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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)

(1) PROPOSED ADOPTION OF VBILL SHARE OPTION SCHEME; AND (2) PROPOSED GRANT OF OPTIONS TO THE PROPOSED GRANTEES

1. ADOPTION OF THE VBILL SHARE OPTION SCHEME

On 15 January 2018, the directors and shareholders of VBill passed resolutions to adopt the VBill Share Option Scheme. The VBill Share Option Scheme shall comply with the requirements under Chapter 17 of the Listing Rules and will be subject to approval by the Shareholders at the SGM. A summary of the principal terms of the VBill Share Option Scheme will be contained in the circular to be despatched to the Shareholders.

2. PROPOSED GRANT OF OPTIONS TO THE PROPOSED GRANTEES

On 15 January 2018, the Board of VBill resolved to conditionally grant Options to Mr. Shen, Mr. Li and Mr. Guo (i.e. the Proposed Grantees) pursuant to the terms of the VBill Share Option Scheme. The grant of Options is subject to the approval by the Shareholders at the SGM.

3. SGM

A circular containing, among others, details of the VBill Share Option Scheme and the grant of Options to the Proposed Grantees and the notice of SGM will be despatched to the Shareholders in due course.

1. ADOPTION OF THE VBILL SHARE OPTION SCHEME

The VBill Share Option Scheme

On 15 January 2018, the directors and shareholders of VBill passed resolutions to adopt the VBill Share Option Scheme.

The purpose of the VBill Share Option Scheme is to enable VBill to grant options to selected Participants as incentives or rewards for their contribution or potential contribution to the VBill Group. The Board of VBill considers that the VBill Share Option Scheme will provide the Participants with the opportunity to acquire proprietary interests in VBill and encourage Participants to work towards enhancing the value of equity interests in VBill for the benefit of the VBill Group and its shareholders as a whole. The VBill Share Option Scheme will provide VBill with a flexible means of retaining, incentivising, rewarding, and/or providing benefits to the Participants. Given the different nature of the duties of the employees of various business units of the Group, the Directors believe that the authority given to the Board of VBill under the VBill Share Option Scheme to determine the eligibility of any VBill Share Option Scheme Participant of any Option from time to time based on his or her contribution or potential contribution to the development and growth of the VBill Group on a case by case basis, and specify any minimum holding period and/or performance target at its discretion as conditions in any Option granted will serve to protect the value of VBill and achieve the purpose stated above.

As at the date of this announcement, the Registered Capital is RMB199,900,000. Assuming that there is no change in the Registered Capital between the period from the date of this announcement and the date of the SGM and subject to the conditions mentioned below having been satisfied, the maximum Registered Capital which may be contributed by the grantees upon exercise of all options which may be granted under the VBill Share Option Scheme and any other share option schemes of VBill will be RMB19,990,000, being 10% of the Registered Capital of VBill as at the date of the SGM, unless the Company obtains a fresh approval from Shareholders to renew the 10% limit (i.e. the "VBill Scheme Mandate Limit"), provided that the maximum Registered Capital contributed or to be contributed by the grantees in respect of which options may be granted under the VBill Share Option Scheme together with any options outstanding and yet to be exercised under the VBill Share Option Scheme and any other share option schemes of VBill shall not exceed 30% of the Registered Capital of VBill from time to time.

Conditions

The VBill Share Option Scheme shall be effective subject to the fulfilment and satisfaction of the following conditions:

- (i) all necessary consents, waivers and permits (if any) required to be obtained by VBill (including but not limited to the directors and shareholders of VBill) in accordance with the constitutional documents of VBill and all applicable laws having been obtained; and
- (ii) the Shareholders having approved the adoption of the VBill Share Option Scheme at the SGM.

A summary of the principal terms of the VBill Share Option Scheme will be contained in the circular to be despatched to the Shareholders.

Information of the VBill Group

VBill is a company incorporated under the laws of the PRC with limited liability and is principally engaged in the provision of payment processing solutions in the PRC. As at the date of this announcement, its Registered Capital is RMB199,900,000. As at the date of this announcement, the Company has no intention or plan to seek separate listing of VBill on any stock exchange.

As at the date of this announcement, VBill has seven wholly-owned subsidiaries, being 江蘇隨行付電子商務有限公司 (unofficial English translation being Jiangsu VBill Electronic Business Co. Ltd., “**Jiangsu VBill**”), 南昌隨行付網絡小額貸款有限公司 (unofficial English translation being Nanchang VBill Internet Micro-Credit Co. Ltd., “**Nanchang VBill**”), 隨行付(北京)金融信息服務有限公司 (unofficial English translation being VBill (Beijing) Financial Information Service Co. Ltd., “**Beijing VBill Finance**”), 北京銀企融合技術開發有限公司 (unofficial English translation being Beijing Bank & Enterprise Integration Technology Development Co. Ltd., “**Beijing Technology**”), 北京隨行付商業保理有限公司 (unofficial English translation being Beijing VBill Commercial Factoring Co. Ltd., “**Beijing VBill Factoring**”), 微碼數據科技有限公司 (unofficial English translation being Weima Data Technology Co., Ltd., “**Weima**”) and 南昌市宏恒技術開發有限公司 (unofficial English translation being Nanchang Hongheng Technology Development Co., Ltd., “**Nanchang Hongheng**”), each being a limited liability company incorporated in the PRC.

Jiangsu VBill is principally engaged in the provision of e-Commerce services in the PRC.

Nanchang VBill has obtained the Jiangxi Province Small Loan Company Operation Permit (江西省小額貸款公司經營許可證) and is principally engaged in online and offline small loan business in the PRC.

Beijing VBill Finance is principally engaged in the provision of financial information services in the PRC.

Beijing Technology is principally engaged in the provision of payment related system integrated services in the PRC.

Beijing VBill Factoring is principally engaged in the provision of commercial factoring services in the PRC.

Weima is principally engaged in the provision of payment processing solutions in the PRC.

Nanchang Hongheng is principally engaged in the development of payment related technology in the PRC.

2. PROPOSED GRANT OF OPTIONS TO THE PROPOSED GRANTEEES

On 15 January 2018, the Board of VBill resolved to conditionally grant Options to Mr. Shen, Mr. Li and Mr. Guo (i.e. the Proposed Grantees) pursuant to the terms of the VBill Share Option Scheme. The grant of Options is subject to the approval by the Shareholders at the SGM.

Details of the proposed grant of Options

Name of Proposed Grantees

Mr. Shen – a director and the chairman of the Board of VBill and a director of certain members of the VBill Group

Mr. Li – the chief executive officer of VBill and the supervisor of a member of the VBill Group

Mr. Guo – the senior vice president of VBill

Each of Mr. Shen and Mr. Li is a connected person of the Company at subsidiary level. None of the Proposed Grantees is a director, chief executive or substantial shareholder of the Company or an associate of any of them.

Subscription price of Options granted:

RMB12.51 for every RMB1.0 in the Registered Capital of VBill

The subscription price was determined in accordance with the terms of the VBill Share Option Scheme.

Market price of the equity interest of VBill on the date of grant:

Not applicable as the equity interests of VBill are not listed.

Amount of Enlarged Registered Capital subject to the Options

Name of Proposed Grantee	Aggregate subscription price (RMB)	Amount of Enlarged Registered Capital subject to the Options (RMB)	Aggregate percentage of the Enlarged Registered Capital (Approximate)
Mr. Shen	170,505,045.0	13,629,500	6%
Mr. Li	85,252,522.5	6,814,750	3%
Mr. Guo	85,252,522.5	6,814,750	3%
Total:	<u>341,010,090.0</u>	<u>27,259,000</u>	<u>12%</u>

Exercise period of the Options:

Three years from the Effective Date. The Options shall only be exercised once within the exercise period.

Consideration for the grant of the Options:

RMB1 to be paid by each Proposed Grantee upon the acceptance of the Options granted

Other covenants

- (1) Each of the Proposed Grantees shall not transfer or sell, charge, pledge or dispose of or create any third party interests over, or enter into any agreement to effect the foregoing any of their respective Option Interests of VBill within 2 years of the exercise of the Options, unless prior written consent of Chongqing Jiexing is obtained.
- (2) After the two-year lock-up period stipulated in (1) above, Chongqing Jiexing shall have the pre-emptive rights over all other shareholders of VBill and other third parties to take up the Option Interests at the same price offered by the Proposed Grantees for any such sale or transfer of the Option Interests by the Proposed Grantees.
- (3) When a third party purchaser offers to purchase the entire equity interest of VBill and Chongqing Jiexing agrees to sell its entire interests in VBill to such purchaser (“Sale”):
 - (i) all the then existing shareholders of VBill (including the Proposed Grantees who have acquired the Option Interests) shall agree to sell their entire interests in VBill to such third party purchaser at the same price at which Chongqing Jiexing sells its entire interests in VBill; and
 - (ii) all the outstanding Options which have been granted but not exercised shall lapse on the date a sale and purchase agreement in respect of the Sale is signed.
- (4) When the purchase offer of a third party purchaser relates only to part of the equity interests in VBill, Chongqing Jiexing may choose to sell its interests in VBill alone or request all other existing shareholders of VBill (including the Proposed Grantees who have acquired the Option Interests), who shall be obliged to act upon such request, to sell their interests in VBill to such third party purchaser together with it in proportion to their respective percentage holding in VBill at the same price at which Chongqing Jiexing sells its equity interests in VBill.
- (5) After any Proposed Grantee have become a shareholder of VBill, where there shall be any increase in the Registered Capital in the future, each of such Proposed Grantees shall have the pre-emptive rights to contribute to the increased Registered Capital on the same subscription price and to the extent that their respective percentage holding in VBill remains the same before and after such increase.

- (6) Each of the Proposed Grantees shall remain in full employment with VBill for at least 12 months from the exercise date unless the Proposed Grantee is dismissed by VBill due to the Proposed Grantee's violation of laws, breach of the articles of association of VBill, or obvious wrongful conducts as an employee or otherwise.
- (7) Each of the Proposed Grantees shall not engage in any business which competes with the business of VBill during the term of his employment or 5 years from the date of grant of the Options, whichever is longer.

Shareholding structure of VBill

The shareholding structure of VBill as at the date of this announcement and upon the exercise of the Options by the Proposed Grantees in full are as follows:

Name of shareholders	As at the date of this announcement		Upon the exercise of the Options by the Proposed Grantees in full	
	Amount of Registered Capital (RMB)	Aggregate percentage of the Registered Capital (Approximate)	Amount of Enlarged Registered Capital (RMB)	Aggregate percentage of the Enlarged Registered Capital (Approximate)
Chongqing Jiexing	160,000,000	80.04%	160,000,000	70.44%
Mr. Shen	19,900,000	9.95%	33,529,500	14.76%
Mr. Li	9,600,000	4.80%	16,414,750	7.23%
Other shareholders of VBill	10,400,000	5.20%	10,400,000	4.58%
Mr. Guo	–	–	6,814,750	3.00%
Total:	<u>199,900,000</u>	<u>100.00%</u>	<u>227,159,000</u>	<u>100.00%</u>

Scheme limit and individual limit

Under rules of the VBill Share Option Scheme, the total Registered Capital contributed and to be contributed upon exercise of the Options granted to each Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the Registered Capital (i.e. the "Individual Limit"). Any further grant of Options to a Participant which would result in the Registered Capital contributed and to be contributed by a Participant upon exercise of all Options granted and to be granted to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of grant of such further Options exceeding the Individual Limit shall be subject to approval of the Shareholders in advance with such Participant and his close associates (or his associates if such Participant is a connected person) abstaining from voting.

Assuming that all of the Proposed Grantees exercise the Options in full, the aggregate percentage of the Enlarged Registered Capital attributable to Mr. Shen, Mr. Li and Mr. Guo are approximately 6%, 3% and 3% respectively, which exceed the Individual Limit. Therefore, the grant of Options to the Proposed Grantees is subject to the Shareholders' approval at the SGM.

In addition, under the rules of the VBill Share Option Scheme, the total Registered Capital which may be contributed by the grantees upon exercise of all Options to be granted under the VBill Share Option Scheme and other share option schemes of VBill shall not in aggregate exceed 10% of the Registered Capital of VBill as at the date of the SGM (i.e. VBill Scheme Mandate Limit), being RMB199,900,000 multiplied by 10% which equals to RMB19,990,000, assuming that there is no change in the Registered Capital between the period from the date of this announcement and the date of the SGM.

Assuming that all of the Proposed Grantees exercise the Options in full and there is no change in the Registered Capital between the date of this announcement and the date of the SGM, the Proposed Grantees will, in aggregate, have contributed RMB27,259,000, representing approximately 12% of the Enlarged Registered Capital (or approximately 13.64% of the Registered Capital as at the date of the SGM), which exceed the VBill Scheme Mandate Limit. Therefore, the grant of Options to the Proposed Grantees is subject to the Shareholders' approval at the SGM.

Financial information of the VBill Group

Set out below are certain unaudited financial results of VBill Group as extracted from the audited consolidated financial statements of the Company for the two years ended 31 December 2015 and 2016 prepared in accordance with Hong Kong Generally Accepted Accounting Principles (HKGAAP):

	For the year ended 31 December 2016	For the year ended 31 December 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	1,031,203	494,182
Profit before income tax	174,531	61,829
Profit after income tax	155,388	57,463

The unaudited book value of the total assets and net assets of VBill Group as at 30 June 2017 were approximately HK\$1,755,256,000 and HK\$466,817,000 respectively.

Reasons for and benefits of the proposed grant of the Options

The principal activity of the Company is investment holdings. The principal activities of the Group are provision of payment processing solutions, provision of financial solutions, sales of electronic power meters, information security chips and solutions and provision of platform operation solutions.

The Directors are of the view that the Proposed Grantees, being key employees and senior management of the VBill Group, has made substantial contributions to the VBill Group. In addition, the grant of Options to enable the Proposed Grantees to subscribe for the equity interest in VBill will motivate them to contribute to the success and long term development of VBill Group. It is also beneficial to VBill Group and the Group as a whole as the interest of the senior management of VBill will be aligned with that of the Group by subscribing for equity interests in VBill themselves. In addition, the capital base of VBill will be enlarged and the Proposed Grantees (which are management staff of VBill) will be more committed to the furtherance of the development of VBill's business.

The Directors (including the independent non-executive Directors) consider that the proposed grant of the Options and the Deemed Disposal (as defined below) are fair and reasonable and on normal commercial terms or better and in the interests the VBill Group, the Company and the Shareholders as a whole.

As none of the Directors had material interests in the proposed grant of Options and the Deemed Disposal (as defined below), no Director was required to abstain from voting on the relevant resolutions.

Deemed disposal of VBill

As shown in the table under the paragraph headed “Shareholding structure of VBill” above, upon the exercise of the Options in full by the Proposed Grantees, and assuming there is no change in the Registered Capital between the date of this announcement and up to the date of exercise of Options in full, the Group’s interests in VBill will be diluted from approximately 80.04% to approximately 70.44% but VBill will continue to be accounted for as a subsidiary of the Group. The reduction of approximately 9.60% equity interest of the Company in VBill as a result of exercise of the Options in full will constitute a deemed disposal (“**Deemed Disposal**”) under Chapter 14 of the Listing Rules.

The gross proceeds from the Deemed Disposal upon exercise of the Options in full will be RMB341,010,090 (approximately HK\$409,212,108) which is intended to be applied as general working capital of VBill Group. The Deemed Disposal will be accounted for as equity transactions and will not lead to any gain or loss to the Group. However, it is expected that employee share option expenses for the Options in the amount of approximately RMB140 million (approximately HK\$168 million) will be recorded by the Company upon grant and vesting of the Options.

Nevertheless, Shareholders should note that the exact financial effect of the grant and vesting of the Options and the Deemed Disposal to the Group is subject to the review of the auditors of the Company.

Implications under the Listing Rules

Since the exercise of the Options is not at the Company’s discretion, the Deemed Disposal will be classified as if the Options had been exercised at the time of the grant. As certain of the applicable percentage ratios of the Deemed Disposal are above 5% but all applicable percentage ratios are less than 25% and the total consideration to be paid by the Proposed Grantees is above HK\$10,000,000, the Deemed Disposal constitutes a discloseable transaction for the Company which is only subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

Mr. Shen is a director and the chairman of the Board of VBill and a director of certain members of the VBill Group and Mr. Li is the chief executive officer of VBill and the supervisor of a member of the VBill Group. Hence, each of Mr. Shen and Mr. Li is a connected person of the Company at subsidiary level. As Mr. Shen and Mr. Li are connected persons of the Company at subsidiary level and the transaction contemplated by the Deemed Disposal is on normal commercial terms or better, the Deemed Disposal constitutes a connected transaction of the Company which is only subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules, as (i) the Board of the Company has approved the transaction contemplated by the Deemed Disposal and (ii) the independent non-executive Directors have confirmed that the transaction contemplated by the Deemed Disposal is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole.

3. SGM

A circular containing, among others, details of the VBill Share Option Scheme and the grant of Options to the Proposed Grantees and the notice of SGM will be despatched to the Shareholders in due course.

4. DEFINITIONS

“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Board of VBill”	the board of directors of VBill from time to time or its duly authorised committee for the purpose of administering the VBill Share Option Scheme
“Business Day”	a working day other than Saturdays, Sundays and public holidays under the laws of the PRC, and a trading day of the Stock Exchange
“Chongqing Jiexing”	重慶結行移動商務有限公司, a limited liability company incorporated in the PRC and is accounted for as a wholly-owned subsidiary of the Company and is principally engaged in the value-added telecommunication business with major focus on payment related solutions and services in the PRC
“close associate”	has the meaning ascribed to it in the Listing Rules
“Company”	Hi Sun Technology (China) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules

“date of grant”	in respect of an Option, subject to the conditions as set out in the VBill Share Option Scheme and the approval of the Directors and Shareholders (if required), the date on which the Board of VBill resolves to make an offer of that Option to the Participant, which date must be a Business Day
“Director(s)”	director(s) of the Company
“Effective Date”	the date on which the VBill Share Option Scheme becomes unconditional in accordance with the terms of the VBill Share Option Scheme
“Enlarged Registered Capital”	the maximum registered capital of VBill upon exercise of the Options by the Proposed Grantees in full
“Grantee”	any Participant who accepts the offer of an Option in accordance with the terms of the VBill Share Option Scheme, or (where the context so permits) any person who is entitled to any such Option in consequence of the death of the original Grantee, or the legal personal representative of such person
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Guo”	Mr. Guo Yi, one of the Proposed Grantees
“Mr. Li”	Mr. Li Huimin, one of the Proposed Grantees
“Mr. Shen”	Mr. Shen Zheng, one of the Proposed Grantees
“Option(s)”	the option(s) granted or to be granted to the eligible Participants under the VBill Share Option Scheme
“Option Interests”	the equity interest of VBill to be held by the Grantees pursuant to the exercise of the Options
“Participants”	any directors, supervisors, general managers and other employees of any member of the VBill Group
“PRC”	the People’s Republic of China
“Proposed Grantees”	Mr. Shen, Mr. Li and Mr. Guo collectively
“Registered Capital”	the registered capital of VBill from time to time

“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the VBill Share Option Scheme and the grant of Options to the Proposed Grantees
“Share(s)”	share(s) of HK\$0.0025 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VBill”	隨行付支付有限公司 (unofficial English translation being VBill Payment Co. Ltd.), a limited liability company incorporated in the PRC and owned as to approximately 80.04% by Chongqing Jiexing as at the date of this announcement
“VBill Group”	collectively, VBill and its subsidiaries from time to time
“VBill Share Option Scheme”	the share option scheme of VBill proposed to be approved by the Shareholders at the SGM
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
HI SUN TECHNOLOGY (CHINA) LIMITED
Li Wenjin
Executive Director

Hong Kong, 15 January 2018

For the purpose of this announcement, all amounts denominated in RMB have been translated (for information only) into HK\$ using the exchange rate of RMB1.00 to HK\$1.20. No representation is made that any amounts in RMB or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

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; and three Independent Non-Executive Directors, namely Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Chang Kai-Tzung, Richard.

* For identification purpose only