

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## 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 2012

<b>FINANCIAL HIGHLIGHTS</b>		
<b>RESULTS</b>	<b>1H2012</b> <i>HK\$'000</i>	<b>1H2011</b> <i>HK\$'000</i>
<b>Revenue</b>	<b>262,426</b>	357,215
<b>Segmental EBITDA (before unallocated items)</b>	<b>(124,373)</b>	(61,926)
<b>Share of profit of an associated company</b>	<b>32,842</b>	28,778
<b>Loss for the period</b>	<b><u>(144,802)</u></b>	<u>(81,646)</u>
<b>Loss attributable to:</b>		
– Equity holders of the Company	<b>(136,616)</b>	(76,062)
– Non-controlling interests	<b><u>(8,186)</u></b>	<u>(5,584)</u>
	<b><u>(144,802)</u></b>	<u>(81,646)</u>
<b>Loss per share for loss attributable to equity holders of the Company:</b>		
Basic and diluted (HK\$ per share)	<b><u>(0.051)</u></b>	<u>(0.028)</u>

\* For identification purposes only

	<b>30 June</b> <b>2012</b> <i>HK\$'000</i>	31 December 2011 <i>HK\$'000</i>
<b>KEY BALANCE SHEET ITEMS</b>		
Total equity	<b>2,692,281</b>	2,939,042
Net current assets	<b>1,013,179</b>	1,288,642
Total assets	<b><u>3,046,373</u></b>	<b><u>3,392,509</u></b>
Net assets per share (HK\$)	<b><u>1.007</u></b>	<b><u>1.099</u></b>

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 2012 together with the unaudited comparative figures for the corresponding period in 2011 as follows:

### INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2012</b>	<b>2011</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	<b>262,426</b>	357,215
Cost of sales	6	<u><b>(213,288)</b></u>	<u>(308,184)</u>
Gross profit		<b>49,138</b>	49,031
Other income	4	<b>6,833</b>	7,824
Other gains/(loss), net	4	<b>546</b>	(1,815)
Selling expenses	6	<b>(50,783)</b>	(35,094)
Administrative expenses	6	<b>(156,489)</b>	(129,795)
Impairment of intangible assets	6	<u><b>(24,558)</b></u>	<u>–</u>
Operating loss		<b>(175,313)</b>	(109,849)
Share of profit of an associated company	13	<b>32,842</b>	28,778
Finance costs	8	<u><b>(895)</b></u>	<u>(730)</u>
Loss before income tax		<b>(143,366)</b>	(81,801)
Income tax (expense)/credit	9	<u><b>(1,436)</b></u>	<u>155</u>
<b>Loss for the period</b>		<u><b>(144,802)</b></u>	<u>(81,646)</u>

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2012</b>	<b>2011</b>
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loss attributable to:</b>			
- Equity holders of the Company		<b>(136,616)</b>	(76,062)
- Non-controlling interests		<b>(8,186)</b>	(5,584)
		<u><b>(144,802)</b></u>	<u>(81,646)</u>
		<b>HK\$ per share</b>	<b>HK\$ per share</b>
<b>Loss per share for loss attributable to equity holders of the Company:</b>			
Basic and diluted	<i>10</i>	<u><b>(0.051)</b></u>	<u>(0.028)</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loss for the period</b>	<b>(144,802)</b>	(81,646)
<b>Other comprehensive loss</b>		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	<b>(6,484)</b>	14,496
Fair value (loss)/gain on revaluation of available-for-sale financial assets	<b>(100)</b>	180
Share of other comprehensive (loss)/gain of an associated company	<b>(3,894)</b>	4,711
	<hr/>	<hr/>
<b>Total comprehensive loss for the period</b>	<b>(155,280)</b>	<b>(62,259)</b>
	<hr/>	<hr/>
<b>Total comprehensive loss attributable to:</b>		
– Equity holders of the Company	<b>(147,045)</b>	(58,190)
– Non-controlling interests	<b>(8,235)</b>	(4,069)
	<hr/>	<hr/>
	<b>(155,280)</b>	<b>(62,259)</b>
	<hr/>	<hr/>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2012</b>	2011
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties		2,333	2,409
Property, plant and equipment		118,655	110,184
Leasehold land		37,639	38,277
Intangible assets		83,116	100,845
Interest in an associated company	13	1,406,794	1,373,366
Available-for-sale financial assets		29,806	23,800
Long-term deposits	11	2,765	2,839
<b>Total non-current assets</b>		<b>1,681,108</b>	1,651,720
<b>Current assets</b>			
Inventories		119,947	121,752
Trade and other receivables, prepayments and deposits	11	361,526	441,345
Amount due from an associated company		659	–
Financial assets at fair value through profit or loss		10,922	10,491
Structured deposits		56,173	–
Cash and cash equivalents		816,038	1,167,201
<b>Total current assets</b>		<b>1,365,265</b>	1,740,789
<b>Total assets</b>		<b>3,046,373</b>	3,392,509
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		6,684	6,684
Reserves		2,625,517	2,806,303
		2,632,201	2,812,987
<b>Non-controlling interests</b>		<b>60,080</b>	126,055
<b>Total equity</b>		<b>2,692,281</b>	2,939,042

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2012</b>	2011
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<u>2,006</u>	<u>1,320</u>
<b>Total non-current liabilities</b>		<u>2,006</u>	<u>1,320</u>
<b>Current liabilities</b>			
Trade and other payables	12	302,093	423,107
Amount due to an associated company		19,275	–
Current income tax liabilities		7,516	5,595
Borrowings		<u>23,202</u>	<u>23,445</u>
<b>Total current liabilities</b>		<u>352,086</u>	<u>452,147</u>
<b>Total liabilities</b>		<u>354,092</u>	<u>453,467</u>
<b>Total equity and liabilities</b>		<u>3,046,373</u>	<u>3,392,509</u>
<b>Net current assets</b>		<u>1,013,179</u>	<u>1,288,642</u>
<b>Total assets less current liabilities</b>		<u>2,694,287</u>	<u>2,940,362</u>

*Note:*

## **1. GENERAL INFORMATION**

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

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

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated.

This condensed consolidated interim financial information was approved for issue on 20 August 2012.

This condensed consolidated interim financial information has not been audited.

In March 2012, the Group acquired the remaining 20% equity interests in New Concept Services Limited (“New Concept”) at a consideration of HK\$96,000,000. As a result of this transaction, New Concept became a wholly owned subsidiary of the Group. The difference between the consideration paid and the share of net asset value acquired of HK\$57,743,000 was debited within equity during the current period.

During the period, due the continuous loss suffered by the electronic power meters and solutions segment, after taking into account the recent operating environment and market conditions, impairment of goodwill of HK\$24,558,000 was recognised in the condensed consolidated income statement during the period.

## **2. BASIS OF PREPARATION**

This condensed consolidated interim financial information for the six months ended 30 June 2012 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 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## **3. ACCOUNTING POLICIES**

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

- (a) There are no new and amended standards to existing HKFRS that are effective for the Group’s accounting year commencing 1 January 2012 that could be expected to have a material impact on the Group.



- (b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

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

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

HKFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

HKFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

HKFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

HKAS 19 (Amendment) 'Employee benefits' eliminate the corridor approach and calculate finance costs on a net funding basis. The Group is yet to assess the amendments to HKAS 19's impact.

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

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

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

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

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Turnover		
Provision of telecommunication solutions	87,592	88,165
Provision of financial solutions	56,076	33,121
Provision of payment solutions	28,010	21,911
Sales of electronic power meters and solutions	77,546	210,942
Provision of payment settlement services ( <i>Note</i> )	12,543	3,076
Licence income from an associated company	659	–
	262,426	357,215
	262,426	357,215
Other income		
Interest income	2,929	4,379
Value added tax refund	1,907	–
Subsidy income	204	1,368
Rental income	1,255	891
Others	538	1,186
	6,833	7,824
	6,833	7,824
Other gains/(loss), net		
Gain/(loss) on disposal of financial assets at fair value through profit or loss	–	(400)
Dividend income on financial assets at fair value through profit or loss	8	380
Fair value (loss)/gain on financial assets at fair value through profit or loss	538	90
Loss on dilution of interests in an associated company	–	(1,885)
	546	(1,815)
	546	(1,815)
Turnover, other income and other gains/(loss), net	269,805	363,224

*Note:* This represented revenue earned from the provision of payment settlement services in Japan.

## 5. SEGMENT INFORMATION

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

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

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

- (a) Telecommunication solutions – principally engaged in provision of telecommunication platform operation services and operation value-added services;
- (b) Financial solutions – principally engaged in provision of information system consultancy and integration services and sales of information technology products to financial institutions and banks;
- (c) Payment solutions – principally engaged in the provision of mobile payment platform operation services and mobile and wireless payment solutions and services; and
- (d) Electronic power meters and solutions – principally engaged in manufacturing and sales of electronic power meters, data collection terminals and provision of information system consultancy services and the research and development of low voltage power line carrier ware communication technology (“PLC”).

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

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

	Unaudited					Total Group HK\$'000
	Telecomm- unication solutions HK\$'000	Financial solutions HK\$'000	Payment solutions HK\$'000	Electronic power meters and solutions HK\$'000	Others HK\$'000	
<b>Six months ended 30 June 2011</b>						
Segment turnover	88,165	33,121	21,911	210,942	3,076	357,215
Inter-segment turnover	-	-	-	-	-	-
Turnover from external customers	88,165	33,121	21,911	210,942	3,076	357,215
Segmental EBITDA	12,723	(30,556)	(17,159)	(14,865)	(12,069)	(61,926)
Depreciation	(4,726)	(8,975)	(1,551)	(3,642)	(1,237)	(20,131)
Amortisation	-	-	(4,330)	(3,617)	-	(7,947)
Segmental operating profit/(loss)	7,997	(39,531)	(23,040)	(22,124)	(13,306)	(90,004)
Unallocated other income						143
Unallocated corporate expense						(19,988)
Share of profit of an associated company						28,778
Finance costs						(730)
Loss before income tax						(81,801)
Income tax credit						155
Loss for the period						(81,646)

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

	Telecomm- unication solutions HK\$'000	Financial solutions HK\$'000	Payment solutions HK\$'000	Electronic power meters and solutions HK\$'000	Others HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total HK\$'000
	Unaudited Segment assets	620,847	212,771	297,165	493,657	285,599	2,925,853	(1,789,519)
Segment liabilities	(64,081)	(196,750)	(521,310)	(266,709)	(336,715)	(758,046)	1,789,519	(354,092)
Unaudited Additions to non-current assets (excluding long-term deposits, interest in an associated company and available-for-sale financial asset)	9,803	163	22,364	408	6,612	-	-	39,350

The segment assets and liabilities at 31 December 2011 and additions to non-current assets for the six months ended 30 June 2011 are as follows:

	Telecomm- unication solutions <i>HK\$'000</i>	Financial solutions <i>HK\$'000</i>	Payment solutions <i>HK\$'000</i>	Electronic power meters and solutions <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Audited								
Segment assets	<u>571,290</u>	<u>151,581</u>	<u>177,802</u>	<u>636,540</u>	<u>277,485</u>	<u>2,157,571</u>	<u>(579,760)</u>	<u>3,392,509</u>
Segment liabilities	<u>(36,612)</u>	<u>(62,417)</u>	<u>(286,468)</u>	<u>(350,538)</u>	<u>(292,295)</u>	<u>(4,897)</u>	<u>579,760</u>	<u>(453,467)</u>
Unaudited								
Additions to non-current assets (excluding long-term deposits, interest in an associated company and available-for-sale financial assets)	<u>1,120</u>	<u>312</u>	<u>1,438</u>	<u>9,410</u>	<u>14,027</u>	<u>-</u>	<u>-</u>	<u>26,307</u>

Unallocated corporate expenses represent costs that are used for all segments, including depreciation of property, plant and equipment of HK\$1,243,000 (for the six months ended 30 June 2011: HK\$539,000), depreciation of investment properties of HK\$76,000 (for the six months ended 30 June 2011: HK\$54,000) and amortisation of leasehold land HK\$379,000 (for the six months ended 30 June 2011: HK\$379,000), respectively.

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

The amounts provided to the Board of Directors with respect to total assets and total liabilities are measured in a manner consistent with that of the 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 turnover from external parties reported to the Board of Directors is measured in a manner consistent with that in the income statement.

The Group principally domiciles in Hong Kong and the Mainland China.

## 6. EXPENSES BY NATURE

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

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Auditor's remuneration	1,050	791
Depreciation of property, plant and equipment	17,177	20,670
Depreciation of investment properties	76	54
Amortisation of leasehold land	518	514
Amortisation of intangible assets	3,566	7,812
Employee benefits expense	166,669	140,516
Costs of inventories sold	102,893	206,366
Operating lease rentals in respect of land and buildings	14,935	11,470
Operating lease rentals in respect of equipment	8,955	6,646
Research and development costs	55,225	37,856
(Gain)/loss on disposal of property, plant and equipment	(262)	182
Write-back of provision for impairment of trade receivables	–	(3,329)
Provision for inventories	279	–
Impairment of intangible assets ( <i>Note</i> )	24,558	–

*Note:*

Due to the continuous loss suffered by the electronic power meters and solutions segment, after taking into account the recent operating environment and market conditions, goodwill of HK\$24,558,000 were considered impaired by the management on this segment during the current period.

## 7. NET FOREIGN EXCHANGE LOSS

The net foreign exchange loss in the income statement and included in administrative expenses for the period ended 30 June 2012 amounted to HK\$7,974,000 (six months ended 30 June 2011: net foreign exchange gain of HK\$3,183,000).

## 8. FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Interest on bank borrowings	895	730

## 9. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for the period (six months ended 30 June 2011: 16.5%). 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	
	2012	2011
	HK\$'000	HK\$'000
Current Income tax		
– Hong Kong profits tax	–	–
– Overseas taxation	1,965	1,441
Deferred income tax	(529)	(1,596)
	<u>1,436</u>	<u>(155)</u>
Income tax expense/(credit)	<u>1,436</u>	<u>(155)</u>

## 10. LOSS PER SHARE

### (a) Basic

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

	Unaudited	
	Six months ended 30 June	
	2012	2011
Loss attributable to equity holders of the Company (HK\$'000)	<u>(136,616)</u>	<u>(76,062)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>2,673,430</u>	<u>2,673,430</u>
Basic loss per share (HK\$ per share)	<u>(0.051)</u>	<u>(0.028)</u>

### (b) Diluted

Diluted loss per share is calculated by adjusting the number of ordinary shares outstanding to assume conversion of all potentially dilutive shares. The Company has two categories of potentially dilutive shares: convertible preference shares issued by a subsidiary and share options issued by a subsidiary. The convertible preference shares issued by a subsidiary are assumed to be converted into ordinary shares of the Company and share options are assumed to be fully vested and exercised into ordinary shares of that subsidiary.

Diluted loss per share for the six months ended 30 June 2012 is the same as the basic loss per share (six months ended 30 June 2011: same) as the conversion of potential ordinary shares in relation to the outstanding convertible preference shares issued by a subsidiary and share options issued by a subsidiary would have an anti-dilutive effect to the basic loss per share.

## 11. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
<b>Current portion</b>		
Trade receivables ( <i>Note (a)</i> )	315,224	384,905
Less: provision for impairment of receivables	(21,124)	(21,248)
Bills receivables ( <i>Note (b)</i> )	24	–
	<hr/>	<hr/>
	294,124	363,657
Other receivables, prepayments and deposits	67,402	77,688
	<hr/>	<hr/>
	361,526	441,345
<b>Non-current portion</b>		
Long-term deposits	2,765	2,839
	<hr/>	<hr/>
	<b>364,291</b>	<b>444,184</b>
	<hr/>	<hr/>

*Note (a):* Trade receivables

The Group's credit terms to trade debtors range from 0 to 180 days. At 30 June 2012 and 31 December 2011, the ageing analysis of the trade receivables is as follows:

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
Current to 90 days	184,889	259,240
91 to 180 days	20,034	19,114
181 to 365 days	54,221	63,780
Over 365 days	56,080	42,771
	<hr/>	<hr/>
	315,224	384,905
	<hr/>	<hr/>

*Note (b):* Bills receivables

The balance represents bank acceptance notes with maturity dates of less than six months.

The maturity profile of the bills receivables is as follows:

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
Falling within 90 days	24	–
	<hr/>	<hr/>
	24	–
	<hr/>	<hr/>



## 12. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
Trade payables ( <i>Note (a)</i> )	188,799	232,417
Bills payable ( <i>Note (b)</i> )	18,917	18,290
Other payables and accruals	94,377	172,400
	<u>302,093</u>	<u>423,107</u>

*Note (a):* Trade payables

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

At 30 June 2012 and 31 December 2011, the ageing analysis of the trade payables is as follows:

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
Current to 90 days	138,008	151,170
91 to 180 days	9,977	41,331
181 to 365 days	28,479	31,394
Over 365 days	12,335	8,522
	<u>188,799</u>	<u>232,417</u>

*Note (b):* Bills payable

The balance represents bank acceptance notes.

	Unaudited 30 June 2012 HK\$'000	Audited 31 December 2011 HK\$'000
Due within 90 days	16,873	18,290
Due within 91 to 180 days	2,044	–
	<u>18,917</u>	<u>18,290</u>

### 13. INTEREST IN AN ASSOCIATED COMPANY

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

	<b>Unaudited</b> <i>HK\$'000</i>
At 1 January 2012	1,373,366
Share of profit	32,842
Share of other comprehensive loss	(3,894)
Share of other reserve	4,480
	<hr/>
At 30 June 2012	<u>1,406,794</u>
At 1 January 2011	1,285,714
Share of profit	28,778
Share of other comprehensive income	4,711
Dilution of interest in an associated company	(1,885)
	<hr/>
At 30 June 2011	<u>1,317,318</u>

### 14. DIVIDEND

No dividend on ordinary share has been paid or declared by the Company for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

	Turnover*			EBITDA		
	1H 2012 HK\$'000	1H 2011 HK\$'000	Change +/( -)	1H 2012 HK\$'000	1H 2011 HK\$'000	Change +/( -)
Telecommunication solutions	87,592	88,165	-1%	13,255	12,723	+4%
Financial solutions	56,076	33,121	+69%	(30,296)	(30,556)	-1%
Payment solutions	28,010	21,911	+28%	(52,637)	(17,159)	+207%
Electronic power meters and solutions	77,546	210,942	-63%	(49,420)	(14,865)	+232%
Others	13,202	3,076	+329%	(5,275)	(12,069)	-56%
<b>Total</b>	<b>262,426</b>	<b>357,215</b>	<b>-27%</b>	<b>(124,373)</b>	<b>(61,926)</b>	<b>+101%</b>
Depreciation				(15,934)	(20,131)	-21%
Amortisation				(3,705)	(7,947)	-53%
Segmental operating loss				(144,012)	(90,004)	+60%
Unallocated other income				2,620	143	+1,732%
Unallocated corporate expense				(33,921)	(19,988)	+70%
Share of profit of an associated company				32,842	28,778	+14%
Finance cost				(895)	(730)	+23%
Loss before income tax				(143,366)	(81,801)	+75%
Income tax (expense)/credit				(1,436)	155	-1,026%
<b>Loss for the period</b>				<b>(144,802)</b>	<b>(81,646)</b>	<b>+77%</b>

\* Turnover from external customers

During the six months ended 30 June 2012 (“1H2012”), the consolidated revenue of Hi Sun Technology (China) Limited (the “Company”) and its subsidiaries (the “Group”) amounted to HK\$262.4 million, representing a decrease of 27% when compared with the six months ended 30 June 2011 (“1H2011”). Segmental operating loss amounted to HK\$144.0 million during the period as compared to segmental operating loss of HK\$90.0 million in 1H2011. Loss for the period totaled HK\$144.8 million as compared to a loss of HK\$81.6 million in 1H2011, which was mainly due to increased operating loss from the payment solutions and electronic power meter and solutions segments for the six months ended 30 June 2012.

With regard to our balance sheet, the total assets as at 30 June 2012 amounted to HK\$3,046.4 million, when compared with HK\$3,392.5 million as at 31 December 2011. As at 30 June 2012, net current assets amounted to HK\$1,013.2 million, when compared with HK\$1,288.6 million as at 31 December 2011.

## KEY INVESTING AND FINANCING ACTIVITIES

On 13 January 2012, the Company entered into two sale and purchase agreements with two vendors separately pursuant to which each of the vendors has conditionally agreed to sell, and the Company has conditionally agreed to purchase, in aggregate, 20% of the issued share capital of New Concept Services Limited (“New Concept”) at a total consideration of HK\$96,000,000. Upon completion, the Company’s shareholding interest in New Concept increased from 80% to 100% and accordingly, New Concept became a wholly-owned subsidiary of the Company. The acquisition was completed on 9 March 2012.

## KEY BUSINESS OPERATIONS

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

### Telecommunications solutions

	<b>1H2012</b> <i>HK\$’000</i>	1H2011 <i>HK\$’000</i>	Change +/-(-)
Turnover	<b>87,592</b>	88,165	-1%
EBITDA	<b>13,255</b>	12,723	+4%
Operating profit	<b>8,984</b>	7,997	+12%

During 1H2012, segmental turnover amounted to HK\$87.6 million as compared to HK\$88.2 million in 1H2011. Segmental EBITDA and segmental operating profit remained relatively stable as compared to 1H2011. Since 1 January 2012, China Mobile’s IVR business has been transitted to the Jiangsu Base of China Mobile. Currently, our IVR platform was redefined as an ability platform providing audio-oriented integrated services and we have been upgrading our IVR platform into WAVE (Web Audio Video Engine) platform, which provides integrated services including audio, data, video and web contents to the end users. While the provision of nationwide IVR platform to China Mobile continues to be the major revenue contributor of telecommunications solutions segment, certain new businesses, such as wireless application business, mobile games, animation and comics etc are under development. All these new businesses are expected to contribute to the revenue stream in 2H2012.

## Financial solutions

	<b>1H2012</b> <i>HK\$'000</i>	1H2011 <i>HK\$'000</i>	Change +/-(-)
Turnover*	<b>56,076</b>	33,121	+69%
EBITDA	<b>(30,296)</b>	(30,556)	-1%
Operating loss	<b>(34,033)</b>	(39,531)	-14%

\* Turnover from external customers

During the current period, segmental turnover amounted to HK\$56.1 million, increased by 69% as compared to HK\$33.1 million in 1H2011. Segmental operating loss totaled HK\$34.0 million when compared with segmental operating loss of HK\$39.5 million in 1H2011. In 2012, commercial banks in China continue to increase their systemic investment in electronic channels infrastructure and accelerate the building of overseas branch network. Increase in revenue and decrease in operating loss are given to our persistent assertion of creating more stable, sustainable and recurring income streams and development projects on cross-industry solutions in prior years, together with the adoption of more stringent cost control measures adopted.

## Payment solutions

	<b>1H2012</b> <i>HK\$'000</i>	1H2011 <i>HK\$'000</i>	Change +/-(-)
Turnover*	<b>28,010</b>	21,911	+28%
EBITDA	<b>(52,637)</b>	(17,159)	+207%
Operating loss	<b>(55,064)</b>	(23,040)	+139%

\* Turnover from external customers

Currently, our payment solutions segment is principally engaged in the operation and development of the first nation-wide mobile payment platform and solution with China Mobile and other related services. During 1H2012, our payment solution segment recorded a turnover of HK\$28.0 million as compared to HK\$21.9 million in 1H2011, representing an increase of 28%. Segmental operating loss amounted to HK\$55.1 million during the period as compared to HK\$23.0 million in 1H2011, mainly due to substantial investment in various innovative payment-related value added services and solutions at their preliminary development stages and significant increase in segmental headcounts during the period.

## Electronic power meters and solutions

	<b>1H2012</b> <i>HK\$'000</i>	1H2011 <i>HK\$'000</i>	Change +/-(-)
Turnover	<b>77,546</b>	210,942	-63%
Impairment of goodwill	<b>(24,558)</b>	–	N/A
EBITDA	<b>(49,420)</b>	(14,865)	+232%
Operating loss	<b>(56,744)</b>	(22,124)	+156%

During 1H2012, segmental turnover amounted to HK\$77.5 million, a decrease of 63% as compared with 1H2011. Segmental operating loss totaled HK\$56.7 million compared with segmental operating loss of HK\$22.1 million in 1H2011. Decline in turnover and increase in operating loss were mainly due to (i) total product shipment being lower than anticipated during 1H2012 given the increased competition in the market; (ii) additional cost incurred on the research and development of low voltage power line carrier wave communication technology (“PLC”) starting from the third quarter of 2011; and (iii) an one-time non-cash impairment charge of HK\$24.6 million against the goodwill of our electronic power meters and solutions business, which reflects a prudent conservative management judgment with regard to the rapid evolution of business models in the industry and current economic environment during 1H2012.

## OUTLOOK

### Telecommunications solutions

Hi Sun continues to benefit from its agreement with China Mobile to provide the sole nationwide IVR platform which brings to the Group a perpetual revenue stream. Being an excellent partner to the Animation and Comic Station Base of China Mobile, we will further explore the mobile internet business such as mobile games, animation and comics. At the same time, we became one of the largest terminal software development support service providers for the Animation and Comic Station Base this year. We developed fourteen platforms for a total of nine mobile operational systems, which were applicable to almost two hundred models of mobile handsets. It is believed that revenue from the related business will see a considerable growth in the future. In addition, we have been promoting wireless application business in various aspects, which is expected to bring in new revenue stream to the Group.

### Financial solutions

Recently, commercial banks in China continue to increase their systemic investment in electronic channels infrastructure and accelerate the building of overseas branch network. Taking advantage of our solid experience in constructing the core systems of overseas branches of domestic banks, as well as an in-depth knowledge of foreign regulatory and accounting standards, we are able to leverage upon our expertise to take advantage of the future business opportunities. In order to broaden the customer base and expand the market coverage, we extend our expertise in financial industry, quality product and service capacity to non-financial clients to meet their needs. Given various third party payment licences were issued by The People’s Bank of China (“PBOC”) recently, we anticipate that we can explore more market opportunities which did not previously exist in the traditional financial industry.

## **Payment solutions**

During the 1H2012, China Mobile's mobile payment service business continued to develop rapidly, resulting in sustainable and rapid growth in terms of the number of users and the scale of transactions. In June, China Mobile entered into a framework agreement on mobile payment cooperation with China UnionPay to jointly promote cross-industry standards and the improvement on the acceptance environment. During this year, the scale of remote payment transactions is expected to reach a new record high, and on-the-spot payment will be promoted on a national basis gradually. Meanwhile, we proactively explore the mobile value-added application which is closely related to mobile payment to provide mobile payment users with concessionary information from the merchants, expecting to bring a better one-touch portfolio payment experience of Near Field Communication ("NFC") payment in the future. China Mobile Shenzhen was designated to run the pilot scheme for the project and has developed over 1 million users at the moment. At present, the result of the pilot scheme is satisfactory and the income scale is expected to be expanded gradually in the second half of the year. We anticipate that, through the concerted, powerful and continuous promotion of industry players such as commercial banks, China UnionPay and telecommunication operators, mobile payment business will continue to develop rapidly for the years to come.

## **Electronic power meters and solutions**

In 2012, the State Grid continues to devise plans for pushing the smart grid infrastructure forward. It is expected that with the gradual implementation of tiered pricing policies, smart grid investment such as power consumption information collecting system and equipment will be further expanded, becoming an integral part of smart grid transmission and electricity consumption segment construction. It is expected that the demand for electronic power data collection equipment will grow rapidly. In addition, it is anticipated that there will be increase in demand on the agricultural grid power meters. During 1H2012, we continued our research and development on low voltage power line carrier wave communication technology ("PLC"). Besides, we will strive to strengthen our product quality and enhance our productivity to overcome the challenges from the rapidly developing market.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2012, the Group reported total assets of HK\$3,046.4 million (31 December 2011: HK\$3,392.5 million), which were financed by total liabilities of HK\$354.1 million (31 December 2011: HK\$453.5 million) and equity of HK\$2,692.3 million (31 December 2011: HK\$2,939.0 million). The net asset value was HK\$2,692.3 million (31 December 2011: HK\$2,939.0 million). The net asset value per share amounted to HK\$1.007 per share as compared to HK\$1.099 per share as at 31 December 2011.

The gearing ratio (defined as total borrowings divided by total equity) was 0.0086 as compared to 0.0080 as at 31 December 2011. The gearing ratio is considered healthy and suitable for the continuous growth of the Group's business.

As at 30 June 2012, the Group had cash and cash equivalents of HK\$816.0 million (31 December 2011: HK\$1,167.2 million). The net cash position as at 30 June 2012 was HK\$792.8 million as compared to HK\$1,143.8 million as at 31 December 2011.

## **CAPITAL STRUCTURE AND DETAILS OF CHARGES**

Approximately HK\$196.6 million, HK\$261.4 million, HK\$221.6 million, HK\$136.2 million and HK\$0.2 million of the Group's cash balances were denominated in Renminbi, Hong Kong dollar, US dollar, Japanese Yen and Euro respectively as at 30 June 2012.

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

Save as disclosed in this announcement, the Group did not have any material acquisition or disposal of subsidiaries during the six months ended 30 June 2012.

## **EXCHANGE RATES EXPOSURE**

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

## **CONTINGENT LIABILITIES**

The Group had no material contingent liability as at 30 June 2012.

## **EMPLOYEES**

The total number of employees of the Group as at 30 June 2012 was 2,354. The breakdown of employees by division is as follows:

Telecommunication solutions	400
Financial solutions	452
Payment solutions	659
Electronic power meters and solutions	709
Others	98
Corporate office	36
	<hr/>
	2,354

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 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 OPTION SCHEME OF THE COMPANY**

The Company operates a share option scheme 2011 (the "Scheme") for the purpose of attracting, retaining and motivating talented employees to strive for future developments and expansion of the Group. Eligible participants of the Scheme 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.

During the six months ended 30 June 2012, no share options was granted. As at 30 June 2012 and the date of this announcement, there was no outstanding share option.

#### **EMPLOYEE'S INCENTIVE PROGRAMME OF A SUBSIDIARY**

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

The option deeds are designed to provide incentive to the employees towards the contribution to Mega Hunt Microelectronics, Mega Hunt Microelectronics wishes to grant the options to the employees so as to entitle them to subscribe for the option shares in Mega Hunt Microelectronics.

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

During the six month ended 30 June 2012 and up to the date of this announcement, no option was vested under the option deeds.

## **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.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed companies on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the "Model Code"). The Model Code sets a required standard against which Directors and employees of the Group must measure their conduct regarding transactions in securities of the Company. The Company has also established written guidelines on terms no less exacting than the required standard under Appendix 10 to the Listing Rules for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

Specific enquiry had been made to all the Directors and the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2012.

## **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 Code on Corporate Governance Practices (effective till 31 March 2012) and Revised Corporate Governance Code (effective from 1 April 2012) (the collectively, "CG Code") contained in Appendix 14 of the Listing Rules.

The Company has applied the Principles in formulating its corporate governance practices and complied with all of the Code Provisions for the six months ended 30 June 2012.

The Company periodically reviews its organisational structure to ensure that operations are conducted in accordance with the standards of the CG Code.

## **AUDIT COMMITTEE**

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Xu Sitao. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated interim financial report for the six months ended 30 June 2012 with the Directors.

## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

None of the Directors of the Company have an interest in any business constituting a competing business to the Group.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained the amount of public float as required under the Listing Rules throughout the six months ended 30 June 2012.

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

The 2012 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 Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The 2012 interim report will be available on the websites of The Stock Exchange of Hong Kong Limited and the Company and will be despatched to all shareholders in due course.

The 2012 interim financial information set out above does not constitute the Group's statutory financial statements for the six months ended 30 June 2012. Instead, it has been derived from the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2012, which will be included in the Company's 2012 interim report.

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

Hong Kong, 20 August 2012

*As at the date of this announcement, the Board comprises five executive Directors namely Mr. Cheung Yuk Fung, Mr. Kui Man Chun, Mr. Xu Wensheng, Mr. Li Wenjin and Mr. Xu Chang Jun; one non-executive Director, namely Mr. Chang Kai-Tzung, Richard and three independent non-executive Directors, namely Mr. Tam Chun Fai, Mr. Xu Sitao and Mr. Leung Wai Man, Roger.*