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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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	Change +/(–)
RESULTS			
Revenue	1,529,179	1,294,337	+18%
Gross profit	509,359	483,927	+5%
Segmental EBITDA (before impairment of intangible assets and property, plant and equipment and unallocated items)	81,962	81,887	N/A
Operating profit/(loss)	51,014	(57,673)	N/A
Profit for the year	<u>401,244</u>	<u>26,601</u>	+1,408%
Profit/(loss) attributable to:			
– Equity holders of the Company	397,071	30,045	+1,222%
– Non-controlling interests	<u>4,173</u>	<u>(3,444)</u>	N/A
	<u>401,244</u>	<u>26,601</u>	
	<i>HK\$ per share</i>	<i>HK\$ per share</i>	
Earnings/(loss) per share for profit attributable to the equity holders of the Company:			
Basic	0.14	0.01	+1,300%
Diluted	<u>0.13</u>	<u>(0.01)</u>	N/A

* For identification purposes only

	As at 31 December		Change + / (-)
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	
HIGHLIGHTS OF FINANCIAL POSITION			
Total equity	3,214,203	2,745,976	+17%
Net current assets	1,663,140	890,234	+87%
Total assets	<u>4,110,752</u>	<u>3,576,445</u>	+15%
	<i>HK\$ per share</i>	<i>HK\$ per share</i>	Change + / (-)
Net assets per share	<u>1.16</u>	<u>0.99</u>	+17%

The board of directors (the “Board”) of Hi Sun Technology (China) Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2014 together with the comparative figures for the year ended 31 December 2013. The annual results have been reviewed by the Company’s Audit Committee (the “Audit Committee”).

FINANCIAL REVIEW

Condensed segment result analysis

		Turnover		EBITDA (before impairment of intangible assets and property, plant and equipment)	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Payment processing solutions	1	472,904	399,521	40,313	36,780
Financial solutions	2	408,530	272,784	25,818	13,942
Electronic power meters and solutions	3	326,666	310,924	(17,685)	(3,955)
Telecommunication solutions	4	197,721	198,561	20,477	26,440
Payment platform solutions	5	110,240	104,578	19,708	24,333
Others		16,813	11,284	(6,669)	(15,653)
Segmental results		1,532,874	1,297,652	81,962	81,887
Less: Inter-segment turnover		(3,695)	(3,315)	-	-
Total		<u>1,529,179</u>	<u>1,294,337</u>	<u>81,962</u>	<u>81,887</u>
Impairment of property, plant and equipment	3			(7,551)	-
Impairment of intangible assets	D			(61,978)	(11,864)
Depreciation				(58,720)	(38,282)
Amortisation				(5,419)	(5,270)
Segmental (loss)/profit				(51,706)	26,471
Unallocated other income/gains	6			130,681	3,853
Unallocated corporate expenses	7			(79,704)	(87,997)
Gain on disposal of a subsidiary	G			51,743	-
Operating profit/(loss)				<u>51,014</u>	<u>(57,673)</u>

Condensed consolidated income statement

		2014 HK\$'000	2013 HK\$'000
Revenue	A	1,529,179	1,294,337
Cost of sales	B	(1,019,820)	(810,410)
Gross profit		509,359	483,927
Other income	C	24,408	14,170
Other gains, net	C	126,360	1,167
Selling expenses	B	(178,907)	(177,700)
Administrative expenses	B	(419,971)	(367,373)
Impairment of intangible assets	D	(61,978)	(11,864)
Gain on disposal of a subsidiary	G	51,743	-
Operating profit/(loss)		51,014	(57,673)
Share of loss of a joint venture	E	(37,571)	-
Share of profit of an associated company	F	156,472	92,612
Gain/(loss) on disposal/ dilution of interest in an associated company	F	251,215	(6,883)
Profit before income tax		421,130	28,056
Income tax expense		(19,886)	(1,455)
Profit for the year		<u>401,244</u>	<u>26,601</u>
Profit/(loss) attributable to:			
- Equity holders of the Company		397,071	30,045
- Non-controlling interests		4,173	(3,444)
		<u>401,244</u>	<u>26,601</u>
Earnings/(loss) per share for profit attributable to the equity holders of the Company:		<i>HK\$ per share</i>	<i>HK\$ per share</i>
Basic		<u>0.14</u>	<u>0.01</u>
Diluted		<u>0.13</u>	<u>(0.01)</u>

Condensed consolidated balance sheet

	As at 31 December	
	2014	2013
	HK\$'000	HK\$'000
ASSETS		
Investment properties, property, plant and equipment and leasehold land	H 146,270	193,575
Intangible assets	I 29,389	68,420
Interest in an associated company	J 1,370,383	1,561,681
Interest in a joint venture	K 2,584	–
Available-for-sale financial assets	L –	30,395
Inventories	M 53,726	76,602
Trade and bills receivables	N 336,828	345,467
Receivables from payment processing solutions business	N 106,784	165,797
Other receivables, prepayments and deposits	N 53,314	49,493
Amount due from an associated company	O 12,075	3,451
Amount due from a joint venture	10,666	–
Short-term bank deposits	11,056	20,428
Cash and cash equivalents	1,977,677	1,061,136
Total assets	4,110,752	3,576,445
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	6,942	6,942
Reserves	3,185,439	2,752,418
	3,192,381	2,759,360
Non-controlling interests	21,822	(13,384)
Total equity	3,214,203	2,745,976
LIABILITIES		
Deferred income tax liabilities	187	1,245
Trade and bills payables	P 178,002	157,836
Payables for payment processing solutions business	P 311,391	243,415
Other payables and accruals	P 378,967	349,578
Amount due to an associated company	O –	69,964
Current income tax liabilities	28,002	8,431
Total liabilities	896,549	830,469
Total equity and liabilities	4,110,752	3,576,445
	2014	2013
	HK\$ per share	HK\$ per share
Net assets per share	1.16	0.99

Condensed consolidated cash flow statement

	2014	2013
	HK\$'000	HK\$'000
Net cash generated from operating activities	166,241	326,168
Net cash generated from/(used in) investing activities	709,528	(47,971)
Net cash generated from/(used in) financing activities	69,269	(294)
Net increase in cash and cash equivalents	945,038	277,903
Cash and cash equivalents at beginning of the year	1,061,136	794,195
Exchange loss on cash and cash equivalents	(28,497)	(10,962)
Cash and cash equivalents at end of the year	1,977,677	1,061,136

Segment performance review

(1) *Payment processing solutions*

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	Change +/(-)
Turnover	472,904	399,521	+18%
Employees' incentive programme	(27,303)	–	N/A
EBITDA (before impairment of intangible assets and property, plant and equipment)	40,313	36,780	+10%
Impairment of intangible assets	–	(11,864)	N/A
Operating profit	1,320	8,050	-84%

Segmental turnover amounted to HK\$472.9 million, representing an increase of 18% as compared to 2013. Segmental operating profit (before share option expenses and impairment loss) amounted to HK\$28.6 million, as compared to HK\$19.9 million last year. At present, business operations regarding the existing merchants of the payment processing solutions segment continue as usual. Whilst reformation process required by the relevant regulatory bodies is still in progress, the acceptance of new merchants will be resumed upon passing of inspection.

During the year, as recognition and incentives for several management, options were granted to those grantees to subscribe up to 20% of the enlarged registered capital of the operating subsidiary at the exercise price of RMB1.2 for every RMB1.0 in the enlarged registered capital of the operating subsidiary. The fair value of the employee services received in exchange for the grant of the options of HK\$27.3 million was recognized as an expense in 2014. Impairment of intangible assets amounted to HK\$11.9 million was recorded in 2013 due to the changes in market conditions of our operations in Japan.

(2) *Financial solutions*

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	Change +/(-)
Turnover*	406,987	271,532	+50%
EBITDA (before impairment of intangible assets and property, plant and equipment)	25,818	13,942	+85%
Operating profit	21,314	11,506	+85%

* *Turnover from external customers*

During the current year, segmental turnover amounted to HK\$407.0 million, increased by 50% as compared to 2013. Segmental operating profit totaled HK\$21.3 million, a 85% up as compared to last year. Increase in segmental turnover and operating profit was mainly due to an increase in information system consultancy, integration and operation services income during the year.

(3) *Electronic power meters and solutions*

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	Change +/(–)
Turnover	326,666	310,924	+5%
EBITDA (before impairment of intangible assets and property, plant and equipment)	(17,685)	(3,955)	N/A
Impairment of property, plant and equipment	(7,551)	–	N/A
Impairment of intangible assets	(61,978)	–	N/A
Operating loss	(94,933)	(11,654)	N/A

Segmental turnover amounted to HK\$326.7 million as compared to HK\$310.9 million in 2013. Segmental operating loss amounted to HK\$94.9 million, as compared to a segmental operating loss of HK\$11.7 million in last year. Such loss was mainly attributable to decline in gross profit margin, additional resources allocated to R&D and sales and marketing efforts on tendering, a one-time non-cash impairment charge of HK\$62.0 million against the goodwill and impairment of property, plant and equipment amounted to HK\$7.6 million during the year. Please also refer to Note (D) below.

(4) *Telecommunication solutions*

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	Change +/(–)
Turnover	197,721	198,561	N/A
EBITDA (before impairment of intangible assets and property, plant and equipment)	20,477	26,440	-23%
Operating profit	10,142	13,638	-26%

During the year, segmental turnover amounted to HK\$197.7 million as compared to HK\$198.6 million in 2013. Segmental operating profit amounted to HK\$10.1 million, as compared to HK\$13.6 million last year. The decline in operating profit was mainly due to investing additional resources in the development of cloud platform solutions. Currently, the provision of nationwide IVR platform and related services to China Mobile continues to be the major revenue contributor of this segment.

(5) *Payment platform solutions*

	2014	2013	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	+ / (-)
Turnover*	108,088	102,515	+5%
EBITDA (before impairment of intangible assets and property, plant and equipment)	19,708	24,333	-19%
Operating profit	19,346	23,390	-17%

* *Turnover from external customers*

Segmental turnover amounted to HK\$108.1 million as compared to HK\$102.5 million in 2013. Segmental operating profit amounted to HK\$19.3 million, as compared to HK\$23.4 million last year. Decrease in segmental operating profit was mainly due to an increase in staff cost. We expect that we will continue to benefit from China Mobile's increasing input into its mobile payment business especially with the launch of 4G services. Currently, we are developing other value added services such as exploration and innovation of mobile internet services.

(6) *Unallocated other income/gains*

The amount mainly represented other income and other gains not allocated to segments. Please refer to Note (C) below.

(7) *Unallocated corporate expenses*

The amount mainly represented corporate office expenses and net foreign exchange loss. The decline compared to 2013 was mainly caused by the decrease in net foreign exchange loss.

Overall financial results and position

(A) *Revenue*

The consolidated turnover amounted to HK\$1,529.2 million, representing an increase of 18% over 2013. Such increase was mainly contributed by the increase in segmental turnover of our payment processing solutions segment and financial solutions segment, with approximately 18% and 50% growth respectively. Please also refer to Notes (1) to (5) above.

(B) *Cost of sales and operating expenses*

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

Increase in operating expenses was primarily due to (i) a one-time non-cash impairment loss on property, plant and equipment amounted to HK\$7.6 million of the electronic power meters and solutions segment; and (ii) share option expenses of HK\$27.3 million due to share options granted to several management of the payment processing solutions business segment (please refer to Note (1) above).

(C) *Other income and other gains*

Increase in other income and other gains was due to a gain on disposal of available-for-sale financial assets of HK\$126.4 million and other income, including interest income, subsidy income and rental income totalling HK\$24.4 million.

(D) *Impairment of intangible assets*

Goodwill allocated to the electronic power meters and solutions segment had been fully impaired with an impairment charge of HK\$62.0 million (2013: Nil) during the year ended 31 December 2014. As at 31 December 2014, the Group's goodwill balance is nil (2013: HK\$63.4 million). During the year ended 31 December 2013, goodwill of HK\$11.9 million arising from the acquisition of Merchant Support Co. Ltd. ("Merchant Support") and its subsidiaries (collectively, the "MS Group") was fully impaired.

While there was a considerable growth in the revenue and gross margin from the sale of mag-stripe card security decoder chips which historically contributed relatively minor percentage to the segmental turnover, the change in market conditions and substantial decrease in market share of electronic power meters led to a continuous loss for the electronic power meters and solutions segment. The key assumptions used in calculating the recoverable amount of the CGU as at 31 December 2014 were as follows:

	2014		2013	
	Electronic power meters	Mag-stripe card security decoder chips	Electronic power meters	Mag-stripe card security decoder chips
Gross margin %	19-22%	57%	20-26%	54%
Compound annual growth rate	4%	9%	34%	6%
Pre-tax discount rate	20%	18%	19%	24%

(E) *Share of loss of a joint venture*

According to the relevant accounting standards and the terms of the convertible redeemable preference shares (the "CPS") issued by a joint venture of the Group, the CPS should be carried as a financial liability at fair value through profit or loss. The CPS includes a conversion right and a redemption right which are exercisable by the holders of the CPS.

During the year, the joint venture recognised a net loss of HK\$54.0 million including share options expenses of HK\$17.9 million and unrealised fair value loss upon the revaluation of the CPS as at year end date amounting to HK\$26.0 million. Such

unrealised fair value loss was due to the changes of certain parameters during the year used to determine the fair value of the CPS including but not limited to the potential growth of the joint venture, interest rates and business assumptions. As an ordinary shareholder of the joint venture, the Group shared a loss of HK\$37.6 million during the year.

(F) Share of profit of an associated company, gain on disposal and loss on dilution of interest in an associated company

Gain of HK\$304.0 million was recognised on disposal of 80,000,000 ordinary shares 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”) during the year ended 31 December 2014. 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 year.

The Group’s share of profit of PAX Global increased in line with the increase in profit of PAX Global, while partially net off by the effect of decrease in percentage sharing given a reduction in equity interest in PAX Global during the year.

(G) Gain on disposal of a subsidiary

The amount represented gain on disposal of a subsidiary of the Group during the year, in which the Group’s interest decreased from 100% to 52.9% (or 45.8% on a fully-diluted basis). Moreover, the Group ceased to have control over the then subsidiary since the Group did not control the majority of the board of directors of the then subsidiary upon the completion.

(H) Investment properties, property, plant and equipment and leasehold land

Balance mainly represented fixed assets of payment processing solutions, financial solutions and electronic power meters and solutions segments.

(I) Intangible assets

Intangible assets included computer software of HK\$29.1 million allocated to the financial solutions segment. Decline in balance as compared to last year was due to impairment loss against goodwill of the electronic power meters and solutions segment. Please also refer to Note (D) above for details on impairment of intangible assets during the year.

(J) Interest in an associated company

On 18 September 2014, the Company disposed of 80,000,000 ordinary shares of PAX Global at the price of HK\$7.5 per sale share, raising aggregate gross proceeds of HK\$600.0 million. Immediately after completion of the disposal, the Group continues to hold 364,000,000 ordinary shares of PAX Global. Together with the impact of the exercise of share options as mentioned in Note (F), the Group’s interest in PAX Global decreased to 33.07% as at 31 December 2014.

As at 31 December 2014, the fair value of the Group's 33.07% effective interest in PAX Global was HK\$2,912.0 million. As at 31 December 2014, the fair value of the investment was greater than its carrying value.

(K) Interest in a joint venture

The amount represented 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 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 31 December 2014, the fair value of the Group's interest in the joint venture was approximately HK\$105.6 million.

(L) Available-for-sale financial assets

As at 31 December 2013, the available-for-sale financial assets included equity securities which are unlisted investments outside Hong Kong. During the year, those available-for-sale financial assets were disposed at a net proceeds of approximately HK\$155.9 million. Please also refer to Note (C) above.

(M) Inventories

The amount mainly represented inventories of electronic power meters and solutions segment. During the year, HK\$11.0 million was recorded for provision for inventories with respect to slow-moving and obsolete stocks.

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

	2014	2013
	HK\$'000	HK\$'000
Trade receivables (<i>Note (i)(a)</i>)	352,268	350,153
Bills receivables (<i>Note (i)(b)</i>)	3,747	12,508
Less: provision for impairment of receivables	(19,187)	(17,194)
	336,828	345,467
Receivables from payment processing solutions business (<i>Note (ii)</i>)	106,784	165,797
Prepayments, deposits and other receivables	53,314	49,493
Total	496,926	560,757

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 was as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current to 90 days	250,580	272,673
91 to 180 days	28,886	21,565
181 to 365 days	39,338	23,830
Over 365 days	33,464	32,085
	<u>352,268</u>	<u>350,153</u>

- Increase 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 business.

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

(O) Amounts due from/to an associated company

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

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade payables (<i>Note (i)(a)</i>)	176,805	130,547
Bills payables (<i>Note (i)(b)</i>)	1,197	27,289
Payables for payment processing solutions business (<i>Note (ii)</i>)	311,391	243,415
Other payables and accruals (<i>Note (iii)</i>)	378,967	349,578
	<u>868,360</u>	<u>750,829</u>
Total	<u>868,360</u>	<u>750,829</u>

Note (i):

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

	2014	2013
	HK\$'000	HK\$'000
Current to 90 days	84,744	83,392
91 to 180 days	43,104	29,653
181 to 365 days	37,557	7,934
Over 365 days	11,400	9,568
	176,805	130,547

Increase in trade payables aged between 91 to 180 days and 181 to 365 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 customers (which are generally merchants as detailed in Note (N (ii)) for the payment processing solutions business. The amounts are generally due for settlement with these customers within 30 days.

Note (iii):

	2014	2013
	HK\$'000	HK\$'000
Accrued staff costs and pension obligations	138,818	130,090
Deposits and receipt in advance from customers*	98,421	140,921
Accrual subcontracting cost**	85,766	27,894
Others	55,962	50,673
	378,967	349,578

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

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

Key investing and financing activities

On 15 September 2014, the Company entered into a block trade agreement (the “Block Trade Agreement”) with Barclays Bank PLC (the “Manager”) pursuant to which the Manager has agreed, as exclusive agent of the Company, to procure purchasers to purchase, or failing which, to purchase itself, 80,000,000 ordinary shares (the “Sale Shares”) of PAX Global at the price of HK\$7.5 per Sale Share, raising aggregate gross proceeds of HK\$600 million. Immediately before the signing of the Block Trade Agreement, the Company held 444,000,000 ordinary shares of PAX Global.

Immediately after completion of the disposal on 18 September 2014, the Group continued to hold 364,000,000 shares of PAX Global, representing approximately 33.07% of the total issued share capital of PAX Global as at 31 December 2014. The Group recorded a gain of HK\$304.0 million as a result of the disposal, being the difference between the net proceeds from the disposal of approximately HK\$593.3 million and the carrying amount of the interest in PAX Global Shares of approximately HK\$291.1 million and a release of reserve of approximately HK\$1.8 million. After completion of the disposal, PAX Global remained as an associated company of the Company and was accounted for using the equity accounting method in the consolidated financial statements of the Company.

Liquidity and financial resources

As at 31 December 2014, the Group reported total assets of HK\$4,110.8 million (2013: HK\$3,576.4 million), which were financed by total liabilities of HK\$896.5 million (2013: HK\$830.5 million) and equity of HK\$3,214.2 million (2013: HK\$2,746.0 million). The net asset value was HK\$3,214.2 million (2013: HK\$2,746.0 million). Net assets per share amounted to HK\$1.16 as at 31 December 2014 as compared to HK\$0.99 per share as at 31 December 2013.

As at 31 December 2014, the Group had cash and cash equivalents of HK\$1,977.7 million (2013: HK\$1,061.1 million) and no short term borrowings (2013: Nil). The net cash position as at 31 December 2014 was HK\$1,977.7 million as compared to HK\$1,061.1 million as at 31 December 2013. The gearing ratio (defined as total borrowings divided by shareholders' equity) was zero (2013: Same). The gearing ratio is considered healthy and suitable for the continued growth of the Group's business.

Capital structure and details of charges

As at 31 December 2014, the Group had no bank borrowings (2013: Nil) and had banking facilities of approximately HK\$22.5 million (2013: HK\$23.0 million). 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 (2013: HK\$3.7 million) and HK\$12.7 million (2013: HK\$14.1 million), respectively.

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 Macanese pataca ("MOP") respectively as at 31 December 2014.

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

Significant investment

Save as disclosed in this announcement, the Group had no significant investment held as at 31 December 2014.

Material acquisition and disposal of subsidiaries or associated companies

Save as disclosed in this announcement, the Group did not have any material acquisition or disposal of subsidiaries or associated companies during the year ended 31 December 2014.

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 31 December 2014.

Exchange rates exposure

The Group derives its revenue, makes purchases, incurs expenses and has its assets and liabilities denominated mainly in US dollars, Renminbi, Hong Kong dollars and Japanese Yen. Currently, the Group has not entered into any agreements or purchased instruments to hedge the Group's exchange rate risks. Any material fluctuation in the exchange rates of Hong Kong dollars, Renminbi or Japanese Yen may have an impact on the operating results of the Group.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2014.

Employees

The total number of employees of the Group as at 31 December 2014 was 2,353. The breakdown of employees by division is as follows:

Payment processing solutions	359
Financial solutions	401
Electronic power meters and solutions	447
Telecommunication solutions	422
Payment platform solutions	625
Others	66
Corporate office	33
	<hr/>
	2,353
	<hr/> <hr/>

The Group ensures that its remuneration packages are comprehensive and competitive. Employees are remunerated with a fixed monthly income plus annual performance related bonuses. The Group operates a share option scheme and an employees' incentive scheme, the details of which are set out in the Report of the Directors of the Annual Report. 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 as 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.

BUSINESS OUTLOOK

Payment processing solutions

There are huge potential in the third-party payment market in Mainland China with broad customer base and a great variety of services. Whilst the reformation process required by the relevant regulatory authorities has almost completed, the acquirement of new merchants will be resumed upon the passing of the inspection by the relevant regulatory authorities. We will then put great efforts to acquire new merchants through marketing efforts in order to achieve the growth of operation scale of payment processing and strengthen our market position. At the same time, as the system upgrade has been completed, our transaction handling abilities are more stable and effective and new internet payment service is provided in addition to the original bank card acquiring business. In the future, we expect that the third-party payment business will become a more segmented market. The Company will seize the existing competition advantage to provide different value-added customized services through utilization of customer resources and establishment of close business relation with them.

Financial solutions

At present, Hi Sun continues to strengthen the competitive edge in the core banking sector. In the new cycle of banking business transformation, we seize the market opportunities and successfully enter into new contracts with customers such as China Guangfa Bank and China Minsheng Banking Corp., Ltd Hong Kong Branch. The establishment and enforcement of channel cooperation strategy has effectively increased the operating revenue and profit margin of the Company and consolidated our leading position in the industries including core banking and financial payment solutions. Internet Banking Promotion has produced initial results, and P2B/P2P business is successfully implemented by customers such as China Guangfa Bank, Bohai Bank. For the third party payment aspect, Anbang Insurance Group is one of the new major customers. Meanwhile, we expect that the ATM outsourcing operation business will maintain stable and steady cash-flow for the Company.

Electronic power meters and solutions

Currently, in order to reinforce the technical and quality control, State Grid has established series of technical specification standard against key components, and a series of stringent components quality control systems, regulatory technical standards and assessment systems were filed and performed random check. The implementation of these standards and systems will raise the requirements on product design and development, materials control and manufacturing management, which will pose challenges to our business. Meanwhile, it is expected that total tender volume of smart meters and data collection devices by State Grid Corporation may decline in coming year. In response to these changes, we will, on the one hand, speed up the R&D projects, gradually obtain some compliance certificates of product examination in compliance with new technical specifications of State Grid and South Grid. At the same time, we are pertinently optimising the upgrade on automated production line so as to provide strong technical support and production quality assurance for market development in the future. Through these efforts, our management team is determined to mitigate the adverse effect and seize market opportunities.

Telecommunication solutions

With the rapid development of its 4G business, China Mobile is now more open and flexible with regard to the relevant industry chain and value chain. While the Jiangsu Base of China Mobile is maintaining a stable development for the traditional voice value-added business, it is actively promoting and exploring various forms and contents of value-added business based on voice traffic so as to develop an integrated services platform for value-added business based on audio output. It is expected that we will continue to acquire new opportunities for growth. Comic base of China Mobile runs the genuine comic interactive entertainment platform (正版動漫互動娛樂平台) with the widest coverage, the fastest updating speed and the highest revenues generated from works in the PRC. Hi Sun continuously provides various types of business products, including “和動漫”, “colour printing” and “頭像秀”, and becomes one of its core technology supporting partners. With China Mobile’s development of new media in the future, Hi Sun will also benefit from more development opportunities. Meanwhile, we will also utilize our vast experience in the communication sector and seize the opportunities arising from the integration of mobile Internet and communication to develop new integrated business products for enterprises and individual customers.

Payment platform solutions

China Mobile’s 和包 business (formerly known as “mobile payment” or “mobile wallet”) is one of the leading consolidated mobile payment business for individual and corporate customers provided by China Mobile. Customers can enjoy a variety of safe and trendy online and offline payment experience conveniently and promptly. In 2015, apart from the continuous development of traditional business such as the air time payment, we expect that the E-commerce base will focus on the development of some key businesses such as internet financial wealth management “和聚寶” and e-coupons. The ongoing investment of China Mobile will continue to speed up the development of 和包 business. We are the important supporting partner of E-commerce base’s 和包 business. By leveraging on our excellent supporting services and good cooperation relationships, it is expected that we will generate more income from supporting services with the expansion of trading volume of 和包 business and the increase of business lines and products. In addition, we are also exploring other business developments, including the cooperation of payment related businesses on channel level. Meanwhile, Hi Sun will continue to seek for opportunities to launch the self-operated mobile internet business.

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December	
	<i>Note</i>	2014	2013
		HK\$'000	HK\$'000
Revenue	2, 3	1,529,179	1,294,337
Cost of sales	4	<u>(1,019,820)</u>	<u>(810,410)</u>
Gross profit		509,359	483,927
Other income	2	24,408	14,170
Other gains, net	2	126,360	1,167
Selling expenses	4	(178,907)	(177,700)
Administrative expenses	4	(419,971)	(367,373)
Impairment of intangible assets	4	(61,978)	(11,864)
Gain on disposal of a subsidiary	7	<u>51,743</u>	–
Operating profit/(loss)		51,014	(57,673)
Share of profit of investments accounted for using the equity method	7	118,901	92,612
Gain/(loss) on disposal/dilution of interest in an investment accounted for using the equity method	7	<u>251,215</u>	<u>(6,883)</u>
Profit before income tax		421,130	28,056
Income tax expense	5	<u>(19,886)</u>	<u>(1,455)</u>
Profit for the year		<u>401,244</u>	<u>26,601</u>
Profit/(loss) attributable to:			
— Equity holders of the Company		397,071	30,045
— Non-controlling interests		<u>4,173</u>	<u>(3,444)</u>
		<u>401,244</u>	<u>26,601</u>
		<i>HK\$ per share</i>	<i>HK\$ per share</i>
Earnings/(loss) per share for profit attributable to the equity holders of the Company:			
Basic	6	<u>0.14</u>	<u>0.01</u>
Diluted	6	<u>0.13</u>	<u>(0.01)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended	
	31 December	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	401,244	26,601
Other comprehensive income/(loss), net of tax		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	(16,387)	17,483
Share of other comprehensive (loss)/income of investments accounted for using the equity method	(13,924)	11,826
Fair value gain on revaluation of available-for-sale financial assets	–	2,951
Release of reserves upon disposals of available-for-sale financial assets	(772)	–
Release of reserves upon disposal/dilution of interest in an investment accounted for using the equity method	(2,791)	(151)
Release of reserves upon disposal of a subsidiary	(248)	–
	<hr/>	<hr/>
Total comprehensive income for the year, net of tax	367,122	58,710
	<hr/>	<hr/>
Total comprehensive income/(loss) attributable to:		
— Equity holders of the Company	362,780	62,388
— Non-controlling interests	4,342	(3,678)
	<hr/>	<hr/>
	367,122	58,710
	<hr/>	<hr/>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2014	2013
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Investment properties		2,061	2,233
Property, plant and equipment		108,826	154,689
Leasehold land		35,383	36,653
Intangible assets		29,389	68,420
Investments accounted for using the equity method	7	1,372,967	1,561,681
Available-for-sale financial assets		–	30,395
Long-term deposits and prepayments	8	2,624	2,916
Total non-current assets		1,551,250	1,856,987
Current assets			
Inventories		53,726	76,602
Trade and bills receivables	8	336,828	345,467
Receivables from payment processing solutions business	8	106,784	165,797
Other receivables, prepayments and deposits	8	50,690	46,577
Amounts due from investments accounted for using the equity method		22,741	3,451
Short-term bank deposits		11,056	20,428
Cash and cash equivalents		1,977,677	1,061,136
Total current assets		2,559,502	1,719,458
Total assets		4,110,752	3,576,445
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		6,942	6,942
Reserves		3,185,439	2,752,418
		3,192,381	2,759,360
Non-controlling interests		21,822	(13,384)
Total equity		3,214,203	2,745,976

		As at 31 December	
		2014	2013
	<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		<u>187</u>	<u>1,245</u>
Total non-current liabilities		<u>187</u>	<u>1,245</u>
Current liabilities			
Trade and bills payables	9	178,002	157,836
Payables for payment processing solutions business	9	311,391	243,415
Other payables and accruals	9	378,967	349,578
Amount due to an investment accounted for using the equity method		–	69,964
Current income tax liabilities		<u>28,002</u>	<u>8,431</u>
Total current liabilities		<u>896,362</u>	<u>829,224</u>
Total liabilities		<u>896,549</u>	<u>830,469</u>
Total equity and liabilities		<u>4,110,752</u>	<u>3,576,445</u>
Net current assets		<u>1,663,140</u>	<u>890,234</u>
Total assets less current liabilities		<u>3,214,390</u>	<u>2,747,221</u>

Notes:

1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair values.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

Changes in accounting policy and disclosures

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

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

Amendment to HKAS 32, “Financial instruments: Presentation” on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group’s financial statements.

Amendments to HKAS 36, “Impairment of assets”, on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash-generating units (“CGUs”) which had been included in HKAS 36 by the issue of HKFRS 13.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company’s first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

(b) *New standards and interpretations not yet adopted:*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, “Financial instruments”, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the “hedged ratio” to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKFRS 9’s full impact.

HKFRS 15, “Revenue from contracts with customers” deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 “Revenue” and HKAS 11 “Construction contracts” and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

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

2 REVENUE, OTHER INCOME AND OTHER GAINS, NET

Revenue, other income and other gains, net recognised during the year are as follows:

	For the year ended	
	31 December	
	2014	2013
	HK\$’000	HK\$’000
Turnover		
Provision of payment processing solutions	472,904	399,521
Provision of financial solutions	406,987	271,532
Sales of electronic power meters and solutions	326,666	310,924
Provision of telecommunication solutions	197,721	198,561
Provision of payment platform solutions	108,088	102,515
Licence income from an investment accounted for using the equity method	5,078	1,164
Others	11,735	10,120
	1,529,179	1,294,337
Other income		
Interest income	6,763	4,367
Subsidy income	9,629	3,568
Rental income	1,970	2,096
Others	6,046	4,139
	24,408	14,170
Other gains, net		
Dividend income from financial assets at fair value through profit or loss	–	64
Fair value gain on financial assets at fair value through profit or loss	–	1,103
Gains on disposals of available-for-sale financial assets	126,360	–
	126,360	1,167
Turnover, other income and other gains, net	1,679,947	1,309,674

3 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 consider 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.

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted earnings/(loss) before interest expense, taxes, depreciation and amortisation (“EBITDA”).

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

	Payment processing solutions HK\$'000	Financial solutions HK\$'000	Electronic power meters and solutions HK\$'000	Telecom- munication solutions HK\$'000	Payment platform solutions HK\$'000	Others HK\$'000	Total Group HK\$'000
Year ended 31 December 2014							
Segment turnover	472,904	408,530	326,666	197,721	110,240	16,813	1,532,874
Inter-segment turnover	-	(1,543)	-	-	(2,152)	-	(3,695)
Turnover from external customers	<u>472,904</u>	<u>406,987</u>	<u>326,666</u>	<u>197,721</u>	<u>108,088</u>	<u>16,813</u>	<u>1,529,179</u>
Segmental EBITDA and before impairment of intangible assets and property, plant and equipment	40,313	25,818	(17,685)	20,477	19,708	(6,669)	81,962
Impairment of intangible assets	-	-	(61,978)	-	-	-	(61,978)
Impairment of property, plant and equipment	-	-	(7,551)	-	-	-	(7,551)
Segmental EBITDA	<u>40,313</u>	<u>25,818</u>	<u>(87,214)</u>	<u>20,477</u>	<u>19,708</u>	<u>(6,669)</u>	<u>12,433</u>
Depreciation	(38,993)	(2,793)	(6,092)	(8,254)	(362)	(2,226)	(58,720)
Amortisation	-	(1,711)	(1,627)	(2,081)	-	-	(5,419)
Segmental operating profit/(loss)	<u>1,320</u>	<u>21,314</u>	<u>(94,933)</u>	<u>10,142</u>	<u>19,346</u>	<u>(8,895)</u>	<u>(51,706)</u>
Unallocated other income/gains							130,681
Unallocated corporate expenses							(79,704)
Share of profit of investments accounted for using the equity method							118,901
Gain on disposal/dilution of interest in an investment accounted for using the equity method							251,215
Gain on disposal of a subsidiary							<u>51,743</u>
Profit before income tax							421,130
Income tax expense							<u>(19,886)</u>
Profit for the year							<u><u>401,244</u></u>

	Payment processing solutions HK\$'000	Financial solutions HK\$'000	Electronic power meters and solutions HK\$'000	Telecom- munication solutions HK\$'000	Payment platform solutions HK\$'000	Others HK\$'000	Total Group HK\$'000
Year ended 31 December 2013							
Segment turnover	399,521	272,784	310,924	198,561	104,578	11,284	1,297,652
Inter-segment turnover	–	(1,252)	–	–	(2,063)	–	(3,315)
Turnover from external customers	399,521	271,532	310,924	198,561	102,515	11,284	1,294,337
Segmental EBITDA and before impairment of intangible assets	36,780	13,942	(3,955)	26,440	24,333	(15,653)	81,887
Impairment of intangible assets	(11,864)	–	–	–	–	–	(11,864)
Segmental EBITDA	24,916	13,942	(3,955)	26,440	24,333	(15,653)	70,023
Depreciation	(16,866)	(2,436)	(6,014)	(9,217)	(943)	(2,806)	(38,282)
Amortisation	–	–	(1,685)	(3,585)	–	–	(5,270)
Segmental operating profit/(loss)	8,050	11,506	(11,654)	13,638	23,390	(18,459)	26,471
Unallocated other income							3,853
Unallocated corporate expenses							(87,997)
Share of profit of investment accounted for using equity method							92,612
Loss on dilution of interest in an investment accounted for using the equity method							(6,883)
Profit before income tax							28,056
Income tax expense							(1,455)
Profit for the year							26,601

Unallocated corporate expenses represent costs that are used for all segments, including depreciation of property, plant and equipment of HK\$462,000 (2013: HK\$1,946,000), depreciation of investment properties of HK\$172,000 (2013: HK\$172,000) and amortisation of leasehold land of HK\$759,000 (2013: HK\$759,000), respectively.

The other segment primarily relates to the development and operation of online platform and the related maintenance services, license income and other services.

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

	Payment processing solutions HK\$'000	Financial solutions HK\$'000	Electronic power meters and solutions HK\$'000	Telecom- munication solutions HK\$'000	Payment platform solutions HK\$'000	Others HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total Group HK\$'000
As at 31 December 2014									
Segment assets	870,818	318,178	375,413	752,806	97,630	106,776	2,732,244	(1,143,113)	4,110,752
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>
Year ended 31 December 2014									
Additions to non-current assets (excluding long-term deposits and prepayments, investments accounted for using the equity method and available-for-sale financial assets)	<u>38,745</u>	<u>37,003</u>	<u>1,620</u>	<u>2,979</u>	<u>300</u>	<u>17</u>	<u>4</u>	<u>-</u>	<u>80,668</u>

The segment assets and liabilities at 31 December 2013 and additions to non-current assets for the year ended 31 December 2013 are as follows:

	Payment processing solutions HK\$'000	Financial solutions HK\$'000	Electronic power meters and solutions HK\$'000	Telecom- munication solutions HK\$'000	Payment platform solutions HK\$'000	Others HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total Group HK\$'000
As at 31 December 2013									
Segment assets	806,116	218,302	473,051	732,878	88,076	116,513	2,261,571	(1,120,062)	3,576,445
Segment liabilities	<u>(700,289)</u>	<u>(177,195)</u>	<u>(263,129)</u>	<u>(133,096)</u>	<u>(211,836)</u>	<u>(414,998)</u>	<u>(49,988)</u>	<u>1,120,062</u>	<u>(830,469)</u>
Year ended 31 December 2013									
Additions to non-current assets (excluding long-term deposits and prepayments, investments accounted for using the equity method and available-for-sale financial assets)	<u>56,686</u>	<u>2,810</u>	<u>2,142</u>	<u>3,201</u>	<u>108</u>	<u>579</u>	<u>41</u>	<u>-</u>	<u>65,567</u>

Unallocated assets mainly include investment accounted for using the equity method of HK\$1,370,383,000 (2013: HK\$1,561,681,000) and cash and cash equivalents of HK\$822,001,000 (2013: HK\$196,417,000).

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

Revenues of approximately HK\$291,964,000 (2013: HK\$292,269,000) are derived from a single external customer. These revenues are attributable to the telecommunication solutions segment of HK\$182,805,000 (2013: HK\$187,966,000) and payment platform solutions segment of HK\$107,840,000 (2013: HK\$102,376,000) and others of HK\$11,735,000 (2013: HK\$1,927,000) in the PRC.

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

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

The Group is principally domiciled in Hong Kong, Mainland China, Japan and Macau. The Group's turnover by geographical location, which is determined by the location in which the turnover are generated from, is as follows:

	For the year ended	
	31 December	
	2014	2013
	HK\$'000	HK\$'000
Mainland China	1,490,872	1,255,417
Hong Kong	8,489	10,007
Japan	20,239	21,986
Macau	9,579	6,927
	<u>1,529,179</u>	<u>1,294,337</u>

The Group's non-current assets (excluding long term deposits and prepayments, investments accounted for using the equity method and available-for-sale financial assets) and current assets by geographical location, which is determined by the geographical location in which the asset is located, is as follows:

	As at 31 December	
	2014	2013
	HK\$'000	HK\$'000
Non-current assets		
Mainland China	143,857	259,023
Hong Kong	29,306	692
Japan	2,496	2,280
	<u>175,659</u>	<u>261,995</u>
Current assets		
Mainland China	1,496,234	1,267,181
Hong Kong	857,142	233,533
Japan	196,689	211,822
Macau	9,437	6,922
	<u>2,559,502</u>	<u>1,719,458</u>

4 EXPENSES BY NATURE

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

	For the year ended	
	31 December	
	2014	2013
	HK\$'000	HK\$'000
Auditor's remuneration	3,320	2,870
Depreciation of property, plant and equipment	59,182	40,228
Depreciation of investment properties	172	172
Amortisation of leasehold land	1,000	1,001
Amortisation of intangible assets	5,178	5,028
Impairment of intangible assets (<i>Note below</i>)	61,978	11,864
Impairment of property, plant and equipment (<i>Note below</i>)	7,551	–
Employee benefit expense (including directors' emoluments)	519,701	483,690
Costs of inventories sold (including provision for/ (written back of provision) for inventories)	320,769	380,508
Operating lease rentals in respect of land and buildings	43,968	37,501
Operating lease rentals in respect of equipment	16,916	16,775
Research and development costs (including staff cost)	146,780	146,532
Gain on disposal of property, plant and equipment	(592)	(190)
Provision/(written back of provision) for impairment of trade receivables, net	2,188	(6,644)
Provision/(written back of provision) for inventories	11,041	(4,363)

Note: Goodwill allocated to the electronic power meters and solutions segment had been fully impaired with an impairment charge of HK\$61,978,000 (2013: Nil) during the year ended 31 December 2014. As at 31 December 2014, the Group's goodwill balance is nil (2013: HK\$63,373,000). During the year ended 31 December 2013, goodwill of HK\$11,864,000 arising from the acquisition of MS Group was fully impaired.

While there was a considerable growth in the revenue and gross margin from the sale of mag-stripe card security decoder chips which historically contributed relatively minor percentage to the segmental turnover, the change in market conditions and substantial decrease in market share of electronic power meters led to a continuous loss for the electronic power meters and solutions segment.

In calculating the recoverable amount of the electronic power meters and solutions segment for the purpose of annual impairment tests for goodwill, management prepared its pre-tax cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period for the electronic power meters and solutions segment are extrapolated using the growth rate of 3%. The growth rate does not exceed the long-term average growth rate for the respective country.

The key assumptions used in calculating the recoverable amount of the CGU as at 31 December 2014 are as follows:

	2014		2013	
	Electronic power meters	Mag-stripe card security decoder chips	Electronic power meters	Mag-stripe card security decoder chips
Gross margin %	19-22%	57%	20-26%	54%
Compound annual growth rate	4%	9%	34%	6%
Pre-tax discount rate	20%	18%	19%	24%

The budgeted gross margin % and compound annual growth rate are based on the past performance and its expectations of the market development. The discount rate used is pre-tax and reflects specific risks relating to the segment.

The recoverable amount of the electronic power meters and solutions segment is HK\$100,047,000 as at 31 December 2014, which is lower than the carrying amount of this CGU. This shortfall leads to full impairment of goodwill of HK\$61,978,000 and an impairment charge of HK\$7,551,000 (2013: Nil) on the plant and equipment included in the electronic power meters and solutions segment during the year ended 31 December 2014.

5 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	For the year ended 31 December	
	2014 HK\$'000	2013 HK\$'000
Current tax		
— Hong Kong profits tax	—	—
— Overseas taxation	20,505	2,569
Deferred tax	(737)	(1,114)
Adjustments in respect of prior years	118	—
	<u>19,886</u>	<u>1,455</u>
Income tax expense		

Effective from 1 January 2008, subsidiaries are subject to corporate income tax (“CIT”) in accordance with the new PRC CIT Law as approved by the National People’s Congress on 16 March 2007. According to the new PRC CIT Law and the relevant regulations, the new CIT tax rate applicable is 25% unless preferential rates are applicable in the cities where the subsidiaries are located.

Applicable corporate income tax rates of principal subsidiaries

Beijing Hi Sun Advanced Business Solutions Information Technology Limited (“ABS”) was renewed as a High and New Technology Enterprise (“HNTE”) in 2012 under the new PRC CIT Law. Hangzhou PAX Electronic Technology Limited (“Hangzhou Electronic Technology”) re-submitted HNTE application in 2014 under the new PRC CIT Law. Hunan Hisun Mobile Pay IT Limited (“HN Mobile Pay”) was assessed as HNTE in 2013 under the new PRC CIT Law. 隨行付支付有限公司 (“SXF”) submitted HNTE application the first time in 2014 under the new PRC CIT Law. As such, the applicable corporate income tax rate of ABS and Hangzhou Electronic Technology was 15% (2013: same) for the year ended 31 December 2014. The applicable corporate income tax rate of SXF and HN Mobile Pay was 15% (2013: 25%) for the year ended 31 December 2014. In 2014, Beijing Hi Sunray Information Technology Limited did not apply for the HNTE qualification and the applicable corporate income tax rate was 25% (2013: 15%).

6 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	For the year ended 31 December	
	2014	2013
Profit attributable to equity holders of the Company (HK\$'000)	<u>397,071</u>	<u>30,045</u>
Weighted average number of ordinary shares in issue (thousands)	<u>2,776,834</u>	<u>2,768,052</u>
Basic earnings per share (HK\$ per share)	<u>0.14</u>	<u>0.01</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 four (2013: three) categories of potentially dilutive shares: share options issued by an associated company, share options issued by a subsidiary: Mega Hunt Microelectronics Limited ("Mega Hunt Microelectronics"), share options issued by a joint venture and convertible preference shares issued by a joint venture (2013: share options issued by an associated company, share options issued by Mega Hunt Microelectronics and convertible preference shares issued by a subsidiary: Success Bridge Limited).

Dilutive effects arise from share options issued by an associated company and share options issued by Mega Hunt Microelectronics (2013: share options issued by an associated company and convertible preference shares issued by a subsidiary: Success Bridge Limited).

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 associated company and increase in loss 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 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.

The dilutive effect of the share options issued by Mega Hunt Microelectronics was considered as insignificant for the year ended 31 December 2014. The share options issued by Mega Hunt Microelectronics were not assumed to be exercised as they would have an antidilutive impact to the basic earnings per share for the year ended 31 December 2013.

For share options and convertible preference shares issued by a joint venture, the exercise of the outstanding share options in a joint venture would have an antidilutive 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 investment accounted for using the equity method.

	For the year ended	
	31 December	
	2014	2013
Profit attributable to equity holders of the Company (HK\$'000)	397,071	30,045
Assuming exercise of all outstanding share options issued by the associated company (HK\$'000)		
— Decrease in share of profit of the associated company	(25,560)	(2,819)
— Increase in loss on dilution of the associated company	(10,693)	(56,201)
	<u> </u>	<u> </u>
Adjusted profit/(loss) attributable to equity holders of the Company used to determine diluted earnings per share (HK\$'000)	360,818	(28,975)
	<u> </u>	<u> </u>
Weighted average number of ordinary shares in issue (thousands)	2,776,834	2,768,052
Adjustments for assumed conversion of convertible preference shares issued by a subsidiary (thousands)	—	8,782
	<u> </u>	<u> </u>
Weighted average number of ordinary shares for diluted earnings/(loss) per share (thousands)	2,776,834	2,776,834
	<u> </u>	<u> </u>
Diluted earnings/(loss) per share attributable to the equity holders of the Company (HK\$ per share)	0.13	(0.01)
	<u> </u>	<u> </u>

7 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investment in an associated company

	2014	2013
	HK\$'000	HK\$'000
At 1 January	1,561,681	1,458,419
Share of profit	156,472	92,612
Share of other comprehensive income	(14,119)	11,826
Share of other reserves	11,276	5,858
Disposal of interest (<i>Note (i)</i>)	(291,133)	—
Dilution of interest (<i>Note (ii)</i>)	(53,794)	(7,034)
	<u> </u>	<u> </u>
At 31 December	1,370,383	1,561,681
	<u> </u>	<u> </u>

Note (i):

On 18 September 2014, the Group sold 80,000,000 shares of PAX Global at a price of HK\$7.5 per share. The net proceeds for the disposal approximated HK\$593,351,000. These shares represented approximately 7.27% of the total issued share capital of PAX Global as at 18 September 2014. As a result, the Group's interest in PAX Global decreased from 40.35% to 33.08% and a gain on disposal of HK\$304,033,000 was recognised in the consolidated income statement, including release of reserve which have been credited to the consolidated income statement of HK\$1,815,000 during the year.

As at 31 December 2014, the fair value of the Group's interest in PAX Global, which is listed on The Stock Exchange of Hong Kong Limited, was HK\$2,912,000,000 (2013: HK\$1,385,280,000) and the carrying amount of the Group's interest was HK\$1,370,383,000 (2013: HK\$1,561,681,000). The fair value is based on the current price in an active market.

There are no contingent liabilities relating to the Group's interest in the associated company.

Note (ii):

During the year ended 31 December 2014, certain directors and employees of PAX Global exercised their share options granted pursuant to a share option scheme set up on 1 December 2010. A loss on dilution of interest in an associated company of HK\$52,818,000 was recognised in the consolidated income statement (2013: HK\$6,883,000), including release of reserve credited to the consolidated income statement of HK\$976,000 (2013: HK\$151,000), during the year.

Note (iii):

As at 31 December 2014, the Group's interest in PAX Global was 33.07% (2013: 42.51%).

(b) Investment in a joint venture

Beijing Ronglian Yitong Information Technology Co. Ltd. ("Ronglian") was a then wholly-owned subsidiary of the Company. Cloopen Group Holding Limited ("Cloopen") and two subsidiaries, namely Cloopen Limited and Anxun Guantong (Beijing) Technology Co., Ltd. ("Anxun") (together as "Cloopen Group") were formed during the financial year ended 31 December 2014.

On 25 July 2014, Main Access Limited ("Main Access"), a wholly-owned subsidiary of the Company, entered into a subscription agreement (the "Subscription Agreement") with Sequoia Capital CV IV Holdco, Ltd. ("Sequoia"), Cloopen Group, Ronglian together with Cloopen Co., Ltd. and Slivo Co., Ltd.

According to the Subscription Agreement, Main Access conditionally agreed to subscribe for 45,800,000 Class B Ordinary Shares of Cloopen ("Class B Ordinary Shares"). The consideration for the Class B Ordinary Shares issued to Main Access was US\$1,382,046 (equivalent to HK\$10,780,000). Sequoia conditionally agreed to subscribe for 8,457,962 Class B Ordinary Shares and 18,642,038 Series A Preferred Shares of Cloopen ("Series A Preferred Shares"). The consideration for the Class B Ordinary Shares and the Series A Preferred Shares issued to Sequoia were US\$1,250,000 (equivalent to HK\$9,750,000) and US\$2,750,000 (equivalent to HK\$21,450,000), respectively.

In addition, Cloopen shall duly reserve 13,500,000 Class A Ordinary Shares of Cloopen ("Class A Ordinary Shares"), representing 13.5% of its enlarged capital to be issued to the Cloopen's employees, consultants, officers or directors pursuant to an employee incentive scheme adopted following the completion of the Subscription Agreement. On 26 September 2014, these options were granted.

The Group and Ronglian also entered into certain contractual agreements with others including Anxun, pursuant to which the control of Ronglian was transferred to Anxun.

Upon completion of the Subscription Agreement on 1 August 2014, the Group's indirect equity interests in Ronglian decreased from 100% to 52.9% (or 45.8% on a fully-diluted basis). Ronglian became a subsidiary of Cloopen Group, which in turn became a joint venture of the Group thereafter. It resulted in a gain on disposal of a subsidiary amounting to HK\$51,743,000. The Group's retained interest in Ronglian was remeasured to its fair value on the date when control is lost.

Movement of the share of the interest in Cloopen Group as follow:

	2014 HK\$'000
At the date the Group ceased to have control	37,759
Share of loss (<i>Note below</i>)	(37,571)
Share of other comprehensive income (<i>Note below</i>)	195
Share of other reserve	<u>2,201</u>
At 31 December	<u><u>2,584</u></u>

Note: Share of loss and other comprehensive income was determined based on the percentage of issued and outstanding ordinary shares of Cloopen which were held by the Group.

8 TRADE AND BILLS RECEIVABLES, RECEIVABLES FROM PAYMENT PROCESSING SOLUTIONS BUSINESS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 31 December	
	2014	2013
	HK\$'000	HK\$'000
Current portion		
Trade receivables (<i>Note (a)</i>)	352,268	350,153
Bills receivables (<i>Note (b)</i>)	3,747	12,508
Less: provision for impairment of receivables	<u>(19,187)</u>	<u>(17,194)</u>
	<u>336,828</u>	<u>345,467</u>
Receivables from payment processing solutions business (<i>Note (c)</i>)	<u>106,784</u>	<u>165,797</u>
Prepayments, deposits and other receivables:		
Prepayments	12,377	8,389
Deposits	15,674	15,966
Others	<u>22,639</u>	<u>22,222</u>
	<u>50,690</u>	46,577
	<u><u>494,302</u></u>	<u><u>557,841</u></u>
Non-current portion		
Long-term deposits and prepayments	<u>2,624</u>	<u>2,916</u>
Total	<u><u>496,926</u></u>	<u><u>560,757</u></u>

Note:

(a) Trade receivables

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

	As at 31 December	
	2014	2013
	HK\$'000	HK\$'000
Current to 90 days	250,580	272,673
91 to 180 days	28,886	21,565
181 to 365 days	39,338	23,830
Over 365 days	33,464	32,085
	<u>352,268</u>	<u>350,153</u>

(b) Bills receivables

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

The maturity profile of the bills receivables of the Group is as follows:

	As at 31 December	
	2014	2013
	HK\$'000	HK\$'000
Falling within 90 days	3,747	3,555
Falling within 91 to 180 days	–	8,953
	<u>3,747</u>	<u>12,508</u>

(c) 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 usually become collectible by the Group from the banks or financial institutions once the underlying transactions of the merchants had been acknowledged by the relevant banks and financial institutions.

As at 31 December 2013 and 2014, balances are mainly aged below 90 days.

9 TRADE AND BILLS PAYABLES, PAYABLES FOR PAYMENT PROCESSING SOLUTIONS BUSINESS AND OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2014	2013
	HK\$'000	HK\$'000
Trade payables (<i>Note (a)</i>)	176,805	130,547
Bills payables (<i>Note (b)</i>)	1,197	27,289
	178,002	157,836
Payables for payment processing solutions business (<i>Note (c)</i>)	311,391	243,415
Other payables and accruals (<i>Note (d)</i>)	378,967	349,578
	868,360	750,829

Note:

(a) Trade payables

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

	As at 31 December	
	2014	2013
	HK\$'000	HK\$'000
Current to 90 days	84,744	83,392
91 to 180 days	43,104	29,653
181 to 365 days	37,557	7,934
Over 365 days	11,400	9,568
	176,805	130,547

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

(b) Bills payables

The balance represents bank acceptance notes:

	As at 31 December	
	2014	2013
	HK\$'000	HK\$'000
Due within 90 days	–	27,289
Due within 91 to 180 days	1,197	–
	1,197	27,289

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

This balance represents payables to customers (which are generally merchants as detailed in Note 8(c)) for the payment processing solutions business. The amounts are generally due for settlement with these customers within 30 days and are denominated in the following currencies:

	As at 31 December	
	2014	2013
	HK\$'000	HK\$'000
RMB	237,057	167,488
JPY	74,334	75,927
	<u>311,391</u>	<u>243,415</u>

(d) **Other payables and accruals**

	As at 31 December	
	2014	2013
	HK\$'000	HK\$'000
Accrued staff costs and pension obligations	138,818	130,090
Deposits and receipt in advance from customers	98,421	140,921
Others	141,728	78,567
	<u>378,967</u>	<u>349,578</u>

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company had not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the year ended 31 December 2014.

FINAL DIVIDEND

No dividend had been paid or declared by the Company during the year ended 31 December 2014 (2013: Nil).

CORPORATE GOVERNANCE PRACTICES

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 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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 year ended 31 December 2014.

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

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 and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2014.

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

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted.

The Audit Committee provides an important link between the Board and the Company's auditor in matters coming within the scope of the audit of the Group. It also reviews the effectiveness of both external and internal audit and internal controls and risk evaluation. The Audit Committee comprises three independent non-executive directors, namely, Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Xu Sitao. Two meetings were held during the year ended 31 December 2014.

SUBSEQUENT EVENTS

On 6 February 2015, Main Access Limited ("Main Access"), a subsidiary of the Company, entered into a subscription agreement (the "Series B Subscription Agreement") with Trustbridge Partners V, L.P. ("Trustbridge"), Sequoia Capital CV IV Holdco, Ltd. ("Sequoia"), Cloopen Group Holding Limited ("Cloopen"), a joint venture of the Company, two subsidiaries of Cloopen, namely Cloopen Limited and Anxun Guantong (Beijing) Technology Co., Ltd. ("Anxun"), Beijing Ronglian Yitong Information Technology Co. Ltd. ("Ronglian"), together with Cloopen Co., Ltd., Slivo Co., Ltd., Mr. LI Xiaoguang and Mr. SUN Changxun, pursuant to which and Trustbridge conditionally agreed to subscribe for and purchase from Cloopen, and Cloopen conditionally agreed to issue and sell to Trustbridge 19,617,225 Series B Preferred Shares of Cloopen ("Series B Preferred Shares"). The Consideration for the Series B Preferred Shares issued to Trustbridge shall be US\$10,200,000. In addition, Cloopen shall duly reserve 9,003,447 Class A Ordinary Shares of Cloopen ("Class A Ordinary Shares"), to be further issued to the Cloopen's employees, consultants, officers or directors pursuant to an employee incentive scheme to be adopted following the completion of the Series B Subscription Agreement.

Upon the completion of the Series B Subscription Agreement on 11 February 2015, the Group's interests in Ronglian further decreased to 43.2% (or 35.6% on a fully-diluted basis). The relevant financial impact of the transaction will be reflected in the consolidated financial statements of the Group for the year ending 31 December 2015.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2014.

Scope of work of PricewaterhouseCoopers

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The 2014 annual results announcement will be published on the Company's website at www.hisun.com.hk and the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at www.hkexnews.hk. The 2014 Annual Report will be available on the websites of the Stock Exchange and the Company and will be despatched to all shareholders in due course.

The 2014 annual financial information set out above does not constitute the Group's statutory financial statements for the financial year ended 31 December 2014. Instead, it has been derived from the Group's audited consolidated financial statements for the financial year ended 31 December 2014, which will be included in the Company's 2014 Annual Report.

By Order of the Board
Li Wenjin
Executive Director

Hong Kong, 5 March 2015

As at the date of this announcement, the Board consists of 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. Leung Wai Man, Roger and Mr. Xu Sitao.

* *For identification purpose only*