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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 2016

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>1H2016</b> <i>HK\$'000</i>	<b>1H2015</b> <i>HK\$'000</i>	<b>Change</b> +/(–)
<b>RESULTS</b>			
<b>Revenue</b>	<b>657,453</b>	465,191	+41%
<b>Gross profit</b>	<b>204,026</b>	157,145	+30%
<b>Segmental EBITDA (before unallocated items)</b>	<b>76,134</b>	(7,039)	N/A
<b>Share of profit of and gain/(loss) on dilution of interests in investments accounted for using the equity method</b>	<b>104,590</b>	88,996	+18%
<b>Profit for the period</b>	<b>120,095</b>	26,971	+345%
<b>Profit/(loss) attributable to:</b>			
– Equity holders of the Company	<b>110,118</b>	29,755	+270%
– Non-controlling interests	<b>9,977</b>	(2,784)	N/A
	<b>120,095</b>	26,971	
	<i><b>HK\$</b></i> <i><b>per share</b></i>	<i><b>HK\$</b></i> <i><b>per share</b></i>	<b>Change</b> +/(–)
<b>Earnings per share for profit attributable to equity holders of the Company:</b>			
Basic	<b>0.04</b>	0.01	+300%
Diluted	<b>0.04</b>	0.01	+300%

\* For identification purposes only

	<b>As at 30 June 2016 HK\$'000</b>	As at 31 December 2015 HK\$'000	Change +/( -)
<b>HIGHLIGHTS OF FINANCIAL POSITION</b>			
Total equity	<b>3,470,397</b>	3,337,944	+4%
Net current assets	<b>1,391,402</b>	1,532,973	-9%
Total assets	<b><u>4,535,945</u></b>	<u>4,576,515</u>	-1%
	<i>HK\$ per share</i>	<i>HK\$ per share</i>	Change +/( -)
Net assets per share	<b><u>1.25</u></b>	<u>1.20</u>	+4%

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 2016 together with the unaudited comparative figures for the corresponding period in 2015 as follows:

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	4	<b>657,453</b>	465,191
Cost of sales	6	<u>(453,427)</u>	<u>(308,046)</u>
<b>Gross profit</b>		<b>204,026</b>	157,145
Other income	4	<b>17,102</b>	18,031
Other gain	4	<b>198</b>	–
Selling expenses	6	<b>(47,312)</b>	(62,757)
Administrative expenses	6	<b>(149,450)</b>	(174,227)
<b>Operating profit/(loss)</b>		<b>24,564</b>	(61,808)
Share of profit of and gain/(loss) on dilution of interests in investments accounted for using the equity method	15	<u><b>104,590</b></u>	<u>88,996</u>
<b>Profit before income tax</b>		<b>129,154</b>	27,188
Income tax expense	8	<u><b>(9,059)</b></u>	<u>(217)</u>
<b>Profit for the period</b>		<u><b>120,095</b></u>	<u>26,971</u>
<b>Profit/(loss) attributable to:</b>			
– Equity holders of the Company		<b>110,118</b>	29,755
– Non-controlling interests		<u><b>9,977</b></u>	<u>(2,784)</u>
		<u><b>120,095</b></u>	<u>26,971</u>
		<i>HK\$ per share</i>	<i>HK\$ per share</i>
<b>Earnings per share for profit attributable to equity holders of the Company:</b>			
Basic	10	<u><b>0.04</b></u>	<u>0.01</u>
Diluted	10	<u><b>0.04</b></u>	<u>0.01</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period</b>	<b>120,095</b>	26,971
<b>Other comprehensive income/(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	(467)	211
Fair value gains/(losses) on revaluation of available-for-sale financial assets	<b>11,916</b>	(198)
Share of other comprehensive loss of and release of reserve upon dilution of interests in investments accounted for using the equity method		
– exchange differences arising on translation of the financial statements of foreign subsidiaries	(334)	(1,390)
	<u>131,210</u>	<u>25,594</u>
<b>Total comprehensive income for the period, net of tax</b>		
<b>Total comprehensive income/(loss) attributable to:</b>		
– Equity holders of the Company	<b>121,369</b>	28,360
– Non-controlling interests	<b>9,841</b>	(2,766)
	<u>131,210</u>	<u>25,594</u>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2016 HK\$'000	Audited 31 December 2015 HK\$'000
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties		1,803	1,889
Property, plant and equipment		225,898	214,234
Leasehold land		33,280	33,785
Intangible assets		13,715	18,855
Investments accounted for using the equity method	15	1,623,259	1,525,040
Available-for-sale financial assets	16	101,416	6,982
Financial asset at fair value through profit or loss	17	78,198	–
Long-term deposits and prepayments	12	1,550	4,318
		<b>2,079,119</b>	<b>1,805,103</b>
<b>Current assets</b>			
Inventories		88,641	53,113
Trade and bills receivables	11	191,407	235,589
Receivables from payment processing solutions business	12	126,473	115,642
Other receivables, prepayments and deposits	12	44,086	40,565
Amounts due from investments accounted for using the equity method		12,352	10,761
Short-term bank deposits		16,721	23,455
Cash and cash equivalents		1,977,146	2,292,287
		<b>2,456,826</b>	<b>2,771,412</b>
<b>Total current assets</b>		<b>2,456,826</b>	<b>2,771,412</b>
<b>Total assets</b>		<b>4,535,945</b>	<b>4,576,515</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		6,942	6,942
Reserves		3,424,498	3,301,886
		<b>3,431,440</b>	<b>3,308,828</b>
<b>Non-controlling interests</b>		<b>38,957</b>	<b>29,116</b>
<b>Total equity</b>		<b>3,470,397</b>	<b>3,337,944</b>

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2016</b>	2015
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<u>124</u>	<u>132</u>
<b>Total non-current liabilities</b>		<u>124</u>	<u>132</u>
<b>Current liabilities</b>			
Trade and bills payables	<i>13</i>	<b>175,032</b>	201,223
Payables for payment processing solutions business	<i>14</i>	<b>357,408</b>	472,912
Other payables and accruals	<i>14</i>	<b>429,601</b>	467,030
Amounts due to investments accounted for using the equity method		<b>72,379</b>	70,912
Current income tax liabilities		<u>31,004</u>	<u>26,362</u>
<b>Total current liabilities</b>		<u>1,065,424</u>	<u>1,238,439</u>
<b>Total liabilities</b>		<u>1,065,548</u>	<u>1,238,571</u>
<b>Total equity and liabilities</b>		<u>4,535,945</u>	<u>4,576,515</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 and provision of platform operation 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 9 August 2016.

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 2016 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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## **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 2015, as described in those annual financial statements.

### **(a) Financial assets at fair value through profit or loss**

#### *(i) Classification*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

#### *(ii) Recognition and measurement*

Financial assets carried at fair value through profit or loss are initially recognised at fair values and transaction costs are expected in the income statement.

Gains or losses arising from changes in the fair value of the ‘financial asset at fair value through profit or loss’ category are presented in the income statement within ‘other gain’ in the period in which they arise.

**(b) Amendments to HKFRSs effective for the financial year ending 31 December 2016 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.

**(c) Impact of standards issued but not yet applied by the entity**

*(i) HKFRS 9 Financial instruments*

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption. The Group is currently assessing whether it should adopt HKFRS 9 before its mandatory date.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (“AFS”) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (“FVOCI”) and hence there will be no change to the accounting for these assets.

The other financial assets held by the Group include:

- Equity instruments currently classified as AFS for which a FVOCI election is available, and
- Equity investments currently measured at fair value through profit or loss (“FVPL”) which would likely continue to be measured on the same basis under HKFRS 9

Accordingly the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group’s risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach.



The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(ii) *HKFRS 15 Revenue from contracts with customers*

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018, and will allow early adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- Accounting for costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15; and
- Rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the effect of the new rules on the Group's financial statements. The Group will make more detailed assessments of the effect. The Group does not expect to adopt the new standard before 1 January 2018.

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 the Group.

#### 4. REVENUE, OTHER INCOME AND OTHER GAIN

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

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
		(restated)
		(Note 5)
Turnover		
Provision of payment processing solutions	<b>372,164</b>	143,157
Provision of financial solutions	<b>102,354</b>	108,165
Sales of electronic power meters and solutions	<b>93,921</b>	82,869
Provision of platform operation solutions	<b>89,014</b>	131,000
	<u><b>657,453</b></u>	<u>465,191</u>
Other income		
Interest income	<b>7,677</b>	7,638
Subsidy income	<b>2,497</b>	6,340
Rental income	<b>3,189</b>	2,948
Others	<b>3,739</b>	1,105
	<u><b>17,102</b></u>	<u>18,031</u>
Other gain		
Fair value gain on a financial asset at fair value through profit or loss	<b>198</b>	–

#### 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 of the Group from a product perspective.

Due to continual development of the Group, management has changed its internal organisational structure to align more closely with the Group's strategic decision and market dynamics to better serve customers. In particular, telecommunication solutions segment and payment platform solutions segment have been merged into one operating segment – platform operation solutions segment. The Group has adopted the new organisational structure as the reporting format effective for the six months ended 30 June 2016. The comparative segment information has been restated to reflect the current organisational structure.

The Group is organised into four 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; and
- (d) Platform operation solutions – principally engaged in the provision of telecommunication and 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 Group HK\$'000
	Payment processing solutions HK\$'000	Financial solutions HK\$'000	Electronic power meters and solutions HK\$'000	Platform operation solutions HK\$'000	Others HK\$'000	
<b>Six months ended 30 June 2016</b>						
Segment turnover	372,164	102,354	93,921	90,507	–	658,946
Intra-group turnover	–	–	–	(1,493)	–	(1,493)
Turnover from external customers	<u>372,164</u>	<u>102,354</u>	<u>93,921</u>	<u>89,014</u>	<u>–</u>	<u>657,453</u>
Segmental earnings/(losses) before interest, taxes, depreciation and amortisation (“EBITDA”)	<u>99,450</u>	<u>(7,406)</u>	<u>(3,338)</u>	<u>(8,875)</u>	<u>(3,697)</u>	<u>76,134</u>
Depreciation	(37,653)	(971)	(2,062)	(1,719)	(167)	(42,572)
Amortisation	<u>–</u>	<u>(5,133)</u>	<u>(121)</u>	<u>–</u>	<u>–</u>	<u>(5,254)</u>
Segmental operating profit/(loss)	<u>61,797</u>	<u>(13,510)</u>	<u>(5,521)</u>	<u>(10,594)</u>	<u>(3,864)</u>	<u>28,308</u>
Unallocated other income						2,547
Unallocated corporate expenses						(6,291)
Share of profit of and gain on dilution of interests in investments accounted for using the equity method						<u>104,590</u>
Profit before income tax						129,154
Income tax expense						<u>(9,059)</u>
Profit for the period						<u>120,095</u>

	Unaudited					
	Payment processing solutions HK\$'000	Financial solutions HK\$'000	Electronic power meters and solutions HK\$'000	Platform operation solutions HK\$'000 (restated)	Others HK\$'000	Total Group HK\$'000
<b>Six months ended 30 June 2015</b>						
Segment turnover	143,157	108,165	82,869	131,723	–	465,914
Intra-group turnover	–	–	–	(723)	–	(723)
Turnover from external customers	<u>143,157</u>	<u>108,165</u>	<u>82,869</u>	<u>131,000</u>	<u>–</u>	<u>465,191</u>
Segmental EBITDA	<u>4,343</u>	<u>(20,404)</u>	<u>(5,707)</u>	<u>19,685</u>	<u>(4,956)</u>	<u>(7,039)</u>
Depreciation	(13,809)	(1,167)	(2,222)	(3,143)	(515)	(20,856)
Amortisation	<u>–</u>	<u>(5,133)</u>	<u>(362)</u>	<u>–</u>	<u>–</u>	<u>(5,495)</u>
Segmental operating (loss)/profit	<u>(9,466)</u>	<u>(26,704)</u>	<u>(8,291)</u>	<u>16,542</u>	<u>(5,471)</u>	<u>(33,390)</u>
Unallocated other income						3,025
Unallocated corporate expenses						(31,443)
Share of profit of and loss on dilution of interests in investments accounted for using the equity method						<u>88,996</u>
Profit before income tax						27,188
Income tax expense						<u>(217)</u>
Profit for the period						<u><u>26,971</u></u>

Unallocated corporate expenses represent costs that are used for all segments, including depreciation of property, plant and equipment of HK\$804,000 (six months ended 30 June 2015: HK\$752,000), depreciation of investment properties of HK\$86,000 (six months ended 30 June 2015: HK\$86,000) and amortisation of leasehold land of HK\$380,000 (six months ended 30 June 2015: HK\$380,000), respectively.

The segment assets and liabilities as at 30 June 2016 and additions to non-current assets for the six months ended 30 June 2016 are as follows:

	Payment processing solutions <i>HK\$'000</i>	Financial solutions <i>HK\$'000</i>	Electronic power meters and solutions <i>HK\$'000</i>	Platform operation solutions <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total Group <i>HK\$'000</i>
<b>Unaudited</b>								
Segment assets	<u>1,245,160</u>	<u>260,256</u>	<u>330,906</u>	<u>938,690</u>	<u>85,763</u>	<u>2,924,555</u>	<u>(1,249,385)</u>	<u>4,535,945</u>
Segment liabilities	<u>(954,676)</u>	<u>(247,145)</u>	<u>(241,234)</u>	<u>(637,918)</u>	<u>(182,559)</u>	<u>(51,401)</u>	<u>1,249,385</u>	<u>(1,065,548)</u>
<b>Unaudited</b>								
Additions to non-current assets (excluding financial assets)	<u>53,519</u>	<u>44</u>	<u>791</u>	<u>235</u>	<u>17</u>	<u>43</u>	<u>-</u>	<u>54,649</u>

The segment assets and liabilities as at 31 December 2015 and additions to non-current assets for the six months ended 30 June 2015 are as follows:

	Payment processing solutions <i>HK\$'000</i>	Financial solutions <i>HK\$'000</i>	Electronic power meters and solutions <i>HK\$'000</i>	Platform operation solutions <i>HK\$'000</i> (restated)	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total Group <i>HK\$'000</i>
<b>Audited</b>								
Segment assets	<u>1,323,709</u>	<u>320,848</u>	<u>349,784</u>	<u>857,379</u>	<u>89,909</u>	<u>2,836,084</u>	<u>(1,201,198)</u>	<u>4,576,515</u>
Segment liabilities	<u>(1,086,065)</u>	<u>(285,740)</u>	<u>(254,614)</u>	<u>(559,003)</u>	<u>(182,878)</u>	<u>(71,469)</u>	<u>1,201,198</u>	<u>(1,238,571)</u>
<b>Unaudited</b>								
Additions to non-current assets (excluding financial assets)	<u>4,535</u>	<u>576</u>	<u>514</u>	<u>877</u>	<u>8</u>	<u>19</u>	<u>-</u>	<u>6,529</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	
	2016	2015
	HK\$'000	HK\$'000
Auditor's remuneration	1,700	1,700
Depreciation of property, plant and equipment	43,376	21,608
Depreciation of investment properties	86	86
Amortisation of leasehold land	494	499
Amortisation of intangible assets	5,140	5,376
Employee benefit expenses	198,821	209,266
Costs of inventories sold (including provision for inventories)	74,459	65,336
Operating lease rentals in respect of land and buildings	15,562	19,653
Operating lease rentals in respect of equipment	17	6,492
Research and development costs (including staff cost)	66,627	56,005
(Gain)/loss on disposal of property, plant and equipment	(55)	265
Provision for inventories	–	4,302

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

The net foreign exchange gain recognised in the interim condensed consolidated income statement and included in administrative expenses for the six months ended 30 June 2016 amounted to HK\$21,610,000 (six months ended 30 June 2015: exchange loss of HK\$3,299,000).

## 8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (six months ended 30 June 2015: 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	
	2016	2015
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	–	–
– Overseas taxation	9,066	1,026
Deferred tax	(7)	(40)
Adjustments in respect of prior years	–	(769)
Income tax expense	9,059	217

## 9. DIVIDENDS

No dividend on ordinary share has been paid or declared by the Company for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

## 10. EARNINGS PER SHARE

### (a) Basic

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
Profit attributable to equity holders of the Company ( <i>HK\$'000</i> )	<u><b>110,118</b></u>	<u>29,755</u>
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u><b>2,776,834</b></u>	<u>2,776,834</u>
Basic earnings per share ( <i>HK\$ per share</i> )	<u><b>0.04</b></u>	<u>0.01</u>

### (b) Diluted

Diluted earnings 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.

For the six months ended 30 June 2016, the Group has three categories (six months ended 30 June 2015: same) of potentially dilutive shares: share options issued by an associated company – PAX Global Technology Limited (“PAX Global”), and share options and convertible preference shares issued by an associated company – Cloopen Group Holdings Limited (“Cloopen”), a former joint venture of the Group (Note 15).

Dilutive effects arise from share options issued by PAX Global for the six months ended 30 June 2016 (six months ended 30 June 2015: same).

For share options issued by PAX Global, the exercise of the outstanding share options in PAX Global would have a dilutive effect. The exercise of the share options in PAX Global would be dilutive if the net profit attributable to the equity holders of the Company will decrease as a result of the decrease in the Group’s share of profit of associated company and reduce in gain on dilution of interest in an 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 PAX Global. 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 PAX Global.

For share options and convertible preference shares issued by Cloopen, during the six months ended 30 June 2016, the Group’s share of loss exceeded its interest in the ordinary shares of Cloopen (six months ended 30 June 2015: same). The exercise of the abovementioned share options and convertible preference shares would have an anti-dilutive effect as the net profit attributable to the equity holders of the Company will increase as a result of decrease in the Group’s share of loss of Cloopen for the six months ended 30 June 2016 (six months ended 30 June 2015: same).

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
Profit attributable to equity holders of the Company ( <i>HK\$'000</i> )	<b>110,118</b>	29,755
Assuming exercise of all outstanding dilutive share options issued by the associated company ( <i>HK\$'000</i> )		
– Decrease in share of profit of and reduce in gain/increase in loss on dilution of the associated company	<u>(7,007)</u>	<u>(5,481)</u>
Adjusted profit attributable to equity holders of the Company used to determine diluted earnings per share ( <i>HK\$'000</i> )	<u><b>103,111</b></u>	<u>24,274</u>
Weighted average number of ordinary shares for diluted earnings per share ( <i>thousands</i> )	<u><b>2,776,834</b></u>	<u>2,776,834</u>
Diluted earnings per share attributable to the equity holders of the Company ( <i>HK\$ per share</i> )	<u><b>0.04</b></u>	<u>0.01</u>

## 11. TRADE AND BILLS RECEIVABLES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables ( <i>Note (a)</i> )	<b>209,923</b>	246,527
Bills receivables ( <i>Note (b)</i> )	<b>118</b>	7,707
Less: provision for impairment of receivables	<u>(18,634)</u>	<u>(18,645)</u>
	<u><b>191,407</b></u>	<u>235,589</u>

*Note:*

### (a) Trade receivables

The Group's credit terms to trade debtors range from 0 to 180 days. At 30 June 2016 and 31 December 2015, the ageing analysis of the trade receivables primarily based on invoice date was as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	<b>111,360</b>	170,302
91 to 180 days	<b>9,653</b>	7,854
181 to 365 days	<b>43,723</b>	17,248
Over 365 days	<u><b>45,187</b></u>	<u>51,123</u>
	<u><b>209,923</b></u>	<u>246,527</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:

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
Falling within 90 days	118	1,216
Falling within 91 to 180 days	—	6,491
	<u>118</u>	<u>7,707</u>

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

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
<b>Non-current portion</b>		
Long-term deposits and prepayments	<u>1,550</u>	<u>4,318</u>
<b>Current portion</b>		
Receivables from payment processing solutions business ( <i>Note (a)</i> )	126,473	115,642
Other receivables, prepayments and deposits	<u>44,086</u>	<u>40,565</u>
	<u>170,559</u>	<u>156,207</u>
Total	<u>172,109</u>	<u>160,525</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 financial institutions once the underlying transactions of the merchants had been acknowledged by the relevant financial institutions.

**13. TRADE AND BILLS PAYABLES**

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
Trade payables ( <i>Note (a)</i> )	154,007	165,685
Bills payables ( <i>Note (b)</i> )	<u>21,025</u>	<u>35,538</u>
	<u>175,032</u>	<u>201,223</u>

Note:

**(a) Trade payables**

At 30 June 2016 and 31 December 2015, the ageing analysis of the trade payables primarily based on invoice date was as follows:

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
Current to 90 days	<b>109,488</b>	104,471
91 to 180 days	<b>15,714</b>	24,173
181 to 365 days	<b>17,489</b>	21,172
Over 365 days	<b>11,316</b>	15,869
	<u><b>154,007</b></u>	<u>165,685</u>

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

**(b) Bills payables**

The balance represents bank acceptance notes:

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
Due within 90 days	<b>2,938</b>	20,987
Due within 91 to 180 days	<b>18,087</b>	14,551
	<u><b>21,025</b></u>	<u>35,538</u>

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

	<b>Unaudited 30 June 2016 HK\$'000</b>	Audited 31 December 2015 HK\$'000
Payables for payment processing solutions business ( <i>Note (a)</i> )	<b>357,408</b>	472,912
Other payables and accruals	<b>429,601</b>	467,030
	<u><b>787,009</b></u>	<u>939,942</u>

Note:

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

This balance represents payables to merchants 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) Investment in PAX Global

The movement on interest in PAX Global is as follows:

	<b>Unaudited</b> <i>HK\$'000</i>
At 1 January 2016	<b>1,525,040</b>
Share of profit	<b>103,764</b>
Share of other comprehensive loss	<b>(450)</b>
Share of other reserve	<b>1,243</b>
Dilution of interest ( <i>Note (i)</i> )	<b>942</b>
Dividend received	<b>(7,280)</b>
	<hr/>
At 30 June 2016	<b>1,623,259</b>
	<hr/>
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 ( <i>Note (i)</i> )	(8,633)
	<hr/>
At 30 June 2015	<b>1,464,496</b>
	<hr/>

*Note (i):*

During the six months ended 30 June 2016, certain employees of 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 32.73% as at 31 December 2015 to 32.56% as at 30 June 2016. A gain on dilution of interest in an associated company of HK\$826,000 (six months ended 30 June 2015: loss on dilution of interest of HK\$8,550,000) was recognised in the interim condensed consolidated income statement, including release of reserve debited to the interim condensed consolidated income statement of HK\$116,000 (six months ended 30 June 2015: credited to interim condensed consolidated income statement of HK\$83,000).

### (b) Investment in Cloopen

On 10 June 2016, Cloopen issued 27,862,642 ordinary shares to an existing shareholder. Immediately subsequent thereto, Cloopen further issued 7,443,326 and another 37,216,630 Convertible Series C Preferred Shares (the "Convertible Series C Preferred Shares") respectively to a subsidiary of the Group and certain other investors (the "Series C Transaction"). Upon completion of the Series C Transaction, the Group's effective interest in the ordinary shares of Cloopen, calculated based on all issued and outstanding ordinary shares of Cloopen which are held by the Group, reduced from 67.5% to 47.8%. The Group also ceased to have joint control over Cloopen, and Cloopen became an associated company of the Group subsequent to the Series C Transaction. As at 30 June 2016, the Group's share of loss of Cloopen exceeded its interest in the ordinary shares of Cloopen, there are no overall financial impact on the interim condensed consolidated income statement from the investment for the current period.

## 16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group's available-for-sale financial assets include unlisted equity security and unlisted fund investments with the following details:

	<b>Unaudited</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
At 1 January	<b>6,982</b>	–
Addition	<b>82,518</b>	7,356
Fair value gain/(loss) on revaluation recognised in other comprehensive income	<b>12,015</b>	(198)
Exchange realignment	<b>(99)</b>	61
	<u><b>101,416</b></u>	<u>7,219</u>
At 30 June	<b>101,416</b>	7,219
Unlisted equity investments outside Hong Kong	<b>9,844</b>	7,219
Unlisted fund investments outside Hong Kong	<b>91,572</b>	–
	<u><b>101,416</b></u>	<u>7,219</u>

The carrying amounts of the available-for-sale financial assets are denominated in RMB.

## 17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

On 10 June 2016, the Group subscribed 7,443,326 Convertible Series C Preferred Shares of Cloopen (refer to Note 15). The consideration for the Convertible Series C Preferred Shares subscribed by the Group was approximately HK\$78,000,000 (equivalent to US\$10,000,000).

The Group, as a holder of the Convertible Series C Preferred Shares has:

- i) an option to request Cloopen to redeem the Convertible Series C Preferred Shares at the price equal to the greater of the issue price with an 8% compound interest per annum return plus any accrued but unpaid dividends or the fair value at the date of redemption after the earliest of 10 June 2020 or the occurrence of other conditions as provided for under the definitive subscription agreement; and
- ii) an option to convert the Convertible Series C Preferred Shares into ordinary shares of Cloopen at the conversion price based on certain conditions at the date of conversion as provided for under the definitive subscription agreement.

The Convertible Series C Preferred Shares, together with the abovementioned options, were designated as a financial asset at fair value through profit or loss and recognised at fair value. The fair values of the Convertible Series C Preferred Shares were valued by an independent valuer on the date of initial inception and on 30 June 2016.

The Group's financial asset at fair value through profit or loss represents the unlisted Convertible Series C Preferred Shares outside Hong Kong. The carrying amount of the financial asset at fair value through profit or loss is denominated in USD.

Financial asset at fair value through profit or loss is presented within 'investing activities' in the condensed consolidated cash flow statement.

Changes in fair value of financial asset at fair value through profit or loss are recorded in 'other gain' in the condensed consolidated income statement.

## INTERIM CONDENSED SEGMENT RESULT ANALYSIS

	<i>Notes</i>	<b>Turnover</b>		<b>EBITDA</b>	
		<b>1H2016</b> <i>HK\$'000</i>	<b>1H2015</b> <i>HK\$'000</i>	<b>1H2016</b> <i>HK\$'000</i>	<b>1H2015</b> <i>HK\$'000</i>
Payment processing solutions	<i>1</i>	<b>372,164</b>	143,157	<b>99,450</b>	4,343
Financial solutions	<i>2</i>	<b>102,354</b>	108,165	<b>(7,406)</b>	(20,404)
Electronic power meters and solutions	<i>3</i>	<b>93,921</b>	82,869	<b>(3,338)</b>	(5,707)
Platform operation solutions	<i>4</i>	<b>90,507</b>	131,723	<b>(8,875)</b>	19,685
Others		<u>–</u>	<u>–</u>	<u><b>(3,697)</b></u>	<u>(4,956)</u>
Segmental results		<b>658,946</b>	465,914	<b>76,134</b>	(7,039)
Less: Intra-group turnover		<u><b>(1,493)</b></u>	<u>(723)</u>	<u>–</u>	<u>–</u>
Total		<u><b>657,453</b></u>	<u>465,191</u>	<b>76,134</b>	(7,039)
Depreciation				<b>(42,572)</b>	(20,856)
Amortisation				<u><b>(5,254)</b></u>	<u>(5,495)</u>
Segmental operating profit/(loss)				<b>28,308</b>	(33,390)
Unallocated other income				<b>2,547</b>	3,025
Unallocated corporate expenses	<i>5</i>			<u><b>(6,291)</b></u>	<u>(31,443)</u>
Operating profit/(loss)				<u><b>24,564</b></u>	<u>(61,808)</u>

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	<b>1H2016</b> <i>HK\$'000</i>	1H2015 <i>HK\$'000</i>
Revenue	<i>A</i>	<b>657,453</b>	465,191
Cost of sales	<i>B</i>	<b>(453,427)</b>	(308,046)
<b>Gross profit</b>		<b>204,026</b>	157,145
Other income		<b>17,102</b>	18,031
Other gain		<b>198</b>	–
Selling expenses	<i>B</i>	<b>(47,312)</b>	(62,757)
Administrative expenses	<i>B</i>	<b>(149,450)</b>	(174,227)
<b>Operating profit/(loss)</b>		<b>24,564</b>	(61,808)
Share of profit of and gain/(loss) on dilution of interests in investments accounted for using the equity method	<i>C</i>	<b>104,590</b>	88,996
<b>Profit before income tax</b>		<b>129,154</b>	27,188
Income tax expense		<b>(9,059)</b>	(217)
<b>Profit for the period</b>		<b>120,095</b>	26,971
Profit/(loss) attributable to:			
– Equity holders of the Company		<b>110,118</b>	29,755
– Non-controlling interests		<b>9,977</b>	(2,784)
		<b>120,095</b>	26,971
		<b><i>HK\$ per share</i></b>	<b><i>HK\$ per share</i></b>
<b>Earnings per share for profit attributable to equity holders of the Company:</b>			
Basic		<b>0.04</b>	0.01
Diluted		<b>0.04</b>	0.01

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2016 HK\$'000	As at 31 December 2015 HK\$'000
	<i>Notes</i>		
<b>ASSETS</b>			
Investment properties, property, plant and equipment and leasehold land	<i>D</i>	260,981	249,908
Intangible assets	<i>E</i>	13,715	18,855
Investments accounted for using the equity method	<i>F</i>	1,623,259	1,525,040
Available-for-sale financial assets	<i>G</i>	101,416	6,982
Financial asset at fair value through profit or loss	<i>H</i>	78,198	–
Inventories	<i>I</i>	88,641	53,113
Trade and bills receivables	<i>J</i>	191,407	235,589
Receivables from payment processing solutions business	<i>J</i>	126,473	115,642
Other receivables, prepayments and deposits	<i>J</i>	45,636	44,883
Amounts due from associated companies	<i>K</i>	12,352	7,764
Amount due from a joint venture		–	2,997
Short-term bank deposits		16,721	23,455
Cash and cash equivalents		1,977,146	2,292,287
<b>Total assets</b>		<b>4,535,945</b>	<b>4,576,515</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		6,942	6,942
Reserves		3,424,498	3,301,886
		3,431,440	3,308,828
<b>Non-controlling interests</b>		<b>38,957</b>	<b>29,116</b>
<b>Total equity</b>		<b>3,470,397</b>	<b>3,337,944</b>
<b>LIABILITIES</b>			
Deferred income tax liabilities		124	132
Trade and bills payables	<i>L</i>	175,032	201,223
Payables for payment processing solutions business	<i>L</i>	357,408	472,912
Other payables and accruals	<i>L</i>	429,601	467,030
Amounts due to associated companies	<i>K</i>	72,379	70,912
Current income tax liabilities		31,004	26,362
<b>Total liabilities</b>		<b>1,065,548</b>	<b>1,238,571</b>
<b>Total equity and liabilities</b>		<b>4,535,945</b>	<b>4,576,515</b>
		As at 30 June 2016 HK\$ per share	As at 31 December 2015 HK\$ per share
<b>Net assets per share</b>		<b>1.25</b>	<b>1.20</b>

## INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>1H2016</b> <i>HK\$'000</i>	1H2015 <i>HK\$'000</i>
Net cash (used in)/generated from operating activities	(141,805)	259,219
Net cash (used in)/generated from investing activities	(195,662)	1,280
Net cash generated from financing activities	6,757	4,219
Net (decrease)/increase in cash and cash equivalents	(330,710)	264,718
Cash and cash equivalents at beginning of the period	2,292,287	1,977,677
Exchange gain/(loss) on cash and cash equivalents	15,569	(217)
<b>Cash and cash equivalents at end of the period</b>	<b>1,977,146</b>	<b>2,242,178</b>

During the six months ended 30 June 2016 (“1H2016”), the consolidated turnover of Hi Sun Technology (China) Limited (the “Company”) and its subsidiaries (the “Group”) amounted to HK\$657.5 million, representing an increase of 41% when compared with the six months ended 30 June 2015 (“1H2015”). Profit for the period totaled HK\$120.1 million as compared to a profit of HK\$27.0 million in 1H2015.

With regard to the balance sheet, the total assets as at 30 June 2016 amounted to HK\$4,535.9 million, when compared with HK\$4,576.5 million as at 31 December 2015. As at 30 June 2016, net current assets amounted to HK\$1,391.4 million, when compared with HK\$1,533.0 million as at 31 December 2015.

## SEGMENT PERFORMANCE REVIEW

### (1) Payment processing solutions

	<b>1H2016</b> <i>HK\$'000</i>	1H2015 <i>HK\$'000</i>	Change + / (-)
Turnover	372,164	143,157	+160%
EBITDA	99,450	4,343	+2,190%
Operating profit/(loss)	61,797	(9,466)	N/A



Segmental turnover amounted to HK\$372.2 million, as compared to HK\$143.2 million in 1H2015. Segmental operating profit amounted to HK\$61.8 million, as compared to a segmental operating loss of HK\$9.5 million in 1H2015. The increase in segmental operating profit was mainly due to improved margin with increased scale of transaction operations. By end of 1H2016, there were over 1,000,000 accumulated domestic merchants and the monthly transaction volume in June 2016 exceeded RMB60 billion.

**(2) Financial solutions**

	<b>1H2016</b> <i>HK\$'000</i>	1H2015 <i>HK\$'000</i>	Change + / (-)
Turnover	<b>102,354</b>	108,165	-5%
EBITDA	<b>(7,406)</b>	(20,404)	N/A
Operating loss	<b>(13,510)</b>	(26,704)	N/A

During the current period, segmental turnover amounted to HK\$102.4 million, as compared to HK\$108.2 million in 1H2015. Segmental operating loss totaled HK\$13.5 million, a 49% down as compared to 1H2015. Decrease in segmental operating loss was mainly due to increased profit margin during the period.

**(3) Electronic power meters and solutions**

	<b>1H2016</b> <i>HK\$'000</i>	1H2015 <i>HK\$'000</i>	Change + / (-)
Turnover	<b>93,921</b>	82,869	+13%
EBITDA	<b>(3,338)</b>	(5,707)	N/A
Operating loss	<b>(5,521)</b>	(8,291)	N/A

Segmental turnover amounted to HK\$93.9 million as compared to HK\$82.9 million in 1H2015. Increase in turnover was mainly due to increased shipment level as compared to 1H2015 given the improved tender results with the State Grid since 2015. Segmental operating loss amounted to HK\$5.5 million, as compared to HK\$8.3 million in 1H2015. Decrease in segmental loss was mainly attributable to an increase in segmental turnover while partially net-off by an increase in R&D expenses during 1H2016.

#### (4) Platform operation solutions

	<b>1H2016</b> <i>HK\$'000</i>	1H2015 <i>HK\$'000</i> (restated)	Change + / (-)
Turnover*	<b>89,014</b>	131,000	-32%
EBITDA	<b>(8,875)</b>	19,685	N/A
Operating (loss)/profit	<b>(10,594)</b>	16,542	N/A

\* *Turnover from external customers*

To promote better efficiency and effectiveness in management, during the period, we have combined our telecommunication solutions and payment platform solutions segments into the new “platform operation solutions” segment. During the period, segmental turnover amounted to HK\$89.0 million as compared to HK\$131.0 million in 1H2015. Segmental operating loss amounted to HK\$10.6 million, as compared to operating profit of HK\$16.5 million in 1H2015. The decrease in segmental turnover and hence an operating loss was mainly attributed to the fact that China Mobile has established its own Interactive Voice Response (“IVR”) business platform in 2015, leading to a reduced demand for the Group’s supporting services and thus decrease in supporting income.

#### (5) Unallocated corporate expenses

The amount mainly represents corporate office expenses and net exchange gain. The decrease as compared to 1H2015 was mainly caused by the change from a net foreign exchange loss to a gain given the appreciation of Japanese Yen during the period.

### OVERALL FINANCIAL RESULTS AND POSITION

#### (A) Revenue

The consolidated turnover amounted to HK\$657.5 million, representing an increase of 41% over 1H2015. Such increase was mainly contributed by increase in segmental turnover of our payment processing solutions segment. Please also refer to Note (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.

Decrease in operating expenses was primarily due to (i) the change from a net foreign exchange loss to a gain given the appreciation of Japanese Yen during the period; and (ii) decline in employee benefit expenses given the decrease in average headcounts.

**(C) Share of profit of and gain/(loss) on dilution of interests in investments accounted for using the equity method**

The Group's share of profit of PAX Global Technology Limited ("PAX Global"), an associated company, the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") increased in line with the increase in profit of PAX Global. Gain on dilution of interest in an associated company of HK\$0.8 million (1H2015: loss on dilution of interest HK\$8.6 million) was due to the effect of exercise of share options of PAX Global by some of its employees during the period.

As an ordinary shareholder of Cloopen Group Holding Limited ("Cloopen"), an associated company of the Group, the Group's share of loss exceeded its interest in the ordinary shares of Cloopen, there are no overall financial impact on the interim condensed consolidated income statement from the investment for the current period.

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

Balance mainly represents fixed assets of payment processing solutions and electronic power meter and solutions segments.

**(E) Intangible assets**

Intangible assets include computer software of HK\$13.7 million allocated to the financial solutions segment. Decrease in balance was due to amortization charged during the period.

**(F) Investments accounted for using the equity method**

Balances mainly represents the Group's interests in PAX Global.

As at 30 June 2016, the fair value of the Group's 32.6% effective interest in PAX Global was HK\$2,464.3 million and the fair value of the investment was greater than its carrying value.

On 10 June 2016, Cloopen issued 27,862,642 ordinary shares to an existing shareholder. Immediately subsequent thereto, Cloopen further issued 7,443,326 and another 37,216,630 Convertible Series C Preferred Shares (the "Convertible Series C Preferred Shares") respectively to a subsidiary of the Group (Note H) and certain other investors (the "Series C Transaction"). Upon completion of the Series C Transaction, the Group's effective interest in the ordinary shares of Cloopen, calculated based on all issued and outstanding ordinary shares of Cloopen which are held by the Group, reduced from 67.5% to 47.8%. The Group also ceased to have joint control over Cloopen, and Cloopen became an associated company of the Group subsequent to the Series C Transaction. As at 30 June 2016, the Group's share of loss of Cloopen exceeded its interest in the ordinary shares of Cloopen, there are no overall financial impact on the interim condensed consolidated income statement from the investment for the current period.

As at 30 June 2016, the carrying amount of the Group's interest in the ordinary shares of Cloopen was zero. Meanwhile, the fair value of the Group's interest in the ordinary shares of Cloopen was approximately HK\$271.7 million.

**(G) Available-for-sale financial assets**

As at 30 June 2016, the available-for-sale financial assets included equity securities which are unlisted investments outside Hong Kong. As at 30 June 2016, the balance included interest in a venture capital fund of HK\$91.6 million and interest in an unlisted equity investment in the PRC of HK\$9.8 million.

**(H) Financial asset at fair value through profit or loss**

On 10 June 2016, a subsidiary of the Company subscribed for 7,443,326 Convertible Series C Preferred Shares of Cloopen at a consideration of US\$10 million. As at 30 June 2016, the fair value of the Group's interest in these Convertible Series C Preferred Shares of Cloopen was approximately HK\$78.2 million.

**(I) Inventories**

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

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

	<b>As at 30 June 2016 HK\$'000</b>	<b>As at 31 December 2015 HK\$'000</b>
Trade receivables ( <i>Note (i)(a)</i> )	<b>209,923</b>	246,527
Bills receivables ( <i>Note (i)(b)</i> )	<b>118</b>	7,707
Less: provision for impairment of receivables	<b>(18,634)</b>	(18,645)
	<b>191,407</b>	235,589
Receivables from payment processing solutions business ( <i>Note (ii)</i> )	<b>126,473</b>	115,642
Other receivables, prepayments and deposits	<b>45,636</b>	44,883
Total	<b>363,516</b>	396,114

Note (i):

- (a) The Group's credit terms to trade debtors normally range from 0 to 180 days. The ageing analysis of the trade receivables primarily based on invoice date was as follows:

	<b>As at 30 June 2016 HK\$'000</b>	As at 31 December 2015 HK\$'000
Current to 90 days	<b>111,360</b>	170,302
91 to 180 days	<b>9,653</b>	7,854
181 to 365 days	<b>43,723</b>	17,248
Over 365 days	<b>45,187</b>	51,123
	<b><u>209,923</u></b>	<u>246,527</u>

- Decrease in trade receivables aged between current to 90 days was mainly due to decline in outstanding balances from financial solutions and platform operation solutions segments.
- Changes in trade receivables aged between 181 to 365 days was mainly due to outstanding balances by the customers of the electronic power meters and solutions segment.

- (b) Bills receivables belonged to the electronic power meters and solutions segment.

Note (ii):

This balance mainly represented receivables arising from the payment processing solutions segment.

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

## **(K) Amounts due from/to associated companies**

The amounts due from/to associated companies represent payables from/to PAX Global and Cloopen and its subsidiaries as at 30 June 2016. Amounts due from/to associated companies are unsecured, interest-free and repayable on demand.

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

	<b>As at 30 June 2016 HK\$'000</b>	As at 31 December 2015 HK\$'000
Trade payables ( <i>Note (i)(a)</i> )	<b>154,007</b>	165,685
Bills payables ( <i>Note (i)(b)</i> )	<b>21,025</b>	35,538
Payables for payment processing solutions business ( <i>Note (ii)</i> )	<b>357,408</b>	472,912
Other payables and accruals ( <i>Note (iii)</i> )	<b>429,601</b>	467,030
	<u><b>962,041</b></u>	<u>1,141,165</u>
<b>Total</b>	<u><b>962,041</b></u>	<u>1,141,165</u>

*Note (i):*

- (a) The credit period granted by the suppliers ranges from 0 to 180 days. The ageing analysis of the trade payables primarily based on invoice date was as follows:

	<b>As at 30 June 2016 HK\$'000</b>	As at 31 December 2015 HK\$'000
Current to 90 days	<b>109,488</b>	104,471
91 to 180 days	<b>15,714</b>	24,173
181 to 365 days	<b>17,489</b>	21,172
Over 365 days	<b>11,316</b>	15,869
	<u><b>154,007</b></u>	<u>165,685</u>

- Changes in trade payables aged between 91 to 180 days was mainly due to outstanding balances from the electronic power meters and solutions segment.

(b) Bills payables belong to the electronic power meters and solutions segment.

*Note (ii):*

This balance represents payables to merchants for the payment processing solutions business. The amounts are generally due for settlement with these customers within 30 days. The decrease in balance was mainly due to increased volume of early settlement financial services transactions.

*Note (iii):*

	<b>As at 30 June 2016 HK\$'000</b>	As at 31 December 2015 HK\$'000
Accrued staff costs and pension obligations*	<b>84,948</b>	136,817
Deposits and receipt in advance**	<b>183,636</b>	148,901
Accrued subcontracting cost	<b>96,335</b>	102,015
Others	<b>64,682</b>	79,297
	<b><u>429,601</u></b>	<u>467,030</u>

\* The decrease in accrued staff costs and pension obligations was mainly due to the payment of year end bonus for 2015 during the period.

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

## **KEY INVESTING AND FINANCING ACTIVITIES**

In connection with the payment processing solutions business, the Group from time to time purchases E-payment Terminal products from PAX Global, an associated company, and its subsidiaries (collectively the “PAX Global Group”).

During the 12-month period preceeding 31 January 2016 (“Relevant Period”), the Group has purchased from PAX Global Group E-payment Terminal products in an aggregate amount of approximately HK\$175.8 million (inclusive of tax payable by the Group).

The Group provides E-payment Terminal products to its merchant customers and in return, receives a fee. The E-payment Terminal products the Group procured from PAX Global Group during the Relevant Period have been recorded as fixed assets while the relevant depreciation charges have been recorded as cost of sales in the financial statements of the Group.

During the Relevant Period, relevant members of the Group and PAX Global Group have from time to time entered into individual agreements in relation to the sale and purchase of the relevant E-payment Terminal products.

The prices payable for the E-payment Terminal products was agreed between the Group and PAX Global Group with reference to the prevailing market prices of products with similar specifications at the relevant time. The Group generally settles the purchase cost with PAX Global Group every six months. Reference is made to the announcement of the Company dated 2 February 2016 in relation to the purchase.



## **OUTLOOK**

### **Payment processing solutions**

Pursuant to the stable risk control policies, the acquiring business has achieved a healthy development. As at the end of June 2016, the number of domestic merchants has accumulated over one million and the transaction volume exceeded RMB60 billion in June 2016. Among which, the number of our MPOS merchants has grown rapidly. The internet payment and mobile payment solutions targeting at niche markets are now commercially ready and deployment to customers are gradually taking place. In addition, the innovative QR code payment, which incorporates multiple payment methods, provides the merchants with comprehensive payment solutions. On the other hand, upon the reform on transaction fee rates initiated by the People's Bank of China will be officially implemented in September 2016, the acquiring market will be further regulated. We expect that the reform will favor the development of our innovation business, bringing positive influence on the expansion of high value-added merchants and quasi-financial business such as wealth management and financing. As such, we have introduced a number of application solutions, integrating our leading payment solutions, it is anticipated that our payment processing business will develop continuously.

### **Financial solutions**

In 2016, the financial solutions segment will continue to focus on the core banking system sector. On the basis of strengthening our market position among traditional customers such as BIG5 (five major banks in China), joint-equity banks and their overseas branches, our strategical investment in the city commercial banks, as an emerging market, has achieved substantial breakthrough. As the core banking systems of China Guangfa Bank and China Everbright Bank (Seoul) have put into operations smoothly, our successful bids of the core banking systems for Bank of Suzhou and Huishang Bank have laid a solid foundation for the huge city commercial banks market. In the payment and internet financial sectors, various projects have successfully commenced operations, which will continue to strengthen our market competitiveness.

### **Electronic power meters and solutions**

It is anticipated that the total tender volume of smart meters and data collection devices by the State Grid will remain stable and the market capacity will remain relatively steady in current year. In 2016, intensifying the research on smart dual interactive technology and innovating the dual interactive model of smart meters have been the business highlights of the State Grid. Currently, the meters information collection and management system-object-oriented interoperable data exchange protocol have entered the pilot validation stage, and will be extensively adopted in the future. We are currently putting enormous efforts in setting up related R&D to meet future technical requirements. Meanwhile, the State Grid is also promoting the pilot construction of the "Four-in-one Data Collection System" (which collects data of electricity, water, gas, and heat). In this regard, we are also making arrangements necessary for carrying out relevant internal researches. In the future, we will keep enhancing the level of technology and quality standard of our products, as well as the quality of service to capture more market opportunities.

## **Platform operation solutions**

During the period, we integrated original telecommunication solutions and payment platform solutions, to optimize business management of the platform operation solutions. In the future, we will continue to provide operational supporting services to “和包” business, IVR voice value-added businesses and animation business of China Mobile. In the first half of this year, we have successfully entered into contracts with the e-commerce base of China Mobile in Hunan for three projects in relation to the business development, business operation, and system operation and maintenance for the year of 2016. The e-commerce base of China Mobile will continue to develop key businesses including topping up call credits and flow, e-coupons, Hejubao (和聚寶), and NFC one card pass system in 2016. Meanwhile, China Mobile and the Hunan province government entered into a strategic cooperation agreement this year to enhance the support for e-commerce business, entailing that “和包” business will receive sound support and continue its rapid development. Although the commencement of operation of China Mobile’s new and self-owned IVR business platform has posed certain challenges on the segment revenue, we expect that revenue generated from rest of the recurring IVR business will remain stable in the future, and the scale of income from our animation supporting business is also expected to be comparable to that of last year. In the future, we will escalate the development of self-owned innovation business to strike for a better growth.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2016, the Group reported total assets of HK\$4,535.9 million (31 December 2015: HK\$4,576.5 million), which were financed by total liabilities of HK\$1,065.5 million (31 December 2015: HK\$1,238.6 million) and equity of HK\$3,470.4 (31 December 2015: HK\$3,337.9 million). The net asset value was HK\$3,470.4 million (31 December 2015: HK\$3,337.9 million). The net asset value per share amounted to HK\$1.25 per share as compared to HK\$1.20 per share as at 31 December 2015.

As at 30 June 2016, the Group had cash and cash equivalents of HK\$1,977.1 million (31 December 2015: HK\$2,292.3 million) and no short-term borrowings (31 December 2015: nil). The net cash position as at 30 June 2016 was HK\$1,977.1 million as compared to HK\$2,292.3 million as at 31 December 2015. The gearing ratio (defined as total borrowings divided by shareholders’ equity) was zero (31 December 2015: 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 2016, the Group had no bank borrowings (at 31 December 2015: nil) and had banking facilities of approximately HK\$21.2 million (at 31 December 2015: HK\$21.2 million). As at 30 June 2016, the banking facilities were secured by the leasehold land and buildings of a subsidiary of the Company, with a net book amount of HK\$3.2 million and HK\$10.4 million, respectively. As at 31 December 2015, the banking facilities were secured by the leasehold land and buildings of a subsidiary of the Company, with a net carrying amount of HK\$3.2 million and HK\$11.0 million, respectively.

Approximately HK\$1,135.0 million, HK\$459.0 million, HK\$272.8 million, HK\$108.8 million and HK\$1.5 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 2016.

Approximately HK\$1,403.0 million, HK\$522.7 million, HK\$271.9 million, HK\$87.9 million and HK\$6.8 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 2015.

## **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 2016.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in this announcement, there was no specific plan for material investments or capital assets as at 30 June 2016.

## **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**

In 2015, 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 not more than HK\$60,000,000 and claims of infringement of third party's intellectual property right. As at 30 June 2016, 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 2016.

## EMPLOYEES

The total number of employees of the Group as at 30 June 2016 was 1,972. The breakdown of employees by division is as follows:

Payment processing solutions	510
Financial solutions	314
Electronic power meters and solutions	475
Platform operation solutions	624
Others	10
Corporate office	39
	<hr/>
	1,972
	<hr/> <hr/>

The Group ensures that its remuneration packages are comprehensive and competitive. Employees are remunerated with a fixed monthly income plus annual performance related bonuses. The Group operates a Share Option Scheme and 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, exercised, cancelled or lapsed during the six months ended 30 June 2016. As at 30 June 2016, and up to the date of this announcement, there was no issued and outstanding share option under the Scheme which has not been exercised.

## **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 2016.

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 2016.

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. Chang Kai Tzung, Richard. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls, risk management and financial reporting matters including review of the unaudited interim condensed consolidated financial report for the six months ended 30 June 2016 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 public float as required under the Listing Rules throughout the six months ended 30 June 2016.

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

The 2016 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 2016 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 2016 interim financial information set out above does not constitute the Group’s statutory financial statements for the six months ended 30 June 2016. Instead, it has been derived from the Group’s unaudited condensed consolidated interim financial information for the six months ended 30 June 2016, which will be included in the Company’s 2016 interim report.

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

Hong Kong, 9 August 2016

*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; three independent non-executive Directors, namely Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Chang Kai-Tzung, Richard.*