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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

Reference is made to the annual report of Hi Sun Technology (China) Limited (the “**Company**”) for the year ended 31 December 2023 published on 18 April 2024 (the “**Annual Report**”). Capitalised terms herein shall have the meanings ascribed to them in the Annual Report, unless the context requires otherwise.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to provide the shareholders and potential investors of the Company with the following supplemental information regarding the loan receivables and the fintech services business which should be read in conjunction with the Annual Report.

As disclosed in the Annual Report, the loan receivables of the Group as at 31 December 2023 were amounts due from customers under the fintech services segment in the ordinary course of business and primarily denominated in RMB. The income from the Group’s fintech services is mainly generated from the micro-lending business and the supply chain financing business (which are mainly conducted in the form of factoring business).

MICRO-LENDING BUSINESS

The target customers of the Group’s micro-lending business are individuals who have financial needs of a small loan amount.

* For identification purpose only

Pre-transaction assessment

The Group conducts its micro-lending business through an online platform. The whole loan process is managed through a mobile application (“**App**”) developed by the Group. Borrowers begin by submitting their loan applications through the App and are required to complete real-name authentication and provide personal information relating to their income level and other relevant details. Upon receipt of the loan applications, the Group undertakes a comprehensive credit assessment process, including creditworthiness evaluation of the borrowers, based on which the Group either rejects the loan application or approves it. For approved applications, a maximum loan amount is determined for each individual borrower, typically ranging from RMB2,000 to RMB50,000). Once approved, borrowers can access funds up to the prescribed maximum loan amount through the App. All loans are charged at a uniform fixed interest rate and the term of the loans range from 3 months to 12 months.

Post-transaction control

To manage the risks of the micro-lending business, the Group has put in place the following post-grant risk management policy, implemented through the following steps:-

The loan management department conducts periodic assessments of the recoverability of the loans granted. These assessment focus on evaluating the creditworthiness of borrowers, taking into account factors including but not limited to their history of default, the ability to make timely payment of interest during the tenure of the loans, where applicable. These assessments ensure that any necessary follow-up action is taken to mitigate potential exposure to credit risks. To ensure timely collection of loans, the loan management department sends reminders to borrowers by way of instant messages and via an automated phone system five working days prior to the relevant due date. If a loan becomes overdue for more than 90 days, the Group evaluates the circumstances and, if necessary, may consider taking legal actions to recover the outstanding amount. This step is taken to further mitigate risks and ensure financial stability of the Group.

SUPPLY-CHAIN FINANCING BUSINESS

The target customers of the Group’s supply-chain financing business are enterprises.

Pre-transaction assessment

The Group acquires account receivables, and on top of it, may also request a pledge of notes receivables from the original creditors under trading, service or other transaction contracts and offers financing services to them with recourse. The approval process for the provision of financing begins with the project personnel, who are responsible for preparing a project report, gathering relevant information from the borrower(s) and/or public domain. This information includes without limitation the financial conditions for the debtors of account or notes receivables, and the nature of the financing enterprises, their financial conditions, credit rating and debt issuance status, in accordance with internal guidelines and checklists. The project report offers a general description of the financing project, outlines the expected capital needs, financial proposal, source(s) of repayment of the borrower(s) and any credit enhancement measure(s) in place, the debtors’ repayment capabilities, etc.. The project report, together with other relevant information, is submitted to the risk management department for review. If the risk management department finds the project report and the information complete and in full compliance with the applicable rules, and that both the borrower(s) and the financing project concerned meet the applicable entry conditions, the process advances to the due diligence process. The designated due diligence manager conducts assessment of the borrower(s). This includes evaluating their qualifications, operating and financial condition, credit history, repayment ability, availability of third-party guarantee (if any) and other relevant factors that deemed appropriate by the due diligence manager. Upon completion of the due diligence, the due diligence manager prepares a due diligence report summing up the findings. The report is then submitted to the risk management and assessment committee for its final review and approval.

The Group also maintains its own potential clients database, which mainly comprises large scale enterprises with high credit rating and strong financial strengths. The Group will assess these enterprises based on information publicly available.

The term of the loans is generally ranging from 1 month to 12 months.

Post-transaction control

To manage the risks of the supply-chain financing business, the Group has put in place post-grant risk management policy to ensure the ongoing assessment and management of the loans granted.

The Group conducts periodic assessments to evaluate the recoverability of the loans granted, taking into account factors including but not limited to the financial condition, creditworthiness, repayment capabilities, and any history of default. These evaluations are designed to identify any emerging risks early so that timely follow-up actions can be taken to avoid potential exposure to credit risks. Generally, a reminder letter will be issued to the borrower 10 days prior to the relevant due date. For loans that are overdue by more than three months, the Group may consider taking legal actions on a case-by-case basis.

Further details of the loan portfolios

As at 31 December 2023, the total number of borrowers of the fintech services business was 69,818. The effective interest rates on the loan receivables are normally 4% to 24% per annum.

As at 31 December 2023, the gross amount of loan receivables was approximately HK\$1,682.5 million, comprising gross loan receivables of approximately HK\$302.4 million and HK\$1,380.1 million under the micro-lending business and the supply-chain financing business respectively. Among the gross amount of loan receivables, approximately HK\$136.4 million was guaranteed. The gross amount of the loan receivables from the five largest borrowers, which were all from supply chain financing business, was approximately HK\$210.2 million, representing approximately 12.5% of the gross loan receivables and approximately 1.6% of the total assets of the Group as at 31 December 2023.

MOVEMENTS OF IMPAIRMENTS OR WRITE-OFFS OF THE LOAN RECEIVABLES AND BASIS OF IMPAIRMENT ASSESSMENTS

As disclosed in the Annual Report, during the year ended 31 December 2023, credit impairment loss of loan receivables of approximately HK\$54.7 million was provided and loan receivables of approximately HK\$67.6 million was written off. The said impairment represented the best estimates of the Group's management of the expected credit losses under the Hong Kong Financial Reporting Standard 9: Financial Instruments.

For details of the basis of the impairment assessments, please refer to: (i) section titled “Loan receivables” under “Credit Risk” of note 3 “Financial Risk Management”; (ii) section titled “(a) Impairment of receivables” of note 4 “Critical Accounting Estimates and Judgement”; and (iii) note 19 “Loan Receivables” of the Annual Report.

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

Hong Kong, 3 October 2024

As at the date of this announcement, the Board consists of five executive Directors, namely, Mr. Xu Wensheng, Mr. Kui Man Chun, Mr. Li Wenjin, Mr. Xu Changjun and Ms. Hui Lok Yan; and three independent non-executive Directors, namely Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Li Heguo.