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HI SUN TECHNOLOGY (CHINA) LIMITED

高陽科技(中國)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 818)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	Change +/(–)
RESULTS			
Revenue	4,143,371	5,575,981	-26%
Gross profit	1,105,630	1,321,428	-16%
Segmental EBITDA# (before unallocated items)	806,908	1,160,187	-30%
Write off of property, plant and equipment	26,156	94,701	-72%
Fair values gains on financial assets at fair value through profit or loss	245,190	21,923	+1,018%
Employees' incentive programmes of subsidiaries	40,191	30,303	+33%
Share of results of investments accounted for using the equity method	301,512	208,695	+44%
Profit for the year	<u>779,141</u>	<u>682,967</u>	+14%
Profit attributable to:			
– Owners of the Company	656,685	569,111	+15%
– Non-controlling interests	<u>122,456</u>	<u>113,856</u>	+8%
	<u>779,141</u>	<u>682,967</u>	
	<i>HK\$ per share</i>	<i>HK\$ per share</i>	Change +/(–)
Earnings per share for profit attributable to the owners of the Company:			
Basic	0.236	0.205	+15%
Diluted	<u>0.206</u>	<u>0.190</u>	+8%

Excluding write off of property, plant and equipment, fair values gains on financial assets at fair value through profit or loss and employees' incentive programmes of subsidiaries

* For identification purpose only

	As at 31 December		Change +/(−)
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	
HIGHLIGHTS OF FINANCIAL POSITION			
Total equity	6,367,504	5,278,512	+21%
Net current assets	3,778,477	3,120,060	+21%
Total assets	<u>9,717,099</u>	<u>8,149,068</u>	+19%
	<i>HK\$ per share</i>	<i>HK\$ per share</i>	Change +/(−)
Net assets per share	<u>2.293</u>	<u>1.901</u>	+21%

The board of directors (the “Board”) of Hi Sun Technology (China) Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019. The annual results have been reviewed by the audit committee of the Company (the “Audit Committee”).

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group reported total assets of HK\$9,717.1 million (2019: HK\$8,149.1 million), which were financed by total liabilities of HK\$3,349.6 million (2019: HK\$2,870.6 million) and total equity of HK\$6,367.5 million (2019: HK\$5,278.5 million). The net asset value was HK\$6,367.5 million (2019: HK\$5,278.5 million). Net assets per share amounted to HK\$2.293 as compared to HK\$1.901 per share as at 31 December 2019.

As at 31 December 2020, the Group had cash and bank balances of HK\$4,628.0 million (2019: HK\$4,384.1 million) and no short-term borrowing (2019: HK\$5.6 million). The net cash position was HK\$4,628.0 million as compared to HK\$4,378.5 million as at 31 December 2019. The gearing ratio is calculated as total debt divided by total capital, while total debt includes borrowing, lease liabilities and written put option liability of the Group. The gearing ratio was 12.2% (2019: 12.4%). The gearing ratio is considered healthy and suitable for the continuing growth of the Group's business.

CAPITAL STRUCTURE AND DETAILS OF CHARGES

As at 31 December 2020, the Group had no bank borrowing (2019: HK\$5.6 million) and banking facilities of approximately HK\$25.9 million (2019: HK\$17.8 million). The bank borrowing carried an interest rate of 4.57% per annum as at 31 December 2019. As at 31 December 2020, the banking facilities were secured by the leasehold land and buildings of a subsidiary of the Company, with a net carrying amount of HK\$2.8 million (2019: HK\$2.7 million) and HK\$5.8 million (2019: HK\$6.4 million), respectively.

Approximately HK\$3,251.7 million, HK\$305.7 million, HK\$998.2 million, HK\$69.7 million, HK\$2.5 million and HK\$0.2 million of the Group's cash balances were denominated in Renminbi, Hong Kong Dollar, US Dollar, Japanese Yen, Macanese Pataca ("MOP") and Euro respectively as at 31 December 2020.

Approximately HK\$3,002.7 million, HK\$265.6 million, HK\$997.0 million, HK\$116.2 million and HK\$2.6 million of the Group's cash balances were denominated in Renminbi, Hong Kong Dollar, US Dollar, Japanese Yen and MOP respectively as at 31 December 2019.

SIGNIFICANT INVESTMENT

Save as disclosed in the section headed "Overall Financial Results and Position" on pages 11 to 12 and note 11 to the consolidated financial statements, the Group had no significant investment held as at 31 December 2020.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Group did not have any material acquisition or disposal of subsidiaries during the year ended 31 December 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 31 December 2020.

EXCHANGE RATES EXPOSURE

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

CONTINGENT LIABILITIES

(A) Performance Guarantee Agreement with a customer

In 2015, the Company entered into a performance guarantee agreement with a customer (the "Performance Guarantee Agreement"). Pursuant to the Performance Guarantee Agreement, the Company agreed to provide the customer with a guarantee in relation to the due and punctual performance of a service project by a subsidiary of the Company with a surety of not more than HK\$60,000,000 and to indemnify the customer against any third-party claim of intellectual property right infringement resulting from the acts of the said subsidiary. The Performance Guarantee Agreement remained in full force and effect during the year of 2020. As at 31 December 2020, the Company did not recognise any liability in relation to the Performance Guarantee Agreement as the Directors considered the possibility of reimbursement not probable.

(B) Guarantee Agreement with subsidiaries of the Company

- (i) In 2019, the Company entered into a guarantee agreement (the "2019 Manufacturer Guarantee Agreement") with 3 subsidiaries of the Company, in respect of the said subsidiaries' payment obligations against a named manufacturer. Pursuant to the 2019 Manufacturer Guarantee Agreement, the Company shall guarantee to repay the due and unsettled debts of the said subsidiaries individually and/or collectively of up to US\$10,000,000 incurred in relation to such manufacturing orders placed against the named manufacturer by the said subsidiaries, should any of them individually and/or collectively cease or fail to honour its payment obligations.
- (ii) In 2020, the Company entered into a guarantee agreement (the "2020 OEM Guarantee Agreement") with a subsidiary of the Company and an independent manufacturer ("OEM"), in respect of the said subsidiary's payment obligations against the OEM. Pursuant to the 2020 OEM Guarantee Agreement, the Company shall guarantee to repay the said subsidiary's due and unsettled debts of up to US\$10,000,000 owed to the OEM which are incurred in relation to such manufacturing orders the said subsidiary placed against the OEM should it cease or fail to honour its payment obligations.

Save as disclosed above, the Group had no material contingent liability as at 31 December 2020.

EMPLOYEES

The total number of employees of the Group as at 31 December 2020 was 2,475. The breakdown of employees by division is as follows:

Payment processing solutions	818
Information security chips and solutions	119
Platform operation solutions	670
Financial solutions	582
Electronic power meters and solutions	234
Others	12
Corporate office	40
	<hr/>
	2,475
	<hr/> <hr/>

The Group ensures that its employees' remuneration packages are comprehensive and competitive. Employees are remunerated with fixed monthly income plus annual performance related bonuses. The Group also operates certain share option schemes for the purpose of attracting, retaining, motivating and rewarding the employees. The Group also sponsors selected employees to attend external training courses that suit the needs of the Group's businesses.

Disclaimer:

Non-GAAP measures

Certain non-GAAP (generally accepted accounting principles) measures, such as EBITDA, are used for assessing the Group's performance. These non-GAAP measures are not expressly permitted measures under GAAP in Hong Kong and may not be comparable to similarly titled measures for other companies. Accordingly, such non-GAAP measures should not be considered as an alternative to operating income as an indicator of the operating performance of the Group or as an alternative to cash flows from operating activities as a measure of liquidity. The use of non-GAAP measures is provided solely to enhance the overall understanding of the Group's current financial performance. Additionally, as the Group has historically reported certain non-GAAP results to investors, the Group considers the inclusion of non-GAAP measures provides consistency in our financial reporting.

BUSINESS REVIEW

CONDENSED SEGMENT RESULTS ANALYSIS

	Note	Turnover		EBITDA [#]	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Payment processing solutions	1	3,266,207	4,672,640	822,248	1,160,533
Information security chips and solutions	2	298,753	290,010	8,695	29,639
Platform operation solutions	3	176,873	196,302	3,864	(11,672)
Financial solutions	4	271,487	302,223	(33,494)	(6,081)
Electronic power meters and solutions	5	138,289	116,277	5,595	(12,232)
Segmental results		4,151,609	5,577,452	806,908	1,160,187
Less: Inter-segment turnover		(8,238)	(1,471)	–	–
Total		<u>4,143,371</u>	<u>5,575,981</u>	<u>806,908</u>	<u>1,160,187</u>
Depreciation				(248,705)	(383,595)
Amortisation				(1,925)	(112)
Write off of property, plant and equipment				(26,156)	(94,701)
Fair value gains on financial assets					
at fair value through profit or loss	B			245,866	22,215
Employees' incentive programmes of a subsidiary	C			(40,191)	(30,303)
Segmental operating profit				735,797	673,691
Unallocated other income				6,798	8,624
Unallocated corporate expenses				(89,545)	(104,142)
Operating profit				<u>653,050</u>	<u>578,173</u>

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	A	4,143,371	5,575,981
Cost of sales	C	(3,037,741)	(4,254,553)
Gross profit		1,105,630	1,321,428
Other income	B	153,759	116,842
Other gains, net	B	245,300	22,040
Selling expenses	C	(92,654)	(82,266)
Administrative expenses	C	(651,618)	(720,768)
Employees' incentive programmes of a subsidiary	C	(40,191)	(30,303)
Credit impairment loss, net	C	(67,176)	(48,800)
Operating profit		653,050	578,173
Finance costs	O	(63,722)	(10,245)
Share of results of investments accounted for using the equity method	D	301,512	208,695
Loss on deemed acquisition and dilution of an investment accounted for using the equity method		(1,044)	–
Profit before income tax		889,796	776,623
Income tax expense		(110,655)	(93,656)
Profit for the year		<u>779,141</u>	<u>682,967</u>
Profit attributable to:			
– Owners of the Company		656,685	569,111
– Non-controlling interests		122,456	113,856
		<u>779,141</u>	<u>682,967</u>
		<i>HK\$ per share</i>	<i>HK\$ per share</i>
Earnings per share for profit attributable to the owners of the Company:			
Basic		<u>0.236</u>	<u>0.205</u>
Diluted		<u>0.206</u>	<u>0.190</u>

[#] Represents earnings/(losses) before interest expenses, taxes, depreciation and amortisation, and excludes write off of property, plant and equipment, fair value gains on financial assets at fair value through profit or loss and employees' incentive programmes of a subsidiary.

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 31 December	
		2020 HK\$'000	2019 HK\$'000
ASSETS			
Investment properties and property, plant and equipment	E	388,537	385,834
Right-of-use assets	F	81,655	88,501
Intangible assets		11,231	2,065
Deferred income tax assets		17	119
Investments accounted for using the equity method	G	2,404,813	2,106,737
Financial assets at fair value through profit or loss	H	543,040	289,918
Inventories	I	121,445	95,651
Trade and bills receivables	J	273,894	212,174
Other financial assets at amortised cost and other current assets	J	183,240	168,715
Loan receivables	K	1,043,079	385,128
Amounts due from investments accounted for using the equity method	L	19,957	19,970
Current income tax recoverable		11,990	10,007
Bank deposits	M	6,181	147
Restricted bank balances and cash and cash equivalents	M	4,628,020	4,384,102
Total assets		9,717,099	8,149,068
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		6,942	6,942
Reserves		5,535,124	4,680,106
		5,542,066	4,687,048
Non-controlling interests		825,438	591,464
Total equity		6,367,504	5,278,512
LIABILITIES			
Written put option liabilities	O	831,207	683,908
Deferred income tax liabilities		371	522
Trade and bills payables	N	526,804	439,287
Payables for payment processing solutions business	N	828,619	599,389
Other payables and accruals	N	1,013,991	1,029,432
Amounts due to investments accounted for using the equity method	L	43,936	21,226
Current income tax liabilities		51,189	31,905
Lease liabilities	F	53,478	59,310
Borrowing		-	5,577
Total liabilities		3,349,595	2,870,556
Total equity and liabilities		9,717,099	8,149,068
		<i>HK\$ per share</i>	<i>HK\$ per share</i>
Net assets per share		2.293	1.901

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the year ended	
	31 December 2020 HK\$'000	2019 HK\$'000
Net cash generated from operating activities	100,932	1,254,462
Net cash used in investing activities	(277,704)	(805,586)
Net cash generated from financing activities	50,284	640,466
Net (decrease)/increase in cash and cash equivalents	(126,488)	1,089,342
Cash and cash equivalents at beginning of the year	3,712,567	2,681,475
Exchange gain/(loss) on cash and cash equivalents	161,389	(58,250)
Cash and cash equivalents at end of the year	3,747,468	3,712,567

FINANCIAL REVIEW

During the year ended 31 December 2020 (“YEAR 2020”), the consolidated turnover of the Group amounted to HK\$4,143.4 million, representing a decrease of 26% when compared with the year ended 31 December 2019 (“YEAR 2019”). Profit for the year totaled HK\$779.1 million as compared to HK\$683.0 million in YEAR 2019, representing an increase of 14% .

With regard to the balance sheet, the total assets as at 31 December 2020 amounted to HK\$9,717.1 million, when compared with HK\$8,149.1 million as at 31 December 2019. As at 31 December 2020, net current assets amounted to HK\$3,778.5 million, when compared with HK\$3,120.1 million as at 31 December 2019.

SEGMENT PERFORMANCE REVIEW

(1) Payment processing solutions

Key performance indicators

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	Change + / (-)
Turnover*	3,266,207	4,672,640	-30%
EBITDA#	822,248	1,160,533	-29%
– Including credit impairment loss	67,026	44,124	+52%
Employees’ incentive programme of a subsidiary	40,191	–	N/A
Write off of property, plant and equipment	26,156	94,701	-72%
Operating profit	524,894	696,466	-25%

* Turnover from external customers

Represents earnings before interest expenses, taxes, depreciation and amortisation, excludes write off of property, plant and equipment and employees’ incentive programme of a subsidiary

Segmental turnover amounted to HK\$3,266.2 million, as compared to HK\$4,672.6 million in YEAR 2019. By end of YEAR 2020, there were over 3,300,000 active domestic merchant and the monthly transaction volume in December 2020 was approximately RMB130 billion. Segmental operating profit amounted to HK\$524.9 million, 25% down as compared to YEAR 2019. The decrease in segmental operating profit is primarily attributable to the material decline in segmental turnover. Transaction volume being processed through this segment dropped significantly as a result of a decline in offline consumer consumption of goods and services due to the effects of the COVID-19 outbreak and epidemic prevention and control measures. Increase in credit impairment loss was mainly due to additional impairment loss provision on long aged loan receivables under the micro-leading business.

Share option expenses were attributable to the extension of the exercise period of share options granted by a subsidiary of the Company under the payment processing solution segment in February 2018. Please refer to the circular of the Company dated 28 October 2020 and the announcement of the Company dated 16 October 2020 for further details.

(2) Information security chips and solutions

Key performance indicators

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	Change +/(-)
Turnover*	298,753	290,010	+3%
EBITDA [#]	8,695	29,639	-71%
Employees' incentive programme of a subsidiary	-	30,303	N/A
Operating profit/(loss)	2,074	(3,098)	N/A

* Turnover from external customers

[#] Represents earnings before interest expenses, taxes, depreciation and amortisation, and excludes employees' incentive programme of a subsidiary

During the year, segmental turnover amounted to HK\$298.8 million as compared to HK\$290.0 million in YEAR 2019. Segmental operating profit amounted to HK\$2.1 million, as compared to segmental operating loss HK\$3.1 million in YEAR 2019. Increase in segmental operating profit was mainly due to the fact that no share option expense was recognised in YEAR 2020 while partially net-off by the increase in staff cost.

(3) Platform operation solutions

Key performance indicators

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	Change +/(-)
Turnover*	168,635	194,831	-13%
EBITDA [#]	3,864	(11,672)	N/A
Fair value gains on financial assets at fair value through profit or loss	245,866	22,215	+1,007%
Operating profit	244,711	5,130	+4,670%

* Turnover from external customers

[#] Represents earnings before interest expenses, taxes, depreciation and amortisation, and excludes fair value gains on financial assets at fair value through profit or loss

In YEAR 2020, we continued to provide high-quality and efficient supporting services, such as product development, business operation and system maintenance, to China Mobile Fintech, the IVR Base of China Mobile and the Animation Base of China Mobile. During the year, segmental turnover amounted to HK\$168.6 million as compared to HK\$194.8 million in YEAR 2019. Segmental operating profit amounted to HK\$244.7 million as compared to HK\$5.1 million in YEAR 2019, which is mainly due to a significant increase in fair value gains on financial assets at fair value through profit or loss for the Convertible Series C Preference Shares and Convertible Series D Preference Shares of Cloopen Group Holding Limited held by the Group for YEAR 2020.

(4) Financial solutions

Key performance indicators

	2020 HK\$'000	2019 <i>HK\$'000</i>	Change + / (-)
Turnover*	271,487	302,223	-10%
EBITDA	(33,494)	(6,081)	N/A
Operating loss	(38,533)	(9,606)	N/A

* Turnover from external customers

During the year, segmental turnover amounted to HK\$271.5 million, as compared to HK\$302.2 million in YEAR 2019. Segmental operating loss totaled HK\$38.5 million, as compared to HK\$9.6 million in YEAR 2019. The decrease in segmental turnover and the increase in segmental operating loss were mainly due to the effects of the COVID-19 outbreak as the nationwide interruption of normal business operation caused by the epidemic prevention and control measures had hindered the Group's ability to deliver its on-site services to its customers.

(5) Electronic power meters and solutions

Key performance indicators

	2020 HK\$'000	2019 <i>HK\$'000</i>	Change + / (-)
Turnover*	138,289	116,277	+19%
EBITDA	5,595	(12,232)	N/A
Operating profit/(loss)	2,651	(15,201)	N/A

* Turnover from external customers

Segmental turnover amounted to HK\$138.3 million, as compared to HK\$116.3 million in YEAR 2019. Segmental operating profit amounted to HK\$2.7 million, as compared to a segmental operating loss of HK\$15.2 million in YEAR 2019, due to the implementation of various measures to stream line the cost and improve operating efficiency.

OVERALL FINANCIAL RESULTS AND POSITION

(A) Revenue

The consolidated turnover amounted to HK\$4,143.4 million, representing a decrease of 26% over YEAR 2019. Such decrease was mainly contributed by a decline in segmental turnover of our payment processing solutions segment. Please also refer to Notes (1) to (5) above on segmental performance.

(B) Other income and other gains, net

Increase in other income was due to an increase in interest income during the year. Increase in other gains, net mainly resulted from significant increase in fair values gains on financial assets at fair value through profit or loss for the Convertible Series C Preference Shares and Convertible Series D Preference Shares of Cloopen Group Holding Limited (“Cloopen”) held by the Group for YEAR 2020. Please also refer to Note (H) for further details.

(C) Cost of sales and operating expenses

Decrease in cost of sales was primarily due to decrease in commission paid to merchant recruitment agents in relation to our payment processing solutions segment, which was in line with the decline in segmental turnover.

Increase in selling expenses was attributable to the fact that additional selling effort was placed for business recovery, especially in the second half of YEAR 2020, while the COVID-19 control measures in Mainland China is successful to a substantial extent, managing to sufficiently suppress the spread of the virus in the country.

Decrease in administrative expenses during YEAR 2020 was mainly due to declines in staff cost and staff related expenses. Share option expenses of approximately HK\$40.2 million in YEAR 2020 was attributable to the share option expenses under the payment processing solutions segment given the extension of the exercise period of share options granted by a subsidiary.

Credit impairment loss was primarily due to provision for impairment loss on loan receivables of HK\$67.0 million under the micro-lending business of payment processing solutions segment.

(D) Share of results of investments accounted for using the equity method

Amount mainly represented share of the results of PAX Global Technology Limited (“PAX Global”), an associated company of the Company, the shares of which are listed on the Stock Exchange. Pax Global is principally engaged in the development and sales of E-payment Terminal products and the provision of maintenance and installation services. As an ordinary shareholder of Cloopen, an associated company of the Group, the Group’s share of loss exceeded its interest in the ordinary shares of Cloopen, and there was no overall financial impact on the consolidated income statement from the investment for the year.

(E) Investment properties and property, plant and equipment

Balance mainly represented fixed assets of payment processing solutions and electronic power meter and solutions segments.

(F) Right-of-use assets and lease liabilities

Balance represented leases which are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

(G) Investments accounted for using the equity method

Balance mainly represented the Group's interests in PAX Global. As at 31 December 2020, the fair value of the Group's approximately 33.3% effective interest in PAX Global was approximately HK\$2,467.9 million, representing approximately 25.4% of the total assets of the Company as at 31 December 2020. An impairment test was performed to determine the recoverable amount of the investment. The recoverable amount, which was assessed by an independent valuer on a value-in-use basis using the discounted cash flow model, exceeds the carrying value as at 31 December 2020.

The Group's effective interest in the ordinary shares of Cloopen, calculated based on all issued and outstanding ordinary shares of Cloopen which are held by the Group, was 46.8%. As at 31 December 2020, the Group's share of loss of Cloopen exceeded its interest in the ordinary shares of Cloopen, and there was no overall financial impact on the consolidated income statement from the investment for the year. As at 31 December 2020, the carrying amount of the Group's interest in the ordinary shares of Cloopen was zero and the fair value of the Group's interest in the ordinary shares of Cloopen was approximately HK\$1,900.5 million.

The Group is optimistic about the future prospects of these companies and will continue to demonstrate prudence and resilience in assessing its investment strategy towards the enhancement of Shareholders' value. Details of these investments are set out in Note 11 to the consolidated financial information.

(H) Financial assets at fair value through profit or loss

The balance represented (i) the fair value of the Group's interest in the Convertible Series C Preferred Shares of Cloopen of HK\$314.7 million; (ii) the fair value of the Group's interest in the Convertible Series D Preferred Shares of Cloopen of HK\$103.8 million; (iii) the fair value of trading securities listed in Hong Kong of HK\$1.0 million; and (iv) the fair value of interest in a venture capital fund of HK\$123.5 million. Significant increase in balance was primarily due to a significant increase in fair value gains on financial assets at fair value through profit or loss for the Convertible Series C Preference Shares and Convertible Series D Preference Shares of Cloopen held by the Group during YEAR 2020.

(I) Inventories

The amount mainly represented inventories of electronic power meters and solutions segment and information security chips and solutions segment.

(J) Trade and bills receivables, other financial assets at amortised cost and other current assets

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables (<i>Note (i)(a)</i>)	236,974	210,103
Bills receivables (<i>Note (i)(b)</i>)	51,291	16,922
Less: provision for impairment of receivables	(14,371)	(14,851)
	273,894	212,174
Other receivables, prepayments and deposits (<i>Note (ii)</i>)	183,240	168,715
Total	457,134	380,889

Note (i):

- (a) The Group's credit terms to trade debtors normally range from 0 to 180 days. The ageing analysis of the trade receivables primarily based on the relevant invoice dates is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current to 90 days	194,298	166,857
91 to 180 days	7,955	11,831
181 to 365 days	11,185	4,910
Over 365 days	23,536	26,505
	236,974	210,103

Increase in balances aged from current to 90 days was mainly due to increase in account receivable balances under electronic power meters and solutions segment.

- (b) Bills receivables mainly belonged to the information security chips and solutions segment.

Note (ii):

The increase in balance was mainly due to other receivables for special dividend receivable from PAX Global.

(K) Loan receivables

Loan receivables are amounts due from customers under the payment processing solutions segment in the ordinary course of business, unsecured and primarily denominated in RMB.

The ageing analysis of loan receivables based on the payment due date is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current	1,038,283	369,971
1 to 3 months past due	10,658	24,659
Over 3 months past due	39,078	33,738
Loan receivables, gross	1,088,019	428,368
<i>Less: provision for impairment of loan receivables</i>	(44,940)	(43,240)
Loan receivables, net	1,043,079	385,128
Non current	54	–
Current	1,043,025	385,128
	1,043,079	385,128

(L) Amounts due from/to investments accounted for using the equity method

The amounts due from/to investments accounted for using the equity method mainly represent receivables from/payables to PAX Global and Cloopen and its subsidiaries as at 31 December 2020. Amounts due from/to investments accounted for using the equity method are unsecured, interest-free and repayable on demand.

(M) Restricted bank balances and cash and cash equivalents

	As at 31 December 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
Non-current assets		
Bank deposits	<u>6,105</u>	<u>–</u>
Current assets		
Bank deposits	<u>76</u>	<u>147</u>
Restricted bank balance (<i>Note</i>)	<u>880,552</u>	671,535
Cash and cash equivalents	<u>3,747,468</u>	<u>3,712,567</u>
Restricted bank balances and cash and cash equivalents	<u>4,628,020</u>	<u>4,384,102</u>

Note In accordance with the notice issued by the Payment and Settlement Department of the People's Bank of China (the "PBOC"), all customer reserve accounts held by the third-party payment institutions were to be cancelled and the customer reserves were to be deposited in a dedicated deposit account maintained centrally by a designated agency. The customer reserve account is non-interest bearing and denominated in RMB. Transfers of funds under this bank account are governed under certain measures implemented by the PBOC and hence these customer reserves are restricted in nature.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables (<i>Note (i)(a)</i>)	512,622	438,993
Bills payables (<i>Note (i)(b)</i>)	14,182	294
Payables for payment processing solutions business (<i>Note (ii)</i>)	828,619	599,389
Other payables and accruals (<i>Note (iii)</i>)	<u>1,013,991</u>	<u>1,029,432</u>
Total	<u>2,369,414</u>	<u>2,068,108</u>

Note (i):

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current to 90 days	462,757	402,025
91 to 180 days	30,489	1,859
181 to 365 days	9,898	24,544
Over 365 days	<u>9,478</u>	<u>10,565</u>
	<u>512,622</u>	<u>438,993</u>

- Changes in trade payables aged between current to 90 days, 91 to 180 days and 181 to 365 days were mainly due to the outstanding balances under the electronic power meters and solutions segment.

(b) Bills payables belonged to the electronic power meters and solutions segment.

Note (ii):

This balance represents payables to merchants for the payment processing solutions business. The amounts are generally due for settlement with these customers within 30 days.

Note (iii):

	2020	2019
	HK\$'000	HK\$'000
Accrued staff costs and pension obligations*	302,642	287,402
Deposits	50,373	62,250
Receipt in advance from customers**	27,932	73,389
Advance from merchant recruitment agents***	415,261	370,337
Others****	217,783	236,054
	<u>1,013,991</u>	<u>1,029,432</u>

* Balance represented accrued staff costs, pension obligations and year-end bonus.

** The decline in receipt in advance from customers was primarily attributable to recognition of revenue from the contract liabilities during the year.

*** The increase in advance from merchant recruitment agents was mainly due to increase in advances and guarantees received from merchant recruitment agents under the payment processing solutions segment.

**** Balance mainly represented accrued subcontracting costs and other accrued handling fees payable under the payment processing solution segment.

(O) Written put option liability

Balance represents written put options liabilities on written put options granted by Vbill Limited (“VBill Cayman”) and Mega Hunt Microelectronics Limited (“Megahunt HK”).

The increase in balance during YEAR 2020 was mainly due to (i) written put options liabilities of HK\$78.8 million recognised for exit options granted to certain investors in Megahunt Technologies Inc. (“Megahunt”) in March 2020; and (ii) finance cost in relation to the put option liabilities amounted to HK\$61.0 million. Further details are set out in Note 14 to the consolidated financial information.

KEY INVESTING AND FINANCING ACTIVITIES

(A) Deemed disposal in Megahunt

Reference is made to the announcements of the Company dated 4 December 2019 and 30 March 2020 in relation to an investment agreement (the “Investment Agreement”) entered into by Megahunt, Megahunt HK, the Company, certain management team members of the Group and three investors (the “Investors”), pursuant to which the said Investors agreed to invest an aggregate amount of RMB80 million in Megahunt (the “Investment”) for approximately in aggregate 14.55% of the enlarged registered capital of Megahunt. Pursuant to the Investment Agreement, each of the said Investors shall have the right to exercise an exit option to require Megahunt HK to repurchase shares of Megahunt from the relevant Investor under certain circumstances. Completion of the Investment took place on 30 March 2020 and immediately after which Megahunt is owned as to approximately 65.73% by the Group.

(B) Purchase of E-payment terminal products from Tianyu Information

In connection with the business of provision of payment processing solutions, the Group from time-to-time purchases E-payment Terminal products from Wuhan Tianyu Information Industry Co., Ltd. (“Tianyu Information”). During the 12-month period from 1 October 2019 to 30 September 2020 (“Relevant Period”), the Group purchased from Tianyu Information E-payment Terminal products in an aggregate amount of approximately HK\$133.5 million (inclusive of tax payable by the Group). The Group provides the E-payment Terminal products to its merchant customers and in return, the Group imposes a fee. The E-payment Terminal products the Group purchased from Tianyu Information during the Relevant Period have been recorded as fixed assets while the relevant depreciation charges have been recorded as cost of sales in the financial statements of the Group. The prices payable for the E-payment Terminal products were agreed between the Group and Tianyu Information by reference to the prevailing market prices of products with similar specifications at the relevant time. The Group generally settles the purchase cost with Tianyu Information within 90 days after receipt of VAT invoice and confirmation of the same. Reference is made to the announcements of the Company dated 5 October 2020 in relation to the purchases.

(C) Possible investment in Fintech business

Reference is made to the announcements of the Company dated 9 October 2020 and 7 January 2021. On 9 October 2020, (i) Vbill HK Limited (“VBill HK”, an indirect non-wholly owned subsidiary of the Company), (ii) the target company which is incorporated in Hong Kong (the “Target Company”), (iii) all existing shareholders of the Target Company (the “Existing Shareholders”) and (iv) the beneficial owners of the Existing Shareholders entered into a memorandum (the “Memorandum”) in relation to the proposed subscription of new shares in the Target Company and proposed acquisition of certain shares of the Target Company held by the Existing Shareholders by VBill HK (the “Possible Investment”). If the Possible Investment materializes, VBill HK will hold approximately 52.4% of the Target Company immediately upon completion of the Possible Investment and will have control over the board of directors of the Target Company. The Target Company and its subsidiaries are principally engaged in regulated financial technology service business and payment service business.

BUSINESS OUTLOOK

The economic outlook and operating environment are anticipated to remain challenging in year 2021. In view of the outbreak of the novel coronavirus disease 2019 (COVID-19) (the “epidemic”) in China since January 2020, the Group has adopted various prevention and control measures in accordance with the relevant national and local regulations on epidemic prevention and control in compliance with the national epidemic prevention policies. At present, the COVID-19 control measures in China are successful to a substantial extent, managing to sufficiently quell the spread of the virus within the nation. Nonetheless, given the uncertainties as to the development of the COVID-19 outbreak, it is difficult to predict how long these conditions will last and the extent to which the business of the Group may be affected for the Year 2021. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the operation and financial position and results of the Group.

Payment processing solutions

In 2020, due to impact of the global epidemic, the transaction volume of payment business fell by 17% to approximately RMB1,460 billion. During the epidemic, we strengthened our efforts in supporting small and micro merchants, launched various SaaS products, and introduced more than 1,000 SaaS service providers to help small and micro merchants increase transaction volume and improve operating efficiency. Therefore, while the transaction volume declined, the number of transactions increased. The cumulative number of transactions processed in 2020 increased by 42% as compared to the year before. In 2021, we will continue to focus on small and micro merchants, and work with SaaS service providers to provide a full range of digital business services for small and micro merchants. We will start from payment and build into a first-class digital economic infrastructure service provider.

In addition, our supply chain financial technology sector has made great progress in 2020. We introduced several core enterprises and banks, provided supply chain financial services to more than 1,000 small and medium-sized enterprises, and accumulatively addressed financing needs exceeding RMB5 billion. Our supply chain financial technology sector will be committed to solving the financing problems of small and medium-sized enterprises by using blockchain technology to realize the split and transfer of credit and empower the credit of core enterprises to many small and medium-sized enterprises along the supply chain.

Information security chips and solutions

Due to the impact of the epidemic in 2020, the growth of information security chip business tended to be slow and competition became more intense. However, through our concerted efforts from top to bottom to adjust strategies in response to the market, sales for the whole year of 2020 increased slightly as compared to the year before. The market is expected to develop steadily in 2021, nonetheless it is subject to change due to the impact of the central bank’s policies targeting the payment market. Other research and development projects are progressing smoothly and cost reduction initiatives of various products are also rolling out in an orderly manner.

Platform operation solutions

In 2020, due to the impact of the COVID-19, revenue from platform operation solutions declined slightly year-on-year. We continued to provide stable technical services and support for our major customer – China Mobile. We have successfully completed the relevant support work for various technical operation cooperation contracts for China Mobile Financial Technology Co., Ltd., the IVR Base and Animation Base of China Mobile, which was recognized by customers. In addition, we also worked hard to expand technical service opportunities outside the operator system. Looking to the future, we will continue to firmly support and cooperate with China Mobile's various businesses, and will also expand our markets outside of mobile operators. Moreover, we will continue to expand and innovate at the business level, focus on the short video field, and develop our own mobile e-commerce business.

Financial solutions

In mainland China, the processes in respect of the downshift of business systems are becoming more mature, including code conversion, demand tracking, comparative testing, microservice splitting, and governance. In line with the requirements of information technology application innovation and the general trend of software localization, we will continue to deepen the core system downshift and core system cloud business in 2021 to help customers maximise the preservation of application asset and reduce the risk relating to the upgrade of core business system technology. In Hong Kong and Macau, we combined virtual bank licensing, integration of faster payment system (FPS), open bank (Open Bank) and other businesses, continued to commit to Internet financial innovation, and rapidly developed new products such as core business system, payment system, open application programming interface (Open API) management platform, anti-money laundering system, and cross-border financial management based on a distributed architecture, to help customers accelerate the pace of Internet financial innovation.

In response to overseas financial IT service opportunities, in March 2020, the Group specifically established Shenzhen Hi Sun FinTech Global Limited to focus on overseas business opportunities and conduct product research and development based on the characteristics of overseas markets. We researched and developed related product solutions based on the needs and business characteristics of overseas markets, including the research and development of overseas mobile banking, overseas online banking and other systems. At present, it has signed cooperation agreements with a number of cooperation channels for overseas market expansion; and in 2020, it signed a banking business system construction contract with a Cambodian bank.

Electronic power meters and solutions

In 2021, the total tender volume of electronic power meters and data collection devices of the State Grid are expected to approximate to that of 2020. We managed to win the bid in the State Grid's two unified tenders last year. We are confident that we will continue to win further bids in 2021. On technical aspects, the State Grid Power Research Institute is actively advancing the research and construction of GB standards for IR46 electronic power meter. We are also actively following up the relevant works.

Consolidated Income Statement

	Note	For the year ended 31 December	
		2020 HK\$'000	2019 HK\$'000
Revenue	2, 3	4,143,371	5,575,981
Cost of sales	4	(3,037,741)	(4,254,553)
Gross profit		1,105,630	1,321,428
Other income	2	153,759	116,842
Other gains, net	2	245,300	22,040
Selling expenses	4	(92,654)	(82,266)
Administrative expenses	4	(651,618)	(720,768)
Employees' incentive programmes of subsidiaries		(40,191)	(30,303)
Credit impairment loss	4	(67,176)	(48,800)
Operating profit		653,050	578,173
Finance costs		(63,722)	(10,245)
Share of results of investments accounted for using the equity method	11	301,512	208,695
Loss on deemed acquisition and dilution of interest of an investment accounted for using the equity method, net	11	(1,044)	–
Profit before income tax		889,796	776,623
Income tax expense	5	(110,655)	(93,656)
Profit for the year		779,141	682,967
Profit attributable to:			
– Owners of the Company		656,685	569,111
– Non-controlling interests		122,456	113,856
		779,141	682,967
		HK\$ per share	HK\$ per share
Earnings per share for profit attributable to the owners of the Company:			
Basic	7	0.236	0.205
Diluted	7	0.206	0.190

Consolidated Statement of Comprehensive Income

	For the year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	779,141	682,967
Other comprehensive income/(loss), net of tax		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	179,882	(41,393)
Share of other comprehensive income/(loss) of investments accounted for using the equity method	63,486	(15,961)
Release of reserve upon dilution of interest in an investment accounted for using the equity method	(409)	–
<i>Items that will not be reclassified to profit or loss</i>		
Change in value of a financial asset at fair value through other comprehensive income	–	(892)
Share of other comprehensive loss of an investment accounted for using the equity method	(2,669)	(862)
Total comprehensive income for the year, net of tax	<u>1,019,431</u>	<u>623,859</u>
Attributable to:		
– Owners of the Company	851,684	516,172
– Non-controlling interests	167,747	107,687
	<u>1,019,431</u>	<u>623,859</u>

Consolidated Balance Sheet

		As at 31 December	
	Note	2020 HK\$'000	2019 HK\$'000
Assets			
Non-current assets			
Investment properties		1,219	1,378
Property, plant and equipment		387,318	384,456
Right-of-use assets		81,655	88,501
Intangible assets		11,231	2,065
Deferred income tax assets		17	119
Investments accounted for using the equity method	11	2,404,813	2,106,737
Financial asset at fair value through other comprehensive income	8	–	–
Other financial assets at amortised cost		14,332	2,914
Loan receivables	10	54	–
Financial assets at fair value through profit or loss	9	542,004	288,206
Bank deposits		6,105	–
Total non-current assets		3,448,748	2,874,376
Current assets			
Inventories		121,445	95,651
Other current assets		80,006	67,006
Other financial assets at amortised cost		88,902	98,795
Amounts due from investments accounted for using the equity method		19,957	19,970
Loan receivables	10	1,043,025	385,128
Trade and bills receivables	12	273,894	212,174
Financial asset at fair value through profit or loss	9	1,036	1,712
Current income tax recoverable		11,990	10,007
Short-term bank deposits		76	147
Restricted bank balance		880,552	671,535
Cash and cash equivalents		3,747,468	3,712,567
Total current assets		6,268,351	5,274,692
Total assets		9,717,099	8,149,068
Equity			
Capital and reserves attributable to owners of the Company			
Share capital		6,942	6,942
Reserves		5,535,124	4,680,106
		5,542,066	4,687,048
Non-controlling interests		825,438	591,464
Total equity		6,367,504	5,278,512

		As at 31 December	
		2020	2019
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Liabilities			
Non-current liabilities			
Written put option liabilities	<i>14</i>	831,207	683,908
Lease liabilities		28,143	31,494
Deferred income tax liabilities		371	522
		<hr/>	<hr/>
Total non-current liabilities		859,721	715,924
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade and bills payables	<i>13</i>	526,804	439,287
Payables for payment processing solutions business	<i>13</i>	828,619	599,389
Other payables and accruals	<i>13</i>	1,013,991	1,029,432
Amounts due to investments accounted for using the equity method		43,936	21,226
Current income tax liabilities		51,189	31,905
Borrowing		–	5,577
Lease liabilities		25,335	27,816
		<hr/>	<hr/>
Total current liabilities		2,489,874	2,154,632
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		3,349,595	2,870,556
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total equity and liabilities		9,717,099	8,149,068
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, except for financial asset at fair value through other comprehensive income (“FVOCI”) and financial assets at fair value through profit or loss (“FVPL”), which are measured at fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Company and its subsidiaries (together the “Group”).

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to HKAS 1 and HKAS 8
- Definition of a Business – amendments to HKFRS 3
- Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ended 31 December 2020. The Group has not early adopted these new accounting standards and interpretations in current reporting period and is in the process of assessing their impact on the Group’s future reporting periods and on foreseeable future transactions.

2 REVENUE, OTHER INCOME AND OTHER GAINS, NET

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

	For the year ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
Turnover		
Provision of payment processing solutions (<i>Note a</i>)	3,266,207	4,672,640
Sales of information security chips and solutions	298,753	290,010
Provision of platform operation solutions	168,635	194,831
Provision of financial solutions	271,487	302,223
Sales of electronic power meters and solutions	138,289	116,277
	<u>4,143,371</u>	<u>5,575,981</u>
Other income		
Interest income	70,975	53,572
Subsidy income (<i>Note b</i>)	77,378	58,843
Rental income	3,207	3,312
Others	2,199	1,115
	<u>153,759</u>	<u>116,842</u>
Other gains, net		
Fair values gains/(losses) on financial assets at FVPL		
– Unlisted convertible preference shares	252,411	24,241
– Unlisted investment fund	(6,545)	(2,026)
– Listed trading securities	(676)	(292)
Dividend income from a financial asset at FVPL	110	117
	<u>245,300</u>	<u>22,040</u>

Note a: Turnover of provision of payment processing solutions included interest revenue derived from micro-lending and factoring business of HK\$159,127,000 (2019: HK\$165,774,000).

Note b: Subsidy income recognised was related to value-added tax refund from local tax bureau and grant from government in relation to sales and research and development of self-developed software products in the PRC. There were no unfulfilled condition and other contingencies attached to the receipts of those subsidy income.

3 SEGMENT INFORMATION

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

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

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

- (a) Payment processing solutions – principally engaged in provision of payment processing services, merchants recruiting, micro-lending and factoring business, credit assessment services and related products and solutions;
- (b) Information security chips and solutions – principally engaged in the provision of information system consultancy services, the sales of mag-strip card security decoder chips and related products and solutions;
- (c) Platform operation solutions – principally engaged in the provision of telecommunication and mobile payment platform operation services and operation value-added services;
- (d) Financial solutions – principally engaged in the provision of information system consultancy, integration and operation services and sales of information technology products to financial institutions and banks; and
- (e) Electronic power meters and solutions – principally engaged in the manufacturing and sales of electronic power meters, data collection terminals and related products and solutions.

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted earnings/(losses) before interest expense, taxes, depreciation and amortisation (“EBITDA”) excluding write off of property, plant and equipment, fair values gains on financial assets at FVPL and employees’ incentive programmes of subsidiaries.

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

	Payment processing solutions <i>HK\$'000</i>	Information security chips and solutions <i>HK\$'000</i>	Platform operation solutions <i>HK\$'000</i>	Financial solutions <i>HK\$'000</i>	Electronic power meters and solutions <i>HK\$'000</i>	Total Group <i>HK\$'000</i>
Year ended 31 December 2020						
Segment turnover	3,266,207	298,753	176,873	271,487	138,289	4,151,609
Inter-segment turnover	–	–	(8,238)	–	–	(8,238)
Turnover from external customers	<u>3,266,207</u>	<u>298,753</u>	<u>168,635</u>	<u>271,487</u>	<u>138,289</u>	<u>4,143,371</u>
Segmental EBITDA (excluding write off of property, plant and equipment, fair values gains on financial assets at FVPL and employees' incentive programme of a subsidiary)	<u>822,248</u>	<u>8,695</u>	<u>3,864</u>	<u>(33,494)</u>	<u>5,595</u>	<u>806,908</u>
Depreciation	(231,007)	(4,818)	(4,983)	(5,039)	(2,858)	(248,705)
Amortisation	–	(1,803)	(36)	–	(86)	(1,925)
Write off of property, plant and equipment	(26,156)	–	–	–	–	(26,156)
Fair values gains on financial assets at FVPL	–	–	245,866	–	–	245,866
Employees' incentive programme of a subsidiary	<u>(40,191)</u>	–	–	–	–	<u>(40,191)</u>
Segmental operating profit/(loss)	<u>524,894</u>	<u>2,074</u>	<u>244,711</u>	<u>(38,533)</u>	<u>2,651</u>	<u>735,797</u>
Unallocated other income						6,798
Unallocated corporate expenses						(89,545)
Finance costs						(63,722)
Share of results of investments accounted for using the equity method						301,512
Loss on deemed acquisition and dilution of interest of an investment accounted for using the equity method, net						<u>(1,044)</u>
Profit before income tax						889,796
Income tax expense						<u>(110,655)</u>
Profit for the year						<u><u>779,141</u></u>

	Payment processing solutions <i>HK\$'000</i>	Information security chips and solutions <i>HK\$'000</i>	Platform operation solutions <i>HK\$'000</i>	Financial solutions <i>HK\$'000</i>	Electronic power meters and solutions <i>HK\$'000</i>	Total Group <i>HK\$'000</i>
Year ended 31 December 2019						
Segment turnover	4,672,640	290,010	196,302	302,223	116,277	5,577,452
Inter-segment turnover	–	–	(1,471)	–	–	(1,471)
Turnover from external customers	<u>4,672,640</u>	<u>290,010</u>	<u>194,831</u>	<u>302,223</u>	<u>116,277</u>	<u>5,575,981</u>
Segmental EBITDA (excluding write off of property, plant and equipment, fair values gains on financial assets at FVPL and employees' incentive programme of a subsidiary)	<u>1,160,533</u>	<u>29,639</u>	<u>(11,672)</u>	<u>(6,081)</u>	<u>(12,232)</u>	<u>1,160,187</u>
Depreciation	(369,366)	(2,434)	(5,377)	(3,525)	(2,893)	(383,595)
Amortisation	–	–	(36)	–	(76)	(112)
Write off of property, plant and equipment	(94,701)	–	–	–	–	(94,701)
Fair values gains on financial assets at FVPL	–	–	22,215	–	–	22,215
Employees' incentive programme of a subsidiary	–	(30,303)	–	–	–	(30,303)
Segmental operating profit/(loss)	<u>696,466</u>	<u>(3,098)</u>	<u>5,130</u>	<u>(9,606)</u>	<u>(15,201)</u>	<u>673,691</u>
Unallocated other income						8,624
Unallocated corporate expenses						(104,142)
Finance costs						(10,245)
Share of results of investments accounted for using the equity method						<u>208,695</u>
Profit before income tax						776,623
Income tax expense						<u>(93,656)</u>
Profit for the year						<u><u>682,967</u></u>

Unallocated corporate expenses represent costs that are used for all segments, including depreciation of property, plant and equipment of HK\$1,420,000 (2019: HK\$1,328,000), depreciation of investment properties of HK\$205,000 (2019: HK\$197,000) and depreciation of right-of-use assets of HK\$5,203,000 (2019: HK\$6,585,000), respectively.

The segment assets and liabilities as at 31 December 2020 and additions to non-current assets for the year ended 31 December 2020 are as follows:

	Payment processing solutions HK\$'000	Information security chips and solutions HK\$'000	Platform operation solutions HK\$'000	Financial solutions HK\$'000	Electronic power meters and solutions HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total Group HK\$'000
As at 31 December 2020								
Segment assets	<u>5,034,498</u>	<u>339,517</u>	<u>905,870</u>	<u>385,722</u>	<u>276,463</u>	<u>3,700,458</u>	<u>(925,429)</u>	<u>9,717,099</u>
Segment liabilities	<u>(2,872,502)</u>	<u>(185,098)</u>	<u>(322,506)</u>	<u>(438,423)</u>	<u>(213,879)</u>	<u>(242,616)</u>	<u>925,429</u>	<u>(3,349,595)</u>
Year ended 31 December 2020								
Additions to non-current assets (excluding deferred income tax assets, investments accounted for using the equity method, financial asset at FVOCI, other financial assets at amortised cost, loan receivables, financial assets at FVPL and bank deposits)	<u>211,404</u>	<u>38,983</u>	<u>5,818</u>	<u>14,082</u>	<u>1,136</u>	<u>169</u>	<u>-</u>	<u>271,592</u>

The segment assets and liabilities as at 31 December 2019 and additions to non-current assets for the year ended 31 December 2019 are as follows:

	Payment processing solutions HK\$'000	Information security chips and solutions HK\$'000	Platform operation solutions HK\$'000	Financial solutions HK\$'000	Electronic power meters and solutions HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total Group HK\$'000
As at 31 December 2019								
Segment assets	<u>4,233,447</u>	<u>334,768</u>	<u>620,759</u>	<u>325,571</u>	<u>213,800</u>	<u>3,431,799</u>	<u>(1,011,076)</u>	<u>8,149,068</u>
Segment liabilities	<u>(2,600,467)</u>	<u>(201,880)</u>	<u>(307,764)</u>	<u>(335,316)</u>	<u>(153,417)</u>	<u>(282,788)</u>	<u>1,011,076</u>	<u>(2,870,556)</u>
Year ended 31 December 2019								
Additions to non-current assets (excluding deferred income tax assets, investments accounted for using the equity method, financial asset at FVOCI, other financial assets at amortised cost, loan receivables and financial assets at FVPL)	<u>141,396</u>	<u>1,863</u>	<u>5,634</u>	<u>7,327</u>	<u>669</u>	<u>9,482</u>	<u>-</u>	<u>166,371</u>

Unallocated assets mainly include an investment accounted for using the equity method of HK\$2,393,435,000 (2019: HK\$2,103,541,000) and cash and cash equivalents of HK\$625,243,000 (2019: HK\$514,267,000).

During the year, additions to non-current assets mainly comprise additions to property, plant and equipment, right-of-use assets and intangible assets (2019: same).

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

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

The Group is principally domiciled in Mainland China and Hong Kong (2019: same). The Group's turnover by geographical locations, which is determined by the locations in which the turnover are generated from, is as follows:

	For the year ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
Mainland China	4,046,263	5,490,078
Hong Kong	97,108	85,903
	4,143,371	5,575,981

The Group's non-current assets (excluding other financial assets at amortised cost, loan receivables, deferred income tax assets, investments accounted for using the equity method, financial asset at FVOCI, financial assets at FVPL and bank deposits) and current assets by geographical locations, which is determined by the geographical locations in which the asset is located, is as follows:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Non-current assets		
Mainland China	476,110	467,570
Hong Kong	5,313	8,830
	481,423	476,400
Current assets		
Mainland China	4,823,568	3,846,630
Hong Kong	1,442,222	1,425,453
Others	2,561	2,609
	6,268,351	5,274,692

4 EXPENSES BY NATURE

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

	For the year ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
Auditor's remuneration		
– audit and audit related services	4,238	4,292
– non-audit services	4,387	2,023
Commission paid to merchant recruitment agents	2,081,720	3,022,429
Depreciation of property, plant and equipment	222,762	362,116
Depreciation of right-of-use assets	32,566	29,392
Depreciation of investment properties	205	197
Amortisation of intangible assets	1,925	112
Employee benefit expense (excluding employees' incentive programmes of subsidiaries, including directors' emoluments)	715,392	759,877
Costs of inventories sold (including provision for inventories)	313,645	298,288
Operating lease rentals in respect of land and buildings	5,721	15,494
Research and development costs (including staff cost)	291,805	283,822
Credit impairment loss		
– trade and bills receivables (Note 12)	150	4,676
– loan receivables (Note 10)	67,026	44,124
Loss/(gain) on disposals of property, plant and equipment	86	(50)
Write off of property, plant and equipment	26,156	94,701
(Reversal of provision)/provision for inventories	(2,740)	5,539

5 INCOME TAX EXPENSE

	For the year ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
Current tax		
– Hong Kong profits tax	–	–
– Overseas taxation	110,727	93,354
Deferred tax	(72)	302
Income tax expense	110,655	93,656

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Subsidiaries in the PRC are subject to corporate income tax (“CIT”) in accordance with the PRC CIT Law. According to the PRC CIT Law and the relevant regulations, the CIT tax rate applicable is 25% unless preferential rates are applicable in the cities where the subsidiaries are located.

If a subsidiary is subject to CIT and qualified as High and New Technology Enterprise (“HNTE”), the applicable CIT tax rate is 15%. If a subsidiary is subject to CIT and qualified as Software and Integrated Circuit Enterprise (“SICE”), the applicable CIT tax rate is 0% for the first two years of being qualified and 12.5% for the next three years. If a subsidiary is subject to CIT and qualified as Key Integrated Circuit Design Enterprises and Software Enterprises (“KIC”), the applicable CIT tax rate is 0% for the first five years commencing from the first profit-making year, and 10% for the subsequent years. If a subsidiary is subject to CIT and qualified as Key Software Enterprise (“KSE”), the applicable CIT tax rate is 10%. If a subsidiary is subject to CIT and engaged in Encouraged Industries in the Western Region (“EIWR”), the applicable CIT tax rate is 15%.

Applicable corporate income tax rates of principal subsidiaries

Subsidiaries	Applicable corporate income tax rate	
	For the year ended 31 December 2020	2019
Beijing Hi Sun Advanced Business Solutions Information Technology Limited (“ABS”) (Note i)	15%	15%
Hangzhou PAX Electronic Technology Limited (“Hangzhou Electronic Technology”) (Note ii)	15%	15%
隨行付支付有限公司 (“VBill OPCO”) (Note iii)	25%	15%
北京銀企融合技術開發有限公司 (“Beijing Bank and Enterprise”) (Note iv)	12.5%	10%
隨行付(北京)金融信息服務有限公司 (“VBill Finance”) (Note v)	15%	15%
北京隨信雲鏈科技有限公司 (“Beijing Cloud Chain”) (Note vi)	15%	15%
重慶鑫聯隨行科技有限公司 (“Chongqing Xinlian”) (Note vii)	15%	15%
Megahunt Technologies Inc. (“Megahunt”) (Note viii)	10%	12.5%
Hunan Hisun Mobile Pay IT Limited (“HN Mobile Pay”) (Note ix)	25%	15%

Notes:

- (i) ABS was renewed as HNTE in 2018.
- (ii) Hangzhou Electronic Technology was renewed as HNTE in 2018.
- (iii) VBill OPCO was renewed as HNTE in 2017.
- (iv) Beijing Bank and Enterprise was qualified as KSE in 2019 and qualified as SICE in 2020.
- (v) VBill Finance was qualified as HNTE in 2018.
- (vi) Beijing Cloud Chain was qualified as HNTE in 2019.
- (vii) Chongqing Xinlian was engaged in EIWR in 2019 and 2020.
- (viii) Megahunt was qualified as SICE in 2015 and qualified as KIC in 2020.
- (ix) HN Mobile Pay was renewed as HNTE in 2017.

6 DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 December 2020 (2019: Nil).

7 EARNINGS PER SHARE

(a) Basic

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

	For the year ended 31 December	
	2020	2019
Profit attributable to the owners of the Company (<i>HK\$'000</i>)	<u>656,685</u>	<u>569,111</u>
Weighted average number of ordinary shares in issue (<i>thousands shares</i>)	<u>2,776,834</u>	<u>2,776,834</u>
Basic earnings per share attributable to the owners of the Company (<i>HK\$ per share</i>)	<u>0.236</u>	<u>0.205</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the net profit and the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive shares.

For the year ended 31 December 2020, the Group has six categories (2019: six categories) of potentially dilutive shares: share options issued by an associated company – PAX Global Technology Limited (“PAX Global”), share options and convertible preference shares issued by an associated company – Cloopen Group Holding Limited (“Cloopen”), share options issued by a subsidiary - VBill OPCO and written put option liabilities issued by subsidiaries – VBill Limited (“VBill (Cayman)”) and Mega Hunt Microelectronics Limited (“Megahunt HK”) (2019: share options issued by PAX Global, share options and convertible preference shares issued by Cloopen, share options issued by VBill OPCO and Megahunt and a written put option liability issued by VBill (Cayman)).

For the year ended 31 December 2020, the exercise of the outstanding share options in PAX Global would have a dilutive effect. The exercise of the share options in PAX Global would be dilutive if the net profit attributable to the owners of the Company will decrease. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual fair value of the associated company’s shares) based on the monetary value of the subscription rights attached to outstanding share options of PAX Global. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options of PAX Global.

For the year ended 31 December 2019, the calculation of diluted earnings per share does not assume the exercise of the share options of PAX Global as they would have an anti-dilutive impact to the basic earnings per share.

For share options and convertible preference shares issued by Cloopen, as at 31 December 2020, the carrying amount of the interest in Cloopen was zero (2019: same). As at 31 December 2020, the Group’s share of loss exceeded its interest in the ordinary shares of Cloopen, the exercise of the abovementioned share options and convertible preference shares would not have any impact on the diluted earnings per share (2019: same).

For the year ended 31 December 2020, the exercise of the outstanding share options in VBill OPCO (2019: same) would have a dilutive effect. The exercise of the share options in VBill OPCO (2019: same) would be dilutive if the net profit attributable to the owners of the Company will decrease. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual fair value of the subsidiaries’ shares) based on the monetary value of the subscription rights attached to outstanding share options of VBill OPCO (2019: same). The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options of VBill OPCO (2019: same).

For the year ended 31 December 2019, the calculation of diluted earnings per share does not assume the exercise of the share options of Megahunt as they would have an anti-dilutive impact to the basic earnings per share.

For the year ended 31 December 2020, the calculation of diluted earnings per share does not assume the exercise of the written put option liabilities of VBill (Cayman) and Megahunt HK (2019: VBill (Cayman)) as they would have an anti-dilutive impact to the basic earnings per share (2019: same).

	For the year ended	
	31 December	
	2020	2019
Profit attributable to the owners of the Company (<i>HK\$'000</i>)	656,685	569,111
Assuming exercise of all outstanding dilutive share options issued by PAX Global (<i>HK\$'000</i>)		
– Decrease in share of profit of the associated company	(3,073)	–
– Reduce in gain on dilution of the associated company	(59,218)	–
Assuming exercise of all outstanding dilutive share options issued by VBill OPCO (<i>HK\$'000</i>)		
– Decrease in profit attributable to the owners of the Company	(22,635)	(41,810)
	<u>571,759</u>	<u>527,301</u>
Adjusted profit attributable to the owners of the Company used to determine diluted earnings per share (<i>HK\$'000</i>)		
	<u>2,776,834</u>	<u>2,776,834</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands shares</i>)		
	<u>0.206</u>	<u>0.190</u>
Diluted earnings per share attributable to the owners of the Company (<i>HK\$ per share</i>)		

8 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group's financial asset at FVOCI represents unlisted equity security outside Hong Kong which is not held for trading, and which the Group has irrevocably elected at initial recognition in this category (2019: same). This is a strategic investment and the Group considers the classification as equity instruments at FVOCI to be more relevant.

	For the year ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
Balance at 1 January	–	895
Fair value losses on revaluation recognised in other comprehensive income related to equity investment	–	(892)
Exchange realignment	–	(3)
	<u>–</u>	<u>–</u>
Balance at 31 December		

The carrying amount of the financial asset at FVOCI is denominated in RMB. On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

Notes:

(a) Unlisted investment fund outside Hong Kong

The carrying amount of the unlisted investment fund is denominated in RMB.

(b) Unlisted convertible preference shares outside Hong Kong

On 10 June 2016 and 28 February 2018, the Group subscribed 7,443,326 Convertible Series C Preferred Shares (the “Convertible Series C Preferred Shares”) and 2,434,015 Convertible Series D Preferred Shares (the “Convertible Series D Preferred Shares”) of Cloopen, respectively. The considerations for the Convertible Series C Preferred Shares and Convertible Series D Preferred Shares subscribed by the Group were approximately HK\$78,000,000 (equivalent to US\$10,000,000) and HK\$39,000,000 (equivalent to US\$5,000,000), respectively.

The Group, as the holders of the Convertible Series C Preferred Shares and Convertible Series D Preferred Shares have:

- (i) options to request Cloopen to redeem the Convertible Series C Preferred Shares and Convertible Series D Preferred Shares at the prices equal to the greater of the issue prices with an 8% compound interest per annum return plus any accrued but unpaid dividends or the fair values at the dates of redemptions after the earliest of 28 August 2022 or the occurrences of other conditions as provided for under the definitive subscription agreements; and
- (ii) options to convert the Convertible Series C Preferred Shares and Convertible Series D Preferred Shares into ordinary shares of Cloopen at the conversion prices based on certain conditions on the dates of conversions as provided for under the definitive subscription agreements.

The Convertible Series C Preferred Shares and Convertible Series D Preferred Shares, together with the abovementioned options, were classified as financial assets at FVPL and recognised at fair values. The fair values of the Convertible Series C Preferred Shares and Convertible Series D Preferred Shares were valued by an independent valuer at the date of initial inception and on 31 December 2020.

The carrying amounts of the unlisted convertible preference shares are denominated in US\$.

(c) Listed trading securities in Hong Kong

The fair value of the listed trading securities is based on their current bid prices in an active market and their carrying amount is denominated in HK\$.

Changes in fair value of financial assets at FVPL are recorded in ‘other gains, net’ in the consolidated income statement.

10 LOAN RECEIVABLES

Loan receivables are amounts due from customers in the ordinary course of the micro-lending and factoring business, unsecured and primarily denominated in RMB.

(a) Aging analysis of loan receivables

The aging analysis of loan receivables based on the payment due date is as follows:

	As at 31 December	
	2020 HK\$'000	2019 HK\$'000
Current	1,038,283	369,971
1 to 3 months past due	10,658	24,659
Over 3 months past due	39,078	33,738
Loan receivables, gross	1,088,019	428,368
Less: Provision for impairment of loan receivables	(44,940)	(43,240)
	<u>1,043,079</u>	<u>385,128</u>
Non-current	54	–
Current	1,043,025	385,128
	<u>1,043,079</u>	<u>385,128</u>

The analysis of changes in the gross carrying amount and the corresponding provision for impairment of loan receivables in relation to loan receivables are as follows:

	As at 31 December 2020			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Loan receivables, gross	1,038,181	10,760	39,078	1,088,019
Less: Provision for impairment of loan receivables	(2,607)	(3,255)	(39,078)	(44,940)
Loan receivables, net	<u>1,035,574</u>	<u>7,505</u>	<u>–</u>	<u>1,043,079</u>
	As at 31 December 2019			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Loan receivables, gross	368,409	26,221	33,738	428,368
Less: Provision for impairment of loan receivables	(2,217)	(7,285)	(33,738)	(43,240)
Loan receivables, net	<u>366,192</u>	<u>18,936</u>	<u>–</u>	<u>385,128</u>

During the year ended 31 December 2020, based on management's assessment, the Group recorded credit impairment loss of HK\$67,026,000 (2019: HK\$44,124,000) in the consolidated income statement. Loan receivables of HK\$68,203,000 (2019: HK\$32,836,000), which are still subject to enforcement activity, were determined as uncollectible and were written off against loan receivables during the year ended 31 December 2020.

(b) Effective interest rates on loan receivables

The effective interest rates on loan receivables are normally as follows:

	For the year ended 31 December	
	2020	2019
Loans to borrowers		
– Before 20 August 2020	5% to 36% p.a.	5% to 36% p.a.
– After 20 August 2020	5% to 4 times of the 1-year LPR	–

Note: In accordance with the notice issued by Supreme People's Court of the PRC, effective from 20 August 2020, the effective interest rate of the loans to borrowers in the micro-lending industry cannot exceed 4 times of the 1-year loan prime rate ("LPR") published by the National Interbank Funding Center of the People's Bank of China (the "PBOC").

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The balance recognised in the consolidated balance sheet is as follows:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Associated companies:		
– PAX Global (<i>Note (a)</i>)	2,393,435	2,103,541
– Good Chain (Chongqing) Technology Co., Ltd. ("Good Chain")	4,108	3,196
– Beijing Suiyun Technology Co., Ltd ("Beijing Suiyun")	3,391	–
– Shenzhen Guofu Yunlian Technology Co., Ltd ("Shenzhen Guofu")	3,568	–
– Beijing Fangyun Technology Co., Ltd ("Beijing Fangyun")	311	–
	2,404,813	2,106,737

The amount of share of results recognised in the consolidated income statement is as follows:

	For the year ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
Associated companies:		
– PAX Global (<i>Note (a)</i>)	302,091	208,848
– Good Chain	656	(153)
– Beijing Suiyun	(173)	–
– Shenzhen Guofu	(6)	–
– Beijing Fangyun	(1,056)	–
	301,512	208,695

(a) Investment in PAX Global

	For the year ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
At 1 January	2,103,541	1,927,772
Share of profit	302,091	208,848
Share of other comprehensive income/(loss)	59,951	(16,756)
Share of other reserves	13,025	12,797
Loss on deemed acquisition and dilution of interest, net (<i>Note ii</i>)	(1,453)	–
Dividend received/receivable	(83,720)	(29,120)
At 31 December	2,393,435	2,103,541

Impairment test for interest in PAX Global

As at 31 December 2020, the fair value of the investment calculated based on the current bid price of PAX Global at the balance sheet date is higher than its carrying value.

As at 31 December 2019, the fair value of the investment calculated based on the current bid price of PAX Global at the balance sheet date is less than its carrying value. An impairment test is performed to determine the recoverable amount of the investment. The recoverable amount, which was assessed by an independent valuer on a value-in-use basis calculated by a discounted cash flow model, exceeds the carrying value as at 31 December 2019.

As at 31 December 2020, the Group's interest in PAX Global was 33.31% (2019: 33.09%).

There are no contingent liabilities and commitments to provide funding relating to the Group's interest in PAX Global.

Note i: PAX Global is principally engaged in the development and sales of electronic funds transfer point-of-sales (“E-payment Terminals”) products, provision of maintenance and installation services (collectively, the “E-payment Terminals solution business”).

Note ii: During the year, PAX Global repurchased a total of 20,283,000 ordinary shares (2019: nil) on the Stock Exchange. Such repurchased shares were subsequently cancelled during the year. Certain employees of PAX Global exercised their share options granted pursuant to a share option scheme set up on 2 May 2019. A net loss on deemed acquisition and dilution of interest in an associated company of HK\$1,044,000 (2019: nil) was recognised in the consolidated income statement, including release of reserve debited to the consolidated income statement of HK\$409,000 (2019: nil). The Group's interest in PAX Global increased from 33.09% to 33.31% accordingly.

(b) Investment in Cloopen

Set out below is an associated company of the Group as at 31 December 2020 – Cloopen. As at 31 December 2020, the carrying value of Cloopen is zero (2019: zero) which is not considered as material to the consolidated financial statements of the Group. Cloopen has share capital consisting of class A ordinary share, class B ordinary share, series A convertible preferred shares, series B convertible preferred shares, series C convertible preferred shares, series D convertible preferred shares, series E convertible preferred shares and series F convertible preferred shares.

As at 31 December 2020, the Group's effective interest in the ordinary shares of Cloopen, calculated based on all issued and outstanding ordinary shares of Cloopen which are held by the Group, is 46.79% (2019: 50.51%).

There are no contingent liabilities and commitments to provide funding relating to the Group's interest in Cloopen.

The interest in Cloopen was initially measured at fair value. The carrying amount was increased or decreased to recognise the Group's share of the profit or loss and movements in other comprehensive income or loss of the interest in Cloopen to the extent the carrying amount of the interest in Cloopen reduced to nil due to losses, after the initial recognition. As at 31 December 2020, the Group's share of loss of Cloopen exceeded its interest in the ordinary shares of Cloopen, there are no overall financial impact on the consolidated income statement from the investment for the year. As at 31 December 2020, the recognised share of loss of the interest in Cloopen is HK\$2,723,740,000 (2019: HK\$582,356,000).

12 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current portion		
Trade receivables (<i>Note (a)</i>)	236,974	210,103
Bills receivables (<i>Note (b)</i>)	51,291	16,922
Less: provision for impairment of receivables (<i>Note (c)</i>)	<u>(14,371)</u>	<u>(14,851)</u>
	<u>273,894</u>	<u>212,174</u>

The carrying amounts approximate their fair values. The carrying amounts of the trade and bills receivables are denominated in the following currencies:

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	10,561	16,217
RMB	258,284	193,866
US\$	2,670	363
Macanese pataca (“MOP”)	<u>2,379</u>	<u>1,728</u>
	<u>273,894</u>	<u>212,174</u>

(a) Trade receivables

The Group’s credit terms to trade debtors normally range from 0 to 180 days. The ageing analysis of the trade receivables primarily based on invoice date was as follows:

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	194,298	166,857
91 to 180 days	7,955	11,831
181 to 365 days	11,185	4,910
Over 365 days	<u>23,536</u>	<u>26,505</u>
	<u>236,974</u>	<u>210,103</u>

As at 31 December 2020, trade receivables included retention money receivables of HK\$11,174,000 (2019: HK\$11,079,000), which represents approximately 10% to 20% (2019: 10% to 20%) of the relevant contract sum granted to certain customers in the PRC that have a retention period of normally one year. As at 31 December 2020, the retention money receivables aged over 365 days primarily based on invoice date amounted to HK\$1,341,000 (2019: HK\$7,723,000).

(b) **Bills receivables**

The balance represents bank acceptance notes with maturity dates within six months. The maturity profile of the bills receivables of the Group is as follows:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Falling within 90 days	51,291	3,425
Falling within 91 to 180 days	–	13,497
	51,291	16,922

(c) **Impairment and risk exposure**

The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics. Future cash flows for each group receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information.

Movement on the provision for impairment of trade receivables are as follows:

	For the year ended	
	31 December	
	2020	2019
At 1 January	14,851	10,463
Credit impairment loss	150	4,676
Write off	(1,560)	–
Exchange realignment	930	(288)
At 31 December	14,371	14,851

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

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

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Current portion		
Trade payables (<i>Note (a)</i>)	512,622	438,993
Bills payables (<i>Note (b)</i>)	14,182	294
	<hr/>	<hr/>
	526,804	439,287
Payables for payment processing solutions business (<i>Note (c)</i>)	828,619	599,389
Other payables and accruals (<i>Note (d)</i>)	1,013,991	1,029,432
	<hr/>	<hr/>
	2,369,414	2,068,108
	<hr/> <hr/>	<hr/> <hr/>

Trade and bills payables, payables for payment processing solutions business and other payables and accruals are denominated in the following currencies:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
HK\$	55,004	54,848
RMB	2,313,024	2,013,260
USD	1,386	–
	<hr/>	<hr/>
	2,369,414	2,068,108
	<hr/> <hr/>	<hr/> <hr/>

Notes:

(a) Trade payables

As at 31 December 2020 and 2019, the ageing analysis of the trade payables primarily based on invoice date was as follows:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Current to 90 days	462,757	402,025
91 to 180 days	30,489	1,859
181 to 365 days	9,898	24,544
Over 365 days	9,478	10,565
	<hr/>	<hr/>
	512,622	438,993
	<hr/> <hr/>	<hr/> <hr/>

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

(b) **Bills payables**

The balance represents bank acceptance notes:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Due within 90 days	4,878	294
Due within 91 to 180 days	9,304	–
	<u>14,182</u>	<u>294</u>

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

Payables for payment processing solutions business mainly represent payment received from the relevant banks and financial institutions on behalf of the merchants. The amounts are generally due for settlement within 30 days and is denominated in RMB.

(d) **Other payables and accruals**

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Accrued staff costs and pension obligations	302,642	287,402
Deposits	50,373	62,250
Receipt in advance from customers (<i>Note i</i>)	27,932	73,389
Advance from merchant recruitment agents	415,261	370,337
Others	217,783	236,054
	<u>1,013,991</u>	<u>1,029,432</u>

Note:

- (i) A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. The Group recognised its contract liabilities under other payables and accruals as receipt in advance from customers in the consolidated balance sheet.

Revenue recognised during the year ended 31 December 2020 that was included in the contract liability balance at the beginning of the year amounted to HK\$69,592,000 (2019: HK\$173,354,000).

The decrease in receipt in advance from customers was mainly due to decrease in advances from merchants under the payment processing solutions segment.

14 WRITTEN PUT OPTION LIABILITIES

	For the year ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
At 1 January	683,908	–
Issuance of written put option	78,824	676,494
Unwinding of discount	61,001	7,414
Exchange realignment	7,474	–
Total	<u>831,207</u>	<u>683,908</u>
	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Written put option liabilities		
– VBill (Cayman) (Note (a))	738,620	683,908
– Megahunt HK (Note (b))	92,587	–
Total	<u>831,207</u>	<u>683,908</u>

Notes:

- (a) In 2019, the Company, certain shareholders of VBill OPCO, including Shen Zheng (also acts as the director of VBill (Cayman)), Li Huimin, Xue Guangyu and Ge Xiaoxia (collectively the “VBill Management Shareholders”), ELECTRUM B.V. (the “VBill Investor”), VBill (Cayman) and VBill OPCO entered into a subscription agreement (the “VBill Subscription”), pursuant to which, the VBill Investor had agreed to acquire approximately 11.21% effective shareholding in VBill OPCO through subscription of the issued shares of VBill (Cayman) at a subscription price of RMB588,000,000 (equivalent to HK\$676,494,000).

As a part of the VBill Subscription, VBill (Cayman) would grant a put option, which the VBill Investor could request VBill (Cayman) to repurchase, redeem and/or cancel all the VBill (Cayman)'s shares held by the VBill Investor at its discretion from 31 December 2023 to 31 December 2025 under certain conditions at an exercise price of RMB588,000,000 (equivalent to HK\$676,494,000) plus 8.0% interest per annum. The VBill Subscription was completed on 12 November 2019.

The fair value of the written put option liability is based on the present value of the exercise price of RMB588,000,000 (equivalent to HK\$676,494,000) plus 8.0% interest per annum, by applying a discount rate of 8%, and on the assumption that the put option will be redeemable on 31 December 2023. The written put option liability was denominated in US\$ and classified under non-current liabilities.

- (b) In 2019, the Company, Megahunt, Megahunt HK, the management team members and certain investors entered into a subscription agreement (the “Megahunt Subscription”). The management team members include Li Li, Liu Zhan-li, Xu Changjun, Xu Wensheng, Yang Lei, Hui Lok Yan and Song Jie. The investors include Wonder Pax Technology (Shenzhen) Co. Ltd (a subsidiary of PAX Global), 上海聚源聚芯集成電路產業股權投資基金中心(有限合夥), 芯聯芯(平潭綜合實驗區)科技投資中心(有限合夥)(collectively the “Megahunt Investors”). Pursuant to the Megahunt Subscription, the Megahunt Investors have conditionally agreed to subscribe for an aggregate of approximately 14.55% of the enlarged registered capital of Megahunt at a subscription price of RMB80,000,000 (equivalent to HK\$87,441,000).

As a part of the Megahunt Subscription, Megahunt HK would grant a put option, which the Megahunt Investors could request Megahunt HK to repurchase all the Megahunt’s shares held by the Megahunt Investor at its discretion from 31 December 2023 to 31 December 2025 under certain conditions at an exercise price of RMB80,000,000 (equivalent to HK\$87,441,000) plus 8.0% interest per annum. The Megahunt Subscription was completed on 30 March 2020 (Note 15).

On 30 March 2020, a written put option liability of approximately HK\$78,824,000 was recognised at its fair value in the consolidated balance sheet, with a corresponding entry of the same amount recognised within equity ‘other reserves’. Its fair value is based on the present value of the exercise price of RMB80,000,000 (equivalent to HK\$87,441,000) plus 8.0% interest per annum, by applying a discount rate of 10.34%, and on the assumption that the put option will be redeemable on 31 December 2023. The discount rate was assessed by an independent valuer as at 30 March 2020. The written put option liability was denominated in RMB and classified under non-current liabilities.

15 DEEMED DISPOSALS OF SHARES OF SUBSIDIARIES

(a) Deemed disposal of Megahunt

Save as disclosed in Note 14, the Megahunt Subscription was completed on 30 March 2020. Upon the completion of the Megahunt Subscription, Megahunt remains as a subsidiary of the Group. The Group was deemed to have disposed of approximately 11.19% of Megahunt from 76.92% to approximately 65.73%.

(b) Deemed disposal of CodeOne Data Limited

In 2020, VBill (Cayman), VBill Management Shareholders and CodeOne Data Limited (“CodeOne”) (a subsidiary of the Group) entered into a subscription agreement (the “CodeOne Subscription”), pursuant to which, the VBill Management Shareholders had agreed to acquire approximately 17.72% effective shareholding in CodeOne through subscription of the issued shares of CodeOne at a subscription price of HK\$1,772,000. The CodeOne Subscription was completed on 30 March 2020. Upon the completion of the CodeOne Subscription, CodeOne remains as a subsidiary of the Group. The Group was deemed to have disposed of approximately 17.72% of CodeOne from 100% to approximately 82.28%.

(c) Deemed disposal of Shenzhen Hi Sun FinTech Global Limited

In 2020, ABS, certain management team members and Shenzhen Hi Sun FinTech Global Limited (“Shenzhen Hi Sun”) (a subsidiary of the Group) entered into a subscription agreement (the “Shenzhen Hi Sun Subscription”), pursuant to which, the management team members had agreed to acquire approximately 30% effective shareholding in Shenzhen Hi Sun through subscription of the issued shares of Shenzhen Hi Sun at a subscription price of RMB6,000,000 (equivalent to HK\$6,543,000).

The Shenzhen Hi Sun Subscription was completed on 10 April 2020. Upon the completion of the Shenzhen Hi Sun Subscription, Shenzhen Hi Sun remains as a subsidiary of the Group. The Group was deemed to have disposed of 30% of Shenzhen Hi Sun from 100% to 70%.

(d) Deemed disposal of Hi Sun FinTech Global Limited

In 2020, Emerging Technology Limited (a subsidiary of the Group) and Shenzhen Hi Sun entered into an agreement (the “Hi Sun FinTech Agreement”), pursuant to which, Shenzhen Hi Sun had agreed to purchase 100% equity interest of Hi Sun FinTech Global Limited (“Hi Sun FinTech”) from Emerging Technology Limited at nil consideration.

The Hi Sun FinTech Agreement was completed on 7 October 2020. Upon the completion of the Hi Sun FinTech Agreement, Hi Sun FinTech remains as a subsidiary of the Group. The Group’s interest in Hi Sun FinTech decreased from 100% to 70% accordingly.

Gain on deemed disposals of shares of subsidiaries is calculated as follows:

	For the year ended 31 December 2020 HK\$’000
(a) Megahunt Subscription	
Proceeds received from the Megahunt Subscription	87,441
<i>Less:</i> recognition of non-controlling interests	(47,160)
<i>Less:</i> proportionate share of accumulated currency translation differences re-attributed to non-controlling interests	(1,697)
<i>Less:</i> directly attributable transaction costs	(437)
	<hr/>
Gain on deemed disposal of Megahunt recognised in other reserves	38,147
	<hr style="border-top: 1px dashed black;"/>
(b) CodeOne Subscription	
Proceeds received from the CodeOne Subscription	1,772
<i>Less:</i> recognition of non-controlling interests	(1,256)
<i>Less:</i> directly attributable transaction costs	(150)
	<hr/>
Gain on deemed disposal of CodeOne recognised in other reserves	366
	<hr style="border-top: 1px dashed black;"/>
(c) Shenzhen Hi Sun Subscription	
Proceeds received from the Shenzhen Hi Sun Subscription	6,543
<i>Less:</i> recognition of non-controlling interests	(6,203)
	<hr/>
Gain on deemed disposal of Shenzhen Hi Sun recognised in other reserves	340
	<hr style="border-top: 1px dashed black;"/>
(d) Hi Sun FinTech Agreement	
Recognition of non-controlling interests	921
	<hr/>
Gain on deemed disposal of Hi Sun FinTech recognised in other reserves	921
	<hr style="border-top: 1px dashed black;"/>
Gain on deemed disposals of shares of subsidiaries	39,774
	<hr style="border-top: 3px double black;"/>

Set out below is the summary of the impact on other reserves in respect of the deemed disposals of shares of subsidiaries and the written put option liability:

	Other reserves <i>HK\$'000</i>
Gain on deemed disposals of shares of subsidiaries	39,774
Initial recognition of the written put option liability of Megahunt	<u>(78,824)</u>
	<u><u>(39,050)</u></u>

In the consolidated cash flow statement, net cash inflow from deemed disposals of HK\$95,169,000 represents proceeds received from the Megahunt Subscription, CodeOne Subscription and Shenzhen Hi Sun Subscription of HK\$87,441,000, HK\$1,772,000 and HK\$6,543,000 respectively, less the directly attributable transaction costs of Megahunt Subscription of HK\$437,000 and CodeOne Subscription of HK\$150,000, respectively.

16 EVENTS AFTER THE BALANCE SHEET DATE

On 19 January 2021 (New York Time), Cloopen made a public filing of its registration statement (the “Registration Statement”) pursuant to the United States Securities Act of 1933, as amended, with the United States Securities and Exchange Commission (the “SEC”) in connection with its proposed listing and offering (the “Cloopen Transaction”) of its American depositary shares (“ADSs”) on the New York Stock Exchange (“NYSE”). The trading in the ADSs on NYSE commenced on 9 February 2021 (New York time). The Convertible Series C Preferred Shares and Convertible Series D Preferred Shares (“CPS”) held by the Group were converted into ordinary shares of Cloopen.

Immediately upon completion of the offering of the ADSs on 9 February 2021 and the conversion of the CPS into the ordinary shares, the equity interest of the Company in Cloopen was diluted and reduced to 17.42% and Cloopen ceased to be an associate of the Group. The CPS which were previously classified as financial assets at FVPL were derecognised and the listed shares of Cloopen were accounted for at fair value with reference to the trading price with the corresponding gain of the recognition of the listed ordinary shares credited to profit or loss. Upon completion of the offering of the ADSs on 9 February 2021, the Group’s interest in Cloopen was classified as a financial asset at FVOCI, with subsequent fair value movement recognised in other comprehensive income.

On 8 March 2021, the interest of the Company in Cloopen was further diluted and reduced to 17.10% after the full exercise of the over-allotment option by the underwriters.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any Shares of the Company during the year ended 31 December 2020.

DIVIDEND

No dividend was paid or declared by the Company for the year ended 31 December 2020 (2019: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles (the "Principles") and code provisions (the "Code Provisions") in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules.

In formulating and implementing its corporate governance practices and standards, the Company has applied the Principles and complied with all applicable Code Provisions for the year ended 31 December 2020.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a written code regulating directors' and senior management's securities transactions, on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry had been made to all directors of the Company and the directors have confirmed that they have complied with the required standard as set out in Model Code and the Group's code through the year and up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

SUBSEQUENT EVENTS

Reference is made to the announcements of the Company dated 20 January 2021, 4 February 2021 and 10 February 2021. On 19 January 2021 (New York Time), Cloopen Group Holding Limited (“Clopen”), made a public filing of its registration statement pursuant to the United States Securities Act of 1933, as amended, with the United States Securities and Exchange Commission in connection with its proposed listing and offering of its American depositary shares (“ADSs”) on the New York Stock Exchange (“NYSE”). The trading in the ADSs on NYSE commenced on 9 February 2021 (New York time). Immediately upon completion of the offering of the ADSs on 8 March 2021, the shareholding of the Company in Cloopen was diluted and reduced to 17.10%. The Group’s interest in Cloopen is accounted for as financial assets at fair value through other comprehensive income.

Save as disclosed above, no other important event affecting the Group has occurred since the end of YEAR 2020.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group’s consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The announcement will be published on the Company’s website at www.hisun.com.hk and the website of the Stock Exchange at www.hkexnews.hk. The Annual Report 2020 will be despatched to all shareholders and available on the above websites in due course.

By Order of the Board
Hi Sun Technology (China) Limited
Hui Lok Yan
Company Secretary

Hong Kong, 29 March 2021

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