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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)

UPDATES TO DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION – SUBSCRIPTION OF NEW SHARES OF VBILL (CAYMAN) BY THE INVESTOR: THE RESTRUCTURING

On 24 September 2019, the Company, the Management Shareholders, the Investor, VBill (Cayman) and VBill OPCO entered into the second amendment and restatement agreement to amend and restate the Original Subscription Agreement. Pursuant to the 2nd Amended Subscription Agreement, the Investor has agreed to subscribe for new VBill Shares at the Subscription Price. Please refer to the SA Announcement dated 24 September 2019 for further details.

As disclosed in the section headed “The Restructuring” in the SA Announcement, as one of the conditions precedent to the Completion, certain restructuring steps will be implemented as soon as reasonably practicable. Accordingly, on 24 October 2019, after trading hours, the Group implemented the following restructuring (namely step 8(iii), (iv) and (v) of the Restructuring) where:

- (i) *(step 8(iii))* Shanghai JIM, Chongqing JIM, Zhou and Na executed an agreement to terminate all the Existing JIM Control Documents, which shall take effect on the date of the New JIM Control Documents (Pre-Swap);
- (ii) *(step 8(iv))* WFOE, Chongqing JIM, Zhou and Na executed the New JIM Control Documents (Pre-Swap) (to take effect upon signing and cease to be effective on the completion of the Share Swap); and
- (iii) *(step 8(v))* Management Shareholders Holdcos surrendered all the issued VBill Shares in VBill (Cayman) held by them to VBill (Cayman) at nil consideration.

Details of the New JIM Control Documents (Pre-Swap) are set out below.

INTRODUCTION

Reference is made to the announcement (“**SA Announcement**”) of Hi Sun Technology (China) Limited (“**Company**”) on 24 September 2019. All capitalised terms herein shall have the meaning ascribed to them in the SA Announcement, unless the context requires otherwise.

On 24 September 2019, the Company, the Management Shareholders, the Investor, VBill (Cayman) and VBill OPCO entered into the second amendment and restatement agreement to amend and restate the Original Subscription Agreement. Pursuant to the 2nd Amended Subscription Agreement, the Investor has agreed to subscribe for new VBill Shares at the Subscription Price. Please refer to the SA Announcement dated 24 September 2019 for further details.

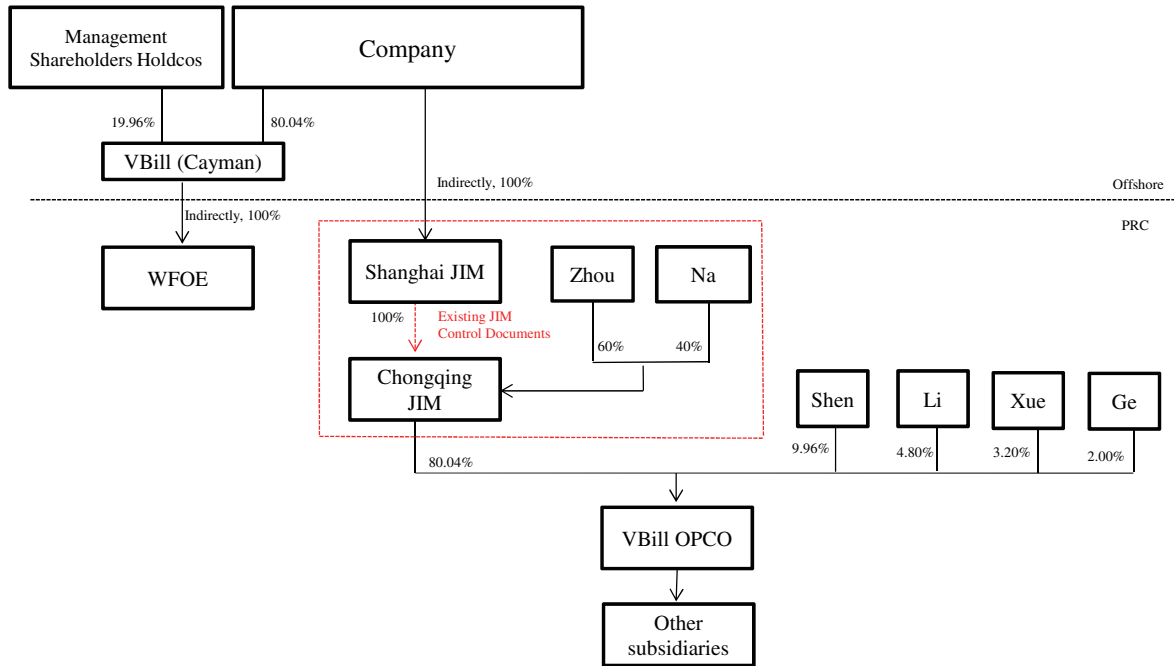
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- (ii) (*step 8(iv)*) WFOE, Chongqing JIM, Zhou and Na executed the New JIM Control Documents (Pre-Swap) (to take effect upon signing and cease to be effective on the completion of the Share Swap); and
- (iii) (*step 8(v)*) Management Shareholders Holdcos surrendered all the issued VBill Shares in VBill (Cayman) held by them to VBill (Cayman) at nil consideration.

The terms of the New JIM Control Documents (Pre-Swap) mirror the terms of the New JIM Control Documents, and are substantially the same with the Existing JIM Control Documents. The Group entered into the New JIM Control Documents (Pre-Swap) (i) to facilitate the introduction of the Investor as a new foreign investor in the VBill Group; and (ii) to ensure that the documents relating to the contractual arrangement align with the latest regulatory requirements.

GROUP STRUCTURE

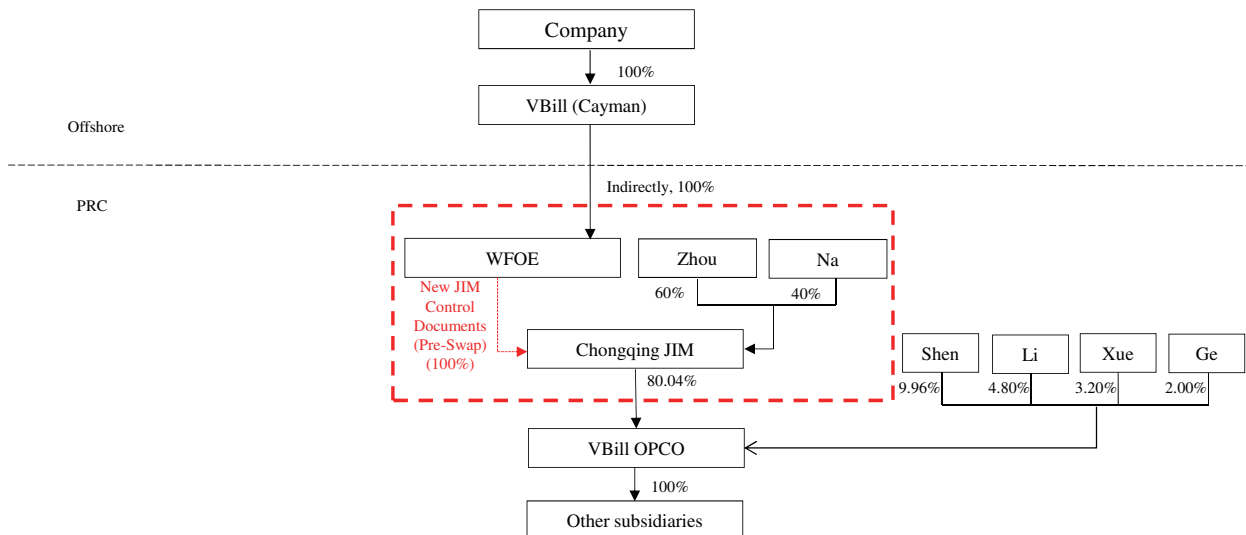
A simplified corporate structure immediately before the implementation of step 8(iii), (iv) and (v) of the Restructuring is as follows:



—→ Denotes direct legal ownership in the equity interest

-----→ Denotes contractual relationship under the Existing JIM Control Documents

A simplified corporate structure immediately after the implementation of step 8(iii), (iv) and (v) of the Restructuring is as follows:



—→ Denotes direct legal ownership in the equity interest

-----→ Denotes contractual relationship under the New JIM Control Documents (Pre-Swap)

NEW JIM CONTROL DOCUMENTS (PRE-SWAP)

Major terms of the New JIM Control Documents (Pre-Swap) are set out below.

(1) JIM Master Exclusive Service Agreement (Pre-Swap)

- Parties:**
- (i) WFOE
 - (ii) Chongqing JIM
- Term:**
- Effective on the date of signing and shall remain effective until terminated on the date of completion of the Share Swap Agreement (“**Share Swap Completion Date**”) or except:
- (a) the WFOE shall have the right to terminate at any time with a written notice to Chongqing JIM given 30 days in advance;
 - (b) terminated upon the transfer of all the equity interests of Chongqing JIM to the WFOE and/or a third party designated by the WFOE pursuant to the JIM Exclusive Option Agreement (Pre-Swap);
 - (c) automatically terminated upon the event that it becomes permitted under PRC laws for the WFOE to directly hold the equity interests of Chongqing JIM, and the WFOE or its designated party has obtained all the equity interests of Chongqing JIM; while
 - (d) Chongqing JIM shall have no right of termination.
- Subject:**
- 1. Chongqing JIM has appointed and designated the WFOE as its exclusive service provider to provide the technical and business support services as follows:
 - (a) technology development and transfer, and technical consulting services;
 - (b) occupation and pre-occupation staff training services;
 - (c) public relation services;
 - (d) market investigation, research and consulting services;
 - (e) mid or short-term market development and market planning services;
 - (f) human resource management and internal information management;

- (g) network development, upgrade and daily maintenance;
- (h) product research and development;
- (i) sale services of self-produced products;
- (j) licensing of software;
- (k) intellectual property licenses;
- (l) equipment or leasing;
- (m) maintenance services in respect of computer software and hardware system, database and computer servers; and
- (n) any other service as determined from time to time by the WFOE according to the need of business and capacity of the WFOE or other service providers designed by the WFOE.

2. WFOE has agreed to (to the extent permissible under PRC law) provide financial support in the form of interest free loan as permitted by PRC laws to Chongqing JIM by separate agreements to be executed and performed by the parties. Each loan to be granted is for an infinite term until termination at the sole discretion of WFOE. The loan will become due and payable under any of the following circumstances: (i) the winding-up or liquidation of Chongqing JIM; (ii) the dissolution of Chongqing JIM (iii) Chongqing JIM becoming insolvent, or (iv) any other circumstances at the sole discretion of WFOE.

The loan from WFOE is for the purpose of the operation of Chongqing JIM or its subsidiaries. Such loans may be for the working capital of Chongqing JIM or its subsidiaries or injected by Chongqing JIM as registered capital of Chongqing JIM's subsidiaries.

3. Chongqing JIM is prohibited from engaging in any business activities other than those falling within the scope permitted by its business license and business permit. Unless approved in writing by WFOE, Chongqing JIM shall not engage in any businesses in the PRC which compete with the businesses of WFOE.

Fee: The service fee payable for the said services shall be equal to 100% of the audited consolidated net profits of Chongqing JIM; notwithstanding the foregoing provision, the WFOE may adjust the service fee at its sole discretion and in accordance with the requirements of relevant governmental authorities, with reference to the working capital requirements of Chongqing JIM.

(2) JIM Business Cooperation Agreement (Pre-Swap)

Parties:

- (i) WFOE
- (ii) Chongqing JIM
- (iii) Zhou
- (iv) Na

(where Zhou and Na are hereafter referred to as the “**Chongqing JIM Shareholders**”)

Term: Effective on the date of signing and shall remain effective until terminated on the Share Swap Completion Date or except:

- (a) the WFOE shall have the right to terminate at any time with a written notice to Chongqing JIM and the Chongqing JIM Shareholders given 30 days in advance; or
- (b) terminated upon the transfer of all the equity interests of Chongqing JIM to the WFOE and/or a third person designated by the WFOE pursuant to the JIM Exclusive Option Agreement (Pre-Swap); while
- (c) Chongqing JIM and the Chongqing JIM Shareholders shall have no right of termination.

Subject:

1. To ensure that Chongqing JIM perform its obligations under the JIM Master Exclusive Service Agreement and/or other agreements entered into with the WFOE, the Chongqing JIM Shareholders and Chongqing JIM have jointly and severally agreed and covenanted that, without obtaining the WFOE’s prior written consent, Chongqing JIM shall not, and the Chongqing JIM Shareholders shall cause Chongqing JIM not to, engage in any transaction which may materially affect its asset, obligation, right or operation, including without limitation:

- (a) any activities not within its normal business scope;

- (b) merger, reorganization, establishing an associated entity with any third party, acquired, controlled by any third party, or restructuring of its principal business or assets, or acquisition or investment in any other form;
 - (c) making any supplement, amendment or alternation to its articles of association and bylaws;
 - (d) making distribution of dividend, rights and interests in equity interests or shareholding interest by any means, provided that upon the WFOE's written request, Chongqing JIM shall immediately distribute part or all distributable profits to its shareholder(s) who shall in turn immediately and unconditionally pay or transfer to the WFOE any such distribution;
 - (e) executing any material contract, except the contracts executed in the ordinary course of business;
 - (f) selling, transferring, mortgaging or disposing of in any manner, any legal or beneficial interest in its business or revenues, or allowing the encumbrance thereon of any security interest;
 - (g) dissolution, conducting liquidation and distributing the residual assets; or
 - (h) causing any of its branches or subsidiaries to engage in any of the foregoing or enter into any contract, agreement or other legal documents which may lead to or result in any of the foregoing.
2. In addition, Chongqing JIM and the Chongqing JIM Shareholders have agreed and covenanted to the WFOE that Chongqing JIM shall, and the Chongqing JIM Shareholders shall cause Chongqing JIM to:
- (a) accept suggestions raised by the WFOE over the employee engagement and replacement, daily operation, dividend distribution and financial management systems of Chongqing JIM;
 - (b) maintain Chongqing JIM's corporate existence in accordance with good financial and business standards and practices;
 - (c) maintain the asset value of Chongqing JIM;

- (d) provide the WFOE with information on Chongqing JIM's business operations and financial condition at WFOE's request;
 - (e) procure and maintain insurance in respect of Chongqing JIM's assets and business from an insurance carrier, if requested by WFOE;
 - (f) immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Chongqing JIM's assets, business or revenue;
 - (g) execute all necessary or appropriate documents and take all necessary or appropriate actions against all claims so as to maintain the ownership by Chongqing JIM of all of its assets;
 - (h) give the WFOE the custody of Chongqing JIM's important licenses and seals; and
 - (i) hold permits, licenses, authorizations, approvals that are necessary for the operation of its business and ensure their continuing effectiveness.
3. The Chongqing JIM Shareholders have made certain undertakings, including:
- (a) they will not engage in, own or acquire (as shareholder, partner, agent, employee or under any other circumstances) any business that competes or might compete with the business of Chongqing JIM or its affiliated companies or to have any interest in such business;
 - (b) their actions or omissions shall not give rise to conflict of interest between themselves and the WFOE (including but not limited to the shareholders of the WFOE); and
 - (c) in the event of any such conflict, which shall be decided at the sole discretion of the WFOE, they will take any action as instructed by the WFOE to eliminate such conflict provided such action is compliant with PRC laws

(3) JIM Exclusive Option Agreement (Pre-Swap)

- Parties:**
- (i) WFOE
 - (ii) Chongqing JIM
 - (iii) the Chongqing JIM Shareholders
- Term:** Effective on the date of signing and shall remain effective until terminated on the Share Swap Completion Date or except:
- (a) by the WFOE at any time with 30 days advance written notice to Chongqing JIM and the Chongqing JIM Shareholders; or
 - (b) upon the transfer of all the JIM Equity Interests held by the Chongqing JIM Shareholders to the WFOE and/or its designee pursuant to the JIM Exclusive Option Agreement (Pre-Swap).
- Subject:**
1. The WFOE shall have the exclusive right to require the Chongqing JIM Shareholders to transfer any and all of the equity interests of Chongqing JIM they hold (the “**JIM Equity Interests**”) to the WFOE and/or a third party designated by the WFOE, subject to the WFOE’s specific requirements (the “**JIM Equity Interests Transfer Option**”).
 2. The WFOE shall have the exclusive right to require Chongqing JIM to transfer any and all of the assets owned by Chongqing JIM (the “**JIM Assets**”) to the WFOE and/or its designee, subject to the WFOE’s specific requirements (the “**JIM Assets Transfer Option**”).
 3. WFOE shall have the right to exercise its JIM Equity Interests Transfer Option and/or its JIM Assets Transfer Option and to acquire the JIM Equity Interests in whole or in part and/or the JIM Assets in whole or in part without any limit at any time and from time to time.
- Covenants:** Each of the Chongqing JIM Shareholders has covenanted that they shall promptly donate any profit, interest, dividend or proceeds of liquidation received from Chongqing JIM to the WFOE or any other entity designated by the WFOE to the extent permitted under applicable PRC laws.

Consideration for the transfer:

1. The total transfer price for the JIM Equity Interests and/or the JIM Assets shall be the lowest price allowed under PRC laws and administrative regulations at the time of said transfer (“**JIM Transfer Price**”). Where there is no lowest price under PRC laws and administrative regulations, the transfer price shall be the price determined by the WFOE. If the JIM Equity Interests and/or the JIM Assets are transferred in installments, the due transfer price for each installment shall be determined in accordance with the proportion of JIM Equity Interests and/or the JIM Assets under the transfer.
2. Chongqing JIM and the Chongqing JIM Shareholders shall transfer the JIM Transfer Price and affiliated benefits to the WFOE or the entity designated by the WFOE at nil consideration immediately after receiving the JIM Transfer Price and affiliated benefits.

(4) JIM Proxy Agreement and Power of Attorney (Pre-Swap)

Parties:

- (i) WFOE
- (ii) Chongqing JIM
- (iii) the Chongqing JIM Shareholders

Term:

Effective on the date of signing and shall remain effective until terminated on the Share Swap Completion Date or except:

1. the WFOE shall have the right to unilaterally terminate this agreement by issuing a written notice to Chongqing JIM and the Chongqing JIM Shareholders with 30 days prior written notice;
2. automatically terminated in the event that the WFOE or its designated third party acquires all the equity interests of Chongqing JIM in accordance with the JIM Exclusive Option Agreement (Pre-Swap); while
3. the Chongqing JIM Shareholders and Chongqing JIM shall not have the right to unilaterally terminate this agreement; the Chongqing JIM Shareholders have no right to revoke the appointment of the attorney appointed under this agreement.

Subject:

1. Each of the Chongqing JIM Shareholders has nominated and appointed the WFOE (as well as its successors, including a liquidator, if any, of the WFOE) as its attorney-in-fact to exercise such rights as a shareholder of Chongqing JIM on his behalf, and any right conferred by relevant laws and regulations and the articles of association of Chongqing JIM, including:
 - (a) to call and attend shareholders' meetings of Chongqing JIM, and receive notices and materials with respect to the shareholders meeting;
 - (b) to vote on, execute and deliver any and all written resolutions and meeting minutes in the name and on behalf of such shareholder;
 - (c) to sell, transfer, pledge or dispose of any or all of the equity interests of the Chongqing JIM held by its shareholders;
 - (d) to manage and dispose of the assets of Chongqing JIM;
 - (e) to approve the filing of any documents with the relevant governmental authorities or regulatory bodies; and
 - (f) any other rights conferred by the articles of association of Chongqing JIM and/or the relevant laws and regulations on its shareholders.
2. Each of the Chongqing JIM Shareholders has covenanted with and undertaken to the WFOE that, if he receives any dividends, interest, any other forms of capital distributions, residual assets upon liquidation, or proceeds or consideration from the transfer of equity interests as a result of, or in connection with, his equity interests in Chongqing JIM, he shall, to the extent permitted by applicable laws, remit all such monies or assets to the WFOE or the entity designated by the WFOE without any compensation, and shall bear any and all taxes and fees with respect thereto.

(5) JIM Equity Interest Pledge Agreement (Pre-Swap)

Parties:

- (i) WFOE (as pledgee)
- (ii) Chongqing JIM

- (iii) Zhou and Na, being the Chongqing JIM Shareholders (each entered into a separate JIM Equity Interest Pledge Agreement (Pre-Swap) as a pledgor)

Term: Effective on the date of signing and shall remain effective until terminated on the Share Swap Completion Date or except:

- (a) all the parties agree to terminate it;
- (b) all the New JIM Control Documents (Pre-Swap) have expired or been terminated, or
- (c) all the obligations of the Chongqing JIM Shareholders and Chongqing JIM under the New JIM Control Documents (Pre-Swap) have been fulfilled to the satisfaction of the WFOE.

For purpose of equity interest pledge registration, the term of initial pledge registration shall be 50 years but the WFOE may at its sole discretion extend the term of the equity interest pledge registration.

Subject: Each of the Chongqing JIM Shareholders has agreed to pledge all of the equity interests of Chongqing JIM that he owns, including any interest or dividend paid for such equity interests to the WFOE unconditionally and irrevocably, as a security for the performance of any and all obligations by them and Chongqing JIM under the New JIM Control Documents (Pre-Swap) (other than JIM Equity Interest Pledge Agreement (Pre-Swap)) at the initial registration amount of RMB50,000,000 which is the estimated value of the obligations of the Chongqing JIM Shareholders and Chongqing JIM under the New JIM Control Documents (Pre-Swap) for initial registration purpose.

Covenants: Each of the pledgors has covenanted to the WFOE, among other things, to take all necessary measures and execute all necessary documents to ensure that, upon his death, bankruptcy, divorce, incapacity or other circumstance that may affect his holding of the equity interests of Chongqing JIM, any successor of him shall be deemed as a party to this agreement, and shall assume and undertake all rights and obligations under the terms of this agreement.

(6) JIM Confirmation and Guarantee Letter (Pre-Swap)

Signed by: The Chongqing JIM Shareholders separately

Subject: Each of the Chongqing JIM Shareholders has confirmed and guaranteed that, among other things:

1. his successor, guardian, creditor, spouse or any other person that may be entitled to assume rights and interests in the equity interests of Chongqing JIM held by him upon his death, incapacity, bankruptcy, divorce or any circumstances that may affect his ability to exercise his shareholder's rights in Chongqing JIM, will not carry out any act that may affect or hinder the fulfillment of his obligations under each of the New JIM Control Documents (Pre-Swap);
2. he will unwind the New JIM Control Documents (Pre-Swap) and transfer all of the equity interests of Chongqing JIM held by him to the WFOE or any party designated by the WFOE as soon as the applicable PRC laws allow the WFOE to operate the business operated by Chongqing JIM by way of directly holding equity interests, and that subject to applicable PRC laws, he must donate immediately without compensation to the WFOE or the entity designated by the WFOE any consideration he has received from the WFOE during its acquisition of the equity interests of Chongqing JIM; and
3. he will not directly or indirectly engage in, own or acquire any business that competes or might compete with the business of Chongqing JIM or its affiliated companies or to have any interest in such business; and none of his actions or omissions will give rise to conflict of interest between himself and the WFOE (including but not limited to the shareholders of the WFOE); in the event of any such conflict, he will take any action as instructed by the WFOE to eliminate such conflict provided such action is compliant with PRC laws.

(7) JIM Spousal Consent (Pre-Swap)

Signed by: Ms. Liu Dan (“**Ms. Liu**”), the spouse of Na

Subject: Ms. Liu has covenanted, among other things, not to take any action with the intent to interfere with the arrangements under the New JIM Control Documents (Pre-Swap), including making any claim that such equity interests in Chongqing JIM constitute property or community property between themselves and the Chongqing JIM Shareholders and waives all their rights to such equity interests that may be granted to them according to any applicable laws.

Ms. Liu has further confirmed that none of themselves, their successors, guardians, creditors or any other person that may be entitled to assume rights and interests in the equity interests of Chongqing JIM held by the Chongqing JIM Shareholders upon their death, incapacity, bankruptcy, divorce or any circumstances that may affect their ability to exercise their shareholder's rights in Chongqing JIM will carry out any act that may affect or hinder the fulfillment of Chongqing JIM Shareholders' obligations under the New JIM Control Documents (Pre-Swap).

Information about WFOE and Chongqing JIM

WFOE is a company incorporated in the PRC on 22 February 2019 and is a direct wholly-owned subsidiary of VBill (HK) and an indirect wholly-owned subsidiary of VBill (Cayman). As at the date of this announcement, WFOE has a registered capital of US\$5 million which has not been paid up. WFOE is the wholly foreign-owned enterprise designated by VBill (Cayman) to control Chongqing JIM under the New JIM Control Documents (Pre-Swap).

Chongqing JIM is company incorporated under the laws of the PRC with limited liability on 4 June 2002. As at the date of this announcement, its registered capital is RMB10,000,000 which has been fully paid up. Chongqing JIM is principally engaged in platform operation solutions business in the PRC. The Group has been contractually controlling Chongqing JIM and the VBill Group since 2010 through the Existing JIM Control Documents. Since 28 May 2010, a contractual arrangement was adopted by the Company in the above businesses as value-added telecommunication business has been restrictive to foreign direct investment under the PRC law (being that foreign shareholding must not exceed 50%). The contractual arrangement has been made between Chongqing JIM, Zhou and Na and Shanghai JIM, which allows the Group, through Shanghai JIM and the Existing JIM Control Documents, to exercise full control and enjoy all the economic benefits generated from Chongqing JIM. As a result, Chongqing JIM and its subsidiaries are accounted for as subsidiaries of the Company. In 2015, the Management Shareholders have become shareholders of VBill OPCO directly holding 19.96% interest in VBill OPCO. The contractual arrangements also allow the Company to control and enjoy economic benefits generated from VBill OPCO through Chongqing JIM's 80.04% equity interest in VBill OPCO. On 21 May 2019, Zhou, Na, the Management Shareholders, Chongqing JIM and VBill OPCO entered into the Share Swap Agreement as part of the Restructuring, details of which are disclosed in the announcement of the Company dated 21 May 2019. Upon completion of the Share Swap Agreement, (i) VBill OPCO will become wholly owned by Chongqing JIM; (ii) the New JIM Control Documents (Pre-Swap) will cease to be effective; (iii) the New JIM Control Documents will come into effect; and (iv) VBill Cayman will allot the Post-completion Allotment Shares such that VBill (Cayman) will be owned as to approximately 71.07% by the Company, approximately 11.21% by the Investor, approximately 8.84% by Shen Holdco, approximately 4.26% by Li Holdco, approximately 2.84% by Xue Holdco and approximately 1.78% by Ge Holdco.

The VBill Group is principally engaged in (i) payment processing; (ii) micro loan and (iii) supply chain financing in the PRC. VBill OPCO is a company incorporated under the laws of the PRC with limited liability on 29 July 2011 and is principally engaged in the provision of face-to-face payment processing solutions for consumers and small sized merchants in the PRC. As at the date of this announcement, its registered capital is RMB199,900,000 which has been fully paid up.

Comparison between the New JIM Control Documents (Pre-Swap) and the New JIM Control Documents

The terms of the New JIM Control Documents (Pre-Swap) substantially mirror the terms of the New JIM Control Documents. Details of the New JIM Control Documents are disclosed in the announcement of the Company dated 21 May 2019. The substantive differences are set out below:

	New JIM Control Documents (Pre-Swap)	New JIM Control Documents
Date of agreements	24 October 2019	21 May 2019
Effective date	24 October 2019	Effective on the Share Swap Completion Date
Termination date	On Share Swap Completion Date (subject to the early termination provisions set out therein)	Indefinite term (subject to the early termination provisions set out therein)
Parties involved	(i) WOFE (ii) Chongqing JIM (iii) Zhou and Na, as registered shareholders of Chongqing JIM	(i) WOFE (ii) Chongqing JIM (iii) Zhou, Na and the Management Shareholders, as registered shareholders of Chongqing JIM after Share Swap Completion

BACKGROUND OF CONTRACTUAL ARRANGEMENTS

Laws and regulations relating to the provision of value-added telecommunications services in the PRC

The Telecommunication Regulation of the People's Republic of China (中華人民共和國電信條例) (“**Telecom Regulations**”), promulgated by the PRC State Council on 25 September 2000 and most recently amended on 6 February 2016, is the primary governing law, and sets out the general framework for the provision of telecommunications services by domestic PRC companies. Under the Telecom Regulations, telecommunications service providers are required to obtain operating licenses prior to their commencement of operations.

The Administrative Measures on Internet Information Services (互聯網信息服務管理辦法) (“**Measures**”) issued by PRC State Council on 25 September 2000 and amended on 8 January 2011 regulates the provision of internet information services. Under the Measures, profitable internet information service providers must obtain the ICP License from the relevant authorities before engaging in the profitable internet information service business in the PRC.

According to the Regulations on the Administration of Foreign-invested Telecommunication Enterprises (2016 Amended) (外商投資電信企業管理規定(2016年修訂)) (“**FITE Regulations**”), (i) the ratio of investment by a foreign investor in a company providing value-added telecommunications services shall not exceed 50%, and (ii) a foreign investor who invests in a value-added telecommunications services company shall have a good track record and operational experience in providing value-added telecommunications business (the “**Qualification Requirement**”) in the PRC. In this regard, the PRC legal advisers of the Group (“**PRC Legal Adviser**”) had a consultation with an officer of the Bureau of Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (“**MIIT**”) on 29 March 2019. During the consultation, the officer of the MIIT confirmed that the PRC government has not promulgated any detailed rules, measures, guidelines or standard of reference as to what qualification requirements apply to foreign investors, in particular, what constitutes “good track record and operational experience” in providing the value-added telecommunications business. The Qualification Requirement is a general concept. In practice, officers of the MIIT would verify if such foreign investor has previously be engaged in telecommunications business outside the PRC, or whether such foreign investor has previously held any equity interest in PRC enterprises engaged in the telecommunications business.

According to the Catalogue of Industries for Encouraging Foreign Investment (2019 Version) (鼓勵外商投資產業目錄(2019年版)) and the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2019) 外商投資准入特別管理措施(負面清單)(2019年版)), value-added telecommunications businesses are classified as industries administered under special administrative measures for the access of foreign investment, and the proportion of foreign investment shall not exceed 50% (except e-commerce, domestic conferencing, store-and-forward, and call center services). As advised by the PRC Legal Adviser, in practice, the relevant government authority would investigate every layer of the shareholding structure of an entity up to and until the ultimate investor(s) are revealed to determine whether such entity is categorised as a “foreign investor”. Usually, such ultimate investor(s) are natural persons, publicly listed companies and PRC state owned or controlled companies.

According to the official website of the MIIT, if an existing ICP License holder shall invite foreign investment at any given time, such ICP License holder must disclose such intention and re-apply for the ICP License in accordance with the requirements of the FITE Regulations.

Reasons for adopting the VIE structure

The purpose for the Group to adopt the contractual arrangements is to enable the Group to engage in the value-added telecommunications business indirectly through Chongqing JIM. Chongqing JIM is engaged in value-added telecommunications business and holds the ICP License. Due to the foreign ownership restrictions under the PRC laws as outlined above and based on the formal consultation with the officer of the MIIT by the PRC Legal Adviser on 29 March 2019, since the Group has not previously engaged in telecommunications business outside the PRC nor has it previously acquired any equity interest in a PRC enterprise engaged in telecommunications business, the Group would not be considered to possess the Qualification Requirement. As such, the Group would not be able to engage in the value-added telecommunications business in the PRC directly, regardless of the percentage shareholding interest (being less than 50% or otherwise) it holds in the operating entity, without first adopting a VIE structure. In the event that the Group hold any percentage shareholding interest in Chongqing JIM, the application to re-apply for or renew the ICP License of Chongqing JIM (and VBill OPCO) will not be approved.

As advised by the PRC Legal Adviser, due to the reasons elaborated above, it is necessary for the Group to enter into the New JIM Control Documents (Pre-Swap) in order to comply with the laws of the PRC in relation to the businesses of Chongqing JIM and its subsidiaries.

As advised by the PRC Legal Adviser, the New JIM Control Documents (Pre-Swap) are in compliance with the articles of association of WFOE and Chongqing JIM and are not in violation of the PRC Contract Law, and would not be deemed as “concealing illegal intentions with a lawful form” and void under the PRC Contract Law. The New JIM Control Documents (Pre-Swap) are legally binding on and enforceable against each party in accordance with their terms and provisions under the PRC laws except that certain terms of the New JIM Control Documents (Pre-Swap) may not be enforceable under PRC laws as detailed below.

The PRC Legal Adviser confirmed that all possible actions or steps taken to enable it to reach its legal conclusions had been taken.

COMPLIANCE OF THE NEW JIM CONTROL DOCUMENTS (PRE-SWAP) WITH PRC LAWS, RULES AND REGULATIONS

As at the date of this announcement, neither of the Group, nor any of Chongqing JIM and its subsidiaries has encountered any interference or encumbrance from any governing bodies including the MIIT, the Beijing Bureau of Ministry of Industry and Information Technology and the Chongqing Bureau of Ministry of Industry and Information Technology in operating the value-added telecommunication business under contractual arrangements.

DISPUTES RESOLUTIONS, SUCCESSION AND LIQUIDATION UNDER THE NEW JIM CONTROL DOCUMENTS (PRE-SWAP)

Disputes resolutions

The New JIM Control Documents (Pre-Swap) contain a disputes resolution clause which stipulates that any dispute or claim shall be resolved by the parties in good faith through negotiations. If no resolution can be reached, the dispute shall be submitted to the Beijing Arbitration Commission for arbitration in Beijing in accordance with its rules of arbitration in effect at the time of application. The arbitral tribunal or the arbitrators shall have the authority to award any remedy or relief in accordance with the terms of the New JIM Control Documents (Pre-Swap) and applicable PRC laws, including provisional and permanent injunctive relief (such as injunctive relief with respect to the conduct of business or to compel the transfer of assets), specific performance of any obligation created thereunder, remedies over the equity interests or land assets of Chongqing JIM and winding up orders against Chongqing JIM. The arbitral award shall be final and binding upon all parties. In addition, to the extent permitted under applicable PRC laws, each party shall have the right to seek interim injunctive relief or other interim relief from a court of competent jurisdiction in support of the arbitration when formation of the arbitral tribunal is pending or under appropriate circumstances. The parties agreed that, subject to applicable laws, the courts of Hong Kong, the Cayman Islands, Bermuda, PRC and the places where the principal assets of Chongqing JIM are located, shall all be deemed to have jurisdiction.

Succession

Under the New JIM Control Documents (Pre-Swap), Chongqing JIM and/or its registered shareholders shall not assign their rights or obligations thereunder to any third party without the prior written consent of WFOE. Further, the registered shareholders confirmed, represented and guaranteed that their successors, guardians, creditors, spouses or any other person that may be entitled to assume rights and interests in the equity interest of Chongqing JIM held by them upon their death, incapacity, bankruptcy, divorce or any circumstances that may affect their ability to exercise their shareholder's rights in Chongqing JIM, will not affect or hinder the fulfilment of their obligations under each of the New JIM Control Documents (Pre-Swap).

Our PRC Legal Adviser is of the view that if the relevant control documents are strictly observed by the relevant parties, (i) the death, incapacity, bankruptcy or divorce of any shareholders of Chongqing JIM would not affect the validity of the New JIM Control Documents (Pre-Swap), and (ii) the successors of such shareholders would be bound by the New JIM Control Documents (Pre-Swap) in respect of the equity interests of Chongqing JIM held by such shareholders.

In addition, the registered shareholders of Chongqing JIM confirmed that, subject to requirement by WFOE, they will unwind the New JIM Control Documents (Pre-Swap) and transfer all of the equity interests of Chongqing JIM held by them to WFOE or its designee as soon as the applicable laws of the PRC allows it to operate the business operated by Chongqing JIM without the contractual arrangements, and they must donate any consideration they have received during its acquisition of the equity interests of Chongqing JIM to WFOE.

Furthermore, the spouse of a shareholder of Chongqing JIM has undertaken not to take any action with the intent to interfere with such arrangements under the New JIM Control Documents (Pre-Swap) and she will waive any rights or entitlements to such equity interests of Chongqing JIM, and undertook to be bound by the New JIM Control Documents (Pre-Swap) in the event that she for any reason obtains any equity interests held by her spouse in Chongqing JIM.

Liquidation

According to the PRC Company Law (中華人民共和國公司法), a company shall be dissolved: (i) when the term of operation as specified in the company's articles of association expires or other reasons for dissolution as specified in the company's articles of association arise; (ii) if the shareholders' meeting or shareholders' general meeting resolves to dissolve the company; (iii) if dissolution is necessary as a result of the merger or split of the company; (iv) if its business licence has been revoked, or it is ordered to close down or is banned according to law; or (v) if it is ordered to be dissolved by the people's court in accordance with relevant article of the PRC Company Law. The assets of a company that remained after the company has paid the liquidation expenses, the wages, social insurance premiums and statutory compensation of the employees, the outstanding taxes, and all of the debts of the company, shall be distributed, in the case of a limited liability company, in proportion to the capital contributions of its shareholders and, in the case of a company limited by shares, in proportion to the shareholdings of its shareholders.

Under the New JIM Control Documents (Pre-Swap), the registered shareholders of Chongqing JIM have undertaken to promptly transfer, without any compensation, any proceeds of liquidation received from Chongqing JIM to WFOE or its designee to the extent permitted under applicable PRC laws.

Conflict of interests

The Company confirms that appropriate arrangements have been made to address the potential conflict of interests between the registered shareholders of Chongqing JIM and the Group. Each of such registered shareholders has made relevant confirmations and the undertakings in New JIM Control Documents (Pre-Swap) as detailed above.

In addition, the registered shareholders have appointed WFOE and its successors, including a liquidator of WFOE as their attorney-in-fact (“**Attorney**”) to exercise their rights as a shareholder of Chongqing JIM in respect of their equity interests conferred by relevant laws and regulations and the articles of association of Chongqing JIM. The Attorney has the right to appoint and replace any person(s) to perform any or all of its rights as the Attorney, but such Attorney shall not appoint any person who is related to the registered shareholders to avoid any conflict of interest.

RISK FACTORS IN RELATION TO THE NEW JIM CONTROL DOCUMENTS (PRE-SWAP)

There is no assurance that the New JIM Control Documents (Pre-Swap) could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the New JIM Control Documents (Pre-Swap) do not comply with applicable regulations

Our PRC Legal Adviser, based on their understanding of the relevant laws and regulations, are of the opinion that the New JIM Control Documents (Pre-Swap) are not in violation of the PRC Contract Law, that they would not be deemed as concealing illegal intentions with a lawful form and void under the PRC Contract Law, and that they constitute valid and binding obligations enforceable against each party to such agreements in accordance with their terms. However, uncertainties still exist regarding the interpretation and application of the PRC laws and regulations especially in the area of value-added telecommunications business. For instance, the PRC regulatory authorities may issue further guidelines that impose stricter foreign ownership requirements in that area of business. Given the uncertain legal and business environment in the PRC, it is difficult to foresee whether the PRC regulatory authorities will take the same view regarding the New JIM Control Documents (Pre-Swap) as our PRC Legal Adviser in the future.

Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the Draft FIL and how it may impact the viability of the current corporate structure, corporate governance and business operations under the contractual arrangements

On 19 January 2015, the PRC Ministry of Commerce (“**MOFCOM**”) published the draft PRC Foreign Investment Law (中華人民共和國外國投資法(草案徵求意見稿)) (“**Draft FIL**”) and the Explanation on the draft PRC Foreign Investment Law (關於《中華人民共和國外國投資法(草案徵求意見稿)》的說明) for public review and comment, aiming to, upon its enactment, replace the three existing laws regulating foreign investment in China; namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law. The Draft FIL embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

The Draft FIL is currently in draft form only. The Draft FIL, if enacted as proposed, may materially impact the viability of our current corporate structure, corporate governance and business operations in many aspects.

Among other things, the Draft FIL expands the definition of foreign investment and introduces the principle of “actual control” in determining whether a company is considered a foreign invested enterprise or a foreign invested entity or “FIE”. The Draft FIL specifically provides that entities established in China but “controlled” by foreign investors will be treated as FIEs, whereas an entity set up in a foreign jurisdiction would nonetheless be, upon market entry clearance by the MOFCOM, treated as a PRC domestic investor, provided that the entity is “controlled” by PRC entities and/or citizens. In this connection, “foreign investors” refers to the following subjects making investments within the PRC: (i) natural persons without PRC nationality; (ii) enterprises incorporated under the laws of countries or regions other than the PRC; (iii) the governments of countries or regions other than the PRC and the departments or agencies thereunder; and (iv) international organizations. Domestic enterprises under the control of those mentioned in (i) to (iv) of the preceding sentence are deemed foreign investors. “Control” is broadly defined in the draft law to cover the following categories: (i) holding, directly or indirectly, not less than 50% of the shares, equities, share of voting rights or other similar rights of the subject entity; (ii) holding, directly or indirectly, less than 50% of the voting rights of the subject entity but having the power to secure at least 50% of the seats on the board or other equivalent decision-making bodies, or having the voting power to exert material influence on the board, shareholders’ meetings or other equivalent decision making bodies; or (iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity’s operations, financial matters or other key aspects of business operations. Once an entity is determined to be an FIE, it will be subject to the foreign investment restrictions or prohibitions set forth in the Catalog of Special Administrative Measures, which is classified into the Catalog of Prohibitions and the Catalog of Restrictions, which is to be separately issued by the State Council. Foreign investors are not permitted to invest in any sector set forth in the Catalog of Prohibitions. However, unless the underlying business of the FIE falls within the Catalog of Restrictions or Catalog of Prohibitions, which calls for market entry clearance by MOFCOM, prior approval from governmental authorities as mandated by the existing foreign investment legal regime would no longer be required for establishment of the FIE.

The VIE structure (i.e. “**contractual arrangements**”) has been adopted by many PRC based companies, including the Group, to obtain the necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. Under the Draft FIL, VIEs that are controlled via contractual arrangements would also be deemed as FIEs if they are ultimately “controlled” by foreign investors. Therefore, for any company with a VIE structure in an industry category that is in the Catalog of Restrictions or Catalog of Prohibitions, the VIE structure may be deemed a domestic investment only if the ultimate controlling person(s) is/are of PRC nationality (either PRC companies or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationality, then the VIEs will be treated as FIEs, and any operation in the industry category in the Catalog of Restrictions or Catalog of Prohibitions without market entry clearance may be considered illegal.

It is uncertain whether the Group would be considered by the PRC government as ultimately controlled by Chinese parties or not. In addition, the Draft FIL does not indicate what actions shall be taken with respect to the existing companies with a VIE structure, whether or not these companies are controlled by PRC entities and/or citizens. If the enacted version of the Foreign Investment Law and the final “catalog of special administrative measures” mandate further actions, such as MOFCOM market entry clearance or certain restructuring of the Group’s corporate structure and operations, to be completed by companies with an existing VIE structure like the Group, the Group face substantial uncertainties as to whether these actions can be timely completed, or at all, and the contractual arrangements adopted by the Group, in the worst-case scenario, may be regarded as invalid and illegal.

If the PRC regulatory authorities deny the validity, effectiveness and enforceability of the New JIM Control Documents (Pre-Swap), the Group would lose control of Chongqing JIM and its subsidiaries, and would be unable to consolidate the financial results of such entities, or properly safeguard or control the assets of such entities, which would, in turn, result in a material adverse effect on the Group’s business, financial condition and results of operations.

If the Group fails to comply with the finalized Foreign Investment Law if and when it becomes effective, the Group may be required to dispose of the businesses under the contractual arrangements or make necessary corporate structure adjustment so as to comply with the finalised Foreign Investment Law. In one of the worst scenarios, if the Group is not able to maintain a sustainable business after the disposal of the relevant businesses carried out by Chongqing JIM and its subsidiaries, the Group may be delisted from the Stock Exchange.

While the MOFCOM solicited comments on this draft in early 2015, the Draft FIL is currently in draft form only, and substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation.

In addition, on 15 March 2019, the National People’s Congress of PRC published the Foreign Investment Law of the People’s Republic of China (中華人民共和國外商投資法) (“**FIL (2018)**”). FIL (2018) was drafted with the main focus on foreign investment promotion, foreign investment protection and foreign investment management. Comparing with the Draft FIL, FIL (2018) does not mention concepts including “De facto control” and “controlling PRC companies by contracts or trusts”, nor did it specify the regulation on controlling through contractual arrangements. FIL (2018) will take effective from 1 January 2020.

The Board will monitor the updates of the Draft FIL and discuss with the Company's PRC legal advisers on a regular basis. The Company will disclose, as soon as possible: (i) updates of material changes to the Draft FIL as and when they occur; and (ii) a clear description and analysis of the final Foreign Investment Law as implemented, specific measures taken by the Company to fully comply with the final Foreign Investment Law supported by a PRC legal opinion and any material impact of the final Foreign Investment Law on the Company's operations and financial position.

The New JIM Control Documents (Pre-Swap) may not be as effective as direct ownership in providing control over Chongqing JIM

The Group relies on the contractual arrangements under the New JIM Control Documents (Pre-Swap) to operate the business of Chongqing JIM. Such contractual arrangements may not be as effective in providing the Group with control over Chongqing JIM as direct ownership. If the WFOE has direct ownership of Chongqing JIM, it will be able to exercise its rights as a shareholder to effect changes in the board of directors of Chongqing JIM, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the New JIM Control Documents (Pre-Swap), the Group relies on the performance by the registered shareholders of Chongqing JIM of their obligations under the New JIM Control Documents (Pre-Swap) to exercise control over Chongqing JIM. Therefore, the contractual arrangements under the New JIM Control Documents (Pre-Swap) may not be as effective in ensuring the WFOE's control over Chongqing JIM as direct ownership would be.

The registered shareholders may potentially have a conflict of interests with the Group

The Group's control over Chongqing JIM is based on the contractual arrangements under the New JIM Control Documents (Pre-Swap). Therefore, conflict of interests of the registered shareholders of Chongqing JIM will adversely affect the interests of the Company. However, under the New JIM Control Documents (Pre-Swap), the registered shareholders will irrevocably appoint any person as designated by the WFOE (including its liquidator, if any) as their representative to exercise the voting rights as the shareholders. Therefore, it is unlikely that there will be potential conflict of interests between the Company and such registered shareholders. However, in the unlikely event that conflict of interests arises and cannot be resolved, the Company will consider removing and replacing the registered shareholders.

The contractual arrangements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed

The Group could face material adverse tax consequences if the PRC tax authorities determine that the arrangements under any New JIM Control Document (Pre-Swap) was not entered into based on arm's length negotiations. If the PRC tax authorities determine that these agreements were not entered into on an arm's length basis, they may adjust the income and expenses of the WFOE and/or Chongqing JIM for PRC tax purposes, which could result in higher tax liabilities.

The operating and financial results of the Group may be materially and adversely affected if the tax liabilities of Chongqing JIM or those of the WFOE increases significantly or if they are required to pay interest on late payments and other penalties.

Certain terms of the New JIM Control Documents (Pre-Swap) may not be enforceable under PRC laws

Our PRC Legal Adviser has advised that the provisions under the disputes resolutions clause in the New JIM Control Documents (Pre-Swap) setting forth that the arbitral body may (i) award injunctive relief over the shares or land assets of Chongqing JIM, (ii) award winding up orders against Chongqing JIM and (iii) that courts in Hong Kong, Bermuda and the Cayman Islands may grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal may not be enforceable under the PRC laws. If certain provisions under this clause are not enforceable, the practical consequences for the Group are as follows:

1. If the WFOE intends to seek interim remedies in support of the arbitration when formation of the arbitral tribunal is pending or under appropriate circumstances, it may seek the interim remedies before a PRC court pursuant to Article 101 and other relevant articles of the PRC Civil Procedure Law, and not before any courts in Hong Kong, Bermuda or the Cayman Islands.
2. The remedies awarded by arbitral tribunals including the Beijing Arbitration Commission will be limited to the remedies available to them under PRC law, which currently include:
 - (a) cessation of infringements;
 - (b) removal of obstacles;
 - (c) elimination of dangers;
 - (d) return of property;
 - (e) restoration to the original condition;
 - (f) repair, reworking or replacement;
 - (g) compensation for losses;
 - (h) payment of breach of contract damages;
 - (i) elimination of adverse effects and rehabilitation of reputation; and
 - (j) extension of apology.

Because a PRC arbitral tribunal cannot award legal remedies such as injunctive relief or winding up orders, the WFOE can only seek similar but not identical remedies from the Beijing Arbitration Commission under PRC law, such as cessation of infringements or return of property. Alternatively, the WFOE may seek remedies from a competent court, such as the People's Court of Shijingshan District, the First Intermediate People's Court of Beijing and in rare cases, the Higher People's Court of Beijing, including interim injunctive relief over the assets or shares of Chongqing JIM and a winding up order against Chongqing JIM.

3. Despite the fact that the disputes resolution clause provides that an arbitral body may award injunctive relief or winding up orders and that courts in Hong Kong, Bermuda and the Cayman Islands may grant interim remedies, and such provision may not be enforceable under PRC laws, the remaining provisions of the disputes resolution clause set out in the New JIM Control Documents (Pre-Swap) are legal, valid and binding on the parties thereto.

As a result, in the event that Chongqing JIM or any of its registered shareholders breaches the terms of the New JIM Control Documents (Pre-Swap), the Company may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over Chongqing JIM could be materially and adversely affected.

A substantial amount of costs and time may be involved in transferring the ownership of Chongqing JIM to the Group under the JIM Exclusive Option Agreement (Pre-Swap)

In case the WFOE exercise their option to acquire all or part of the equity interests in Chongqing JIM under the JIM Exclusive Option Agreement (Pre-Swap), such acquisition may be subject to a minimum price limitation (such as an appraised value for the equity interests in the relevant entity) or other limitations as imposed by the applicable PRC laws. Further, a substantial amount of taxes, other necessary costs (if any), expenses and time may be involved in transferring the ownership of Chongqing JIM, which may have a material adverse impact on the Group's business, prospects and results of operation.

The Group may bear economic risk which may arise from difficulties in the operation of Chongqing JIM

As the primary beneficiary of Chongqing JIM, the Group will bear economic risks which may arise from difficulties in the operation of its businesses. The WFOE will have to provide financial support in the event of financial difficulty of Chongqing JIM. Under these circumstances, the Group's financial results and financial position may be adversely affected by the worsening financial performance of Chongqing JIM and the need to provide financial support to Chongqing JIM.

The Company does not have any insurance which covers the risks relating to the New JIM Control Documents (Pre-Swap) and the transactions contemplated thereunder

The insurance of the Group does not cover the risks relating to the New JIM Control Documents (Pre-Swap) and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the New JIM Control Documents (Pre-Swap) in the future, such as those affecting the enforceability of the New JIM Control Documents (Pre-Swap) and the relevant agreements for the transactions contemplated thereunder and the operation of New JIM Control Documents (Pre-Swap), the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. The Company will continue evaluating the feasibility, the cost and the benefit of insuring the transactions contemplated under the New JIM Control Documents (Pre-Swap).

There is a lack of clear guidance or interpretation on the Qualification Requirement under the ICP License, which may cast uncertainty to the Group when the foreign ownership restriction in value-added telecommunications is relaxed

As mentioned above, in respect of the Qualification Requirement for operating value-added telecommunications, there is no clear formal guideline and provision on what constitutes “a good track record” and “operational experience”.

Despite the lack of clear guidance or interpretation on the Qualification Requirement, VBill (Cayman) intends to acquire the entire equity interests in Chongqing JIM when the PRC laws allow foreign investors to invest in value-added telecommunications enterprises in the PRC. If the restriction on foreign ownership in companies providing value-added telecommunications services under the current PRC laws is lifted, the Group and/or VBill (Cayman) may still not be in a position to comply with the Qualification Requirement and not qualified to acquire the entire equity interests in Chongqing JIM.

INTERNAL CONTROL MEASURES TO BE IMPLEMENTED BY THE GROUP

The New JIM Control Documents (Pre-Swap) contain certain provisions to exercise effective control over and to safeguard the assets of Chongqing JIM.

In addition to the internal control measures as provided in the New JIM Control Documents (Pre-Swap), it is the intention of the Company, through the WFOE, to adopt additional internal control measures against Chongqing JIM as appropriate, which may include but not limited to management control, financial control and legal review as follows:

- (a) the Group will delegate representatives (the “**Representatives**”) to Chongqing JIM, mainly responsible for exercising management control of Chongqing JIM; the Representatives will conduct reviews on the operations of Chongqing JIM;
- (b) the Board and the Representatives shall identify major issues arising from the implementation of and compliance with the New JIM Control Documents (Pre-Swap);
- (c) any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;
- (d) the Representatives or other delegates of the Board shall meet with the registered shareholders or directors of Chongqing JIM to investigate and report any suspicious matters to the Board;
- (e) the Board shall collect the management accounts and major operational data of Chongqing JIM regularly for review which will be no less frequent than on a quarterly basis; the financial team of the Company will seek explanations from the senior management of Chongqing JIM on any material fluctuations;
- (f) the Board will consult the Company’s PRC legal advisers from time to time to check if there are any legal developments in the PRC affecting the arrangement contemplated under the New JIM Control Documents (Pre-Swap) (such as the development of the draft FIL), and the Board will determine if any modification or amendment are required to be made;

- (g) major issues arising from implementation and performance of the New JIM Control Documents (Pre-Swap), if any, will be reviewed by the Board on a regular basis; the Board will determine, as part of its periodic review process, whether legal advisers and/or other professionals will need to be retained to assist the Group to deal with specific issues arising from the New JIM Control Documents (Pre-Swap); and
- (h) the Board will disclose the overall performance and compliance with the New JIM Control Documents (Pre-Swap) in its annual report to update the Shareholders and potential investors.

CONSOLIDATION OF THE FINANCIAL RESULTS OF THE OPERATING COMPANIES

The Company has discussed with its auditors and confirms that the financial results of Chongqing JIM are and will still be consolidated into the financial statements of the Group under the prevailing accounting principles upon entering into the New JIM Control Documents (Pre-Swap).

On the basis of the aforesaid confirmation and pursuant to Rule 1.01 of the Listing Rules, the Company further confirms that Chongqing JIM is and will remain as a wholly owned subsidiary of the Company immediately after execution of the New JIM Control Documents (Pre-Swap).

THE BOARD'S VIEW ON THE NEW JIM CONTROL DOCUMENTS (PRE-SWAP)

The Company is an investment holding company and its subsidiaries are principally engaged in provision of payment processing solutions, provision of financial solutions, sales of electronic power meters and solutions, sales of information security chips and solutions and provision of platform operation solutions.

Based on the reasons stated above, the Board (including the independent non-executive Directors) is of the view that the New JIM Control Documents (Pre-Swap) are narrowly tailored to achieve Chongqing JIM's business purpose and to minimise the potential conflicts with and are enforceable under the relevant PRC laws and regulations.

The Directors believe the New JIM Control Documents (Pre-Swap) are fundamental to the legal structure of Chongqing JIM because they enable the WFOE to gain control over Chongqing JIM and its subsidiaries under the legal framework of the PRC. Pursuant to the relevant provisions of the New JIM Control Documents (Pre-Swap), the New JIM Control Documents (Pre-Swap) may be unwound as soon as the relevant PRC laws allow WFOE to register itself as the shareholder of Chongqing JIM. The Directors further believe that save as disclosed, the New JIM Control Documents (Pre-Swap) are enforceable under the relevant PRC laws, and that the New JIM Control Documents (Pre-Swap) will provide a mechanism that enables the WFOE to exercise effective control over Chongqing JIM.

The Directors (including the independent non-executive Directors) further believe that (i) the New JIM Control Documents (Pre-Swap) is a necessary step for the transactions contemplated under the VIE Restructuring; (ii) the contractual arrangements established under the New JIM Control Documents (Pre-Swap) allow the Group to take full control and enjoy all the economic benefits of Chongqing JIM; and (iii) a number of other companies use similar arrangements to accomplish the same purpose, and therefore, the contractual arrangements under the New JIM Control Documents (Pre-Swap) are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

GENERAL

As at the date of this announcement, completion of the 2nd Amended Subscription Agreement has not taken place and may or may not proceed as they are subject to a number of conditions which may or may not be fulfilled. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the shares of the Company.

Each of Zhou and Na (registered shareholders of Chongqing JIM) is a director of certain insignificant subsidiaries of the Company. After Completion of the 2nd Amended Subscription Agreement, the Company plans to appoint Zhou and/or Na as additional director(s) of VBill OPCO. However, such appointment is subject to approval from the People's Bank of China and there is no definite timeframe for the approval. When the exception of Rule 14A.09 does not apply, (i) each of Zhou and Na will become a connected person of the Company at subsidiary level and (ii) the transactions contemplated under the New JIM Control Documents (Pre-Swap) will constitute connected transactions and/or continuing connected transactions at subsidiary level under Chapter 14A of the Listing Rules. The Company will apply for waiver from strict compliance with Rules 14A.52 and 14A.53 of the Listing Rules in respect of the New JIM Control Documents (Pre-Swap) if the exception of Rule 14A.09 does not apply.

By order of the Board
HI SUN TECHNOLOGY (CHINA) LIMITED
Hui Lok Yan
Company Secretary

24 October 2019

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

* *For identification purposes only*