters and solutions HK\$'000 | Telecomm- unication solutions HK\$'000 | Payment platform solutions HK\$'000 | Others HK\$'000 | |
| Six months ended 30 June 2015 | | | | | | | |
| Segment turnover | 143,157 | 108,165 | 82,869 | 66,897 | 64,826 | - | 465,914 |
| Inter-segment turnover | - | - | - | - | (723) | - | (723) |
| Turnover from external customers | 143,157 | 108,165 | 82,869 | 66,897 | 64,103 | - | 465,191 |
| Segmental earnings/(losses) before interest, taxes, depreciation and amortisation (“EBITDA”) | 4,343 | (20,404) | (5,707) | 6,603 | 13,082 | (4,956) | (7,039) |
| Depreciation | (13,809) | (1,167) | (2,222) | (2,950) | (193) | (515) | (20,856) |
| Amortisation | - | (5,133) | (362) | - | - | - | (5,495) |
| Segmental operating (loss)/profit | (9,466) | (26,704) | (8,291) | 3,653 | 12,889 | (5,471) | (33,390) |
| Unallocated other income | | | | | | | 3,025 |
| Unallocated corporate expenses | | | | | | | (31,443) |
| Share of profit of investments accounted for using equity method | | | | | | | 97,546 |
| Loss on dilution of interest in an investment accounted for using the equity method | | | | | | | (8,550) |
| Profit before income tax | | | | | | | 27,188 |
| Income tax expense | | | | | | | (217) |
| Profit for the period | | | | | | | 26,971 |

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

Unallocated corporate expenses represent costs that are used for all segments, including depreciation of property, plant and equipment of HK\$752,000 (six months ended 30 June 2014: HK\$626,000), depreciation of investment properties of HK\$86,000 (six months ended 30 June 2014: HK\$86,000) and amortisation of leasehold land HK\$380,000 (six months ended 30 June 2014: HK\$380,000), respectively.

The segment assets and liabilities as at 30 June 2015 and additions to non-current assets for the six months ended 30 June 2015 are as follows:

| | Payment processing solutions HK\$'000 | Financial solutions HK\$'000 | Electronic power meters and solutions HK\$'000 | Telecomm- unication solutions HK\$'000 | Payment platform solutions HK\$'000 | Others HK\$'000 | Unallocated HK\$'000 | Elimination HK\$'000 | Total HK\$'000 |
|--|--|------------------------------------|--|---|--|--------------------|-------------------------|-------------------------|--------------------|
| Unaudited | | | | | | | | | |
| Segment assets | <u>1,142,984</u> | <u>247,415</u> | <u>324,912</u> | <u>740,043</u> | <u>118,321</u> | <u>95,996</u> | <u>2,785,736</u> | <u>(1,146,930)</u> | <u>4,308,477</u> |
| Segment liabilities | <u>(958,908)</u> | <u>(242,911)</u> | <u>(220,796)</u> | <u>(128,132)</u> | <u>(426,388)</u> | <u>(183,430)</u> | <u>(51,122)</u> | <u>1,146,930</u> | <u>(1,064,757)</u> |
| Unaudited | | | | | | | | | |
| Additions to non-current assets (excluding long-term deposits and prepayments, investments accounted for using the equity method and available-for-sale financial asset) | <u>4,535</u> | <u>576</u> | <u>514</u> | <u>198</u> | <u>679</u> | <u>8</u> | <u>19</u> | <u>-</u> | <u>6,529</u> |

The segment assets and liabilities as at 31 December 2014 and additions to non-current assets for the six months ended 30 June 2014 are as follows:

| | Payment processing solutions HK\$'000 | Financial solutions HK\$'000 | Electronic power meters and solutions HK\$'000 | Telecomm- unication solutions HK\$'000 | Payment platform solutions HK\$'000 | Others HK\$'000 | Unallocated HK\$'000 | Elimination HK\$'000 | Total HK\$'000 |
|--|--|------------------------------------|--|---|--|--------------------|-------------------------|-------------------------|-------------------|
| Audited | | | | | | | | | |
| Segment assets | <u>870,818</u> | <u>318,178</u> | <u>375,413</u> | <u>752,806</u> | <u>97,630</u> | <u>106,776</u> | <u>2,732,244</u> | <u>(1,143,113)</u> | <u>4,110,752</u> |
| Segment liabilities | <u>(680,978)</u> | <u>(277,056)</u> | <u>(263,151)</u> | <u>(143,890)</u> | <u>(198,600)</u> | <u>(408,385)</u> | <u>(67,602)</u> | <u>1,143,113</u> | <u>(896,549)</u> |
| Unaudited | | | | | | | | | |
| Additions to non-current assets (excluding long-term deposits and prepayments, investments accounted for using the equity method and available-for-sale financial asset) | <u>30,434</u> | <u>504</u> | <u>972</u> | <u>2,113</u> | <u>103</u> | <u>16</u> | <u>-</u> | <u>-</u> | <u>34,142</u> |

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

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 and administrative expenses are analysed as follows:

| | Unaudited | |
|---|--------------------------|----------|
| | Six months ended 30 June | |
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Auditor's remuneration | 1,700 | 1,400 |
| Depreciation of property, plant and equipment | 21,608 | 29,944 |
| Depreciation of investment properties | 86 | 86 |
| Amortisation of leasehold land | 499 | 500 |
| Amortisation of intangible assets | 5,376 | 2,476 |
| Employee benefit expenses | 209,266 | 260,720 |
| Costs of inventories sold (including provision for inventories) | 65,336 | 172,031 |
| Operating lease rentals in respect of land and buildings | 19,653 | 23,312 |
| Operating lease rentals in respect of equipment | 6,492 | 8,377 |
| Research and development costs (including staff cost) | 56,005 | 69,302 |
| Loss/(gain) on disposal of property, plant and equipment | 265 | (5) |
| Provision for inventories | 4,302 | 3,693 |

7. NET FOREIGN EXCHANGE LOSS/GAIN

The net foreign exchange loss recognised in the condensed consolidated income statement and included in administrative expenses for the period ended 30 June 2015 amounted to HK\$3,299,000 (six months ended 30 June 2014: exchange gain of HK\$3,337,000).

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (six months ended 30 June 2014: 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 | |
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Current income tax | | |
| – Hong Kong profits tax | – | – |
| – Overseas taxation | 1,026 | 755 |
| Deferred tax | (40) | (544) |
| Adjustments in respect of prior years | (769) | 118 |
| Income tax expense | 217 | 329 |

9. DIVIDENDS

No dividend on ordinary shares has been paid or declared by the Company for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

10. EARNING/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(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 | |
| | 2015 | 2014 |
| Profit/(loss) attributable to equity holders of the Company (<i>HK\$'000</i>) | <u>29,755</u> | <u>(78,508)</u> |
| Weighted average number of ordinary shares in issue (<i>thousands</i>) | <u>2,776,834</u> | <u>2,776,834</u> |
| Basic earnings/(loss) per share (<i>HK\$ per share</i>) | <u>0.01</u> | <u>(0.03)</u> |

(b) Diluted

Diluted earnings/(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 three (six months ended 30 June 2014: two) categories of potentially dilutive shares: share options issued by an associated company, share options issued by a joint venture and convertible preference shares issued by a joint venture (six months ended 30 June 2014: share options issued by two subsidiaries: Mega Hunt Microelectronics Limited and 隨行付支付有限公司 (“SXF”) and share options issued by an associated company).

Dilutive effects arise from share options issued by an associated company (six months ended 30 June 2014: same).

For share options issued by the associated company, the exercise of the outstanding share options in the associated company would have a dilutive effect. The exercise of the share options in the associated company would be dilutive if the net profit attributable to the equity holders of the Company will decrease as a result of decrease in the Group's share of profit of 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 and convertible preference shares issued by the joint venture, the Group's share of loss exceeded its interest in the joint venture, and hence, the Group discontinued in recognising share of further losses. The exercise of the outstanding share options and convertible preference shares in the joint venture would have an anti-dilutive impact to the basic earnings per share for the period ended 30 June 2015.

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

For share options issued by SXF, the exercise of the outstanding share options in SXF would have an anti-dilutive effect for the period ended 30 June 2014 as the net loss attributable to the equity holders of the Company will decrease.

| | Unaudited | |
|--|---------------------------------|------------------|
| | Six months ended 30 June | |
| | 2015 | 2014 |
| Profit/(loss) attributable to equity holders of the Company (<i>HK\$'000</i>) | 29,755 | (78,508) |
| 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 | (881) | (3,256) |
| – Increase in loss on dilution of the associated company | (4,600) | (22,364) |
| Adjusted profit/(loss) attributable to equity holders of the Company used to determine diluted earning per share (<i>HK\$'000</i>) | <u>24,274</u> | <u>(104,128)</u> |
| Weighted average number of ordinary shares for diluted earnings/(loss) per share (<i>thousands</i>) | <u>2,776,834</u> | <u>2,776,834</u> |
| Diluted earnings/(loss) per share attributable to the equity holders of the Company (<i>HK\$ per share</i>) | <u>0.01</u> | <u>(0.04)</u> |

11. TRADE AND BILLS RECEIVABLES

| | Unaudited | Audited |
|---|------------------------|------------------------|
| | 30 June | 31 December |
| | 2015 | 2014 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade receivables (<i>Note (a)</i>) | 225,238 | 352,268 |
| Bills receivables (<i>Note (b)</i>) | 38 | 3,747 |
| Less: provision for impairment of receivables | (19,194) | (19,187) |
| | <u>206,082</u> | <u>336,828</u> |

Note:

(a) Trade receivables

The Group's credit terms to trade debtors range from 0 to 180 days. At 30 June 2015 and 31 December 2014, the ageing analysis of the trade receivables is as follows:

| | Unaudited | Audited |
|--------------------|------------------------|------------------------|
| | 30 June | 31 December |
| | 2015 | 2014 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current to 90 days | 115,935 | 250,580 |
| 91 to 180 days | 11,123 | 28,886 |
| 181 to 365 days | 55,430 | 39,338 |
| Over 365 days | 42,750 | 33,464 |
| | <u>225,238</u> | <u>352,268</u> |

(b) **Bills receivables**

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

The maturity profile of the bills receivables is as follows:

| | Unaudited 30 June 2015 <i>HK\$'000</i> | Audited 31 December 2014 <i>HK\$'000</i> |
|------------------------|--|---|
| Falling within 90 days | <u>38</u> | <u>3,747</u> |

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

| | Unaudited 30 June 2015 <i>HK\$'000</i> | Audited 31 December 2014 <i>HK\$'000</i> |
|--|--|---|
| Non-current portion | | |
| Long-term deposits and prepayments | <u>1,639</u> | <u>2,624</u> |
| Current portion | | |
| Receivables from payment processing solutions business (<i>Note (a)</i>) | 94,418 | 106,784 |
| Other receivables, prepayments and deposits | <u>42,482</u> | <u>50,690</u> |
| | <u>136,900</u> | <u>157,474</u> |
| Total | <u>138,539</u> | <u>160,098</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 financial institutions once the underlying transactions of the merchants had been acknowledged by the relevant financial institutions.

13. TRADE AND BILLS PAYABLES

| | Unaudited 30 June 2015 <i>HK\$'000</i> | Audited 31 December 2014 <i>HK\$'000</i> |
|------------------------------------|--|---|
| Trade payables (<i>Note (a)</i>) | 133,651 | 176,805 |
| Bills payables (<i>Note (b)</i>) | 1,250 | 1,197 |
| | 134,901 | 178,002 |

Note:

(a) Trade payables

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

At 30 June 2015 and 31 December 2014, the ageing analysis of the trade payables is as follows:

| | Unaudited 30 June 2015 <i>HK\$'000</i> | Audited 31 December 2014 <i>HK\$'000</i> |
|--------------------|--|---|
| Current to 90 days | 65,535 | 84,744 |
| 91 to 180 days | 21,297 | 43,104 |
| 181 to 365 days | 33,988 | 37,557 |
| Over 365 days | 12,831 | 11,400 |
| | 133,651 | 176,805 |

(b) Bills payables

The balance represents bank acceptance notes.

| | Unaudited 30 June 2015 <i>HK\$'000</i> | Audited 31 December 2014 <i>HK\$'000</i> |
|---------------------------|--|---|
| Due within 90 days | 1,250 | – |
| Due within 91 to 180 days | – | 1,197 |
| | 1,250 | 1,197 |

14. PAYABLES FOR PAYMENT PROCESSING SOLUTIONS BUSINESS AND OTHER PAYABLES AND ACCRUALS

| | Unaudited 30 June 2015 <i>HK\$'000</i> | Audited 31 December 2014 <i>HK\$'000</i> |
|--|--|---|
| Payables for payment processing solutions business (<i>Note (a)</i>) | 546,438 | 311,391 |
| Other payables and accruals | 359,478 | 378,967 |
| | 905,916 | 690,358 |

Note:

(a) Payables for payment processing solutions business

This balance represents payables to merchants and financial institutions for the payment processing solutions business. The amounts are generally due for settlement within 30 days.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

| | Unaudited <i>HK\$'000</i> |
|---|-------------------------------------|
| At 1 January 2015 | 1,370,383 |
| Share of profit | 100,683 |
| Share of other comprehensive loss | (1,228) |
| Share of other reserve | 3,291 |
| Dilution of interest in an associated company (<i>Note (i)</i>) | (8,633) |
| At 30 June 2015 | 1,464,496 |
| 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) |
| At 30 June 2014 | 1,593,962 |

Note (i):

During the six months ended 30 June 2015, 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 33.07% as at 31 December 2014 to 32.75% as at 30 June 2015. A loss on dilution of interest in an associated company of HK\$8,550,000 (six months ended 30 June 2014: HK\$40,636,000) was recognised in the condensed consolidated income statement, including dilution of interest in an associated company of HK\$8,633,000 (six months ended 30 June 2014: HK\$41,471,000) offsetted by release of reserve of HK\$83,000 (six months ended 30 June 2014: HK\$835,000).

- (b) The movement on interest in a joint venture is as follows:

| | Unaudited HK\$’000 |
|-----------------------------------|-------------------------------------|
| At 1 January 2015 | 2,584 |
| Share of loss | (3,137) |
| Share of other comprehensive loss | (79) |
| Share of other reserve | 632 |
| | <hr/> |
| At 30 June 2015 | – |
| | <hr/> <hr/> |

INTERIM CONDENSED SEGMENT RESULT ANALYSIS

| | <i>Notes</i> | Turnover | | EBITDA | |
|---------------------------------------|--------------|-----------------|-----------------|-----------------|-----------------|
| | | 1H2015 | 1H2014 | 1H2015 | 1H2014 |
| | | HK\$'000 | <i>HK\$'000</i> | HK\$'000 | <i>HK\$'000</i> |
| Payment processing solutions | <i>1</i> | 143,157 | 302,354 | 4,343 | (7,466) |
| Financial solutions | <i>2</i> | 108,165 | 35,087 | (20,404) | (54,346) |
| Electronic power meters and solutions | <i>3</i> | 82,869 | 150,023 | (5,707) | (14,128) |
| Telecommunication solutions | <i>4</i> | 66,897 | 97,397 | 6,603 | 2,739 |
| Payment platform solutions | <i>5</i> | 64,826 | 48,409 | 13,082 | 9,187 |
| Others | | – | 4,770 | (4,956) | (6,893) |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Segmental results | | 465,914 | 638,040 | (7,039) | (70,907) |
| Less: Inter-segment turnover | | (723) | (1,067) | – | – |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Total | | 465,191 | 636,973 | (7,039) | (70,907) |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Depreciation | | | | (20,856) | (29,318) |
| Amortisation | | | | (5,495) | (2,596) |
| | | | | <hr/> | <hr/> |
| Segmental operating loss | | | | (33,390) | (102,821) |
| Unallocated other income | | | | 3,025 | 1,601 |
| Unallocated corporate expenses | <i>6</i> | | | (31,443) | (19,531) |
| | | | | <hr/> | <hr/> |
| Operating loss | | | | (61,808) | (120,751) |
| | | | | <hr/> | <hr/> |

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

| | <i>Notes</i> | 1H2015 <i>HK\$'000</i> | 1H2014 <i>HK\$'000</i> |
|---|--------------|----------------------------------|---------------------------|
| Revenue | <i>A</i> | 465,191 | 636,973 |
| Cost of sales | <i>B</i> | (308,046) | (449,916) |
| Gross profit | | 157,145 | 187,057 |
| Other income | | 18,031 | 10,826 |
| Selling expenses | <i>B</i> | (62,757) | (92,621) |
| Administrative expenses | <i>B</i> | (174,227) | (226,013) |
| Operating loss | | (61,808) | (120,751) |
| Share of loss of a joint venture | <i>C</i> | (3,137) | – |
| Share of profit of an associated company | <i>D</i> | 100,683 | 81,874 |
| Loss on dilution of interest in an associated company | <i>D</i> | (8,550) | (40,636) |
| Profit/(loss) before income tax | | 27,188 | (79,513) |
| Income tax expense | | (217) | (329) |
| Profit/(loss) for the period | | 26,971 | (79,842) |
| Profit/(loss) attributable to: | | | |
| – Equity holders of the Company | | 29,755 | (78,508) |
| – Non-controlling interests | | (2,784) | (1,334) |
| | | 26,971 | (79,842) |
| Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company: | | <i>HK\$ per share</i> | <i>HK\$ per share</i> |
| Basic | | 0.01 | (0.03) |
| Diluted | | 0.01 | (0.04) |

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

| | | As at 30 June 2015 <i>HK\$'000</i> | As at 31 December 2014 <i>HK\$'000</i> |
|--|--------------|---|---|
| | <i>Notes</i> | | |
| ASSETS | | | |
| Investment properties, property, plant and equipment and leasehold land | <i>E</i> | 129,771 | 146,270 |
| Intangible assets | <i>F</i> | 24,012 | 29,389 |
| Interest in a joint venture | <i>G</i> | – | 2,584 |
| Interest in an associated company | <i>H</i> | 1,464,496 | 1,370,383 |
| Available-for-sale financial asset | | 7,219 | – |
| Inventories | <i>I</i> | 76,833 | 53,726 |
| Trade and bills receivables | <i>J</i> | 206,082 | 336,828 |
| Receivables from payment processing solutions business | <i>J</i> | 94,418 | 106,784 |
| Other receivables, prepayments and deposits | <i>J</i> | 44,121 | 53,314 |
| Amount due from a joint venture | <i>L</i> | 6,924 | 10,666 |
| Amount due from an associated company | <i>L</i> | 5,600 | 12,075 |
| Short-term bank deposits | | 6,823 | 11,056 |
| Cash and cash equivalents | | 2,242,178 | 1,977,677 |
| Total assets | | 4,308,477 | 4,110,752 |
| EQUITY | | | |
| Capital and reserves attributable to the Company's equity holders | | | |
| Share capital | | 6,942 | 6,942 |
| Reserves | | 3,217,722 | 3,185,439 |
| | | 3,224,664 | 3,192,381 |
| Non-controlling interests | | 19,056 | 21,822 |
| Total equity | | 3,243,720 | 3,214,203 |
| LIABILITIES | | | |
| Deferred income tax liabilities | | 147 | 187 |
| Trade and bills payables | <i>K</i> | 134,901 | 178,002 |
| Payables for payment processing solutions business | <i>K</i> | 546,438 | 311,391 |
| Other payables and accruals | <i>K</i> | 359,478 | 378,967 |
| Amount due to an associated company | <i>L</i> | 456 | – |
| Current income tax liabilities | | 23,337 | 28,002 |
| Total liabilities | | 1,064,757 | 896,549 |
| Total equity and liabilities | | 4,308,477 | 4,110,752 |
| | | 2015 | 2014 |
| | | <i>HK\$ per share</i> | <i>HK\$ per share</i> |
| Net assets per share | | 1.17 | 1.16 |

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | 1H2015 <i>HK\$'000</i> | 1H2014 <i>HK\$'000</i> |
|---|----------------------------------|---------------------------|
| Net cash generated from operating activities | 259,219 | 95,839 |
| Net cash generated from/(used in) investing activities | 1,280 | (25,319) |
| Net cash generated from/(used in) financing activities | 4,219 | (916) |
| Net increase in cash and cash equivalents | 264,718 | 69,604 |
| Cash and cash equivalents at beginning of the period | 1,977,677 | 1,061,136 |
| Exchange loss on cash and cash equivalents | (217) | (17,090) |
| Cash and cash equivalents at end of the period | 2,242,178 | 1,113,650 |

During the six months ended 30 June 2015 (“1H2015”), the consolidated turnover of Hi Sun Technology (China) Limited (the “Company”) and its subsidiaries (the “Group”) amounted to HK\$465.2 million, representing a decrease of 27% when compared with the six months ended 30 June 2014 (“1H2014”). Profit for the period totaled HK\$27.0 million as compared to a loss of HK\$79.8 million in 1H2014.

With regard to the balance sheet, the total assets as at 30 June 2015 amounted to HK\$4,308.5 million, when compared with HK\$4,110.8 million as at 31 December 2014. As at 30 June 2015, net current assets amounted to HK\$1,616.7 million, when compared with HK\$1,663.1 million as at 31 December 2014.

SEGMENT PERFORMANCE REVIEW

(1) Payment processing solutions

| | 1H2015 <i>HK\$'000</i> | 1H2014 <i>HK\$'000</i> | Change + / (-) |
|----------------------|----------------------------------|---------------------------|-------------------|
| Turnover | 143,157 | 302,354 | -53% |
| Share option expense | – | (27,289) | N/A |
| EBITDA | 4,343 | (7,466) | N/A |
| Operating loss | (9,466) | (26,722) | N/A |

Segmental turnover amounted to HK\$143.2 million, a drop of 53% as compared to 1H2014. The decline in segmental turnover was mainly due to a keen market competition and suspension of acquisition of new merchants, we have gradually resumed the acquisition of new merchants in accordance with the requirement of the relevant regulatory bodies in Q2 2015. Segmental operating loss amounted to HK\$9.5 million, as compared to HK\$26.7 million in 1H2014. The decrease in segmental operating loss was mainly due to the fact that no share option expense was being recognised for the payment processing solutions segment in respect of grants of options in a non-wholly owned subsidiary of the Company during 1H2015 (1H2014: HK\$27.3 million).

(2) Financial solutions

| | 1H2015 <i>HK\$'000</i> | 1H2014 <i>HK\$'000</i> | Change + / (-) |
|----------------|----------------------------------|---------------------------|-------------------|
| Turnover* | 108,165 | 34,549 | +213% |
| EBITDA | (20,404) | (54,346) | N/A |
| Operating loss | (26,704) | (55,530) | N/A |

* *Turnover from external customers*

During the current period, segmental turnover amounted to HK\$108.2 million, increased by 213% as compared to 1H2014. The increase in segmental turnover was mainly due to the revenue recognition for certain project milestones reached during the current period. Segmental operating loss totaled HK\$26.7 million when compared with segmental operating loss of HK\$55.5 million in 1H2014. Such decrease in operating loss was mainly attributable to increase in segmental turnover.

(3) Electronic power meters and solutions

| | 1H2015 <i>HK\$'000</i> | 1H2014 <i>HK\$'000</i> | Change + / (-) |
|----------------|----------------------------------|---------------------------|-------------------|
| Turnover | 82,869 | 150,023 | -45% |
| EBITDA | (5,707) | (14,128) | N/A |
| Operating loss | (8,291) | (17,983) | N/A |

Segmental turnover amounted to HK\$82.9 million as compared to HK\$150.0 million in 1H2014. Decline in turnover was mainly due to a drop in shipment level as compared to 1H2014. Segmental operating loss amounted to HK\$8.3 million, as compared to HK\$18.0 million in 1H2014. Drop in segmental loss was mainly attributable to improved gross profit margin due to change in product sales mix and cost control measures.

(4) Telecommunication solutions

| | 1H2015 <i>HK\$'000</i> | 1H2014 <i>HK\$'000</i> | Change +/(%) |
|-------------------------|----------------------------------|---------------------------|-----------------|
| Turnover | 66,897 | 97,397 | -31% |
| EBITDA | 6,603 | 2,739 | +141% |
| Operating profit/(loss) | 3,653 | (3,330) | N/A |

During 1H2015, segmental turnover amounted to HK\$66.9 million, a decrease of 31% as compared to 1H2014. Segmental operating profit amounted to HK\$3.7 million as compared to operating loss of HK\$3.3 million in 1H2014. The decline in segmental turnover was mainly caused by the fact that the acceptance and key terms of certain projects were pending from the customer.

(5) Payment platform solutions

| | 1H2015 <i>HK\$'000</i> | 1H2014 <i>HK\$'000</i> | Change +/(%) |
|------------------|----------------------------------|---------------------------|-----------------|
| Turnover* | 64,103 | 47,880 | +34% |
| EBITDA | 13,082 | 9,187 | +42% |
| Operating profit | 12,889 | 8,933 | +44% |

* *Turnover from external customers*

Segmental turnover amounted to HK\$64.1 million as compared to HK\$47.9 million in 1H2014. Segmental operating profit amounted to HK\$12.9 million, as compared to HK\$8.9 million in 1H2014. Increase in turnover and operating profit was mainly attributable to increase in income from provincial projects. 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.

(6) Unallocated corporate expenses

The amount mainly represents corporate office expenses and net exchange loss. The increase as compared to 1H2014 was mainly caused by the change from a net foreign exchange gain to a loss given the depreciation of Japanese Yen during the period.

OVERALL FINANCIAL RESULTS AND POSITION

(A) Revenue

The consolidated turnover amounted to HK\$465.2 million, representing a drop of 27% over 1H2014. Please also refer to Notes (1) to (5) above.

(B) Cost of sales and operating expenses

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

Decrease in operating expenses was primarily due to:

- no share option expense being recognised for the payment processing solutions segment in respect of grants of options in a non-wholly owned subsidiary of the Company during 1H 2014;
- decline in staff cost with a decrease in head count; and
- decline in selling and marketing expenses such as sales commission and project tendering expenses.

(C) Share of loss of a joint venture

During the current period, the joint venture recognised a net loss of HK\$16.6 million. As an ordinary shareholder of the joint venture, the Group shared a loss of HK\$3.1 million during the period to the extent the carrying amount of the joint venture reduced to nil.

(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 of Hong Kong Limited (the "Stock Exchange"), for the six months ended 30 June 2015 increased with an increase in profit of PAX Global in 1H2015 while partially offset by a decline in effective interest held in PAX Global. 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 represents fixed assets of payment processing solution and electronic power meter and solutions segments.

(F) Intangible assets

Intangible assets include computer software of HK\$24.0 million allocated to the financial solutions segment.

(G) Interest in a joint venture

The amount represents interest in a joint venture of the Company and was accounted for using the equity method of accounting. The joint venture was initially measured at fair value. The carrying amount was increased or decreased to recognise the investor's share of the profits or losses and movements in other comprehensive income of the investee to the extent the carrying amount of the joint venture reduced to nil due to losses, after the initial recognition. The carrying amount of the joint venture also included goodwill and intangible assets identified upon the formation of the joint venture. As at 30 June 2015, the carrying amount of the Group's interest in the joint venture was zero. Meanwhile, the fair value of the Group's interest in the joint venture was approximately HK\$99.9 million.

(H) Interest in an associated company

As at 30 June 2015, the fair value of the Group's 32.7% effective interest in PAX Global was HK\$4,047.7 million. As at 30 June 2015, the fair value of the investment was greater than its carrying value.

(I) Inventories

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

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

| | As at 30 June 2015 <i>HK\$'000</i> | As at 31 December 2014 <i>HK\$'000</i> |
|--|---|---|
| Trade receivables (<i>Note (i)</i>) | 225,238 | 352,268 |
| Bills receivables | 38 | 3,747 |
| Less: provision for impairment of receivables | (19,194) | (19,187) |
| | 206,082 | 336,828 |
| Receivables from payment processing solutions business (<i>Note (ii)</i>) | 94,418 | 106,784 |
| Prepayments, deposits and others | 44,121 | 53,314 |
| Total | 344,621 | 496,926 |

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 2015 HK\$'000 | As at 31 December 2014 HK\$'000 |
|--------------------|--|--|
| Current to 90 days | 115,935 | 250,580 |
| 91 to 180 days | 11,123 | 28,886 |
| 181 to 365 days | 55,430 | 39,338 |
| Over 365 days | 42,750 | 33,464 |
| | <u>225,238</u> | <u>352,268</u> |

- Decrease in trade receivables aged between current to 90 days was mainly due to settlements from customers of telecommunication solutions and financial solutions segments during the period.

Note (ii):

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

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

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

| | As at 30 June 2015 HK\$'000 | As at 31 December 2014 HK\$'000 |
|--|--|--|
| Trade payables (<i>Note (i)</i>) | 133,651 | 176,805 |
| Bills payables | 1,250 | 1,197 |
| Payables for payment processing solutions business (<i>Note (ii)</i>) | 546,438 | 311,391 |
| Other payables and accruals (<i>Note (iii)</i>) | 359,478 | 378,967 |
| | <u>1,040,817</u> | <u>868,360</u> |
| Total | <u>1,040,817</u> | <u>868,360</u> |

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:

| | As at 30 June 2015 <i>HK\$'000</i> | As at 31 December 2014 <i>HK\$'000</i> |
|--------------------|---|---|
| Current to 90 days | 65,535 | 84,744 |
| 91 to 180 days | 21,297 | 43,104 |
| 181 to 365 days | 33,988 | 37,557 |
| Over 365 days | 12,831 | 11,400 |
| | <u>133,651</u> | <u>176,805</u> |

Note (ii):

This balance represents payables to merchants and financial institutions for the payment processing solutions business. The amounts are generally due for settlement within 30 days. Increase in balance was mainly due to increase in with extended credit.

Note (iii):

| | As at 30 June 2015 <i>HK\$'000</i> | As at 31 December 2014 <i>HK\$'000</i> |
|--|---|---|
| Accrued staff costs and pension obligations* | 93,480 | 138,818 |
| Deposits and receipt in advance from customers** | 115,445 | 98,421 |
| Accrued subcontracting cost*** | 101,039 | 85,766 |
| Others | 49,514 | 55,962 |
| | <u>359,478</u> | <u>378,967</u> |

* The decrease in accrued staff costs and pension obligations was mainly due to the payment of year end bonus for 2014.

** The increase in deposits and receipt in advance from customers was mainly due to increase in deposits and guarantees received from customers under the payment processing solutions business.

*** The increase in accrued subcontracting cost was caused by the financial solutions segment.

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

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

OUTLOOK

Payment processing solutions

Third-party payment industry is flourishing recently in China, becoming an important component of the financial services sector. Online and Offline Integration as well as internet finance introduce a new strategic business market space into the third-party payment industry. With the inspections by the regulatory bodies being passed in the first quarter and the acquirement of new merchants being resumed gradually, we expect that the operation scale of payment processing in second half of the year will steadily increase. At the same time, we actively devoted ourselves into the business of payment service, which has produced brilliant results. In the future, Hi Sun will expand our prospective financial business, including wealth management and loan service, etc., so as to grasp the trend of developing internet finance. Based on the existing competitive advantages, we will focus on numerous numbers of small and medium enterprises. Through making good use of customer resources and decent operating model of partnership, we will be committed to providing them with various competitive payment and prospective financial products.

Financial solutions

During the period, Hi Sun continued to expand in the core banking sector, especially in Hong Kong and overseas markets. We successfully entered into core banking contracts with Hong Kong Dah Sing Bank, Bank of Beijing, Hong Kong Branch, China Minsheng Bank, Singapore Branch, etc. In Mainland China, we successfully realized the delivery of the core system of the head office of China CITIC Bank. All these strengthened our leading position in the core banking high-end solutions industry. Besides, with more and more internet financial solutions available, third-party payment solutions facilitate traditional enterprises to integrate with internet finance, thus we have new clients such as TCL and Jifutong Payment Company Limited (集付通支付有限公司). For P2P solutions, relationship with new clients such as Shenzhen Penging (深圳鹏金所) was established. At the same time, our ATM outsourcing services operate steadily, providing continuous and stable cash flow.

Electronic power meters and solutions

In the first half of 2015, the tender volume of smart electronic power meters from State Grid was at comparable level to the corresponding period in last year. The key focus of State Grid in 2015 is to speed up the construction of the state and provincial metrology center, implement lean management on the full-service and full-process metrology, and enhance the intelligence level. The standard of state inspection of electronic power meters and the construction of the related system are implemented in an orderly progress. The standardization of safety and software testing of the electronic power meters are gradually promoted. In order to fulfill the new requirements in the market, we conduct optimization on the managerial system in respect of all aspects including design, research and development, material management and monitoring, and management of manufacturing. As the specific upgrade and reform on the automatic production line are approaching completion and it is expected to officially commence work in the second half of the year, the quality of the products will be further enhanced. We will continue to escalate the technological and quality level of our products and our service level, as well so as to seize more opportunities in the market.

Telecommunication solutions

While the Jiangsu Base of China Mobile is maintaining the development for the traditional voice business, it is actively promoting products and business based on mobile internet traffic. It will continue to develop the user end of the voice magazine and open the interface thereof in order to provide new opportunities for all aspects on the value chain to grow. In January 2015, Migu Culture and Technology Limited (咪咕文化科技有限公司), a subsidiary of China Mobile, was officially established, which integrates the business and content of the top five fields operated under China Mobile, including music, videos, reading, games and comics. We expect that China Mobile will offer more resources to the business of such five fields. Therefore, the comic business of mobile phone can also be entitled new driving force to grow. As one of the core supporting parties of China Mobile, Hi Sun has obtained new projects of H5 portal and comic electronic books given our background of being the supporting party of the original user end portal, thus our supporting area could be further expanded and our supporting status will be enhanced and consolidated continuously. With the implementation of national strategy of “Internet Plus”, we will continue our efforts in an attempt to leverage on the business and technology accumulation in the communications field so as to strive for innovative business and services for individuals and corporate users in the development of internet and communications field, and put more efforts on the exploration of new income growth points.

Payment platform solutions

As the supporting party of China Mobile’s nation-wide 和包 platform (formerly known as “mobile payment” or “mobile wallet”), we provide comprehensive supporting services for such business. 和包 offers a variety of safe and trendy online and offline payment experience conveniently and expediently for individuals and corporate customers. In the future, we expect that China Mobile will continue to invest in 和包 business, thus it will continue to develop at a fast pace. Such trend will lead to a rise in the demand for our supporting services and income is expected to grow steadily. Meanwhile, we will also put more efforts on the E-commerce payment business expansion of China Mobile in various provinces. Besides, we will maintain the innovation investment in mobile internet business and explore opportunities to create self-operated business in such field in order to lay foundation for further development.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group reported total assets of HK\$4,308.5 million (31 December 2014: HK\$4,110.8 million), which were financed by total liabilities of HK\$1,064.8 million (31 December 2014: HK\$896.5 million) and equity of HK\$3,243.7 million (31 December 2014: HK\$3,214.2 million). The net asset value was HK\$3,243.7 million (31 December 2014: HK\$3,214.2 million). The net asset value per share amounted to HK\$1.17 per share as compared to HK\$1.16 per share as at 31 December 2014.

As at 30 June 2015, the Group had cash and cash equivalents of HK\$2,242.2 million (31 December 2014: HK\$1,977.7 million) and no short-term borrowings (31 December 2014: nil). The net cash position as at 30 June 2015 was HK\$2,242.2 million as compared to HK\$1,977.7 million as at 31 December 2014. The gearing ratio (defined as total borrowings divided by shareholders’ equity) was zero (31 December 2014: 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 2015, the Group had no bank borrowings (at 31 December 2014: nil). As at 30 June 2015, the banking facilities were secured by the leasehold land and buildings of a subsidiary of the Company, with a net book amount of HK\$3.4 million and HK\$12.2 million, respectively. As at 31 December 2014, the banking facilities were secured by the leasehold land and buildings of a subsidiary of the Company, with a net carrying amount of HK\$3.5 million and HK\$12.7 million, respectively.

Approximately HK\$1,280.7 million, HK\$589.7 million, HK\$274.2 million, HK\$96.2 million and HK\$1.4 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 2015.

Approximately HK\$979.4 million, HK\$626.0 million, HK\$272.9 million, HK\$92.1 million and HK\$7.3 million of the Group's cash balances were denominated in Renminbi, Hong Kong dollar, US dollar, Japanese Yen and MOP respectively as at 31 December 2014.

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 2015.

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

During the period, the Company entered into a performance guarantee agreement with a customer (the "Performance Guarantee Agreement"). Pursuant to the Performance Guarantee Agreement, the Company agreed to provide the customer with a guarantee in relation to the due and punctual performance of a subsidiary of the Group in providing services for a modernisation project with not more than HK\$60,000,000 and claims of infringement of third party's intellectual property right. As at 30 June 2015, the Company does not recognise any liability in relation to the Performance Guarantee Agreement as the Directors of the Company consider the possibility of reimbursement is not probable.

Save as disclosed above, the Group had no material contingent liability as at 30 June 2015.

EMPLOYEES

The total number of employees of the Group as at 30 June 2015 was 2,205. The breakdown of employees by division is as follows:

| | |
|---------------------------------------|--------------|
| Telecommunication solutions | 277 |
| Financial solutions | 380 |
| Payment platform solutions | 396 |
| Payment processing solutions | 401 |
| Electronic power meters and solutions | 525 |
| Others | 193 |
| Corporate office | <u>33</u> |
| | <u>2,205</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 2015. As at 30 June 2015, 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.

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 2015.

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

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 2015.

The Board periodically reviews and monitors the Company's policies and practices on corporate governance or compliance with legal and regulatory requirements. The Board also reviews the employee handbook, training and continuous professional development of 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 2015 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 2015.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2015 interim results announcement is published on the Company's website at www.hisun.com.hk and the website of the Stock Exchange at www.hkexnews.hk. The 2015 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 2015 interim financial information set out above does not constitute the Group's statutory financial statements for the six months ended 30 June 2015. Instead, it has been derived from the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2015, which will be included in the Company's 2015 interim report.

By Order of the Board
Li Wenjin
Executive Director

Hong Kong, 6 August 2015

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.