THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Hi Sun Technology (China) Limited** ("**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser, the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

HI SUN TECHNOLOGY (CHINA) LIMITED

高陽科技（中國）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 818)

MAJOR TRANSACTION: GRANT OF PUT OPTION BY VBILL (CAYMAN) TO THE INVESTOR AND NOTICE OF SPECIAL GENERAL MEETING

A notice convening a special general meeting of the Company to be held at Room 2515, 25th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong at 3:00 p.m. on Thursday, 18 July 2019 ("**SGM**") is set out on pages SGM-1 to SGM-3 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of the Company at Room 2515, 25th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting in person at the SGM or any adjourned meeting if they so wish.

21 June 2019

* *for identification purpose only*

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In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

"2014 Share Option Agreement"	the options agreement dated 3 January 2014 entered into between VBill OPCO, Chongqing JIM and the Management Shareholders, further details of which are set out in the circular of the Company dated 28 January 2014
"Acquisition"	the increase in the Group's shareholding interest in VBill (Cayman) as a result of the exercise of the Put Option by the Investor
"Actual Net Profit Figure"	the actual consolidated net profit of VBill OPCO as set out in the audited consolidated financial information of VBill OPCO for the year ended 31 December 2018 as adjusted by adding back the fees, costs and expenses incurred by VBill OPCO in relation to the grant or exercise of share options pursuant to the Existing ESOP
"Agreed Exchange Rate"	RMB1.0:US$0.1475 (or US$1.0:RMB6.7819, as applicable)
"Agreement of Pledge"	the agreement on pledge of receivables and guarantee dated 21 May 2019 entered into between the Investor, VBill (Cayman) and the WFOE
"Beijing Hi Sunsray"	北京高陽聖思園信息技術有限公司 (unofficial English translation for identification purpose only, being Beijing Hi Sunsray Information Technology Limited)
"Board"	the board of Directors
"Business Day(s)"	any day (other than a Saturday or Sunday or public holiday) on which banks in the Cayman Islands, the BVI, Bermuda, Hong Kong and the PRC are open for the transaction of normal business
"BVI"	the British Virgin Islands
"China Mobile group"	any person controlling, controlled by or under common control with China Mobile Limited
"Chongqing JIM"	Chongqing JIM Mobile Business Co., Ltd（重慶結行移動商務有限公司）

"Chongqing JIM Contracts"	all subcontracting, service or other contracts to be entered into between Chongqing JIM and a member of the Group to facilitate the Chongqing JIM Restructuring
"Chongqing JIM Group"	the group of companies comprising Chongqing JIM and its subsidiaries for the three years ended 31 December 2018
"Chongqing JIM Restructuring"	has the meaning given to it in the section headed "4. INFORMATION OF VBILL (CAYMAN) GROUP" in the Letter from the Board in this circular
"Chongqing JIM Restructuring Completion Date"	the date of the notice issued by the Company to the Investor upon the completion of the Chongqing JIM Restructuring
"Chongqing JIM VIE Restructuring"	the restructuring relating to Chongqing JIM and VBill OPCO and the VIE structure under the Existing JIM Control Documents pursuant to the terms of the Subscription Agreement, details of which are disclosed in the VIE Restructuring Announcement
"Circular 37"	the Notice on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles issued by SAFE with effect from 14 July 2014, and any applicable laws of the PRC in force from time to time which operate to restate, amend or repeal the aforesaid Circular 37 or any part thereof
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Company"	Hi Sun Technology (China) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 818)
"Completion"	completion of the Subscription contemplated under the Subscription Agreement
"Completion Date"	has the meaning given to it in the section headed "2. DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION" of Letter from the Board in this circular
"connected person"	has the meaning ascribed to it under the Listing Rules

"connected transactions"	has the meaning ascribed to it under the Listing Rules
"continuing connected transactions"	has the meaning ascribed to it under the Listing Rules
"contractual arrangements"	the contractual arrangements under the Existing JIM Control Documents and the New Control Documents, as the case may be, using the VIE structure
"Controlling Group" or "Controlling Group Members"	the Management Shareholders and the Company, and "Controlling Group Member" means any one of them
"Deemed Disposal"	has the meaning given to it in the section headed "2. DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION" of Letter from the Board in this circular
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group immediately after completion of the Acquisition as contemplated under the Put Option
"EQT"	EQT AB and/or the general partners and managers of the various EQT branded funds (as the context requires)
"EQT MM Asia Fund"	EQT Mid Market Asia III Limited Partnership, a limited partnership under the laws of England and Wales, having its office address at Cornelis Schuytstraat 74, 1071 JL Amsterdam, the Netherlands, registered with Companies House under number LP017107, represented by its general partner, EQT Mid Market Asia III GP B.V., a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands, having its official seat in Amsterdam, the Netherlands, and its office address at Cornelis Schuytstraat 74, 1071 JL Amsterdam, the Netherlands, registered with the commercial register of the Chambers of Commerce under number 64683869, being the owner of the Investor
"EQT Partners"	EQT Partners AB and certain of its subsidiaries which act as professional investment advisers to EQT

"ESOP Restructuring"	has the meaning given to it in the section headed "2. DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION" of Letter from the Board in this circular
"ESOP Shares"	has the meaning given to it in the section headed "2. DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION" of Letter from the Board in this circular
"Existing ESOP"	the share option scheme of VBill OPCO which was approved and adopted at the special general meeting of the Company held on 5 February 2018, the detailed terms and conditions of which are contained in the announcement of the Company dated 15 January 2018 and the circular of the Company dated 19 January 2018
"Existing JIM Control Documents"	the following contracts collectively: (i) the cooperation framework agreement dated 28 May 2010 by and among Shanghai JIM, Chongqing JIM, Zhou and Na, (ii) the management consulting service agreement dated 28 May 2010 by and between Shanghai JIM and Chongqing JIM, (iii) the intangible asset agreement dated 28 May 2010 by and between Shanghai JIM and Chongqing JIM, (iv) the technology license agreement dated 28 May 2010 by and between Shanghai JIM (as the licensor) and Chongqing JIM (as the licensee), (v) the technology license agreement dated 28 May 2010 by and between Chongqing JIM (as the licensor) and Shanghai JIM (as the licensee), (vi) the exclusive option agreement dated 28 May 2010 by and among Shanghai JIM, Chongqing JIM, Zhou and Na, (vii) the equity interest pledge agreement dated 28 May 2010 by and between Shanghai JIM and each of Zhou and Na, (viii) the loan agreement dated 28 May 2010 by and between Shanghai JIM and each of Zhou and Na respectively, and (ix) the power of attorney issued by each of Zhou and Na to Shanghai JIM on 28 May 2010
"Existing JIM VIE Termination Agreement"	the agreement dated 21 May 2019 and entered into by and among Shanghai JIM, Chongqing JIM, Zhou and Na to terminate the Existing JIM Control Documents
"Exit"	has the meaning given to it in the section headed "3. MAJOR TRANSACTION – GRANT OF THE PUT OPTION" of Letter from the Board in this circular

"Exit Bonus of Management Shareholders"	has the meaning given to it in the section headed "7. SIDE LETTER" of Letter from the Board in this circular
"Ge"	Ms. Ge Xiaoxia, a PRC national
"Ge Holdco"	Just Pay Technology Limited, a company incorporated in the BVI with limited liability wholly-owned by Ge
"Group"	the Company and its subsidiaries from time to time
"Guarantee"	has the meaning given to it in the section headed "3. MAJOR TRANSACTION – GRANT OF THE PUT OPTION" of Letter from the Board in this circular
"Guarantor"	has the meaning given to it in the section headed "3. MAJOR TRANSACTION – GRANT OF THE PUT OPTION" of Letter from the Board in this circular
"Guo"	Mr. Guo Yi, a PRC national
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards as applicable from time to time
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Hunan Yunrong"	湖南雲融信息技術有限公司 (unofficial English translation for identification purpose only, being Hunan Yunrong Information Technology Co., Ltd.), a company incorporated in the PRC with limited liability
"ICP Licence"	Internet Content Provider License（電信與信息服務業務經營許可證）issued by the Ministry of Industry and Information Technology of the PRC（中華人民共和國工業和信息化部）to permit websites based in PRC to operate in the PRC
"Indemnity Claims"	certain indemnities given in favour of the Investor under the Subscription Agreement which relates to (among other things) tax liability, and the contractual arrangements under the Existing JIM Control Documents and the New JIM Control Documents

"Independent Third Party(ies)"	third party(ies) independent of the Company and its connected persons
"Investor"	ELECTRUM B.V., a *besloten vennootschap* incorporated in the Netherlands
"Investor's Earn-Out"	has the meaning given to it in the section headed "7. SIDE LETTER" of Letter from the Board in this circular
"IRR"	the annual rate based on a 365-day period used to discount all the relevant cash flows to the Completion Date such that the net present value of such aggregate cash flows equals zero, and all fees, costs, expenses and taxes incurred and paid by the Investor or its affiliates shall be taken into account when determining such internal rate of return
"JIM Business Cooperation Agreement"	the business cooperation agreement entered into by and among Chongqing JIM, WFOE, Zhou, Na and the Management Shareholders on 21 May 2019
"JIM Confirmation and Guarantee Letter"	the confirmation and guarantee letter executed by each of Zhou, Na and the Management Shareholders on 21 May 2019
"JIM Equity Interest Pledge Agreement"	the equity interest pledge agreement entered into by and among WFOE, Chongqing JIM, Zhou, Na and the Management Shareholders on 21 May 2019
"JIM Exclusive Option Agreement"	the exclusive option agreement entered into by and among WFOE, Chongqing JIM, Zhou, Na and the Management Shareholders on 21 May 2019
"JIM Master Exclusive Service Agreement"	the master exclusive service agreement entered into between WFOE and Chongqing JIM on 21 May 2019
"JIM Proxy Agreement and Power of Attorney"	the proxy agreement and power of attorney entered into by and among WFOE, Chongqing JIM, Zhou, Na and the Management Shareholders on 21 May 2019
"JIM Spousal Consent"	the spousal consents executed by the spouse of each of Na and the Management Shareholders on 21 May 2019

"Latest Practicable Date"	17 June 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Li"	Mr. Li Huimin, a PRC national
"Li Holdco"	Kapok Technology Limited, a company incorporated in the BVI with limited liability wholly-owned by Li
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Longstop Date"	30 September 2019 (or such other date as may be agreed among the parties to the Subscription Agreement)
"Management Shareholders"	Shen, Li, Xue and Ge collectively
"Management Shareholders Holdcos"	Shen Holdco, Li Holdco, Xue Holdco and Ge Holdco collectively
"Material Adverse Change"	any change, effect, event, occurrence or state of facts which results, or is likely to result, in a material adverse change to the financial, legal or business condition of Chongqing JIM, VBill OPCO and its subsidiaries
"Na"	Mr. Na Wei, a PRC national
"New Control Documents"	collectively, the New JIM Control Documents and the Yunrong Control Documents
"New JIM Control Documents"	the following contracts collectively: (i) the JIM Master Exclusive Service Agreement, (ii) the JIM Business Cooperation Agreement, (iii) the JIM Exclusive Option Agreement, (iv) the JIM Proxy Agreement and Power of Attorney, (v) the JIM Equity Interest Pledge Agreement, (vi) the JIM Confirmation and Guarantee Letter, and (vii) the JIM Spousal Consent
"Original Subscription Agreement"	the subscription agreement entered into by and among VBill (Cayman), the Company, the Management Shareholders, the Investor and VBill OPCO on 12 February 2019 in relation to the subscription of VBill Shares by the Investor

"Payment Business License"	any payment business licence (支付業務許可證) held by VBill OPCO from time to time in respect of any province of the PRC
"PRC"	the People's Republic of China and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"Proposed Grantees"	Shen, Li and Guo, to whom certain options for subscription of equity interests in VBill OPCO were granted and outstanding under the Existing ESOP
"Put Option"	has the meaning given to it in the section headed "3. MAJOR TRANSACTION – GRANT OF THE PUT OPTION" of Letter from the Board in this circular
"Put Price"	has the meaning given to it in the section headed "3. MAJOR TRANSACTION – GRANT OF THE PUT OPTION" of Letter from the Board in this circular
"Qualified IPO"	has the meaning given to it in the section headed "3. MAJOR TRANSACTION – GRANT OF THE PUT OPTION" of Letter from the Board in this circular
"Restatement Agreement"	the amendment and restatement agreement entered into by and among the Company, the Investor, the Management Shareholders, VBill OPCO and VBill (Cayman) on 21 May 2019 to amend and restate the Original Subscription Agreement
"Restructuring"	the restructuring of the existing group of companies comprising Chongqing JIM, Hunan Yunrong, VBill OPCO and their respective subsidiaries before the Completion as summarised in the section headed "2. DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION" of Letter from the Board in this circular
"RMB"	Renminbi, the lawful currency of the PRC
"SA Announcement"	the announcement of the Company dated 12 February 2019, as supplemented by the announcement of the Company dated 21 May 2019, relating to the Subscription Agreement, ancillary agreements to the Subscription Agreement and the transactions contemplated thereunder

"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SFO"	Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held at Room 2515, 25th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong on Thursday, 18 July 2019 at 3:00 p.m.
"SGM Notice"	the notice convening the SGM, which is set out on pages SGM-1 to SGM-3 of this circular
"Shanghai JIM"	結行信息技術(上海)有限公司 (unofficial English translation for identification purpose only, being JIM Information Technology (Shanghai) Co., Ltd.)
"Share Swap Agreement"	the agreement dated 21 May 2019 entered into by and among the Management Shareholders, Chongqing JIM, VBill OPCO, Zhou and Na on 21 May 2019 for the share swap of equity interest in Chongqing JIM and VBill OPCO
"Shareholder(s)"	the shareholder(s) of the Company
"Shareholders' Agreement"	the shareholders' agreement dated 21 May 2019 and entered into by and among the Company, the Management Shareholders, the Management Shareholders Holdcos, the Investor, VBill (Cayman), WFOE, Chongqing JIM and VBill OPCO
"Shen"	Mr. Shen Zheng, a PRC national
"Shen Holdco"	Delia and Grace Technology Limited, a company incorporated in the BVI with limited liability wholly-owned by Shen
"Side Letter"	a side letter entered into by and among the Investor, the Management Shareholders Holdcos and the Management Shareholders on 12 February 2019 which was amended and restated by a restatement agreement on 21 May 2019
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Subscription"	the subscription of the Subscription Shares by the Investor pursuant to the Subscription Agreement
"Subscription Agreement"	the Original Subscription Agreement as amended and restated by the Restatement Agreement on 21 May 2019
"Subscription Price"	the subscription price payable by the Investor for the Subscription Shares in the amount of RMB588,000,000
"Subscription Shares"	the 1,263 VBill Shares to be issued and allotted by VBill (Cayman) to the Investor at Completion pursuant to the Subscription Agreement
"Third Party Purchaser"	any prospective bona fide third party purchaser of the VBill Shares in an arm's length transaction that is not an affiliate of such VBill (Cayman) Shareholder
"Transaction Documents"	the Subscription Agreement, the Shareholders' Agreement, the Agreement of Pledge, the New JIM Control Documents, and any other document or agreement in connection with the transaction contemplated therein
"US$"	United States dollars, the lawful currency of the United States of America
"VBill (BVI)"	VBill Technology Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of VBill (Cayman)
"VBill (Cayman)"	VBill Limited, a company incorporated in the Cayman Islands with limited liability
"VBill (Cayman) Group"	collectively VBill (Cayman), VBill (BVI), VBill (HK), WFOE, Chongqing JIM, VBill OPCO and their respective subsidiaries from time to time after the Completion Date, and "VBill (Cayman) Group Company" shall mean any of them
"VBill (Cayman) Shareholders"	shareholders of VBill (Cayman) from time to time
"VBill (HK)"	VBill HK Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of VBill (BVI)

"VBill Group"	VBill OPCO and its subsidiaries from time to time
"VBill Offshore Group"	VBill (Cayman) and VBill (BVI) collectively
"VBill OPCO"	隨行付支付有限公司 (unofficial English translation for identification purpose only, being VBill Payment Co. Ltd.)
"VBill Shares"	ordinary shares of par value US$1 each in the capital of VBill (Cayman) issued and outstanding from time to time
"VIE"	variable interest entity, being an entity (the investee) in which the investor holds a controlling interest that is not based on the majority of voting rights
"VIE Restructuring"	the restructuring implemented by the Group on 21 May 2019 which consists of the Yunrong Restructuring and the Chongqing JIM VIE Restructuring
"VIE Restructuring Announcement"	the announcement of the Company dated 21 May 2019 relating to the VIE Restructuring
"Warranty Claim"	a claim by the Investor in respect of certain representations and warranties given by VBill OPCO, VBill (Cayman), the Management Shareholders and the Company under the Subscription Agreement
"Wei"	Mr. Wei Mingliang, a PRC national
"WFOE"	北京微碼數據科技有限公司 (unofficial English translation for identification purpose only, being Beijing Microcode Data Technology Co., Ltd.), a wholly-foreign owned enterprise incorporated under the laws of the PRC
"Xue"	Mr. Xue Guangyu, a PRC national
"Xue Holdco"	Yuteng Technology Limited, a company incorporated in the BVI with limited liability wholly-owned by Xue
"Yunrong Business Cooperation Agreement"	the business cooperation agreement entered into by and among Beijing Hi Sunsray, Hunan Yunrong, Zhang and Wei on 21 May 2019
"Yunrong Confirmation and Guarantee Letter"	the confirmation and guarantee letter executed by each of Zhang and Wei on 21 May 2019

"Yunrong Control Documents"	the following contracts collectively: (i) the Yunrong Master Exclusive Service Agreement, (ii) the Yunrong Business Cooperation Agreement, (iii) the Yunrong Exclusive Option Agreement, (iv) the Yunrong Proxy Agreement and Power of Attorney, (v) the Yunrong Equity Interest Pledge Agreement, (vi) the Yunrong Confirmation and Guarantee Letter, and (vii) the Yunrong Spousal Consent
"Yunrong Equity Interest Pledge Agreement"	the equity interest pledge agreement entered into by and among Beijing Hi Sunsray, Hunan Yunrong, Zhang and Wei on 21 May 2019
"Yunrong Exclusive Option Agreement"	the exclusive option agreement entered into by and among Beijing Hi Sunsray, Hunan Yunrong, Zhang and Wei on 21 May 2019
"Yunrong Group"	Hunan Yunrong and its subsidiaries from time to time
"Yunrong Master Exclusive Service Agreement"	the master exclusive service agreement entered into between Beijing Hi Sunsray and Hunan Yunrong on 21 May 2019
"Yunrong Proxy Agreement and Power of Attorney"	the proxy agreement and power of attorney entered into by and among Beijing Hi Sunsray, Hunan Yunrong, Zhang and Wei on 21 May 2019
"Yunrong Restructuring"	the restructuring concerning the Yunrong Group as disclosed in the VIE Restructuring Announcement
"Yunrong Spousal Consent"	the spousal consent executed by the spouse of Zhang on 21 May 2019
"Zhang"	Mr. Zhang Yonggang, a PRC national
"Zhou"	Mr. Zhou Jianhong, a PRC national
"%"	per cent.

HI SUN TECHNOLOGY (CHINA) LIMITED
高陽科技（中國）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 818)

Executive Directors:
Mr. Cheung Yuk Fung *(Chairman)*
Mr. Kui Man Chun *(Chief Executive Officer)*
Mr. Xu Wensheng
Mr. Li Wenjin
Mr. Xu Chang Jun

Independent non-executive Directors:
Mr. Tam Chun Fai
Mr. Leung Wai Man, Roger
Mr. Chang Kai-Tzung, Richard

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Room 2515, 25th Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

21 June 2019

To the Shareholders

Dear Sir or Madam

MAJOR TRANSACTION: GRANT OF PUT OPTION BY VBILL (CAYMAN) TO THE INVESTOR

1. INTRODUCTION

Reference is made to (i) the announcement of the Company dated 12 February 2019, as supplemented by the announcement of the Company dated 21 May 2019 (i.e. the SA Announcement) in relation to the subscription of new VBill Shares by the Investor and the grant of the Put Option by VBill (Cayman) to the Investor; and (ii) the VIE Restructuring Announcement dated 21 May 2019 in relation to the VIE Restructuring.

The purpose of this circular is to provide you with (i) details of the Subscription Agreement and the Put Option; (ii) other information of VBill (Cayman) Group and the Group; and (iii) the SGM Notice.

2. DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION

On 12 February 2019, the Company, the Management Shareholders, the Investor, VBill (Cayman) and VBill OPCO entered into the Original Subscription Agreement. The Original Subscription Agreement was amended and restated by the parties by the Restatement Agreement on 21 May 2019. The principal terms of the Subscription Agreement (as amended and restated) are set out below.

Principal terms of the subscription agreement

Date

12 February 2019, as amended and restated on 21 May 2019

Parties

(i) the Company

(ii) Shen, Li, Xue and Ge (i.e. the Management Shareholders)

(iii) the Investor

(iv) VBill (Cayman)

(v) VBill OPCO

Relationship between the parties

Immediately before completion of the Chongqing JIM VIE Restructuring and as at the Latest Practicable Date:

(1) Shen is a director of VBill (Cayman), a director and the chairman of the board of directors of VBill OPCO and a director of certain subsidiaries of VBill OPCO. Shen held 9.96% equity interest in VBill OPCO.

(2) Li is the chief executive officer of VBill OPCO and the supervisor of a subsidiary of VBill OPCO. Li held 4.80% equity interest in VBill OPCO.

(3) Xue is a director of VBill OPCO and a director of certain subsidiaries of VBill OPCO. Xue held 3.20% equity interest in VBill OPCO.

(4) Ge is a director of VBill OPCO and a supervisor of certain subsidiaries of VBill OPCO. Ge held 2.00% equity interest in VBill OPCO.

Shen is the sole director and sole shareholder of Shen Holdco which is a special purpose vehicle wholly-owned by Shen for holding the VBill Shares for Shen. Li is the sole director and sole shareholder of Li Holdco which is a special purpose vehicle wholly-owned by Li for holding the VBill Shares for Li. Xue is the sole director and sole shareholder of Xue Holdco which is a special purpose vehicle wholly-owned by Xue for holding the VBill Shares for Xue. Ge is the sole director and sole shareholder of Ge Holdco which is a special purpose vehicle wholly-owned by Ge for holding the VBill Shares for Ge.

By virtue of the above, each of Shen, Li, Xue, Ge, Shen Holdco, Li Holdco, Xue Holdco and Ge Holdco is a connected person of the Company at subsidiary level.

Under the Existing ESOP, Shen, Li and Guo (the Proposed Grantees under the ESOP Restructuring) have been granted options to contribute to the registered capital of VBill OPCO at the subscription price of RMB12.51 for every RMB1.00 in the registered capital of VBill OPCO. If the said options are exercised in full, the aggregate percentage of the enlarged registered capital attributable to Shen, Li and Guo are approximately 6%, 3% and 3% respectively (assuming VBill OPCO's registered capital remains unchanged from the date of grant of the said options up to and including the date of exercise of such options in full). As at the Latest Practicable Date, none of the Proposed Grantees has exercised any options and hence such options remain outstanding. The Existing ESOP and all the said outstanding options will be cancelled upon completion of the ESOP Restructuring as detailed in the paragraph headed "Existing ESOP" below.

Immediately before the acquisition of 80.04% VBill Shares by the Company on 21 May 2019 (which is a step of Chongqing JIM VIE Restructuring and disclosed in the VIE Restructuring Announcement), VBill (Cayman) was owned as to 49.87% by Shen Holdco, 24.06% by Li Holdco, 16.04% by Xue Holdco and 10.03% by Ge Holdco. After the acquisition of 80.04% VBill Shares by the Company from the Management Shareholders Holdcos on 21 May 2019 up to and immediately before Completion, VBill (Cayman) would be owned as to 80.04% by the Company, 9.96% by Shen Holdco, 4.80% by Li Holdco, 3.20% by Xue Holdco and 2.00% by Ge Holdco. VBill (Cayman) is a special purpose vehicle for indirectly holding the WFOE, which is the wholly-foreign owned enterprise contractually controlling Chongqing JIM (and the VBill Group) under the New JIM Control Documents.

Under the Existing JIM Control Documents, a contractual arrangement was made which allowed Shanghai JIM to exercise control and enjoy all economic benefits generated from Chongqing JIM and its subsidiaries (including VBill OPCO and its subsidiaries). Immediately before completion of the Chongqing JIM VIE Restructuring and as at the Latest Practicable Date, Chongqing JIM was accounted for as a wholly-owned subsidiary of the Group, while VBill OPCO was accounted for as an 80.04% owned subsidiary of the Group with the remaining 19.96% being held by the Management Shareholders (as detailed above). Immediately after completion of the Chongqing JIM VIE Restructuring and before Completion:

(1) each of Zhou, Na, Shen, Li, Xue and Ge will become a registered shareholder of Chongqing JIM, holding 57.00%, 38.00%, 2.50%, 1.20%, 0.80% and 0.50%, respectively, of Chongqing JIM;

(2) VBill OPCO will become a wholly-owned subsidiary of Chongqing JIM;

(3) the New JIM Control Documents will take effect, which will allow VBill (Cayman), through the WFOE, to indirectly exert 100% management control and enjoy all economic benefits generated from Chongqing JIM and the VBill Group; and

(4) the Existing JIM Control Documents will be terminated simultaneously upon the New JIM Control Documents taking effect.

The Investor is a *besloten vennootschap* incorporated in the Netherlands. The principal business of the Investor is investment holding and as of the Latest Practicable Date, the Investor has not conducted any business other than in relation to the transactions described in this circular. The Investor is indirectly owned by the EQT MM Asia Fund and certain EQT employee co-investment partnerships, which is part of the EQT group of private investment funds advised by EQT Partners. EQT is a leading investment firm with more than Euro 61 billion in raised capital across 29 funds. EQT funds have portfolio companies in Europe, Asia and the United States of America with total sales of more than Euro 21 billion and approximately 119,000 employees. EQT works with portfolio companies to achieve sustainable growth, operational excellence and market leadership.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as the relationship between the parties disclosed above, all the parties to the Subscription Agreement, including the Investor, and their ultimate beneficial owners, are Independent Third Parties.

Subject matter

Pursuant to the Subscription Agreement, the Investor shall be entitled to subscribe for, and be allotted, 1,263 VBill Shares, representing approximately 11.21% of the issued VBill Shares on a fully diluted basis immediately after Completion, at the Subscription Price of RMB588,000,000.

The Subscription

Subject to and in accordance with the terms and conditions of the Subscription Agreement, on the Completion Date:

(i) VBill (Cayman) shall, and each of the Controlling Group Members shall procure that VBill (Cayman) shall, allot and issue to the Investor the Subscription Shares (i.e. 1,263 VBill Shares) credited as fully paid, together with all benefits, rights and obligations attaching thereto at Completion; and

(ii) the Investor shall subscribe for the Subscription Shares and shall pay the Subscription Price to VBill (Cayman) in accordance with the provisions under the Subscription Agreement.

The Subscription Shares shall be allotted and issued by VBill (Cayman) on the Completion Date free from all encumbrances, and together with all rights attaching thereto upon allotment and issue and at any time thereafter, including all rights to any dividend or other distribution declared, made or payable by VBill (Cayman) by reference to a record date falling on or after the Completion Date.

Consideration for the Subscription

The Subscription Price payable by the Investor to VBill (Cayman) under the Subscription shall be RMB588,000,000, and shall be payable by the Investor or its designee on the Completion Date to VBill (Cayman)'s designated bank account by telegraphic transfer of immediately available funds the US$ equivalent of the Subscription Price at the Agreed Exchange Rate.

Conditions to Completion

Completion is conditional on the following conditions being satisfied or waived (where applicable) by the Investor:

(1) the passing by the Shareholders at the SGM of each of the relevant resolutions to approve the entry by the Company, VBill OPCO, VBill (Cayman) and WFOE (as applicable) into the transactions contemplated in the Transaction Documents;

(2) completion of the Restructuring in accordance with the Subscription Agreement;

(3) each of the warranties given to the Investor under the Subscription Agreement being true, accurate and not misleading in all material respects as at Completion;

(4) each of the undertakings relevant to the Completion given under the Subscription Agreement having been complied with in all material respects from the date of the Subscription Agreement up to the Completion Date;

(5) the application in relation to the registration of the Agreement of Pledge having been submitted to SAFE;

(6) the Chongqing JIM Contracts having been executed by Chongqing JIM and the relevant members of the Group, in form and substance satisfactory to the Investor (not to be unreasonably rejected); and

(7) no Material Adverse Change having occurred from the date of the Subscription Agreement until the Completion Date.

The Investor may waive any condition set out above except the condition set out in paragraph (1) above which is not capable of being waived by any party.

If any condition is either not waived or satisfied, as the case may be, by 12:00 pm, Hong Kong time on the Longstop Date, the Subscription Agreement shall automatically terminate with immediate effect save in respect of the provisions relating to confidentiality, costs and taxes, notices, governing law and other miscellaneous provisions ("**Surviving Provisions**") and no party under the Subscription Agreement shall have any claim against another for costs, damages, compensation or otherwise, save that termination does not affect a party's accrued rights and obligations at the date of termination.

As at the Latest Practicable Date, none of the conditions has been fulfilled.

The Restructuring

As one of the conditions precedent to Completion, the Restructuring will be implemented as soon as reasonably practicable and be completed on or before the Longstop Date.

The Restructuring involves the following major steps to be taken:

(a) incorporation of Shen Holdco, Li Holdco, Xue Holdco, Ge Holdco by the respective Management Shareholder;

(b) incorporation of VBill (Cayman) by the Management Shareholders;

(c) incorporation of VBill (BVI) by VBill (Cayman);

(d) incorporation of VBill (HK) by VBill (BVI);

(e) completion of registration under Circular 37 by the Management Shareholders;

(f) incorporation of the WFOE by VBill (HK);

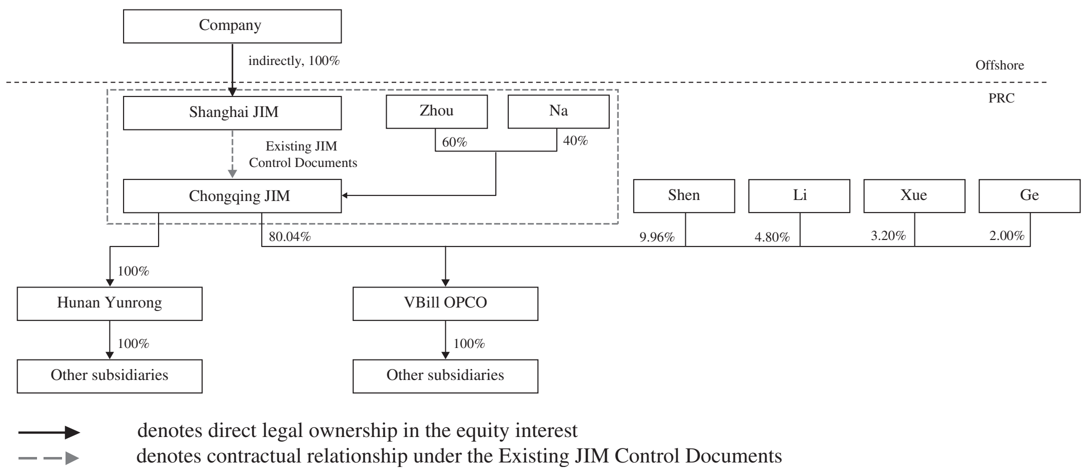
(g) implementation of the Chongqing JIM VIE Restructuring, which includes (i) the execution and completion of the Share Swap Agreement; (ii) the execution of the Existing JIM VIE Termination Agreement; (iii) execution of the New JIM Control Documents and completion of the registration of JIM Equity Interest Pledge Agreement with the relevant PRC authority; (iv) the transfer of VBill Shares from the Management Shareholders Holdcos to the Company or its affiliate at nominal consideration (or such consideration agreed between VBill (Cayman) and the Investor), and completion of all tax filings and registrations with the relevant government authorities required under the PRC laws;

(h) termination of the 2014 Share Option Agreement; and

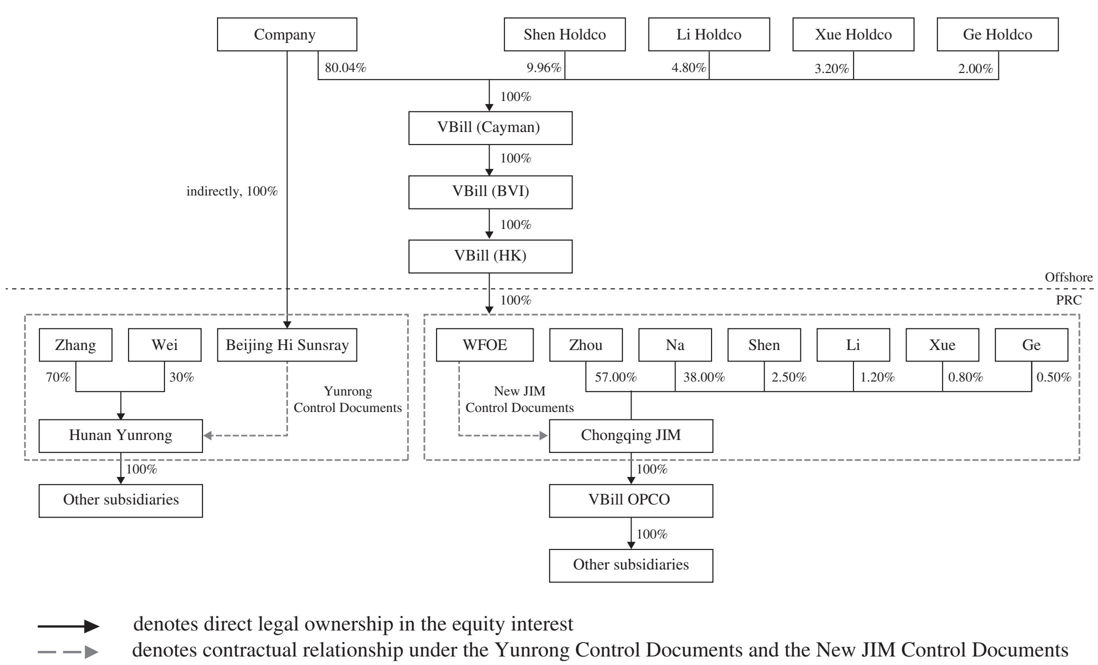
(i) transfer of 100% equity interest of Hunan Yunrong and its subsidiaries from Chongqing JIM to the Company or its designee(s) at a consideration decided by the Company.

Please refer to the VIE Restructuring Announcement for details relating to the VIE Restructuring, elaborating steps in paragraphs (g) (the Chongqing JIM VIE Restructuring) and (i) (the Yunrong Restructuring) above. As at the Latest Practicable Date, save as certain steps in paragraphs (g) and (h) above, all the steps of the Restructuring have been completed.

Immediately before the completion of the VIE Restructuring, Chongqing JIM, the Yunrong Group and the VBill Group are controlled by the Group under the Existing JIM Control Documents. A simplified corporate structure is as follows:



As at the Latest Practicable Date, the Yunrong Restructuring has been completed, and the Yunrong Group is contractually controlled through Yunrong Control Documents, while completion of the Chongqing JIM VIE Restructuring is yet to take place. Upon completion of the Chongqing JIM VIE Restructuring and immediately before Completion, Chongqing JIM and the VBill Group will be contractually controlled through the New JIM Control Documents. A simplified corporate structure will be as follows:



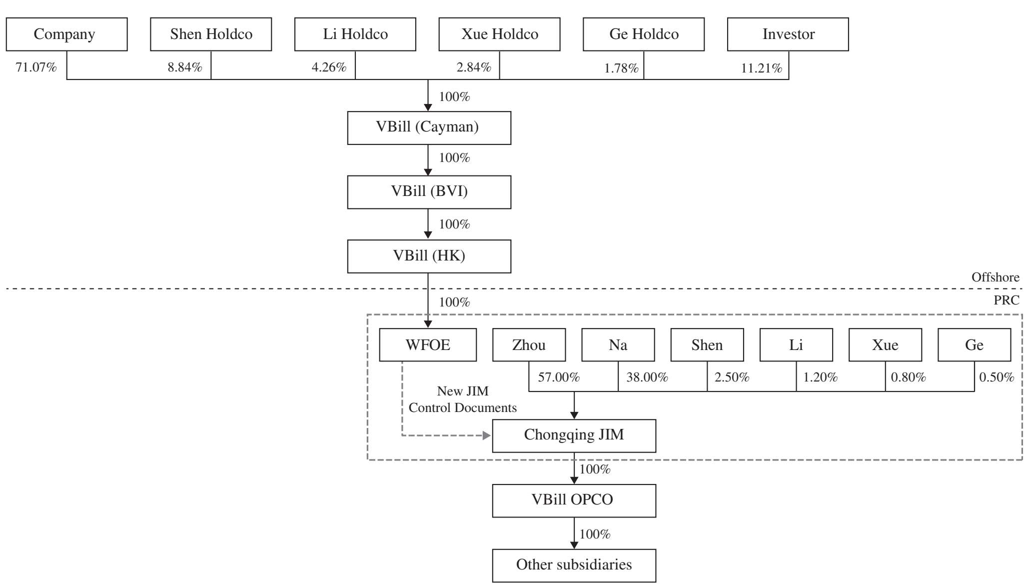
Completion

Completion shall take place on the date that is 10 Business Days after the date of VBill (Cayman)'s issue of the notice of satisfaction (or waiver, if applicable) of the last of the above conditions (not being later than the Longstop Date) (the "**Completion Date**").

The table below shows the issued VBill Shares held by the following persons in the following shareholding percentage immediately before and after the Completion:

	Immediately before Completion		**Immediately after Completion**	
	No. of VBill Shares	*Shareholding (%)*	*No. of VBill Shares*	*Shareholding (%) (Approximate)*
The Company	8,004	80.04	8,004	71.07
Shen Holdco	996	9.96	996	8.84
Li Holdco	480	4.80	480	4.26
Xue Holdco	320	3.20	320	2.84
Ge Holdco	200	2.00	200	1.78
The Investor	–	–	1,263	11.21
Total	10,000	100	11,263	100

The following diagram shows the shareholding and corporate structure of VBill (Cayman) Group immediately after the Completion:



The Company will be deemed to have disposed of approximately 8.97% of VBill (Cayman) from 80.04% to approximately 71.07% upon completion of the Subscription ("**Deemed Disposal**").

Termination

If Completion does not take place on the Completion Date because any party (the "**Defaulting Party**") fails to comply with any of its obligations under the Subscription Agreement, the Investor (if the Defaulting Party is a Controlling Group Member or VBill (Cayman)) or VBill (Cayman) (if the Defaulting Party is the Investor) may, by notice in writing to the Defaulting Party:

(a) proceed to Completion to the extent reasonably practicable;

(b) postpone the Completion Date to the extent reasonably practicable; or

(c) terminate the Subscription Agreement.

If the Investor (if the Defaulting Party is a Controlling Group Member or VBill (Cayman)) or VBill (Cayman) (if the Defaulting Party is the Investor) decides to claim against the Defaulting Party for loss and damages suffered as a result of the breach, the Defaulting Party shall only be liable for such reasonable costs and expense incurred by the Investor (if the Defaulting Party is a Controlling Group Member or VBill (Cayman)) or VBill (Cayman) (if the Defaulting Party is the Investor) as finally determined by an arbitration tribunal for an amount up to US$3,000,000.

If the Subscription Agreement is terminated, each party's further rights and obligations cease immediately on termination save in respect of the Surviving Provisions and no party will have any claim against another for costs, damages, compensation or otherwise, save that termination does not affect a party's accrued rights and obligations at the date of termination.

Existing ESOP

All parties to the Subscription Agreement agree and acknowledge that:

(a) VBill (Cayman) shall take all actions and do all things to adopt a new share option scheme at VBill (Cayman) level relating to the VBill Shares, such that upon the full exercise of all the share options relating to the VBill Shares (the "**ESOP Shares**") granted to the Proposed Grantees pursuant to such new share option scheme, the Proposed Grantees will together hold such number of VBill Shares to be issued by VBill (Cayman) which in aggregate represent approximately 10.8% of the issued VBill Shares on a fully diluted basis immediately after the issuance of all ESOP Shares; and

(b) conditional upon paragraph (a) above, the Existing ESOP will be cancelled;

(together, the "**ESOP Restructuring**").

Limitation of liability

The aggregate amount of liability of the Controlling Group, VBill OPCO and VBill (Cayman) (as applicable) under the Subscription Agreement is subject to (amongst other things) the following limitations.

(1) The aggregate amount of liability of the Company, the Management Shareholders, VBill OPCO and VBill (Cayman) in respect of all Warranty Claims and Indemnity Claims shall be limited to the Subscription Price. Subject always to the foregoing limitation, the aggregate amount of liability of:

(a) Shen in respect of his liabilities under Warranty Claims, Indemnity Claims and the liability under the Guarantee provided by the Management Shareholders (which is not applicable to the Company) shall be limited to RMB585,000,000;

(b) Li in respect of his liabilities under Warranty Claims, Indemnity Claims and the Guarantee shall be limited to RMB282,000,000;

(c) Xue in respect of his liabilities under Warranty Claims, Indemnity Claims and the Guarantee shall be limited to RMB188,000,000;

(d) Ge in respect of her liabilities under Warranty Claims, Indemnity Claims and the Guarantee shall be limited to RMB118,000,000; and

(e) the Company in respect of its liabilities under Warranty Claims and Indemnity Claims shall be limited to RMB588,000,000,

each of the above paragraphs (a) to (e) shall apply if the Proposed Grantees have not exercised the respective share options granted to each of them after the completion of the ESOP Restructuring;

(f) Shen in respect of his liabilities under Warranty Claims, Indemnity Claims and the Guarantee shall be limited to RMB588,000,000;

(g) Li in respect of his liabilities under Warranty Claims, Indemnity Claims and the Guarantee shall be limited to RMB438,000,000;

(h) Xue in respect of his liabilities under Warranty Claims, Indemnity Claims and the Guarantee shall be limited to RMB171,000,000;

(i) Ge in respect of her liabilities under Warranty Claims, Indemnity Claims and the Guarantee shall be limited to RMB107,000,000; and

(j) the Company in respect of its liabilities under Warranty Claims and Indemnity Claims shall be limited to RMB588,000,000,

each of the above paragraphs (f) to (j) shall apply when each of the Proposed Grantees has exercised all the respective share options granted to each of them after completion of the ESOP Restructuring and that all of the Proposed Grantees have been allotted and issued their respective ESOP Shares.

(2) Notwithstanding the limitation of liability set out in (1) above, for each liability under the Warranty Claim and Indemnity Claim to which the Management Shareholders are severally liable, each Management Shareholder shall only be liable to the Investor for an amount pro-rated as between the Management Shareholders to his/her respective percentage shareholding in VBill (Cayman) immediately before the Completion.

(3) None of the Management Shareholders' personal assets other than the equity securities in VBill (Cayman) held by the Management Shareholders shall be subject to the liability.

(4) The Controlling Group shall not be liable in respect of a Warranty Claim unless:

(a) the amount that would otherwise be recoverable from the Controlling Group in respect of that single Warranty Claim exceeds RMB500,000; and

(b) the aggregate amount of the liability exceeds 1% of the sum of the Subscription Price, in which case (subject always to paragraph (2) above) the Management Shareholders, VBill OPCO and VBill (Cayman) shall jointly and severally and the Company shall separately be liable for the full amount of the relevant Warranty Claim and not just the excess.

(5) The Controlling Group shall not be liable for a Warranty Claim (except certain claims for tax liability) unless the Investor has notified him/her/it in writing of such Warranty Claim stating reasonable details within 18 months after the Completion.

(6) A claim for tax liability under the Subscription Agreement shall survive to the earlier of (i) a period of 7 years from the Completion Date, or (ii) the completion of the Qualified IPO.

(7) An Indemnity Claim shall survive to the earlier of (i) a period of 5 years from the Completion Date, or (ii) the completion of the Qualified IPO.

Basis of consideration

The Subscription Price is arrived at after arm's length negotiation between the Company, the Investor and the Management Shareholders on normal commercial terms, having considered, among other factors, the business prospects and financial performance of VBill (Cayman) Group. The multiplier is set at 14.0 of the target audited net profit figure of VBill OPCO for the year ended 31 December 2018 in the amount of RMB420,000,000.

3. MAJOR TRANSACTION – GRANT OF THE PUT OPTION

The shareholders' agreement

On 21 May 2019, the Management Shareholders, the Management Shareholders Holdcos, the Company, the Investor, VBill (Cayman), WFOE, Chongqing JIM and VBill OPCO entered into the Shareholders' Agreement in respect of the rights and obligations of each VBill (Cayman) Shareholder in respect of the securities in VBill (Cayman) (including the grant of the Put Option), and the management and operation of VBill (Cayman) Group. The Shareholders' Agreement was amended based on the agreed form of the Shareholders' Agreement disclosed in the SA Announcement, and was entered into on 21 May 2019 to facilitate registration of the Agreement of Pledge with the competent PRC authority (which is one of the conditions precedent to Completion).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as the relationship between the parties disclosed in the paragraph headed "PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT – Relationship between the parties" above, all the parties to the Shareholders' Agreement and their ultimate beneficial owners are Independent Third Parties.

Principal terms of the Shareholders' Agreement are summarised below.

Effective date

Save for certain general provisions which take effect on the date of the Shareholders' Agreement, the remaining clauses (including without limitation clauses relating to non-compete undertakings of the Management Shareholders, exit rights of the Investor, the Put Option, restrictions on transfer of VBill Shares, Existing ESOP, anti-dilution, the Guarantee, and limitation of liability) of the Shareholders' Agreement shall only take effect on the Completion Date and subject to Completion having taken place.

Rights of the Investor for a breach of non-compete undertakings

If:

(1) a Management Shareholder commits a breach of any of his/her undertakings not to engage in competing businesses as provided under the Shareholders' Agreement and the defaulting Management Shareholder fails to remedy each such material breach within 20 Business Days of receiving the notice from the Investor to remedy such breach(es); or (ii) such breach(es) are not capable of remedy and has caused material loss to the Investor, and such breach is a wilful breach of the Shareholders' Agreement ("**Breach of Non-compete Undertakings Event**"); and

(2) the Investor owns or controls any VBill Shares at the time a Breach of Non-compete Undertakings Event occurs,

then the Investor may serve a notice on the defaulting Management Shareholder (the "**Transfer Notice**") requiring him/her to either (a) sell, on the date specified by the Investor, all or some of the VBill Shares held by the defaulting Management Shareholder to the Investor; or (b) buy, on the date specified by the Investor, all or some of the VBill Shares held by the Investor (in either case such VBill Shares are referred to as the "**Transfer Shares**").

The price for the Transfer Shares is the amount in cash (i) in the case of (a), equal to 80% of the fair market value of the Transfer Shares as at the date of the Transfer Notice (which is to be agreed between the defaulting Management Shareholder and the Investor, failing which it shall be determined by an independent expert) ("**Fair Market Value**"); or (ii) in the case of (b), equal to 120% of the Fair Market Value, or such other price agreed in writing between the defaulting Management Shareholder and the Investor.

Exit rights of the Investor

1. The Company, the Management Shareholders and the Inventor intend to explore in good faith:

   (a) a Qualified IPO on or before the date falling 3 years after the Completion Date, save that if it is not possible or commercially feasible to implement a Qualified IPO, the time limit for the consummation of such Qualified IPO shall be extended to the date falling 5 years after the Completion Date with the consent of the parties; or

   (b) if an opportunity arises, a trade sale by the Investor of 100% of its VBill Shares to another person which is not an affiliate of the Investor;

and the completion of a Qualified IPO or completion of the trade sale by the Investor specified above shall each be referred to as an "**Exit**".

In the event of any Exit, the Shareholders' Agreement may be either terminated or amended in order to comply with applicable laws in connection with such Exit.

For the purpose of the Subscription Agreement and Shareholders' Agreement, "**Qualified IPO**" shall mean the listing of shares of VBill (Cayman) or any other VBill (Cayman) Group Company on the New York Stock Exchange, the NASDAQ Stock Exchange, the Stock Exchange (or such other stock exchange agreed by the Investor) and with an actual or expected post-money market capitalisation of VBill (Cayman) or such other VBill (Cayman) Group Company immediately after closing of its initial public offering of no less than the amount in US$ which will make up a return of 12% IRR on the Subscription Price calculated from the Completion Date, or any other amount agreed among the Investor, VBill (Cayman) and the Company in writing.

2. If VBill (Cayman), any VBill (Cayman) Group Company or any exit vehicle conducting a Qualified IPO involves the listing or quotation of any securities on a stock exchange or trading system in any jurisdiction where the listing of 100% of the securities is not a mandatory requirement for a Qualified IPO, the entity being listed shall procure that either (i) all securities held by the Investor in any member of VBill (Cayman) Group or the entity being listed are included in the Qualified IPO and registered and/or listed for trading (as applicable) at the Qualified IPO, or (ii) the Investor has been provided with registration rights pursuant to a registration rights agreement in customary form entered into between VBill (Cayman), the Management Shareholders, Management Shareholders Holdcos and the Investor before the Qualified IPO.

3. If at any time and from time to time after the Completion Date, there is (i) any merger, consolidation or reorganisation of VBill (Cayman) with or into another corporation (other than a merger or consolidation in which VBill (Cayman) is the continuing corporation but including without limitation any reorganisation for the purposes of effecting a Qualified IPO in which the VBill Shares are exchanged for shares in another corporation); or (ii) any sale or transfer of all or substantially all of the assets of VBill (Cayman), then in each such case, the Investor shall be entitled to receive the same (or as equivalent as practicable) class and number of shares or other securities or property to which the Investor is entitled to receive immediately prior to the effective date of such event.

Put Option

Parties to the Shareholders' Agreement have agreed that:

(1) if the Exit has not been implemented on or before the date falling 3 years after the Completion Date, at any time within the 2 year period after the date falling 3 years after the Completion Date; or

(2) (for as long as the Investor owns or controls any VBill Shares) at any time within the 5 year period after the Completion Date, if the Payment Business License or the ICP License held by VBill OPCO which is necessary for VBill (Cayman) Group to operate its business is being revoked resulting from one or more actual breach or violation of any applicable law by VBill (Cayman) Group Company; or

(3) (for as long as the Investor owns or controls any VBill Shares) at any time within the 5 year period after the Completion Date after any VBill (Cayman) Shareholder other than the Investor commits a breach of any of its obligations under the Shareholders' Agreement relating to:

(a) directors and corporate governance of VBill (Cayman) Group;

(b) VBill (Cayman) Group's business;

(c) information rights of the Investor;

(d) access rights of the Investor to premises and management of VBill (Cayman) Group;

(e) transfer of VBill Shares; or

(f) capital increase of VBill (Cayman),

and (i) if such material breach(es) are capable of remedy, and such defaulting VBill (Cayman) Shareholder fails to remedy each such material breach within 20 Business Days; or (ii) if such breach(es) are not capable of remedy and has caused substantial loss to the Investor as a result of such breach(es), and such breach is a wilful breach of the Shareholders' Agreement;

then Investor will have the right to exercise an option (the "**Put Option**"), by delivering a notice in writing to VBill (Cayman) (the "**Put Notice**"), to require VBill (Cayman), subject to applicable law, to repurchase, redeem and/or cancel all (but not some only) of the VBill Shares held by the Investor at that time (such VBill Shares being the "**Relevant Investor's Shares**") at an aggregate cash consideration in US$ determined by the following formula (the "**Put Price**"):

A x (B/C) – D,

where:

A = an amount in US$ which will make up an IRR (in US$ terms) of 8.0% on the US$ equivalent of the Subscription Price (calculated from the Completion Date and converted from RMB into US$ on the Agreed Exchange Rate as of such date), until the Put Option Completion Date;

B = the aggregate number of the Relevant Investor's Shares;

C = the aggregate number of VBill Shares held by the Investor as of the Completion Date, taking into account the effect of any share split, share consolidation, share dividend or analogous restructuring of the issued share capital of VBill (Cayman) from time to time; and

D = the aggregate amount actually paid by Management Shareholders, the Company, VBill (Cayman) and VBill OPCO to the Investor under a Warranty Claim or an Indemnity Claim and any cash dividends declared and paid by VBill (Cayman) and actually received by the Investor (less any taxes, costs and expenses incurred by the Investor in receipt of such dividends), provided that under all circumstances, the Put Price shall not exceed the maximum amount in US$ ("**Maximum Put Price Amount**") calculated by the following formula:

A * B * C

where: A is RMB588,000,000; B is the Agreed Exchange Rate; C is 1.08^3.

If the Put Price amount is greater than the Maximum Put Price Amount, the Put Price amount shall be deemed to be equal to the Maximum Put Price Amount.

If the Investor has delivered a Put Notice to VBill (Cayman), completion of the repurchase, redemption and/or cancellation of all the Relevant Investor's Shares shall take place on a Business Day which falls within 60 Business Days after the date of the Put Notice, as elected by VBill (Cayman) (the "**Put Option Completion Date**") and on the Put Option Completion Date:

(x) the Investor shall deliver to VBill (Cayman) the original share certificate representing the Relevant Investor's Shares; and

(y) VBill (Cayman) shall pay an amount in cash in US$ equal to the Put Price, by way of wire transfer of immediately available funds to a bank account nominated by the Investor.

Under the above formula, the maximum amount of Put Price payable by VBill (Cayman) under the Put Option is approximately RMB740.7 million.

It is expected that the Put Price will be funded by the internal resources of VBill (Cayman) Group.

If the Investor exercises the Put Option and VBill (Cayman) repurchases, redeems and/or cancels the Relevant Investor's Shares pursuant to the terms of the Put Option, the Group's shareholding in VBill (Cayman) will increase to 80.04% and the Group will be deemed to have acquired approximately 8.97% of VBill (Cayman) on completion of the repurchase, redemption and/or cancellation of the Relevant Investor's Shares as a result of the exercise of the Put Option. Assuming the number of the Relevant Investor's Shares is 1,263 VBill Shares and there is no change to the issued share capital of VBill (Cayman) immediately after Completion up to the time of exercise of the Put Option, the shareholding of VBill (Cayman) immediately before and after completion of the Acquisition will be as follows:

	Immediately before completion of the Acquisition *Shareholding (%) (Approximate)*	**Immediately after completion of the Acquisition** *Shareholding (%)*
Company	71.07	80.04
Shen Holdco	8.84	9.96
Li Holdco	4.26	4.80
Xue Holdco	2.84	3.20
Ge Holdco	1.78	2.00
Investor	11.21	–
Total	100	100

Basis of determining the Put Price

The grant of the Put Option, the events that can trigger the exercise of the Put Option, and the Put Price (the IRR of 8%) were commercially negotiated and agreed by the parties after arm's length negotiations after considering a number of factors, which included: (i) the Investor's expected investment return rate; (ii) the reasons for and benefits of the Subscription disclosed under the section headed "6. REASONS FOR AND BENEFITS OF THE DEEMED DISPOSAL AND THE GRANT OF THE PUT OPTION" below; (iii) the Put Option that is one of the principal conditions for the Investor to agreeing to the terms of the Subscription; and (iv) the Group's assessment of the probability that the Put Option will become exercisable by the Investor.

As detailed above, the Put Option can only be exercised under limited circumstances: (i) the Investor is unable to benefit from an IRR of 12% on the Subscription Price from a Qualified IPO within 3 years, which could be extended to a maximum of 5 years by agreement, from the Completion Date, (ii) any important licenses held by VBill OPCO is revoked resulting from a breach or violation of applicable laws by the VBill (Cayman) Group, or (iii) any shareholder of VBill (Cayman) other than the Investor commits a breach of certain obligations under the Shareholders' Agreement. The Board is of the view that since the Company is the controlling shareholder of the VBill (Cayman) Group, the Company is able to duly observe or procure the due observance of all covenants on its part and therefore the Board foresees a relatively low risk of occurrence of any trigger event caused by the Company.

Therefore, the Directors are of the opinion that the Put Option including the basis of calculating the Put Price with an IRR of 8% is on normal commercial terms and is fair and reasonable.

Reasons for and benefits of grant of the Put Option

It is the intention of the shareholders of VBill (Cayman) to achieve a Qualified IPO within 3 years after the Completion Date. However, this remains a preliminary plan at present and no concrete proposal or timing in relation to a Qualified IPO has been concluded. The Directors are of the view that the introduction of the Investor as a strategic investor of VBill (Cayman) will be beneficial to the Group in terms of funding to VBill (Cayman) Group and future funding activities. Based on the Directors' view on the future prospects of VBill (Cayman), the Directors consider that in the event a Qualified IPO has not occurred as planned, the Put Option may also enable VBill (Cayman) to repurchase the Investor's VBill Shares at a reasonable cost.

Security provided in favour of the Investor relating to the Put Option

(1) If VBill (Cayman)'s payment obligations are triggered under the Put Option provisions, VBill OPCO will indemnify (and keep indemnified) the Investor on demand against any loss, liability or cost incurred by the Investor as a result of failure by VBill (Cayman) to perform any of its payment obligations.

(2) To further ensure the payment of the Put Price and related obligations of VBill (Cayman) under the Shareholders' Agreement, VBill (Cayman), the WFOE and the Investor have entered into the Agreement of Pledge on 21 May 2019 (as amended and disclosed in the SA Announcement) to facilitate the registration of the Agreement of Pledge with the competent PRC authority as one of the conditions precedent to Completion. Pursuant to the Agreement of Pledge (among other things):

(i) the WFOE has agreed to pledge, by way of a first priority pledge, to the Investor the assets of the WFOE, which comprise all of the WFOE's rights and interest, present and future, actual or contingent, in connection with the JIM Exclusive Option Agreement and the JIM Master Exclusive Service Agreement (and such other agreement entered into or to be entered into between the WFOE and a party to the said New JIM Control Documents) within the period from the Completion Date until all of the Secured Obligations have been discharged under the Shareholders' Agreement, including the WFOE's right to receive all proceeds in respect of the above and all cash, receivables, commissions, revenues and other property at any time howsoever receivable or distributable in respect of the above; and

(ii) the WFOE has agreed to provide a joint and several guarantee in favour of the Investor in order to secure the performance of all present and future moneys owed by, obligations and liabilities of VBill (Cayman) under or in respect of the Put Option, including but not limited to the payment of the Put Price by VBill (Cayman) ("**Secured Obligations**").

The Agreement of Pledge shall be submitted for registration with the People's Bank of China Credit Reference Centre and SAFE before the Completion Date and shall take effect on the Completion Date.

Restrictions on transfer of VBill Shares

(1) Subject to paragraph (4) below, for a period of one year after the Completion Date (the "**Lock-Up Period**"), none of the Management Shareholder Holdcos nor the Investor may transfer any of its/his/her interest in the VBill Shares without the consent of the Investor and the Company (in case of transfer by any of the Management Shareholder Holdcos) or the Management Shareholder Holdcos (in case of transfer by the Investor) respectively.

(2) None of VBill (Cayman) Shareholders shall, without the prior written consent of VBill (Cayman), directly or indirectly, transfer any equity securities of VBill (Cayman) to any competitor (as defined under the Shareholders' Agreement) of VBill (Cayman).

(3) The Investor shall not require the consent of any of the other VBill (Cayman) Shareholders or VBill (Cayman) to transfer any of its interest in the VBill Shares to a financial investor holding not more than 5% shareholding interest in a company whose main business line is payment processing in the PRC.

(4) Notwithstanding the restrictions set out in paragraphs (1) to (2) above, the Company, each Management Shareholder Holdco or the Investor may at any time from the Completion Date freely transfer all or some of its interest in the VBill Shares:

(a) (in the case of the Investor) to one or more of its affiliates;

(b) (in the case of the Company or a Management Shareholder Holdco) to a person that is 100% owned or controlled by it, a person that owns or controls 100% of it, or a person that is under 100% common ownership or control with it; and

(c) pursuant to any equity restructuring or establishment of offshore structure that is approved by the Company and the Investor in writing; or

the Investor may, at any time on or prior to the date falling 3 months after 12 February 2019 and without restriction, freely transfer the indirect ownership in such number of its VBill Shares up to an aggregate consideration amount equal to US$30 million (or its equivalent in RMB) to any co-investor.

(each a "**Permitted Transfer**").

Right of First Refusal

Following the expiry of the Lock-Up Period, where a VBill (Cayman) Shareholder (the "**ROFR Trigger Shareholder**") intends to transfer all or some of its VBill Shares (the "**ROFR Shares**") to a Third Party Purchaser other than a Permitted Transfer, it shall provide a notice (the "**ROFR Trigger Notice**") to the other VBill (Cayman) Shareholders (the "**ROFR Recipient Shareholder**") of such intent to transfer the ROFR Shares (the "**Disposal of VBill Shares**"). A ROFR Trigger Notice is, once given, irrevocable and shall set out, among other things, the sale price ("**ROFR Offer Price**") (the "**ROFR Offer**"):

Each ROFR Recipient Shareholder shall have the right, exercisable upon a notice (the "**ROFR Acceptance Notice**") at any time within 30 Business Days from the date of the ROFR Trigger Notice (the "**ROFR Acceptance Period**"), to accept the ROFR Offer and purchase such percentage of the ROFR Shares in proportion to its shareholding in VBill (Cayman) on a fully diluted basis as of the date of the ROFR Acceptance Notice, based on the terms and conditions set out in ROFR Trigger Notice. A ROFR Acceptance Notice, once given, will be irrevocable.

If one or more ROFR Recipient Shareholders accept the ROFR Offer within the ROFR Acceptance Period, the ROFR Trigger Shareholder and the ROFR Recipient Shareholders which accept the ROFR Offer shall be bound to purchase the ROFR Shares.

A definitive sale and purchase agreement will be entered into with a Third Party Purchaser on the condition that the Disposal of VBill Shares is at a price that is equal to or greater than the ROFR Offer Price, and on payment terms not more favourable than those set out in the ROFR Trigger Notice.

Tag-Along Right of the Investor

At any time prior to the expiration of the ROFR Acceptance Period, where the Company or a Management Shareholder Holdco is the ROFR Trigger Shareholder, and the Investor has not exercised and will not exercise its right of first refusal with respect to any or all of the ROFR Shares set out under the above section headed "Right of First Refusal", the Investor (the "**Tag Trigger Shareholder**") shall have the right to serve on the ROFR Trigger Shareholder a notice (the "**Tag Notice**") to request the ROFR Trigger Shareholder to procure that the Third Party Purchaser buys such number of the VBill Shares (the "**Tagged Shares**") held by the Tag Trigger Shareholder to be determined by the following formula:

A x B/C,

where:

A = the aggregate number of VBill Shares held by the Tag Trigger Shareholder as of the date of the Tag Notice;

B = the aggregate number of ROFR Shares; and

C = the total number of VBill Shares held by the ROFR Trigger Shareholder as of the date of the Tag Notice.

The consideration for each Tagged Share shall be in cash and no less favourable than that which is being paid for the VBill Shares of the ROFR Trigger Shareholder, and also on the same terms as the proposed Disposal of VBill Shares by the ROFR Trigger Shareholder to the Third Party Purchaser.

Capital Increase

If VBill (Cayman) proposes to issue any New Securities, all VBill (Cayman) Shareholders may, by serving a notice in writing to VBill (Cayman), exercise its right to subscribe for such number of New Securities proposed to be issued by VBill (Cayman) on a pro rata basis based on its shareholding in VBill (Cayman) on a fully diluted basis as at the date of the notice given by VBill (Cayman) to each VBill (Cayman) Shareholder (which specifies the terms of the proposed issue of New Securities), and on the same terms and conditions as set out in the said notice.

"**New Securities**" means any shares of capital stock or voting securities of VBill (Cayman), any other equity or equity-linked securities issued by VBill (Cayman) or options, warrants or other rights to acquire from VBill (Cayman), or other obligation of VBill (Cayman) to issue the foregoing, excluding:

(i) any VBill Shares and other securities issued or issuable pursuant to any existing share option (including Existing ESOP) which has already been issued as of the date of the Shareholders' Agreement but has not vested or been exercised;

(ii) any VBill Shares and any other securities issued or issuable pursuant to VBill (Cayman)'s employee stock option or similar plan to be adopted by the board of VBill (Cayman) with the prior written consent of the Investor;

(iii) any securities of VBill (Cayman) issued in connection with any share split, share dividend or other similar event in which all VBill (Cayman) Shareholders are entitled to participate on a pro rata basis; or

(iv) any VBill Shares issued in connection with or pursuant to a Qualified IPO.

Anti-Dilution

In the event that within one year after the Completion Date, VBill (Cayman) proposes to issue any New Securities for a consideration or deemed consideration per VBill Share (the "**Down Round Consideration Per Share**") less than the then effective Investor Issuance Price (the "**Additional Issuance**"), then VBill (Cayman) shall, simultaneous with and on the same date as the date of closing of the Additional Issuance, issue such additional number of new VBill Shares (together, the "**Additional Issuance Shares**") to the Investor at nil or nominal consideration as determined by the following formula:

(A/B) – C

where:

A = an amount equal to the Subscription Price;

B = the Down Round Consideration Per Share; and

C = the number of VBill Shares owned by the Investor as of the Completion Date (taking into account the effect of any share split, share consolidation, share dividend or analogous restructuring of the issued share capital of VBill (Cayman) from time to time, up to and including the date of closing of the Additional Issuance), provided that immediately after closing of the anti-dilution adjustment pursuant to above, the aggregate number of VBill Shares owned or controlled by the Investor (including the Additional Issuance Shares) shall not exceed 15% of all the issued VBill Shares on a fully diluted basis at that time (taking into account the effect of any share split, share consolidation, share dividend or analogous restructuring of the issued share capital of VBill (Cayman) from time to time).

For the purpose of this "Anti-Dilution" section:

"**Investor Issuance Price**" means A/B,

where:

A = the Subscription Price; and

B = the aggregate number of VBill Shares issued to the Investor by VBill (Cayman) under the Subscription Agreement, and shall be adjusted for share dividends, share splits, share consolidations, recapitalisations or analogous restructuring of the issued share capital of VBill (Cayman) from time to time.

Guarantee

Each Management Shareholder (the "**Guarantor**") guarantees to the Investor the due and punctual performance of each obligation of his/her relevant holding company (i.e. Shen Holdco, Li Holdco, Xue Holdco and Ge Holdco) contained in the Shareholders' Agreement and each Guarantor's obligations are primary obligations ("**Guarantee**").

In addition, each Guarantor agrees to indemnify (and keep indemnified) the Investor on demand against any loss, liability or cost incurred by the Investor as a result of any obligation of his/her relevant holding company being or becoming void, voidable or unenforceable.

Limitation of liability

Notwithstanding anything contained in the Shareholders' Agreement to the contrary, the aggregate amount of liability of:

(a) Shen in respect of his liabilities under the Warranty Claims, the Indemnity Claims and the Guarantee shall be limited to RMB585,000,000;

(b) Li in respect of his liabilities under the Warranty Claims, the Indemnity Claims and the Guarantee shall be limited to RMB282,000,000;

(c) Xue in respect of his liabilities under the Warranty Claims, the Indemnity Claims and the Guarantee shall be limited to RMB188,000,000; and

(d) Ge in respect of her liabilities under the Warranty Claims, the Indemnity Claims and the Guarantee shall be limited to RMB118,000,000;

each of the above paragraphs (a) to (d) assuming that the Proposed Grantees have not exercised the respective share options granted to each of them after the completion of the ESOP Restructuring;

(e) Shen in respect of his liabilities under the Warranty Claims, the Indemnity Claims and the Guarantee shall be limited to RMB588,000,000;

(f) Li in respect of his liabilities under the Warranty Claims, the Indemnity Claims and the Guarantee shall be limited to RMB438,000,000;

(g) Xue in respect of his liabilities under the Warranty Claims, the Indemnity Claims and the Guarantee shall be limited to RMB171,000,000; and

(h) Ge in respect of her liabilities under the Warranty Claims, the Indemnity Claims and the Guarantee shall be limited to RMB107,000,000;

each of the above paragraphs (e) to (h) shall apply when each of the Proposed Grantees has exercised all the respective share options granted to each of them after completion of the ESOP Restructuring and that all of the Proposed Grantees have been allotted and issued their respective ESOP Shares.

Termination of the Shareholders' Agreement

The Shareholders' Agreement shall automatically lapse and cease to have any effect on the Longstop Date if Completion fails to take place on or before the Longstop Date. Upon the lapse of the Shareholders' Agreement, each party's rights and obligations cease immediately and no party will have any claim against another for costs, damages, compensation or otherwise accrued as of the date of lapse.

The Shareholders' Agreement shall terminate on the earliest to occur of: (a) the date on which one VBill (Cayman) Shareholder holds all the issued VBill Shares; and (b) the date on which the Shareholders' Agreement is terminated by the written agreement of all VBill (Cayman) Shareholders.

4. INFORMATION OF VBILL (CAYMAN) GROUP

VBill (Cayman) Group Companies

VBill (Cayman) is an exempted company incorporated in the Cayman Islands on 5 December 2018 with limited liability with authorised share capital of US$50,000 comprising 50,000 VBill Shares of par value of US$1.00 each. As at the Latest Practicable Date, 10,000 VBill Shares have been issued and VBill (Cayman) is an 80.04% owned subsidiary of the Company. VBill (Cayman) is an investment holding company.

VBill (BVI) is a company incorporated in BVI on 21 December 2018 with limited liability with authorised share capital of US$50,000 comprising 50,000 shares of par value of US$1.00 each. VBill (BVI) is a direct wholly-owned subsidiary of VBill (Cayman). VBill (BVI) is an investment holding company.

VBill (HK) is a company incorporated in Hong Kong on 8 January 2019 with limited liability and is a direct wholly-owned subsidiary of VBill (BVI). VBill (HK) is an investment holding company.

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

Chongqing JIM is company incorporated under the laws of the PRC with limited liability on 4 June 2002. As at the Latest Practicable Date, its registered capital is RMB10,000,000 which has been fully paid up. Chongqing JIM is principally engaged in platform operation solutions business in the PRC. The Group has been contractually controlling Chongqing JIM and the VBill Group since 2010 through the Existing JIM Control Documents. Since 28 May 2010, a contractual arrangement was adopted by the Company in the above businesses as value-added telecommunication business has been restrictive to foreign direct investment under the PRC law (being that foreign shareholding must not exceed 50%). The contractual arrangement has been made between Chongqing JIM, Zhou and Na and Shanghai JIM, which allows the Group, through Shanghai JIM and the Existing JIM Control Documents, to exercise full control and enjoy all the economic benefits generated from Chongqing JIM. As a result, Chongqing JIM and its subsidiaries (being Hunan Yunrong and VBill OPCO, and their respective subsidiaries) are accounted for as subsidiaries of the Company. In 2015, the Management Shareholders have become shareholders of VBill OPCO directly holding 19.96% interest in VBill OPCO. The contractual arrangements also allow the Company to control and enjoy economic benefits generated from VBill OPCO through Chongqing JIM's 80.04% equity interest in VBill OPCO.

After completion of the Chongqing JIM VIE Restructuring and immediately before the Completion, the equity interests of Chongqing JIM will be registered under Zhou, Na and the Management Shareholders but Chongqing JIM will be 100% contractually controlled by WFOE under the New JIM Control Documents, while VBill OPCO will become a wholly-owned subsidiary of Chongqing JIM.

The VBill Group is principally engaged in (i) payment processing; (ii) micro loan and (iii) supply chain financing in the PRC. VBill OPCO is a company incorporated under the laws of the PRC with limited liability on 29 July 2011 and is principally engaged in the provision of face-to-face payment processing solutions for consumers and small sized merchants in the PRC. As at the Latest Practicable Date, its registered capital is RMB199,900,000 which has been fully paid up. As disclosed in the announcement of the Company dated 15 January 2018 and the circular of the Company dated 19 January 2018, a share option scheme which complies with Chapter 17 of the Listing Rules has been adopted, under which (as disclosed in the paragraph headed "PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT – Relationship between the parties" above) Shen, Li and Guo have been granted options to subscribe for a total of 12% of the enlarged registered capital of VBill OPCO (on a fully diluted basis assuming its registered capital remains unchanged from the date of grant to the date of exercise of all options in full). As of the Latest Practicable Date, all such options remain outstanding and in effect, however, the said share option scheme and the outstanding options will be cancelled upon completion of ESOP Restructuring.

As at the Latest Practicable Date, VBill OPCO has 8 wholly-owned subsidiaries, being:

(1) 北京隨信雲鏈科技有限公司 (unofficial English translation for identification purpose only, being Beijing Sui Xin Yunlian Technology Co. Ltd.), which is principally engaged in the provision of supply chain financial services and technology for financial institutions and merchants in the PRC.

(2) 隨行付(北京)金融信息服務有限公司 (unofficial English translation for identification purpose only, being VBill (Beijing) Financial Information Service Co. Ltd.) which is principally engaged in the provision of financial information services such as customer referral services and credit checks services in the PRC.

(3) 南昌市宏恒技術開發有限公司 (unofficial English translation for identification purpose only, being Nanchang Hongheng Technology Development Co., Ltd.) which is principally engaged in the development of finance related technology in the PRC.

(4) 南昌隨行付網絡小額貸款有限公司 (unofficial English translation for identification purpose only, being Nanchang VBill Internet Micro-Credit Co. Ltd.) which is principally engaged in online and offline small loan business in the PRC.

(5) 北京銀企融合技術開發有限公司 (unofficial English translation for identification purpose only, being Beijing Bank & Enterprise Integration Technology Development Co. Ltd.) which is principally engaged in the provision of payment related system integrated services in the PRC.

(6) 北京隨行付商業保理有限公司 (unofficial English translation for identification purpose only, being Beijing VBill Commercial Factoring Co. Ltd.) which is principally engaged in the provision of commercial factoring services in the PRC.

(7) 重慶鑫聯隨行付科技有限公司 (unofficial English translation for identification purpose only, being Chongqing Xinlian Technology Co. Ltd.) which is newly incorporated and will principally be engaged in recommending payment or financial products to customers and merchants in the PRC.

(8) 北京天闕科技有限公司 (unofficial English translation for identification purpose only, being Beijing Tian Que Technology Co. Ltd.) which is newly incorporated and will principally be engaged in the development of scan payment solutions technology.

Financial information of VBill Offshore Group and Chongqing JIM Group

The financial information of the VBill Offshore Group and the Chongqing JIM Group are respectively set out in Appendix II and Appendix III to this circular.

Certain audited financial information of VBill Offshore Group for the period from the date of incorporation of VBill (Cayman) (i.e. 5 December 2018) to 31 December 2018 as extracted from Appendix IIA to this circular are as follows:

	From 5 December 2018 to 31 December 2018
	HK'000
	(audited)
Revenue	–
Profit before tax	–
Profit after tax	–

None of the VBill Offshore Group companies started any business since their respective dates of incorporation. The audited total asset value and net asset value of VBill Offshore Group as at 31 December 2018 is HK$78,000 and HK$78,000 respectively.

Certain audited financial information of Chongqing JIM Group for the two years ended 31 December 2018 as extracted from Appendix IIIA to this circular are as follows:

	For the year ended 31 December 2018	**For the year ended 31 December 2017**
	HK$'000	*HK$'000*
	(audited)	(audited)
Revenue	3,874,060	2,175,189
Profit before tax	383,531	264,173
Profit after tax	296,051	222,421

The audited total asset value and net asset value of Chongqing JIM Group as at 31 December 2018 is approximately HK$3,004,677,000 and HK$840,526,000 respectively.

Subsequent arrangements relating to Chongqing JIM

As of the Completion Date, Chongqing JIM will have certain existing or new business and operations not related to VBill Group which will be transferred from Chongqing JIM to the Group within 2 years from the Completion Date. Under the Subscription Agreement, the parties have agreed that:

(1) save and except for all profits or losses generated by VBill OPCO and its subsidiaries (including any dividend declared or to be declared, paid or to be paid by VBill OPCO and its subsidiaries to Chongqing JIM), all the profits and losses of Chongqing JIM on company level arising from transactions or events occurred or contracted since and including the date of incorporation of Chongqing JIM until and including the Chongqing JIM Restructuring Completion Date shall be allocated to and enjoyed by the Company; and

(2) save and except for any shares or equity in VBill OPCO held by Chongqing JIM from time to time, all assets, obligation or liability of Chongqing JIM on company level arising from transactions or events occurred or contracted since and including the date of incorporation of Chongqing JIM until and including the Chongqing JIM Restructuring Completion Date shall be borne and incurred by the Company,

provided that the parties agree and acknowledge, and undertake to do all things and take all actions to ensure that any profit, loss, obligation and/or liability relating to any new contract, business or operations of Chongqing JIM or any subsidiary of Chongqing JIM from or after the date of the Subscription Agreement (21 May 2019) which is expressly approved and authorised by each of the Investor, the Management Shareholders and the Company shall be allocated to, enjoyed by and/or borne by (as applicable) the VBill (Cayman) Group.

The Company has undertaken to procure the completion of the following steps within 2 years from the Completion Date, at the cost of the Company and without any residual liability on VBill (Cayman) Group:

(1) all contracts and business dealings between Chongqing JIM and China Mobile group shall be terminated or otherwise assigned or transferred to the Group;

(2) all employment contracts between Chongqing JIM and its employees shall be terminated or otherwise assigned or transferred to the Group;

(3) all indebtedness, loans or borrowings advanced to Chongqing JIM from the Group will be settled, eliminated, cancelled or waived by the Group; and

(4) all the other existing assets, liabilities, obligations, debt, business and operations of Chongqing JIM (for the avoidance of doubt, excluding any shares or equity in VBill OPCO held by Chongqing JIM from time to time) which have not been expressly approved or authorised by the Investor or the Management Shareholders will be assigned or transferred to the Group.

(together, the "**Chongqing JIM Restructuring**").

5. INFORMATION OF THE GROUP

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

6. REASONS FOR AND BENEFITS OF THE DEEMED DISPOSAL AND THE GRANT OF THE PUT OPTION

As disclosed in the annual report of the Company for the year ended 31 December 2017, the payment processing solutions business segment of the Group (i.e. the business segment that will be carried out by VBill (Cayman) Group) has continued to grow with the accumulated number of active domestic merchants reaching 2.5 million and the annual transaction volume exceeding RMB1,100 billion. The VBill Group has also commenced its internet payment business in the second half of 2017 which has achieved an annual transaction size of over RMB13 billion. The VBill Group has launched the "smart payment platform", an integration of various payment methods, such as "UnionPay QuickPass", "WeChat Pay", "Alipay" and bank cards, and various terminals ranging from traditional POS, MPOS to APP Cashier, card accepting facilities, and easy codescanning terminals. In June 2017, the VBill Group successfully passed the review of the People's Bank of China, and renewed the licenses for bank card acquiring, internet payment and mobile payment until June 2022. While the VBill Group was advancing the early settlement services based on merchants, the VBill Group obtained the "internet micro-lending license" in September 2017, allowing it to commence lending business for online merchants and individuals. As disclosed in the annual report of the Company for the year ended 31 December 2018, for year 2018, consolidated revenue of the Company amounted to HK$4,662.0 million, as compared to HK$2,910.0 million in year 2017, and such increase was mainly contributed by the continued strong growth of the payment processing solutions segment during the year. During 2018, the Group's payment processing solutions segment maintained its growth momentum, leading to segmental turnover of HK$3,744.9 million, a 89% up as compared to last year, while segmental operating profit amounted to HK$397.0 million, as compared to HK$260.7 million in year 2017.

The Directors are of the view that the proposed issue of the Subscription Shares by VBill (Cayman) to the Investor offers a good opportunity to VBill (Cayman) Group as it will provide funding for further expansion of VBill (Cayman) Group's business, thereby reinforcing VBill (Cayman) Group's comprehensive strength and growth potential. Besides, the introduction of the Investor is expected to bring strategic benefit to VBill (Cayman) Group. Through establishing and enhancing the cooperative relationship between the Company and the Investor, whose ultimate beneficial owner is a reputable private fund, such relationship is expected to benefit the VBill (Cayman) Group as it would allow the VBill (Cayman) Group to leverage on the experience and reputation of such reputable private fund to further develop its business network and to create future funding opportunity.

Approval of the board

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Subscription Agreement, the Shareholders' Agreement, the grant of the Put Option and other ancillary agreements to the Subscription Agreement are fair and reasonable and are on normal commercial terms or better, and the entering into of the Subscription Agreement, the Deemed Disposal and the Acquisition contemplated under the Transaction Documents are in the interest of the Company and the Shareholders as a whole.

7. SIDE LETTER

On 12 February 2019, the Investor, the Management Shareholders and the Management Shareholders Holdcos also entered into the Side Letter to agree on the key terms in relation to the Investor's earn-out and the exit bonus of the Management Shareholders under certain circumstances. The Side Letter was amended and restated on 21 May 2019 to align with changes made on the Subscription Agreement and the Shareholders' Agreement.

Under the Side Letter, if the actual pre-money valuation of VBill (Cayman) Group in the Qualified IPO is less than VBill (Cayman) pre-money valuation (which is calculated based on an expected IRR of 25% to the Investor up to 4.5 years after the Completion Date), the Management Shareholders shall in aggregate transfer a maximum of up to 3% of interest in VBill (Cayman) held by them (the "**Adjustment Shares**") in VBill (Cayman) to the Investor (such event is referred to as the "**Investor's Earn-Out**"). On the other hand, in case there occurs a Qualified IPO and the Investor ceases to hold any VBill Shares within 5 years after the Completion Date, the Investor shall pay to each Management Shareholder a bonus amount if the actual investment return in VBill (Cayman) of the Investor is greater than 25% (but capped at 35%) (such event is referred to as the "**Exit Bonus of Management Shareholders**"). The Exit Bonus of Management Shareholders will be equal to 20-30% of the Investor's actual investment return (capped at an IRR of 35%) in excess of the amount achieving an IRR of 25%. The Investor has to pay the entire Exit Bonus of Management Shareholders if the Investor ceases to hold any VBill Shares within 5 years after the date of closing of the Qualified IPO. The Investor has to pay the corresponding Exit Bonus of Management Shareholders if the Investor completes the sale of at least 80% of the VBill Shares within 5 years after the date of closing of the Qualified IPO, subject to adjustments upon the 100% sales of the VBill Shares.

If the Investor transfers any of its VBill Shares pursuant to the Shareholders' Agreement to a Third Party Purchaser (other than a Permitted Transfer) prior to the date of closing of the Qualified IPO, then the number of Adjustment Shares shall be further adjusted.

None of the members of VBill (Cayman) Group or the Group is a party to the Side Letter.

8. THE CONTRACTUAL ARRANGEMENTS

As part of the Restructuring and a condition precedent to Completion, the Group implemented the VIE Restructuring, details of which are disclosed in the VIE Restructuring Announcement. As at the Latest Practicable Date, the VIE Restructuring is yet to be completed.

In view of the entering into of the New JIM Control Documents, the covenants given by the Management Shareholders in favour of Chongqing JIM as contained in the 2014 Share Option Agreement were no longer applicable. Therefore, as part of the Restructuring, the 2014 Share Option Agreement will be terminated.

9. IMPLICATIONS UNDER THE LISTING RULES

(i) The Subscription Agreement and the Deemed Disposal

As the highest applicable percentage ratio (as defined under the Listing Rules) under the Listing Rules in respect of the Deemed Disposal exceeds 5% but all applicable percentage ratios are less than 25%, the Deemed Disposal constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules. However, as the grant of Put Option constitutes a major transaction of the Company and is subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules, the Company will convene the SGM for the Shareholders to consider, and if appropriate, approve the transactions contemplated in the Subscription Agreement.

Due to the relationship between the parties disclosed in this circular, each of Shen, Li, Xue and Ge (i.e. the Management Shareholders, together with Shen Holdco, Li Holdco, Xue Holdco and Ge Holdco which is respectively an associate of Shen, Li, Xue and Ge) is a connected person of the Company at subsidiary level. The entering into of the Subscription Agreement between the Company and the Management Shareholders, and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

(ii) The Put Option and the Acquisition

As the highest applicable percentage ratio (as defined under the Listing Rules) under the Listing Rules in respect of the grant and exercise of the Put Option (the exercise of which is not at the discretion of the Company) exceeds 25% but all applicable percentage ratios are less than 75%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company will convene the SGM for the Shareholders to consider, and if appropriate, approve the grant of the Put Option.

10. SGM

The SGM Notice is set out on pages SGM-1 to SGM-3 of this circular. An ordinary resolution in respect of the approval for the Subscription Agreement and the Deemed Disposal contemplated thereunder, and the grant and exercise of the Put Option and the Acquisition contemplated thereunder, will be proposed at the SGM.

A form of proxy for use at the SGM is enclosed with this circular and published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.hisun.com.hk). Whether or not you intend to be present at the meeting, you are requested to complete the form of proxy and return it to the Company in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be). Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM or any adjourned meeting (as the case may be) if they so wish.

In compliance with the Listing Rules, the resolution will be voted on by way of poll at the SGM.

In accordance with the Listing Rules, any Shareholder and their respective close associates who have a material interest in the Deemed Disposal or the Acquisition as contemplated under the Subscription Agreement and the grant and exercise of the Put Option must abstain from voting on the resolution approving such transactions.

To the best of the Directors' knowledge, information and belief, having made reasonable enquiries, as at the Latest Practicable Date, no Shareholder nor any of his/her close associates has a material interest in the Deemed Disposal and the Acquisition, and on such basis, no Shareholder is required to abstain from voting under the Listing Rules on the ordinary resolution contained in the SGM Notice.

Record date for determining eligibility to attend and vote

Record date (being the last date for registration of any share transfer given there will be no book closure) for determining the entitlement of the Shareholders to attend and vote at the SGM will be Friday, 12 July 2019. All transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019) for registration no later than 4:30 p.m. on Friday, 12 July 2019.

11. RECOMMENDATION

The Directors (including all the independent non-executive Directors) are of the opinion that the terms of the Subscription Agreement and the grant and exercise of the Put Option are fair and reasonable, and the Deemed Disposal (contemplated under the Subscription Agreement) and the Acquisition (contemplated under the grant and exercise of the Put Option) are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the resolution in connection therewith to be proposed at the SGM.

12. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully
By Order of the Board
Hi Sun Technology (China) Limited
LI Wenjin
Executive Director

1. THREE-YEAR FINANCIAL INFORMATION OF THE COMPANY

Details of the financial information of the Group for the year ended 31 December 2016, 2017 and 2018 have been set out in the Company's annual reports for the year ended 31 December 2016 (from pages 69 to 179), the year ended 31 December 2017 (from pages 76 to 187), and the year ended 31 December 2018 (from pages 92 to 227).

All annual reports of the Company have been posted on the website of the Company at www.hisun.com.hk and of the Stock Exchange at www.hkexnews.hk.

2. INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business on 30 April 2019, being the latest practicable date for the purpose of this indebtedness statement, the indebtedness of the Enlarged Group was as follows:

Lease Liabilities

The Group has adopted HKFRS 16 on 1 January 2019. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated financial statement of the Group. The following table sets forth the lease liabilities of the Enlarged Group.

	Total
	HK$'000
Non-current	35,905
Current	21,699
	57,604

Contingent Liabilities

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 subsidiary of the Group in providing services for a modernisation project with not more than HK$60,000,000 and claims of infringement of third party's intellectual property right. As at 30 April 2019, the Company does not recognise any liability in relation to the Performance Guarantee Agreement as the Directors of the Company consider the possibility of reimbursement is not probable.

In 2018, the Company entered into a guarantee agreement with certain subsidiaries of the Group, namely Megahunt Microelectronics Technology and Mega Hunt Microelectronics Limited (the "Guarantee Agreement"). Pursuant to the Guarantee Agreement, the Company agreed to provide Megahunt Microelectronics Technology and Mega Hunt Microelectronics Limited with a guarantee to repay the due and unsettled debts of Megahunt Microelectronics Technology and Mega Hunt Microelectronics Limited payable to a supplier, should Megahunt Microelectronics Technology and Mega Hunt Microelectronics Limited cease or fail to honour their obligations, with not more than HK$78,000,000 (equivalent to US$10,000,000). As at 30 April 2019, the Company does not recognise any liability in relation to the Guarantee Agreement as the Directors of the Company consider the possibility of reimbursement is not probable.

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, the Enlarged Group did not have any other outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 30 April 2019.

3. WORKING CAPITAL SUFFICIENCY OF THE ENLARGED GROUP

The Directors are of the opinion that, after taking into account the Enlarged Group's financial resources and its internally generated funds, the working capital available to the Enlarged Group is sufficient for the Enlarged Group's requirements for at least the next 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

Payment processing solutions

By the end of 2018, the overall transaction size of payment business continued to grow steadily, with the accumulated number of active domestic merchants under VBill Group exceeding 4.2 million and the annual accumulated transaction volume reached over RMB1,630 billion. Driven by the convenience and accessibility of mobile QR code payment, payment processing solutions segment maintained its strong momentum throughout the year. The transaction size increased by more than 40% compared with last year while the merchants base grew by over 60%. Together with the advancement of product features and wider adoption of innovative channel, total segmental revenue has grown by 85%, while income from nonpayment processing segment has also increased steadily. Through the innovative Xinlianmeng channel, VBill Group has recruited a large number of sales personnels in China to provide strong driving forces for the expansion of the micro merchants market in second and third-tier cities. Meanwhile, the Group has, based on the smart payment platform, built an open platform for service providers, offering omni-channel payment solutions to various software service providers and system integrators having payment demand, including bank cards, QuickPass, WeChat, Alipay. Evolving into the most comprehensive offline payment platform, the smart payment platform will offer scenario-based payment and settlement services to an exclusive network of small to medium-sized micro merchants. The Group's fintech business has expanded nationwide. Following more than a year of research on risk model, the Group's risk prevention capability have been enhanced through a systematic approach and the amount of loans granted have accumulated to over RMB930 million. The Group's supply chain financial asset management platform has utilized blockchain technology to complete the deployment of SAAS structure and introduced smart contract, attracting core enterprises, financial institutions and operating enterprises. Leveraging on the accumulated technology and risk control capability over recent years, the Group has successively obtained a number of awards from various associations, institutions and media. The Group ranked the number one acquirer in terms of the number of offline small-sized micro merchants and the second best acquirer in terms of overall scenario-based strength. Along with the progressively increasing supervision by the regulatory authorities of China, VBill Group will increase its effort in the establishment of various compliance systems, including anti-money laundering, and strengthen operational control and risk prevention. The Group believes it will be able to offer less costly, more efficient and diversified payment and fintech services to a wider user base in the future.

Information security chips and solutions

Driven by the rapid development of the payment market in China, the information security chips business continuously expanded in the first half of 2018. However, the market stabilized and the Group faced more intense competition in the second half of 2018. The annual sales volume increased significantly, among which, the sales of mag-stripe card security decoder chips remained stable while that of security micro-controller (MCU) achieved remarkable growth. It is expected that the market will stabilize in 2019, nonetheless, the growth may be affected by the central bank policies targeting the payment market. Other research and development projects are progressing smoothly and cost reduction initiatives of various products are rolling out in an orderly manner.

Platform operation solutions

The Group has been positioning as a service provider of high-quality technology and products and business operation related to the communication, payment and e-commerce industries. Since 2018, the Group has successfully renewed the operational supporting services contracts with E-commerce Base of China Mobile, the IVR Base and the Animation Base of China Mobile. Meanwhile, with employees' concerted effort, the Group successfully completed the operational supporting services and gained high recognition from China Mobile in 2018. Looking ahead, the Group will continue to provide operational supporting services to "package（和包）" business, IVR voice business and animation business of China Mobile and strive to stabilize the incomes from supporting services. The Group will carry on exploring the market and industry other than domestic mobile operators, in particular, the overseas mobile payment market. In 2019, the Group looks forward to the successful expansion of the overseas mobile payment technology service project. Moreover, the Group will strive to open up an entirely new market in three to five years to expand the share of revenue outside the communication industry, thereby achieving sustainable and steady business growth.

Financial solutions

In 2018, in respect of traditional customers markets, major tasks such as the operation of Huishang Bank's next-generation core banking system and the phase I operation of Dah Sing Bank's next generation core banking system as scheduled. In addition, we won the bid for various projects such as the downward core shifting of China CITIC Bank, batch optimization consultation of Shandong City Commercial Banks Alliance and data transfer of Nanyang Commercial Bank (China). On the basis of consolidating the traditional customers market, new business expansion focuses on the following four aspects: (1) active expansion of new customers for traditional business lines; (2) expansion of product lines other than the traditional business lines; (3) continuous expansion of financial services market beyond banking customers, including the market of insurance and financial corporations; and (4) preparation of business layouts for Hong Kong virtual banking needs. During the year, we entered into the letter of intent with three clients in relation to the virtual banking core business system construction.

Electronic power meters and solutions

In 2019, it is expected that the total tender volume of State Grid electricity meters and electricity consumption data collection devices will approximate that of 2018 and the market situation will remain challenging. The State Grid continues to promote new technological development, in particular, DLT698.45 object-oriented interchangeable data exchange protocol. In respect of the tender of State Grid in 2018, the product qualification must comply with such protocal to be eligible for bidding. In 2019, more of our products are expected to qualify for tender based on the existing products that are already available eligible for bidding. Currently, the State Grid Power Research Institute is conducting the research on and constructing the GB standards for IR46 electronic power meter. The Group has been closely and actively monitoring the latest technological development of the State Grid.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. EFFECTS OF THE ACQUISITION ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Upon Completion of the Deemed Disposal, the Group's interests in VBill (Cayman) will become approximately 71.07% and VBill (Cayman) will continue to be a subsidiary of the Group. In the event that the Put Option is exercised by the Investor and VBill (Cayman) repurchases, redeems and/or cancels all the VBill Shares then held by the Investor, such repurchase, redemption and/or cancellation of VBill Shares and payment of the Put Price to the Investor constitutes an acquisition of the Company (i.e. the Acquisition).

Set out in Appendix IV to this circular is the unaudited pro forma financial information of the Group which illustrates the financial impact on the Group's earnings, assets and liabilities assuming the Deemed Disposal and the Acquisition had been completed on 31 December 2018.

As at 31 December 2018, the consolidated net assets value of the Group amounted to approximately HK$4,571,275,000. The consolidated net assets value of the Group after taking into account the effect of (i) the Deemed Disposal and the granting of Put Option to the Investor; and (ii) the exercise of the Put Option as if they had taken place on 31 December 2018 would decrease slightly to approximately HK$4,562,167,000. Further details of the financial effect on the assets and liabilities of the Group together with the basis in preparing the unaudited pro forma financial information are set out in Appendix IV to this circular.

Immediately before and after (i) the Deemed Disposal and the granting of Put Option to the Investor; and (ii) the exercise of the Put Option, the financial results of Chongqing JIM Group have been and continue to be consolidated with those of the Group and the earnings of the Group will not be affected.

ACCOUNTANT'S REPORT ON VBILL OFFSHORE GROUP

The following is the text of a report set out on pages IIA-1 to IIA-3 prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HI SUN TECHNOLOGY (CHINA) LIMITED

INTRODUCTION

We report on the historical financial information of VBill Limited (the "VBill (Cayman)") and its subsidiary (together, "VBill Offshore Group") set out on pages IIA-4 to IIA-19, which comprises the consolidated and company balance sheet as at 31 December 2018, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the period from 5 December 2018 (date of incorporation) to 31 December 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IIA-4 to IIA-19 forms an integral part of this report, which has been prepared for inclusion in the circular of Hi Sun Technology (China) Limited (the "Company") dated 21 June 2019 (the "Circular") in connection with the proposed acquisition of VBill Offshore Group by the Company.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Notes 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The Historical Financial Information in this report was prepared by the directors of VBill Offshore Group based on the management accounts of VBill Offshore Group for the Track Record Period ("Historical Financial Statements"). The directors of VBill Offshore Group are responsible for the preparation of the financial statements of VBill Offshore Group that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Notes 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of VBill (Cayman) as at 31 December 2018 and the consolidated financial position of VBill Offshore Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Notes 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

Adjustments

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong
21 June 2019

I HISTORICAL FINANCIAL INFORMATION OF VBILL OFFSHORE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Historical Financial Information in this report was prepared by the directors of the Company based on the management accounts of VBill Offshore Group.

The Historical Financial Information is presented in Hong Kong dollars ("HK$").

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

VBill Limited ("VBill (Cayman)") and its subsidiary (together "VBill Offshore Group") did not, at any time during the period from 5 December 2018 (date of incorporation) to 31 December 2018, have any income and expenditure.

CONSOLIDATED BALANCE SHEET

	Note	**As at 31 December 2018** *HK$*
ASSET		
Current asset		
Cash and cash equivalents	*6*	78,000
Total asset		78,000
EQUITY		
Capital and reserves attributable to owners of VBill (Cayman)		
Share capital	*8*	78,000
Total equity		78,000

BALANCE SHEET OF THE COMPANY

	Note	As at 31 December 2018 HK$
ASSETS		
Non-current asset		
Investment in a subsidiary	*6*	8
Current asset		
Cash and cash equivalents	*7*	77,992
Total assets		78,000
EQUITY		
Capital and reserves attributable to owners of VBill (Cayman)		
Share capital	*8*	78,000
Total equity		78,000

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of VBill (Cayman)		
	Share capital	**Retained earnings**	**Total**
	HK$	*HK$*	*HK$*
At 5 December 2018 (date of incorporation)	–	–	–
Issuance of ordinary shares *(Note 8)*	78,000	–	78,000
Balance as at 31 December 2018	78,000	–	78,000

CONSOLIDATED CASH FLOW STATEMENT

	Note	For the period from 5 December 2018 (date of incorporation) to 31 December 2018
		HK$
Cash flow from financing activity		
Issuance of ordinary shares	8	78,000
Net cash flow from financing activity		78,000
Net increase in cash and cash equivalents		78,000
Cash and cash equivalents at date of incorporation		–
Cash and cash equivalents at end of the period	7	78,000

II NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

The principal activity of VBill (Cayman) and its subsidiary, VBill Technology Limited ("VBill (BVI)"), (together the "VBill Offshore Group") are investment holding, and VBill Offshore Group remains inactive for the period from 5 December 2018 (date of incorporation) to 31 December 2018. VBill (Cayman) is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Office of Sertus Incorporations (Cayman) Limited, Sertus Chambers, Governors Square, Suite # 5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of VBill Offshore Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certificate Public Accountants ("HKICPA"). HKFRS 1 "First time Adoption of HKFRS" has been applied in preparing these financial statements which are the first HKFRS financial statements as defined by HKFRS 1. The consolidated financial statements have been prepared under the historical cost convention.

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 VBill Offshore Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements as disclosed in Note 4.

2.1.1 New standards and interpretation

New standards and interpretations not yet adopted:

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the consolidated financial statements of VBill Offshore Group.

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

2.2 Subsidiary

Subsidiary is an entity over which VBill Offshore Group has control. VBill Offshore Group controls an entity when VBill Offshore Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiary is fully consolidated from the date on which control is transferred to VBill Offshore Group. It is deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiary have been changed where necessary to ensure consistency with the policies adopted by VBill Offshore Group.

Investment in a subsidiary is accounted for at cost less impairment. Cost includes direct attributable costs of investments. The result of subsidiary is accounted for by VBill (Cayman) on the basis of dividend received and receivable.

Impairment testing of the investment in a subsidiary is required upon receiving a dividend from this investment if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of VBill Offshore Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of VBill (Cayman) is Renminbi ("RMB") and the presentation currency of VBill Offshore Group is HK$. As the principal shareholder of VBill (Cayman), after restructuring, is domiciled in Hong Kong, the director has adopted HK$ as the presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses are presented in the consolidated income statement on a net basis within 'administrative expenses', if any.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

2.4 Impairment of non-financial assets

Assets that are subjected to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.5 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand and deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less.

2.6 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.7 Dividend distribution

Dividend distribution to VBill (Cayman)'s shareholders is recognised as a liability in VBill Offshore Group's and VBill (Cayman)'s financial statements in the period in which the dividends are approved by VBill (Cayman)'s shareholders or director, where appropriate.

3 Financial risk management

3.1 Financial risk factors

VBill Offshore Group's activities exposed it to a variety of financial risks: market risk (including cash flow interest rate risk) and credit risk. VBill Offshore Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Risk management is carried out by the director. The director identified and evaluated financial risks in close co-operation with the operating units of VBill Offshore Group.

(a) Market risk

(i) Foreign exchange risk

VBill Offshore Group's foreign currency transactions are mainly denominated in United States Dollars ("US$"). The majority of assets and liabilities are denominated in RMB and US$, and there are no significant assets and liabilities denominated in other currencies. VBill Offshore Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than RMB, which is the functional currency of VBill (Cayman). VBill (Cayman) currently does not hedge its foreign currency exposure.

As VBill (Cayman) is incorporated on 5 December 2018, management believes that the foreign exchange difference of RMB denominated assets do not have material impact to VBill Offshore Group.

(ii) Price risk

VBill Offshore Group is not exposed to equity security and commodity price risk.

(iii) Cash flow and fair value interest rate risk

VBill Offshore Group is not exposed to cash flow and fair value interest rate risk.

(b) Credit risk

Credit risk arises from cash and cash equivalents.

The carrying amounts of cash and cash equivalents represent the VBill Offshore Group's maximum exposure to credit risk in relation to financial assets.

(i) Risk management

To manage this risk, deposits of VBill Offshore Group are mainly placed with reputable banks.

(ii) Impairment of financial assets

Cash and cash equivalents are subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

3.2 Capital risk management

VBill Offshore Group's objectives when managing capital are to safeguard VBill Offshore Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, VBill Offshore Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

VBill Offshore Group monitors capital on the basis of gearing ratio. This ratio is calculated as total debt divided by total capital. VBill Offshore Group does not have any borrowings as at 31 December 2018.

3.3 Fair value estimation

VBill Offshore Group is not exposed to fair value estimation for its financial assets.

3.4 Financial instruments by category

VBill Offshore Group holds the following financial instruments:

	2018
	HK$
Financial asset at amortised cost	
Cash and cash equivalents	78,000
Total	78,000

4 Critical accounting estimates and judgements

Estimates and judgements used in preparing financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

VBill Offshore Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There is no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5 Dividends

No dividend has been paid or declared by VBill (Cayman) for the period from 5 December 2018 (date of incorporation) to 31 December 2018.

6 Subsidiary

The following are the details of the subsidiary as at 31 December 2018:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Particulars of issued share capital/authorised share capital	Proportion of ordinary shares held directly by VBill (Cayman) *(%)*
VBill Technology Limited	The British Virgin Islands, limited liability company	Investment holding	US$1	100%

7 Cash and cash equivalents

	VBill Offshore Group 2018 *HK$*
Cash at bank and in hand	78,000

	VBill (Cayman) 2018 *HK$*
Cash at bank and in hand	77,992

All cash and cash equivalents are denominated in RMB.

8 Share capital

	Ordinary shares of US$1 each	
	No. of shares	*HK$*
Issued and fully paid:		
As at 5 December 2018 (date of incorporation)	–	–
Issuance of ordinary share at date of incorporation	10,000	78,000
At 31 December 2018	10,000	78,000

9 Related party transactions

The shareholders of VBill (Cayman) are Delia and Grace Technology Limited, Kapok Technology Limited, YuTeng Technology Limited, Just Pay Technology Limited (collectively as the "Management Shareholders Holdcos"), which owns 49.87%, 24.06%, 16.04% and 10.03% of VBill (Cayman)'s shares respectively.

10 Benefits and interests of key management

(a) Key management compensation

None of the director received or will receive any fees or other emoluments in respect of his services to VBill (Cayman) during the period from 5 December 2018 (date of incorporation) to 31 December 2018.

(b) Director's retirement benefits

None of the director received or will receive any retirement benefits during the period from 5 December 2018 (date of incorporation) to 31 December 2018.

(c) Director's termination benefits

None of the director received or will receive any termination benefits during the period from 5 December 2018 (date of incorporation) to 31 December 2018.

(d) Consideration provided to third parties for making available director's services

During the period from 5 December 2018 (date of incorporation) to 31 December 2018, VBill (Cayman) did not pay consideration to any third parties for making available director's services.

(e) Information about loans, quasi-loans and other dealings in favour of director, controlled bodies corporate by and connected entities with such director

During the period from 5 December 2018 (date of incorporation) to 31 December 2018, there is no loans, quasi-loans and other dealing arrangements in favour of director, or controlled bodies corporate by and connected entities with such director.

(f) Director's material interests in transactions, arrangements or contracts

Save as disclosed, no significant transactions, arrangements and contracts in relation to VBill (Cayman) business to which VBill (Cayman) was a party and in which a director of VBill (Cayman) had a material interest, whether directly to indirectly; subsisted at the end of the year or at any time during the period from 5 December 2018 (date of incorporation) to 31 December 2018.

11 Subsequent events

On 12 February 2019, Hi Sun Technology (China) Limited, Shen Zheng, Li Huimin, Xue Guangyu, Ge XiaoXia (the "Management Shareholders"), ELECTRUM B.V. (the "Investor"), VBill (Cayman) and 隨行付支付有限公司 ("VBill OPCO") (collectively the "Contractual Parties") entered into a subscription agreement (the "Subscription Agreement") as amended and restated by an amendment and restatement agreement (the "Restatement Agreement") on 21 May 2019, pursuant to which, the Investor has conditionally agreed to subscribe for an approximately 11.21% of the issued ordinary shares of VBill (Cayman) at a subscription price of RMB588,000,000.

On 21 May 2019, the Contractual Parties together with the Management Shareholders Holdcos, 北京微碼數據科技有限公司 and Chongqing JIM Mobile Business Co. Ltd. entered into the shareholders' agreement, pursuant to which, VBill (Cayman) has granted a put option to the Investor whereby all its shares in VBill (Cayman) can be repurchased, redeemed and/or cancelled under certain specified circumstances.

On the date of the Subscription Agreement, the Investor, the Management Shareholders and the Management Shareholders Holdcos also entered into a side letter to agree on the key terms in relation to the exit bonus of the Management Shareholders.

Subsequent to the completion of the Subscription Agreement, VBill (Cayman) will become a subsidiary of Hi Sun Technology (China) Limited, indirectly holding Chongqing JIM Mobile Business Co. Ltd. and its subsidiaries. As of the date of this accountant's report, the Subscription Agreement has yet been completed.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by VBill (Cayman) or any of its subsidiary in respect of any period subsequent to 31 December 2018 and up to the date of this report. Except as disclosed in Note 11 in Section II, no dividend or distribution has been declared, made or paid by VBill (Cayman) or any of its subsidiary in respect of any period subsequent to 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS ON VBILL OFFSHORE GROUP FOR THE YEAR ENDED 31 DECEMBER 2018

Set out below is the management discussion and analysis of VBill Offshore Group:

(i) Financial and business performance

VBill (Cayman) was incorporated in the Cayman Islands with limited liability on 5 December 2018. As at 31 December 2018, VBill (Cayman) had one wholly-owned subsidiary, VBill (BVI). VBill (BVI) is a company incorporated in the BVI with limited liability on 21 December 2018. VBill (Cayman) and VBill (BVI) are collectively referred to as "VBill Offshore Group" in the following paragraphs in this Appendix IIB.

VBill Offshore Group was formed to act as investment holding companies of VBill Group. VBill Offshore Group did not, at any time during the period from 5 December 2018 (date of incorporation of VBill (Cayman)) to 31 December 2018, have any income and expenditure.

(ii) Liquidity, financial resources and capital structure

As at 31 December 2018, VBill Offshore Group reported total assets of HK$78,000, which were financed equity of HK$78,000. The net asset value was HK$78,000. As at 31 December 2018, the VBill Offshore Group had cash and cash equivalents of HK$78,000 and no bank borrowings and banking facilities. The net cash position as at 31 December 2018 was HK$78,000. The gearing ratio (defined as total bank borrowings divided by total capital) was zero. All cash and cash equivalents of VBill Offshore Group are denominated in RMB.

(iii) Material investments, acquisitions or disposals

VBill Offshore Group did not have any other material investment and there was no other material acquisition or disposal of subsidiaries and associated companies by VBill Offshore Group which took place during the year ended 31 December 2018.

(iv) Employee

VBill Offshore Group did not employ any employee since its establishment.

(v) Charge on assets

As at 31 December 2018, there was no charge on any assets of VBill Offshore Group.

(vi) Future plan for material investments or capital assets

Save for the VIE Restructuring, VBill Offshore Group had no specific plan for material investments or capital assets as at 31 December 2018.

(vii) Gearing ratio

As at 31 December 2018, VBill Offshore Group had cash and cash equivalents of HK$78,000 and no bank borrowings and banking facilities. The net cash position as at 31 December 2018 was HK$78,000. The gearing ratio (defined as total bank borrowings divided by total capital) was zero. All cash and cash equivalents of VBill Offshore Group are denominated in RMB.

(viii) Foreign exchange exposure

VBill Offshore Group is exposed to foreign currency risk on transactions that are denominated in a currency other than RMB. VBill Offshore Group currently does not have a foreign currency hedging policy but the management of VBill Offshore Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ix) Contingent liabilities

VBill Offshore Group did not have significant contingent liabilities as at 31 December 2018.

ACCOUNTANT'S REPORT ON CHONGQING JIM GROUP

The following is the text of a report set out on pages IIIA-1 to IIIA-3 prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HI SUN TECHNOLOGY (CHINA) LIMITED

Introduction

We report on the historical financial information of Chongqing JIM Mobile Business Co. Ltd. (''Chongqing JIM'') and its subsidiaries (together, ''Chongqing JIM Group'') set out on pages IIIA-4 to IIIA-93, which comprises the consolidated and company balance sheets as at 31 December 2016, 2017 and 2018, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years then ended (the ''Track Record Period'') and a summary of significant accounting policies and other explanatory information (together, the ''Historical Financial Information''). The Historical Financial Information set out on pages IIIA-4 to IIIA-93 forms an integral part of this report, which has been prepared for inclusion in the circular of Hi Sun Technology (China) Limited (the ''Company'') dated 21 June 2019 (the ''Circular'') in connection with the proposed acquisition of Chongqing JIM by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Notes 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of Chongqing JIM Group for the Track Record Period ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements of Chongqing JIM Group for the Track Record Period. The directors of Chongqing JIM are responsible for the preparation of the previously issued financial statements of Chongqing JIM Group that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Notes 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of Chongqing JIM as at 31 December 2016, 2017 and 2018 and the consolidated financial position of Chongqing JIM Group as at 31 December 2016, 2017 and 2018 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Notes 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong
21 June 2019

I HISTORICAL FINANCIAL INFORMATION OF CHONGQING JIM GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The underlying financial statements on which the Historical Financial Information is based, have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been audited by PricewaterhouseCoopers Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December		
		2016	2017	2018
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*5, 6*	1,241,982	2,175,189	3,874,060
Interest revenue	*5, 6*	–	18	80,499
Cost of sales	*7*	(789,498)	(1,591,908)	(2,844,251)
Gross profit		452,484	583,299	1,110,308
Other income	*5*	31,293	31,183	23,283
Selling expenses	*7*	(64,868)	(69,150)	(59,262)
Administrative expenses	*7*	(214,697)	(281,159)	(460,669)
Employees' incentive programme of a subsidiary	*23*	–	–	(195,300)
Credit impairment loss		–	–	(34,829)
Operating profit and profit before income tax		204,212	264,173	383,531
Income tax expense	*10*	(19,938)	(41,752)	(87,480)
Profit for the year		184,274	222,421	296,051
Profit attributable to:				
– Owners of Chongqing JIM		153,259	178,509	234,294
– Non-controlling interest		31,015	43,912	61,757
		184,274	222,421	296,051

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year	184,274	222,421	296,051
Other comprehensive (loss)/income, net of tax			
Items that have been reclassified or may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of the financial statements	(8,898)	20,880	(37,941)
Change in value of an available-for-sale financial asset	8,471	(278)	–
Item that will not be subsequently reclassified to profit or loss			
Change in value of a financial asset at fair value through other comprehensive income	–	–	(14,384)
Total comprehensive income for the year, net of tax	183,847	243,023	243,726
Attributable to:			
– Owners of Chongqing JIM	156,941	191,702	192,029
– Non-controlling interests	26,906	51,321	51,697
	183,847	243,023	243,726

CONSOLIDATED BALANCE SHEET

		As at 31 December		
		2016	2017	2018
	Note	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Non-current assets				
Property, plant and equipment	*12*	232,682	475,822	686,372
Intangible assets	*13*	1,893	1,777	1,624
Investment accounted for using the equity method	*17*	–	–	3,416
Available-for-sale financial asset	*14*	14,664	15,536	–
Financial asset at fair value through other comprehensive income	*14*	–	–	895
Other financial assets at amortised cost	*19*	1,561	1,576	11,830
Loan receivables	*15*	–	–	479
Total non-current assets		250,800	494,711	704,616
Current assets				
Inventories		119	403	41
Other current assets	*20*	9,169	13,355	46,076
Other financial assets at amortised cost	*19*	6,288	18,378	25,891
Amount due from a related company	*21, 30(b)*	–	252	3,387
Amounts due from fellow subsidiaries	*21, 30(b)*	15,675	19,313	18,339
Loan receivables	*15*	–	2,205	535,816
Trade receivables	*18*	47,486	55,610	52,279
Cash and cash equivalents	*22*	1,648,569	1,487,815	1,618,232
Total current assets		1,727,306	1,597,331	2,300,061
Total assets		1,978,106	2,092,042	3,004,677
EQUITY				
Capital and reserves attributable to owners of Chongqing JIM				
Registered capital	*23*	11,400	11,400	11,400
Reserves	*24*	104,529	265,324	613,671
		115,929	276,724	625,071
Non-controlling interests		68,106	124,776	215,455
Total equity		184,035	401,500	840,526

		As at 31 December		
		2016	2017	2018
	Note	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	*26*	94	58	23
Other payables	*25*	–	–	983
		94	58	1,006
Current liabilities				
Trade payables	*25*	61,490	117,100	196,542
Payables for payment processing solutions business	*25*	808,651	292,588	266,710
Other payables and accruals	*25*	404,053	594,138	1,137,712
Amounts due to related companies	*21, 30(b)*	81,468	57,755	114,190
Amounts due to fellow subsidiaries	*21, 30(b)*	341,699	375,133	342,858
Amount due to an intermediate holding company	*21, 30(b)*	80,086	86,417	82,028
Amount due to the immediate holding company	*21, 30(b)*	2,823	2,986	2,789
Amount due to the ultimate holding company	*21, 30(b)*	–	140,280	–
Current income tax liabilities		13,707	24,087	20,316
Total current liabilities		1,793,977	1,690,484	2,163,145
Total liabilities		1,794,071	1,690,542	2,164,151
Total equity and liabilities		1,978,106	2,092,042	3,004,677

BALANCE SHEET OF CHONGQING JIM

		As at 31 December		
		2016	2017	2018
	Note	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Non-current assets				
Property, plant and equipment		210	386	238
Investments in subsidiaries	*16*	188,973	203,910	193,556
Total non-current assets		189,183	204,296	193,794
Current assets				
Inventories		3	403	41
Other current assets	*20*	178	638	923
Other financial assets at amortised cost	*19*	164	374	727
Amount due from a subsidiary	*21, 30(b)*	33,348	35,984	34,157
Trade receivables	*18*	7,049	8,230	9,968
Cash and cash equivalents		9,413	13,065	7,811
Total current assets		50,155	58,694	53,627
Total assets		239,338	262,990	247,421
DEFICITS				
Capital and equity attributable to owners of Chongqing JIM				
Registered capital		11,400	11,400	11,400
Reserves	*31*	(21,115)	(17,122)	(20,428)
Total deficits		(9,715)	(5,722)	(9,028)
LIABILITIES				
Current liabilities				
Trade payables		9	10	9
Other payables and accruals	*25*	3,891	4,231	3,847
Amount due to a related company	*21, 30(b)*	–	–	876
Amount due to a fellow subsidiary	*21, 30(b)*	242,330	261,485	248,207
Amount due to a subsidiary	*21, 30(b)*	–	–	721
Amount due to the immediate holding company	*21, 30(b)*	2,823	2,986	2,789
Total current liabilities		249,053	268,712	256,449
Total liabilities		249,053	268,712	256,449
Total equity and liabilities		239,338	262,990	247,421

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of Chongqing JIM						
	Registered capital	Other reserves	Merger reserve	Exchange reserve	(Accumulated losses)/ retained earnings	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2016	11,400	90,337	–	(6,464)	(141,843)	41,200	(5,370)
Comprehensive income							
Profit for the year	–	–	–	–	153,259	31,015	184,274
Other comprehensive income/(loss)							
Exchange differences arising on translation of the financial statements	–	–	–	(4,789)	–	(4,109)	(8,898)
Change in value of an available-for-sale financial asset	–	8,471	–	–	–	–	8,471
Total comprehensive income/(loss)	–	8,471	–	(4,789)	153,259	26,906	183,847
Acquisition of a subsidiary under merger accounting *(Note 2)*	–	–	5,558	–	–	–	5,558
Balance at 31 December 2016	11,400	98,808	5,558	(11,253)	11,416	68,106	184,035

	Attributable to the owners of Chongqing JIM						
	Registered capital	Other reserves	Merger reserve	Exchange reserve	Retained earnings	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2017	11,400	98,808	5,558	(11,253)	11,416	68,106	184,035
Comprehensive income							
Profit for the year	–	–	–	–	178,509	43,912	222,421
Other comprehensive (loss)/income							
Exchange differences arising on translation of the financial statements	–	–	–	13,471	–	7,409	20,880
Change in value of an available-for-sale financial asset	–	(278)	–	–	–	–	(278)
Total comprehensive (loss)/income	–	(278)	–	13,471	178,509	51,321	243,023
Acquisition of a subsidiary under merger accounting *(Note 2)*	–	–	(5,558)	–	–	–	(5,558)
Transaction with non-controlling interests *(Note 2)*	–	(25,349)	–	–	–	5,349	(20,000)
Balance at 31 December 2017	11,400	73,181	–	2,218	189,925	124,776	401,500

	Attributable to the owners of Chongqing JIM					
	Registered capital	Other reserves	Exchange reserve	Retained earnings	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2018	11,400	73,181	2,218	189,925	124,776	401,500
Comprehensive income						
Profit for the year	–	–	–	234,294	61,757	296,051
Other comprehensive (loss)/income						
Exchange differences arising on translation of the financial statements	–	–	(27,881)	–	(10,060)	(37,941)
Change in value of a financial asset at fair value through other comprehensive income	–	(14,384)	–	–	–	(14,384)
Total comprehensive (loss)/income	–	(14,384)	(27,881)	234,294	51,697	243,726
Employees' incentive programme of a subsidiary *(Note 23)*	–	156,318	–	–	38,982	195,300
Balance at 31 December 2018	11,400	215,115	(25,663)	424,219	215,455	840,526

CONSOLIDATED CASH FLOW STATEMENT

		For the year ended 31 December		
		2016	**2017**	**2018**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Cash flows from operating activities				
Cash generated from operations	*27(a)*	979,793	39,220	917,617
Income tax paid		(9,970)	(32,818)	(90,162)
Net cash generated from operating activities		969,823	6,402	827,455
Cash flows from investing activities				
Purchase of property, plant and equipment		(166,058)	(426,233)	(476,187)
Purchase of intangible assets		(1,893)	–	–
Acquisition of a subsidiary, net of cash acquired		3,583	–	–
Proceeds from disposals of property, plant and equipment	*27(b)*	99	195	1,008
Acquisition of an investment accounted for using the equity method		–	–	(3,416)
Interest received		14,641	23,296	19,301
Increase in amounts due from fellow subsidiaries	*27(c)*	(676)	(2,315)	(7)
Net cash used in investing activities		(150,304)	(405,057)	(459,301)
Cash flows from financing activities				
Decrease in amounts due to fellow subsidiaries	*27(c)*	(20,952)	(19,360)	(13,734)
Decrease in amount due to the immediate holding company	*27(c)*	(46)	(58)	(47)
(Decrease)/increase in amount due to the ultimate holding company	*27(c)*	(58,214)	135,345	(138,273)
Net cash (used in)/generated from financing activities		(79,212)	115,927	(152,054)
Net increase/(decrease) in cash and cash equivalents		740,307	(282,728)	216,100
Cash and cash equivalents at beginning of the year		1,001,468	1,648,569	1,487,815
Exchange (loss)/gain on cash and cash equivalents		(93,206)	121,974	(85,683)
Cash and cash equivalents at end of the year	22	1,648,569	1,487,815	1,618,232

II NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Chongqing JIM Mobile Business Co. Ltd. ("Chongqing JIM") and its subsidiaries (together "Chongqing JIM Group") are principally engaged in the provision of payment processing solutions, provision of micro loan solutions and provision of platform operation solutions. Chongqing JIM is a limited liability company incorporated in the People's Republic of China. The address of its registered office is Room 28, 7th Floor, Area A, Hopeway Science and Technology Mansion, Gaoxinyuan, North New District, Chongqing, the People's Republic of China (the "PRC").

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Chongqing JIM Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certificate Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, except for the financial asset at fair value through other comprehensive income ("FVOCI") and available-for-sale financial asset ("AFS"), which are measured at fair values.

These consolidated financial statements have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

On 18 July 2017, a reorganisation (the "Reorganisation") at Hunan Hisun Mobile Pay IT Limited ("Hunan Mobile Pay"), a company wholly controlled by Hi Sun Technology (China) Limited (the "Company"), the ultimate holding company of Chongqing JIM Group, was undertaken. Before the Reorganisation, Hunan Mobile Pay was a 60% owned subsidiary of Chongqing JIM Group. During the Reorganisation, the remaining 40% of shareholding was transferred from a fellow subsidiary, Fame Technology Limited ("Fame"), to a wholly owned subsidiary of Chongqing JIM, 湖南雲融信息技術有限公司 ("Hunan Yunrong"), at a consideration of HK$20,000,000. Hunan Mobile Pay became a wholly owned subsidiary now comprising Chongqing JIM Group. This represents a transaction with non-controlling interests. As a result of this transaction, a debit of HK$25,349,000 was recognised in other reserve.

On 4 December 2017, another reorganisation was undertaken, a fellow subsidiary of Chongqing JIM, 北京高陽聖思園信息技術有限公司 ("Beijing Hi Sunsray"), transferred its wholly owned subsidiary, 廣州健雲信息技術有限公司 ("Guangzhou Health") to Hunan Yunrong, at a consideration of HK$5,558,000 (equivalent to RMB5,000,000). Guangzhou Health, Beijing Hi Sunsray and Hunan Yunrong are wholly controlled by the Company. As a result of this reorganisation, Guangzhou Health became a wholly owned subsidiary of Chongqing JIM Group. The merger reserve of HK$5,558,000 recognised in the consolidated statement of changes in equity mainly represents the registered capital of Guangzhou Health.

The accompanying consolidated financial statements and comparative have been prepared on the basis as if the current group structure had been in existence since 28 December 2016, the date of acquisition of Guangzhou Health by Beijing Hi Sunsray when Chongqing JIM and Guangzhou Health came under the common control of the Company. Goodwill of HK$1,515,000 was recognised arising from the acquisition of Guangzhou Health. The reorganisation is not material to Chongqing JIM Group.

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 Chongqing JIM Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Changes in accounting policy and disclosures

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, Chongqing JIM Group has adopted all applicable new and revised HKFRSs for the Track Record Period except for any new standards or interpretation that are not yet effective for the accounting period beginning 1 January 2018. The revised and new accounting standards and interpretation issued but not yet effective for the accounting period beginning 1 January 2018 are set out in Note b below.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information, except for HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers, which have been initially applied on 1 January 2018. Details of the changes in accounting policies are discussed below.

(a) New and amended standards adopted by Chongqing JIM Group

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the accounting period beginning 1 January 2018. Of these, the following developments are relevant to Chongqing JIM Group's Historical Financial Information:

- HKFRS 9 Financial Instruments

- HKFRS 15 Revenue from Contracts with Customers

The other standards did not have material impact on Chongqing JIM Group's accounting policies and did not require any adjustments.

The below explains the impact of adoption of HKFRS 9 Financial Instruments ("HKFRS 9") and HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") on Chongqing JIM Group's consolidated financial statements.

The adoption of the modified retrospective application under HKFRS 15 did not have any material impact on Chongqing JIM Group's consolidated financial statements.

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements as described below. In accordance with the transitional provisions in HKFRS 9, HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated consolidated balance sheet as at 31 December 2017, but are recognised in the opening consolidated balance sheet on 1 January 2018.

Impact of adoption

Classification and measurement of financial instruments

On 1 January 2018 (the date of initial application of HKFRS 9), Chongqing JIM Group's management has assessed which business models apply to the financial assets held by Chongqing JIM Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

	31 December 2017, under HKAS 39	Reclassify from available-for-sale financial asset to financial asset at fair value through other comprehensive income *(Note (i))*	1 January 2018, under HKFRS 9
	HK$'000	*HK$'000*	*HK$'000*
Available-for-sale financial asset			
– Unlisted equity security	15,536	(15,536)	–
Financial asset at fair value through other comprehensive income			
– Unlisted equity security	–	15,536	15,536

	Other Reserve	
	Available-for-sale revaluation reserve	Financial asset at fair value through other comprehensive income reserve
	HK$'000	*HK$'000*
Balance at 31 December 2017, under HKAS 39	8,172	–
Unlisted equity security		
– Reclassify from available-for-sale financial asset to financial asset at fair value through other comprehensive income *(Note (i))*	(8,172)	8,172
Balance at 1 January 2018, under HKFRS 9	–	8,172

Note:

(i) **Reclassification of available-for-sale financial asset to financial asset at fair value through other comprehensive income – unlisted equity security**

Chongqing JIM Group elected to present changes in the fair value of its equity security (previously classified as AFS) in other comprehensive income as it is a long-term and strategic investment that is not expected to be sold in the short to medium term. As a result, the AFS with fair value of HK$15,536,000 as at 1 January 2018 was reclassified to financial asset at FVOCI and the related cumulative fair value gain of HK$8,172,000 was reclassified from available-for-sale revaluation reserve to financial asset at fair value through other comprehensive income reserve on 1 January 2018.

There is no impact on Chongqing JIM Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss ("FVPL") and Chongqing JIM Group does not have any such liabilities.

Impairment of financial assets

Chongqing JIM Group has two major types of financial assets that are subject to HKFRS 9's new expected credit loss ("ECL") model:

– trade receivables

– other financial assets carried at amortised cost

Chongqing JIM Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(i) Trade receivables

Chongqing JIM Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. ECL are estimated by grouping the trade receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its aging category. The expected loss rates are based on historical credit losses experienced up to 3 years and are adjusted to reflect current and forward looking information on factors affecting the ability of the customers to settle the receivables.

Management has closely monitored the credit qualities and the collectability of the trade receivables. The adoption of the simplified ECL approach under HKFRS 9 has not resulted in any additional impairment loss for trade receivables as at 1 January 2018.

(ii) Other financial assets carried at amortised cost

For other financial assets carried at amortised cost, including other financial assets at amortised cost, amount due from a related company, amounts due from fellow subsidiaries in the consolidated balance sheet, the ECL is based on the 12-month ECL. It is the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the ECL is immaterial as at 1 January 2018.

(b) Impact of standards issued but not yet adopted by Chongqing JIM Group

HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Chongqing JIM Group's operating leases. As at the reporting date, Chongqing JIM Group has non-cancellable operating lease commitments of HK$59,088,000, see Note 29. However, Chongqing JIM Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect Chongqing JIM Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

Chongqing JIM Group will apply the standard from its mandatory adoption date of 1 January 2019.

Chongqing JIM Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards and interpretations that are not yet effective that would be expected to have a material impact on Chongqing JIM Group's consolidated financial statements.

2.2 *Principles of consolidation and equity accounting*

(a) Subsidiaries

Subsidiaries are all entities over which Chongqing JIM Group has control. Chongqing JIM Group controls an entity when Chongqing JIM Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Chongqing JIM Group. They are deconsolidated from the date that control ceases.

Except for the transfer of Guangzhou Health from Beijing Hi Sunsray to Hunan Yunrong *(Note 2.1)* which applies the merger accounting for common control combination, the acquisition method of accounting is used to account for business combinations by Chongqing JIM Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Chongqing JIM Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

(b) Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under the control of the controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or business from the earliest date presented or since the date when the combining entities or business first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or business are eliminated on consolidation.

Transaction costs incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

There were no other significant adjustments made to the net assets and net profit or loss of any entities or business as a result of the common control combination to achieve consistency of accounting policies.

(c) Associated company

Associated company is entity over which Chongqing JIM Group has significant influence but not control or joint control. This is generally the case where Chongqing JIM Group holds between 20% and 50% of the voting rights. Investment in associated company is accounted for using the equity method of accounting *(see (c) below)*, after initially being recognised at cost.

(d) Equity accounting

Under the equity method of accounting, the investment is initially recognised at cost and adjusted thereafter to recognise Chongqing JIM Group's share of the post-acquisition profits or losses of the investee in the consolidated income statement, and Chongqing JIM Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associated companies are recognised as a reduction in the carrying amount of the investment.

When Chongqing JIM Group's share of losses in an equity accounted investment equals or exceeds its interest in the entity, including any other unsecured long term receivables, Chongqing JIM Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between Chongqing JIM Group and its associated companies are eliminated to the extent of Chongqing JIM Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by Chongqing JIM Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

(e) Changes in ownership interests

Chongqing JIM Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of Chongqing JIM Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Chongqing JIM.

When Chongqing JIM Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated income statement. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if Chongqing JIM Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement where appropriate.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations except for the acquisition of Guangzhou Health disclosed in Note 2.1, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by Chongqing JIM Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Chongqing JIM Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in consolidated income statement as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in consolidated income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in consolidated income statement.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by Chongqing JIM on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors that make strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of Chongqing JIM Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of Chongqing JIM is Renminbi ("RMB") and the presentation currency of Chongqing JIM Group is HK$. As the ultimate shareholder of Chongqing JIM are domiciled in Hong Kong, the directors have adopted HK$ as the presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses are presented in the consolidated income statement on a net basis within "administrative expenses".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair values are reported as part of the fair value gain or loss. For example, translation differences on non-monetary financial assets, such as equities classified as financial asset at FVOCI are recognised in other comprehensive income.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the consolidated income statement, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Chongqing JIM Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	20% or over lease terms, whichever is shorter
Office furniture and equipment	18% – 33%
Plant and equipment	10% – 33%
Motor vehicles	18% – 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the consolidated income statement.

2.8 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) Customer list and contracts

Separately acquired customer list and contracts are shown at historical cost. Customer list and contracts acquired in a business combination are recognised at fair values at the date of acquisition. They have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of them over their estimated useful lives (1.5 – 5 years).

(c) Computer software

Acquired software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 to 5 years). Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

2.9 Impairment of non-financial assets and investment in subsidiaries

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Assets that are subjected to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Investments and other financial assets

(a) Classification

From 1 January 2018, Chongqing JIM Group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value through other comprehensive income, and

– those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For asset measured at fair value, gains and losses will be recorded in the consolidated income statement or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether Chongqing JIM Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Chongqing JIM Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which Chongqing JIM Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Chongqing JIM Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, Chongqing JIM Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on Chongqing JIM Group's business model for managing the asset and the cash flow characteristics of the asset. There is one measurement category to classify the debt instruments:

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income, except for interest income generated from loan receivables which is included in revenue, using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated income. Impairment losses are presented as separate line item in the consolidated income statement.

Equity instruments

Chongqing JIM Group subsequently measures all equity investments at fair value. Where Chongqing JIM Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated income statement when Chongqing JIM Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

From 1 January 2018, Chongqing JIM Group assesses on a forward looking basis the ECL associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, Chongqing JIM Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(e) Accounting policies applied until 31 December 2017

Chongqing JIM Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with Chongqing JIM Group's previous accounting policy.

Until 31 December 2017, Chongqing JIM Group classifies its financial assets as loans and receivables and AFS. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the balance sheet date. These are classified as non-current assets. Chongqing JIM Group's loans and receivables comprise "trade receivables", "other receivables and deposits" and "cash and cash equivalents" in the consolidated balance sheet.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the balance sheet date.

(i) Reclassification

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made.

(ii) Subsequent measurement

The measurement at initial recognition did not change on adoption of HKFRS 9, see description above. AFS is subsequently carried at fair values. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Changes in the fair value of monetary and non-monetary securities classified as AFS are recognised in the consolidated statement of other comprehensive income.

When securities classified as AFS are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

(iii) Impairment

Chongqing JIM Group assesses at each of the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Asset classified as available-for-sale

If there is objective evidence of impairment for AFS, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement – is removed from equity and recognised in the consolidated income statement. Impairment losses on equity instruments that were recognised in the consolidated income statement are not reversed through the consolidated income statement in a subsequent period.

2.11 Offsetting financial instruments

No financial assets and financial liabilities were subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2018, 2017 and 2016.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in progress comprises raw materials, direct labour and related production overhead (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables including retention money receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Chongqing JIM Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less provision for impairment.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "credit impairment loss" in the consolidated income statement.

2.14 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand and deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less.

2.15 Registered capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where Chongqing JIM's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where Chongqing JIM Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.18 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

Pursuant to the government regulations in the PRC, Chongqing JIM Group is required to contribute an amount to certain retirement benefit schemes based on approximately 7% to 20% of the wages for the year of those employees in the PRC. The local municipal government undertakes to assume the retirement benefits obligations of those employees of Chongqing JIM Group. Contributions to these retirement benefits schemes are charged to the consolidated income statement as incurred.

(c) Profit sharing and bonus plan

Chongqing JIM Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to Chongqing JIM's shareholders after certain adjustments. Chongqing JIM Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.19 Share-based payments

(a) Equity-settled share based payment transactions

A subsidiary of Chongqing JIM Group operates an equity settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of Chongqing JIM Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, Chongqing JIM Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, Chongqing JIM issues new shares. The proceeds received net of any directly attributable transaction costs are credited to registered capital (nominal value) and share premium.

2.20 Provisions

Provisions are recognised when Chongqing JIM Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Revenue recognition

(a) Provision of services

Chongqing JIM Group recognises revenue from its payment processing solution business when services are rendered which generally coincide when the underlying transactions of the merchants (customers of Chongqing JIM Group) have been acknowledged by the relevant banks and financial institutions, by which contractual right of Chongqing JIM Group and the merchants to receive cash flows from the financial institutions is established and Chongqing JIM Group has present right to payment. Revenue from early settlement services is recognised when the services are rendered, which generally coincide when the settlement has been completed.

Chongqing JIM Group engaged in provision of platform operation solutions services. Revenue from providing services is recognised in the accounting period in which the services are rendered.

Some contracts include multiple deliverables. The related maintenance services are accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. If contracts include the maintenance services, revenue for the maintenance services is recognised based on the actual service provided, using the straight-line basis over the terms of contracts, because the customer receives and uses the benefit simultaneously.

If the contract includes a monthly fee, revenue is recognised in the amount to which Chongqing JIM Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

Contract liabilities – receipt in advances

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

(b) Interest revenue

Chongqing JIM Group is also engaged in provision of micro loan solutions. Interest income is recognised and accrued using the effective interest method. When a loan receivable is impaired, Chongqing JIM Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan receivables are recognised using the original effective interest rate.

(c) Accounting policies applied until 31 December 2017

Chongqing JIM Group has applied HKFRS 15 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with Chongqing JIM Group's previous accounting policy.

Until 31 December 2017, revenue is measured at the fair value of the consideration received or receivable, and represents amount for the sale of goods and services in the ordinary course of Chongqing JIM Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within Chongqing JIM Group. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of Chongqing JIM Group's activities, as described below:

(i) Provision of services

Revenue from fixed-price contracts is recognised using the stage of completion method, measured by reference to the agreed milestones of work performed and is shown after eliminating sales within Chongqing JIM Group.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the consolidated income statement in the period in which the circumstances that give rise to the revision become known by management.

Chongqing JIM Group recognises revenue from its payment processing solution business when services are rendered which generally coincide when the underlying transactions of the merchants (customers of Chongqing JIM Group) have been acknowledged by the relevant banks and financial institutions, by which contractual right of Chongqing JIM Group and the merchants to receive cash flows from the financial institutions is established and amount to be received could be reliably estimated. Revenue from early settlement services is recognised when the services are rendered, which generally coincide when the settlement has been completed.

2.22 Other income

Interest income on financial assets at amortised cost, except loan receivables from micro loan solution business, calculated using the effective interest method is recognised in the consolidated income statement as part of other income.

2.23 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight line basis over the period of the lease.

2.24 Government grants

Grants from the government for high-tech companies are recognised in 'other income' in the consolidated income statements at their fair value where there is a reasonable assurance that the grant will be received and Chongqing JIM Group will comply with all the attached conditions.

2.25 Research and development

Research expenditure is expensed as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, costs can be measured reliably, there is an intention to complete and use it, there is an ability to use it, there will be a probable future economic benefits inflow and there are adequate resources to complete and use it. Other development expenditures are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.26 Dividend distribution

Dividend distribution to Chongqing JIM's shareholders is recognised as a liability in Chongqing JIM Group's and Chongqing JIM's financial statements in the period in which the dividends are approved by Chongqing JIM's shareholders or directors, where appropriate.

3 Financial risk management

3.1 Financial risk factors

Chongqing JIM Group's activities exposed it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Chongqing JIM Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors. The directors identified and evaluated financial risks in close co-operation with the operating units of Chongqing JIM Group.

(a) *Market risk*

(i) Foreign exchange risk

Chongqing JIM Group's currency transactions are mainly denominated in HK$ and RMB. The majority of assets and liabilities are denominated in HK$ and RMB, and there are no significant assets and liabilities denominated in other currencies. Chongqing JIM Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than RMB, which is the functional currency of Chongqing JIM Group. Chongqing JIM Group currently does not hedge its foreign currency exposure.

At 31 December 2016, 2017 and 2018, if HK$ had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have been approximately HK$1,000,000, HK$2,000,000, and HK$2,000,000 higher/lower, mainly as a result of the foreign exchange difference of HK$ denominated current accounts with group companies.

(ii) Price risk

Chongqing JIM Group is not exposed to commodity price risk.

(iii) Cash flow and fair value interest rate risk

Interest rate risk relates to the risk that the fair value or cash flow of a financial instrument will fluctuate because of changes in market interest rates.

Chongqing JIM Group's fair value interest rate risk arises mainly from its loan receivables with fixed interest rate, which is substantially independent of changes in market interest rates.

Chongqing JIM Group's cash flow interest rate risk arises mainly from cash and cash equivalents. Other financial assets and financial liabilities are non-interest-bearing and are measured at amortised cost. At 31 December 2016, 2017 and 2018, if interest rates on interest-bearing cash and cash equivalents had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year of Chongqing JIM Group would have been approximately HK$16,485,000, HK$14,878,000 and HK$16,182,000 higher/lower due to interest income earned on market interest rate.

(b) Credit risk

Credit risk arises from other financial assets at amortised cost, amount due from a related company, amounts due from fellow subsidiaries, loan receivables, trade receivables and cash and cash equivalents.

The carrying amounts of other financial assets at amortised cost, amount due from a related company, amounts due from fellow subsidiaries, loan receivables, trade receivables and cash and cash equivalents represent Chongqing JIM Group's maximum exposure to credit risk in relation to financial assets.

(i) Risk management

To manage this risk, deposits of Chongqing JIM Group are mainly placed with state-owned financial institutions and reputable banks. Chongqing JIM Group has policies in place to ensure that sales are made to reputable and creditworthy customers with an appropriate financial strength, credit history and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

In addition, Chongqing JIM Group reviews regularly the authorisation of credit limits to individual customers and recoverable amount of each individual trade receivables to ensure the adequate impairment losses are made for irrecoverable amounts.

For its micro loan solution business, Chongqing JIM Group leverages on its proprietary credit risk management and fraud prevention system while it also has established a comprehensive credit risk management process which include credit origination, credit review, credit approval, disbursement, post-disbursement monitoring, and collection.

Management considers the credit risk for related company balances to be minimal after considering the financial condition of the entities. Management has performed assessment over the recoverability of the balances and management does not expect any losses from non-performance by these entities.

For the year ended 31 December 2016, 2017 and 2018, Chongqing JIM Group has concentration of credit risk. Provision of services to the largest customer accounted for 15%, 8% and 6% for the total revenue, and top five customers constituted 17%, 9% and 7% of Chongqing JIM Group's turnover.

(ii) Impairment of financial assets

Trade receivables from the provision of services and loan receivables are subject to the ECL model. While cash and cash equivalents and other financial assets at amortised cost are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

Chongqing JIM Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. Chongqing JIM Group measures the ECL on a combination of both individual and collective basis.

Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. Chongqing JIM Group also estimates the provision for ECL on a collective basis by grouping the trade receivables based on shared credit loss risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying ECL rates to respective gross carrying amounts of the receivables. The ECL rates are based on historical credit losses experienced up to 3 years and are adjusted to reflect current and forward looking information on factors affecting the ability of the customers to settle the receivables. As at 31 December 2018, the ECL of trade receivables is immaterial to Chongqing JIM Group.

Impairment losses on trade receivables are presented as 'credit impairment loss' in the consolidated income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the same line item.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Allowance for impairment of trade and other receivables is established when there is objective evidence that Chongqing JIM Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered as indicators that the receivable is impaired.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the consolidated income statement.

The impact of transition to HKFRS 9 on 1 January 2018 (date of adoption of HKFRS 9) as a result of applying the expected credit risk model was immaterial.

Loan receivables

Chongqing JIM Group estimates the ECL under HKFRS 9 ECL models. Chongqing JIM Group assesses whether the credit risk of loan receivables have increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their ECL, the management assesses impairment loss using the risk parameter modelling approach that incorporates key measurement parameters, including probability of default, loss given default and exposure at default, with the consideration of forward-looking information.

Loan receivables are categorised into the following stages by Chongqing JIM Group:

Stage 1

Loan receivables have not experienced a significant increase in credit risk since origination and impairment is recognised on the basis of 12 months ECL (12-month ECLs).

Stage 2

Loan receivables to customers have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime ECL (Lifetime ECLs non credit-impaired).

Stage 3

Loan receivables that are in default and considered credit impaired (Lifetime ECLs credit impaired).

In assessing whether the credit risk of a loan receivables has increased significantly since initial recognition, Chongqing JIM Group compares the risk of default occurring on the loan receivables assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, Chongqing JIM Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to Chongqing JIM Group in full, without recourse by Chongqing JIM Group to actions such as realising security (if any is held); or (ii) the financial asset is past due for more than 90 days. Chongqing JIM Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in a loan receivables's external or internal credit rating (if available);

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to Chongqing JIM Group; and

– the financial asset is past due.

As at 31 December 2018, the provision for impairment of loan receivables was HK$32,807,000 based on expected loss rates up to 100% applied to different stages. During the Track Record Period, the impairment policy of loan receivable was described in Note 2.10.

Cash and cash equivalents and other financial assets at amortised cost

Note 2.10 described the impairment policy of cash and cash equivalents and other financial assets at amortised cost during the Track Record Period.

(c) Liquidity risk

With prudent liquidity risk management, Chongqing JIM Group aims to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available financing. Due to the dynamic nature of the underlying businesses, Chongqing JIM Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through having available sources of financing.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to interest bearing bank deposits with appropriate maturities to manage its overall liquidity position. As at 31 December 2016, 2017 and 2018, Chongqing JIM Group maintained cash and bank balances of HK$1,648,569,000, HK$1,487,815,000, and HK$1,618,232,000 that is expected to be readily available and sufficient to meet the cash outflows of its financial liabilities, hence management considers that Chongqing JIM Group's exposure to liquidity risk is not significant.

The table below analyses Chongqing JIM Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year
	HK$'000
At 31 December 2016	
Trade payables	61,490
Payables for payment processing solutions business	808,651
Other payables and accruals	74,871
Amounts due to related companies	81,468
Amounts due to fellow subsidiaries	341,699
Amount due to an intermediate holding company	80,086
Amount due to the immediate holding company	2,823
Total	1,451,088
At 31 December 2017	
Trade payables	117,100
Payables for payment processing solutions business	292,588
Other payables and accruals	111,653
Amounts due to related companies	57,755
Amounts due to fellow subsidiaries	375,133
Amount due to an intermediate holding company	86,417
Amount due to the immediate holding company	2,986
Amount due to the ultimate holding company	140,280
Total	1,183,912

	Less than 1 year
	HK$'000
At 31 December 2018	
Trade payables	196,542
Payables for payment processing solutions business	266,710
Other payables and accruals	253,770
Amounts due to related companies	114,190
Amounts due to fellow subsidiaries	342,858
Amount due to an intermediate holding company	82,028
Amount due to the immediate holding company	2,789
Total	1,258,887

3.2 Capital risk management

Chongqing JIM Group's objectives when managing capital are to safeguard Chongqing JIM Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Chongqing JIM Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Chongqing JIM Group monitors capital on the basis of gearing ratio. This ratio is calculated as total debt divided by total capital.

Chongqing JIM Group does not have any borrowings as at 31 December 2016, 2017 and 2018.

3.3 Fair value estimation

(a) Fair value hierarchy

The table below analyses Chongqing JIM Group's financial instruments carried at fair values as at 31 December 2016, 2017 and 2018 by level of the inputs to valuation techniques used to measure fair values. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents Chongqing JIM Group's asset that was measured at fair value at 31 December 2016.

	Level 1	**Level 2**	**Level 3**
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Available-for-sale financial asset			
– Unlisted equity security	–	–	14,664

The following table presents Chongqing JIM Group's asset that was measured at fair value at 31 December 2017.

	Level 1	**Level 2**	**Level 3**
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Available-for-sale financial asset			
– Unlisted equity security	–	–	15,536

The following table presents Chongqing JIM Group's asset that was measured at fair value at 31 December 2018.

	Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Financial asset at fair value through other comprehensive income			
– Unlisted equity security	–	–	895

* *See Note 2.1.1 for the reclassification following the adoption of HKFRS 9 Financial Instruments*

There were no significant transfers of financial assets between the fair value hierarchy classifications during the Track Record Period.

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by Chongqing JIM Group is the current bid price. These instruments are included in level 1.

(ii) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(iii) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity security.

(b) Valuation techniques used to determine fair values

Chongqing JIM Group's finance department includes a team that performs the valuations of financial assets required for financial reporting purposes, including level 3 fair values. As part of the valuation process, this team reports directly to the management and external valuers will be engaged, if necessary.

In applying the discounted cash flow technique, management has taken into account the estimated amount that Chongqing JIM Group would receive to sell the instrument at the balance sheet date, taking into account current interest rates and the current credit worthiness of the counterparties. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date.

(c) Fair value measurements using significant unobservable inputs (level 3)

Specific valuation techniques used to value level 3 financial instruments include techniques such as discounted cash flow analysis. There are no changes in valuation techniques during the Track Record Period.

The following table presents the changes in level 3 financial instruments for the year ended 31 December 2016 and 2017:

	Available-for-sale financial asset – unlisted equity security	
	2016	**2017**
	HK$'000	*HK$'000*
Balance at 1 January	6,982	14,664
Fair value gain/(loss) on revaluation recognised in other comprehensive income	8,471	(278)
Exchange realignment	(789)	1,150
Balance at 31 December	14,664	15,536

The following table presents the changes in level 3 financial instruments for the year ended 31 December 2018:

	Financial asset at fair value through other comprehensive income – unlisted equity security
	HK$'000
Balance at 31 December 2017, under HKAS 39	–
Change in accounting policy *(Note 2.1.1)*	
– Reclassification from AFS	15,536
Balance at 1 January 2018, under HKFRS 9	15,536
Fair value loss on revaluation recognised in other comprehensive income	(14,384)
Exchange realignment	(257)
Balance at 31 December 2018	895

3.4 Financial instruments by category

Chongqing JIM Group holds the following financial instruments:

	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Available-for-sale financial asset	14,664	15,536	–
Financial asset at fair value through other comprehensive income	–	–	895
Financial assets at amortised cost/loans and receivables			
Other financial assets at amortised cost	7,849	19,954	37,721
Amount due from a related company	–	252	3,387
Amounts due from fellow subsidiaries	15,675	19,313	18,339
Loan receivables	–	2,205	536,295
Trade receivables	47,486	55,610	52,279
Cash and cash equivalents	1,648,569	1,487,815	1,618,232
Total	1,734,243	1,600,685	2,267,148
Financial liabilities at amortised cost			
Trade payables	61,490	117,100	196,542
Payables for payment processing solutions business	808,651	292,588	266,710
Other payables and accruals	74,871	111,653	253,770
Amounts due to related companies	81,468	57,755	114,190
Amounts due to fellow subsidiaries	341,699	375,133	342,858
Amount due to an intermediate holding company	80,086	86,417	82,028
Amount due to the immediate holding company	2,823	2,986	2,789
Amount due to the ultimate holding company	–	140,280	–
Total	1,451,088	1,183,912	1,258,887

4 Critical accounting estimates and judgements

Estimates and judgements used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Chongqing JIM Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment of loan receivables

Impairment loss on loan receivables represent management's best estimate of losses incurred in the loan portfolio at the reporting date under ECL models. Management assesses whether the credit risk of loan receivables have increased significantly since their initial recognition and apply a three-stage impairment model to calculate their ECL. Chongqing JIM Group is required to exercise judgement in making assumptions and estimates when calculating loan impairment loss, including any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans portfolio and historical loss experience on the basis of the relevant observable data that reflects current economic conditions.

The measurement of the ECL involves significant management judgments and assumptions, primarily including the selection of appropriate models and determination of relevant key measurement parameters, criteria for determining whether or not there was a significant increase in credit risk or a default was incurred, economic indicators for forward-looking measurement, and the application of economic scenarios and weightings, management consideration due to significant uncertain factors not covered in the models and the estimated future cash flows in stage 3.

(b) Income taxes and deferred taxation

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5 Revenue and other income

Revenue and other income recognised for the Track Record Period are as follows:

	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Turnover			
Provision of payment processing solutions	1,031,203	1,969,915	3,640,755
Provision of platform operation solutions	210,779	205,274	209,637
Provision of micro loan solutions	–	18	104,167
	1,241,982	2,175,207	3,954,559
Other income			
Interest income	14,641	23,296	19,301
Others	16,652	7,887	3,982
	31,293	31,183	23,283

6 Segment information

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

The directors considers the business of Chongqing JIM Group from a product perspective.

Chongqing JIM Group is organised into three main operating segments in these internal reports:

(a) Payment processing solutions – principally engaged in provision of payment processing services, merchants recruiting and related products and solutions;

(b) Platform operation solutions – principally engaged in the provision of telecommunication and mobile payment platform operation services and operation value-added services; and

(c) Micro loan solutions – principally engaged in the micro-lending business, credit assessment services and other value-added services.

The directors assesses the performance of the operating segments based on a measure of adjusted earnings/(losses) before interest expense, taxes, depreciation and amortisation ("EBITDA").

An analysis of Chongqing JIM Group's revenue and results for the Track Record Period by operating segment is as follows:

	Payment processing solutions	**Platform operation solutions**	**Micro loan solutions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2016				
Segment turnover	1,031,203	210,779	–	1,241,982
Segmental EBITDA	255,887	30,321	–	286,208
Depreciation	(81,356)	(640)	–	(81,996)
Segmental operating profit	174,531	29,681	–	204,212
Income tax expense				(19,938)
Profit for the year				184,274

	Payment processing solutions	Platform operation solutions	Micro loan solutions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2017				
Segment turnover	1,969,915	205,274	18	2,175,207
Segmental EBITDA	431,485	5,511	107	437,103
Depreciation	(171,718)	(1,071)	–	(172,789)
Amortisation	–	(141)	–	(141)
Segmental operating profit	259,767	4,299	107	264,173
Income tax expense				(41,752)
Profit for the year				222,421
Year ended 31 December 2018				
Segment turnover	3,658,846	209,637	128,089	3,996,572
Inter-segment turnover	(18,091)	–	(23,922)	(42,013)
Turnover from external customers	3,640,755	209,637	104,167	3,954,559
Segmental EBITDA (excluding employees' incentive programme of a subsidiary)	865,254	(12,111)	19,194	872,337
Depreciation	(291,933)	(1,215)	(214)	(293,362)
Amortisation	–	(144)	–	(144)
Employees' incentive programme of a subsidiary	(195,300)	–	–	(195,300)
Segmental operating profit/(loss)	378,021	(13,470)	18,980	383,531
Income tax expense				(87,480)
Profit for the year				296,051

The segment assets and liabilities at 31 December 2016, 2017 and 2018 and additions to non-current assets for the year ended 31 December 2016, 2017 and 2018 are as follows:

	Payment processing solutions	Platform operation solutions	Micro loan solutions	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2016					
Segment assets	1,784,408	193,698	–	–	1,978,106
Segment liabilities	(1,416,392)	(377,679)	–	–	(1,794,071)
Year ended 31 December 2016					
Additions to non-current assets (excluding available-for-sale financial asset and other financial assets at amortised cost)	164,132	4,086	–	–	168,218
As at 31 December 2017					
Segment assets	1,290,255	203,198	599,847	(1,258)	2,092,042
Segment liabilities	(1,264,945)	(426,827)	(28)	1,258	(1,690,542)
Year ended 31 December 2017					
Additions to non-current assets (excluding available-for-sale financial asset and other financial assets at amortised cost)	388,523	1,159	–	–	389,682
As at 31 December 2018					
Segment assets (excluding investment accounted for using the equity method)	2,242,322	156,506	629,863	(27,430)	3,001,261
Investment accounted for using the equity method	3,416	–	–	–	3,416
Total	2,245,738	156,506	629,863	(27,430)	3,004,677
Segment liabilities	(1,735,895)	(395,414)	(60,272)	27,430	(2,164,151)
Year ended 31 December 2018					
Additions to non-current assets (excluding investment accounted for using the equity method, financial asset at fair value through other comprehensive income, other financial assets at amortised cost and loan receivables)	536,537	794	729	–	538,060

During the year ended 31 December 2016, addition to non-current assets mainly comprise additions to property, plant and equipment and intangible asset and additions arising from acquisition of a subsidiary. During the year ended 31 December 2017 and 2018, additions to non-current assets mainly comprise additions to property, plant and equipment.

Information provided to the 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.

All of Chongqing JIM Group's activities are carried out in Mainland China and all of Chongqing JIM Group's assets and liabilities are located in Mainland China. Accordingly, no analysis by geographical basis for the years are presented.

7 Expenses by nature

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

	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Auditor's remuneration	123	696	130
Depreciation of property, plant and equipment *(Note 12)*	81,996	172,789	293,362
Amortisation of intangible assets *(Note 13)*	–	141	144
Employee benefit expense (excluding employees' incentive programme of a subsidiary) *(Note 9)*	244,787	312,118	444,673
Operating lease rentals in respect of land and buildings	15,365	16,868	23,304
Research and development costs (including staff costs)	104,170	129,147	240,925
Loss/(gain) on disposal of property, plant and equipment	1	141	(41)

8 Net foreign exchange (loss)/gain

	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Net foreign exchange (loss)/gain recognised in administrative expenses	(1,218)	2,602	(2,109)

9 Employee benefit expense (including directors' emoluments)

	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Wages and salaries	210,207	265,832	371,166
Pension costs and social security costs	34,580	46,286	73,507
	244,787	312,118	444,673
Employees' incentive programme of a subsidiary *(Note 23)*	–	–	195,300

10 Income tax expense

	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Current tax			
– Hong Kong profits tax	–	–	–
– PRC taxation	19,938	41,787	87,516
Deferred tax	–	(35)	(36)
Income tax expense	19,938	41,752	87,480

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 Chongqing JIM Group operates.

Chongqing JIM Group is 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%.

Applicable corporate income tax rates of principal subsidiaries

隨行付支付有限公司 ("VBill OPCO") was qualified as HNTE in 2014 under the PRC CIT Law and was renewed in 2017. Hunan Mobile Pay was qualified as HNTE in 2013 under the PRC CIT Law and HNTE qualification was expired in 2016. Hunan Mobile Pay was re-qualified as HNTE in 2017. As such, the applicable corporate income tax rate for VBill OPCO was 15% for the year ended 31 December 2016, 2017 and 2018, and the applicable corporate income tax rate for Hunan Mobile Pay was 25%, 15% and 15% for the year ended 31 December 2016, 2017 and 2018 respectively.

The taxation on Chongqing JIM Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax	204,212	264,173	383,531
Tax calculated at domestic tax rates applicable to profit in the respective countries	34,753	39,007	55,874
Tax effects of:			
Income not subject to taxation	(9,292)	(1,400)	(14,728)
Expenses not deductible for tax purposes	496	752	41,202
Utilisation of previously unrecognised tax losses	(7,963)	(376)	(4,758)
Tax losses for which no deferred income tax was recognised	1,944	3,769	9,890
Income tax expense	19,938	41,752	87,480

The effective income tax rate was 9.8%, 15.8%, 22.8% for the year ended 31 December 2016, 2017 and 2018.

11 Dividends

No dividend has been paid or declared by Chongqing JIM during the year ended 31 December 2016, 2017 and 2018.

12 Property, plant and equipment

	Leasehold improvements	Office furniture and equipment	Plant and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016					
Cost	12,341	30,669	203,470	1,428	247,908
Accumulated depreciation	(6,048)	(19,091)	(59,959)	(1,153)	(86,251)
Net book amount	6,293	11,578	143,511	275	161,657
Year ended 31 December 2016					
Opening net book amount	6,293	11,578	143,511	275	161,657
Acquisition of a subsidiary	158	6	–	–	164
Additions	–	12,761	152,729	671	166,161
Depreciation	(1,933)	(8,851)	(71,092)	(120)	(81,996)
Disposals	–	(32)	(68)	–	(100)
Exchange realignment	(281)	(849)	(12,032)	(42)	(13,204)
Closing net book amount	4,237	14,613	213,048	784	232,682
At 31 December 2016					
Cost	11,823	39,524	337,389	1,970	390,706
Accumulated depreciation	(7,586)	(24,911)	(124,341)	(1,186)	(158,024)
Net book amount	4,237	14,613	213,048	784	232,682
Year ended 31 December 2017					
Opening net book amount	4,237	14,613	213,048	784	232,682
Additions	186	11,895	377,107	494	389,682
Depreciation	(1,978)	(8,599)	(161,922)	(290)	(172,789)
Disposals	–	(15)	(39)	–	(54)
Exchange realignment	269	1,275	24,688	69	26,301
Closing net book amount	2,714	19,169	452,882	1,057	475,822
At 31 December 2017					
Cost	12,955	47,549	754,876	1,867	817,247
Accumulated depreciation	(10,241)	(28,380)	(301,994)	(810)	(341,425)
Net book amount	2,714	19,169	452,882	1,057	475,822

	Leasehold improvements *HK$'000*	Office furniture and equipment *HK$'000*	Plant and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Year ended 31 December 2018					
Opening net book amount	2,714	19,169	452,882	1,057	475,822
Additions	291	15,115	522,654	–	538,060
Depreciation	(2,097)	(10,106)	(280,821)	(338)	(293,362)
Disposals	–	(792)	(175)	–	(967)
Exchange realignment	(70)	(1,128)	(31,942)	(41)	(33,181)
Closing net book amount	838	22,258	662,598	678	686,372
At 31 December 2018					
Cost	12,527	58,360	1,219,672	1,759	1,292,318
Accumulated depreciation	(11,689)	(36,102)	(557,074)	(1,081)	(605,946)
Net book amount	838	22,258	662,598	678	686,372

Depreciation expenses included in cost of sales, selling expenses and administrative expenses are analysed as follow:

	2016 *HK$'000*	**2017** *HK$'000*	**2018** *HK$'000*
Cost of sales	71,676	162,152	281,185
Selling expenses	172	308	96
Administrative expenses	10,148	10,329	12,081
	81,996	172,789	293,362

13 Intangible assets

	Goodwill	Customer list and contracts	Computer software	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016				
Cost and net book amount	–	–	–	–
Year ended 31 December 2016				
Opening net book amount	–	–	–	–
Acquisition of a subsidiary	1,515	200	178	1,893
Closing net book amount	1,515	200	178	1,893
At 31 December 2016				
Cost and net book amount	1,515	200	178	1,893
Year ended 31 December 2017				
Opening net book amount	1,515	200	178	1,893
Amortisation charge	–	(104)	(37)	(141)
Exchange realignment	–	12	13	25
Closing net book amount	1,515	108	154	1,777
At 31 December 2017				
Cost	1,515	216	192	1,923
Accumulated amortisation	–	(108)	(38)	(146)
Net book amount	1,515	108	154	1,777
Year ended 31 December 2018				
Opening net book amount	1,515	108	154	1,777
Amortisation charge	–	(106)	(38)	(144)
Exchange realignment	–	(2)	(7)	(9)
Closing net book amount	1,515	–	109	1,624
At 31 December 2018				
Cost	1,515	205	182	1,902
Accumulated amortisation	–	(205)	(73)	(278)
Net book amount	1,515	–	109	1,624

For the year ended 31 December 2016, no amortisation expense has been expensed in cost of sales. For the year ended 31 December 2017 and 2018, amortisation expense of HK$141,000 and HK$144,000 has been expensed in cost of sales respectively.

14 Available-for-sale financial asset/financial asset at fair value through other comprehensive income

(a) Available-for-sale financial asset

As at 31 December 2016 and 2017, Chongqing JIM Group's AFS included unlisted equity security outside Hong Kong with following details:

	2016	**2017**
	HK$'000	*HK$'000*
Balance at 1 January	6,982	14,664
Fair value gain/(loss) on revaluation recognised in other comprehensive income	8,471	(278)
Exchange realignment	(789)	1,150
Balance at 31 December	14,664	15,536

The carrying amount of the AFS is denominated in RMB.

(b) Financial asset at fair value through other comprehensive income

As at 31 December 2018, Chongqing JIM Group's financial asset at FVOCI included unlisted equity security outside Hong Kong which is not held for trading, and which Chongqing JIM Group has irrevocably elected at initial recognition in this category. This is a strategic investment and Chongqing JIM Group considers the classification as equity instrument at fair value through other comprehensive income to be more relevant.

	HK$'000
Balance at 31 December 2017, as originally presented	–
Change in accounting policy *(Note 2.1.1)*	
– Reclassification from AFS to financial asset at FVOCI	15,536
Balance at 1 January 2018, as restated	15,536
Fair value loss on revaluation recognised in other comprehensive income	(14,384)
Exchange realignment	(257)
Balance at 31 December 2018	895

The carrying amount of the financial asset at FVOCI is denominated in RMB.

15 Loan receivables

Loan receivables are amounts due from customers in the ordinary course of its micro loan solution business, unsecured and primarily denominated in RMB.

(i) Aging analysis of loan receivables

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

	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Current	–	2,059	553,676
1 to 3 months past due	–	146	9,365
Over 3 months past due	–	–	6,061
Loan receivables, gross	–	2,205	569,102
Less: Provision for impairment of loan receivables *(Note (a))*	–	–	(32,807)
	–	2,205	536,295
Non-current	–	–	479
Current	–	2,205	535,816
	–	2,205	536,295

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 2017			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Loan receivables	2,201	–	–	2,201
Interest receivables				4
				2,205

	As at 31 December 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Loan receivables, gross	468,532	84,419	5,558	558,509
Less: Provision for impairment of loan receivables	(827)	(26,422)	(5,558)	(32,807)
Loan receivables, net	467,705	57,997	–	525,702
Interest receivables				10,593
				536,295

Movements for gross carrying amount of loan receivables:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2018	2,201	–	–	2,201
Addition/transfer	971,411	131,172	7,864	1,110,447
Repayment	(487,244)	(43,509)	(1,331)	(532,084)
Written off	–	–	(761)	(761)
Exchange realignment	(17,836)	(3,244)	(214)	(21,294)
As at 31 December 2018	468,532	84,419	5,558	558,509

Movements for provision for impairment of loan receivables are as follows:

	Stage 1	Stage 2	Stage 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2018	–	–	–	–
Addition/transfer	(859)	(27,437)	(5,772)	(34,068)
Exchange realignment	32	1,015	214	1,261
As at 31 December 2018	(827)	(26,422)	(5,558)	(32,807)

Note:

(a) Impairment and risk exposure

Chongqing JIM Group applies HKFRS 9 to measure the ECL. Chongqing JIM Group assesses whether the credit risk of loan receivables have increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their ECL, the management assesses impairment loss using the risk parameter modelling approach that incorporates key measurement parameters, including probability of default, loss given default and exposure at default with the consideration of forward-looking information.

Management applied a three-stage impairment model to assess the credit quality of the loan receivables. The loan receivables are categorised into the following stages by Chongqing JIM Group:

Stage 1

Loan receivables have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months ECL (12-month ECLs).

Stage 2

Loan receivables to customers have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime ECL (Lifetime ECLs non credit-impaired).

Stage 3

Loan receivables that are in default and considered credit impaired (Lifetime ECLs credit impaired).

During the year ended 31 December 2018, based on management's assessment, Chongqing JIM Group recorded credit impairment loss of HK$34,068,000 in the consolidated income statement. Loan receivables of HK$761,000, which are still subject to enforcement activity, were determined as uncollectible and were written off against loan receivables during the year ended 31 December 2018. The balance of the loan receivables as at 31 December 2016 and 2017 are immaterial.

The loan receivables are not collateralised.

(ii) Effective interest rates on loan receivables

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

	2016	2017	2018
Loans to individual borrowers	–	15% p.a.	5% to 36% p.a.

16 Subsidiaries

	2016 *HK$'000*	2017 *HK$'000*	2018 *HK$'000*
Investments in at cost, unlisted shares	188,973	203,910	193,556

The following is a list of the principal subsidiaries held by Chongqing JIM as at 31 December 2016:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Proportion of ordinary shares directly held by Chongqing JIM *(%)*	Proportion of ordinary shares indirectly held by Chongqing JIM *(%)*	Proportion of ordinary shares held by non-controlling interests *(%)*
Hunan Hisun Mobile Pay IT Limited	The PRC, limited liability company	Provision of platform operation solutions in the PRC	HKD50,000,000	N/A	60%	40%
隨行付支付有限公司	The PRC, limited liability company	Provision of payment processing solutions in the PRC	RMB199,900,000	80.04%	N/A	19.96%

The following is a list of the principal subsidiaries held by Chongqing JIM as at 31 December 2017 and 2018:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Particulars of issued registered capital	Proportion of ordinary shares directly held by Chongqing JIM *(%)*	Proportion of ordinary shares indirectly held by Chongqing JIM *(%)*	Proportion of ordinary shares held by non-controlling interests *(%)*
Hunan Hisun Mobile Pay IT Limited	The PRC, limited liability company	Provision of platform operation solutions in the PRC	RMB42,435,000	N/A	100%	–
隨行付支付有限公司	The PRC, limited liability company	Provision of payment processing solutions in the PRC	RMB199,900,000	80.04%	N/A	19.96%
南昌隨行付網絡小額貸款有限公司	The PRC, limited liability company	Provision of micro loan solutions in the PRC	RMB500,000,000	N/A	80.04%	19.96%

VBill OPCO and Hunan Mobile Pay are the subsidiaries of Chongqing JIM. The Company does not have legal ownership in equity of Chongqing JIM. Nevertheless, under certain contractual agreements enacted among the registered owners of Chongqing JIM, the Company and the Company's other subsidiary, the Company controls Chongqing JIM by way of controlling more than one half of the voting rights of it, governing its financial and operating policies and appointing or removing the majority of the members of its controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of Chongqing JIM to the Company. As a result, they are presented as the consolidating subsidiaries of the Company.

(a) Material non-controlling interest

The total non-controlling interest as at 31 December 2016, 2017 and 2018 is mainly HK$68,106,000, HK$124,776,000 and HK$215,455,000 of which HK$73,455,000, HK$124,776,000 and HK$215,455,000 is attributed to VBill OPCO and its subsidiaries ("VBill Group"), which is considered to be material to Chongqing JIM Group.

Significant restrictions of subsidiaries with material non-controlling interests

As at 31 December 2016, 2017 and 2018, cash and short-term deposits of HK$1,530,056,000, HK$1,376,159,000 and HK$1,535,894,000 of VBill Group are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Summarised financial information of subsidiaries with material non-controlling interests

Set out below are the summarised financial information for the VBill Group.

Summarised balance sheet:

	VBill Group		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Non-current			
Assets	231,424	474,267	699,531
Liabilities	–	–	(983)
Current			
Assets	1,543,446	1,407,883	2,148,640
Liabilities	(1,406,854)	(1,257,020)	(1,767,755)
Net assets	368,016	625,130	1,079,433

Summarised income statement:

	VBill Group		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	1,031,203	1,969,933	3,744,922
Profit before income tax	174,531	259,874	397,001
Profit for the year	155,388	220,003	309,404
Other comprehensive (losses)/income	(20,588)	37,116	(50,401)
Total comprehensive income	134,800	257,119	259,003
Total comprehensive income attributable to non-controlling interests	26,906	51,321	51,697

Summarised cash flows statement:

	VBill Group		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Cash generated from operations	850,431	134,615	729,347
Income tax paid	(9,779)	(32,818)	(92,127)
Cash generated from operating activities	840,652	101,797	637,220
Cash flows from investing activities	(151,269)	(366,941)	(455,271)
Net increase/(decrease) in cash and cash equivalents	689,383	(265,144)	181,949
Cash and cash equivalents at beginning of the year	925,700	1,530,075	1,376,208
Exchange (loss)/gain on cash and cash equivalents	(85,008)	111,277	(22,226)
Cash and cash equivalents at end of the year	1,530,075	1,376,208	1,535,931

The information above is before inter-company eliminations.

17 Investment accounted for using the equity method

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

	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Associated company:			
– Good Chain (Chongqing) Technology Co., Ltd. ("Good Chain") *(Note (a))*	–	–	3,416

(a) Investment in Good Chain

Good Chain was set up on 15 June 2018. Chongqing JIM Group holds 30% equity interest in Good Chain. It does not have any material operation during the year ended 31 December 2018.

18 Trade receivables

	Chongqing JIM Group		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Current portion			
Trade receivables	47,486	55,610	52,279

	Chongqing JIM		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Current portion			
Trade receivables	7,049	8,230	9,968

The carrying amounts approximate their fair values. The carrying amounts of the trade receivables are denominated in RMB.

(a) Chongqing JIM 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:

	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Current to 90 days	37,570	47,288	49,191
91 to 180 days	4,208	4,137	1,762
181-365 days	3,359	3,984	1,300
Over 365 days	2,349	201	26
	47,486	55,610	52,279

Chongqing JIM's credit terms to trade debtors normally range from 0 to 180 days. During the Track Record Period, all the trade receivables of Chongqing JIM are aged from current to 90 days based on invoice date.

(b) Impairment and risk exposure

Chongqing JIM 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.

As at 31 December 2018, the impact of ECL is immaterial to Chongqing JIM and Chongqing JIM Group.

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

19 Other financial asset at amortised cost

	Chongqing JIM Group		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Current portion			
Deposits and other receivables	6,288	18,378	25,891
Non-current portion			
Deposits	1,561	1,576	11,830

	Chongqing JIM		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Current portion			
Deposits and other receivables	164	374	727

The carrying amount approximate their fair values. The discounting impact of non-current portion is insignificant. The carrying amounts of other financial assets at amortised cost are denominated in RMB.

As at 31 December 2018, the impact of ECL is immaterial to Chongqing JIM and Chongqing JIM Group.

20 Other current assets

	Chongqing JIM Group		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Prepayments	6,814	7,669	13,104
Value added tax receivables	2,355	5,686	32,972
	9,169	13,355	46,076

	Chongqing JIM		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Prepayments	178	389	923
Value added tax receivables	–	249	–
	178	638	923

21 Amounts due from/(to) subsidiaries, fellow subsidiaries, related companies, an intermediate holding company, the immediate holding company and the ultimate holding company

The carrying amounts approximate their fair values. These balances are unsecured, interest-free, and repayable on demand and are denominated in the following currencies:

	Chongqing JIM Group		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Amount due from a related company *(Note 30(b))*			
– RMB	–	252	3,387
Amounts due from fellow subsidiaries *(Note 30(b))*			
– RMB	15,675	19,313	18,339
Amounts due to related companies *(Note 30(b))*			
– RMB	(81,468)	(57,755)	(114,190)

	Chongqing JIM Group		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Amounts due to fellow subsidiaries *(Note 30(b))*			
– HK$	(20,000)	(40,000)	(40,000)
– RMB	(321,699)	(335,133)	(302,858)
	(341,699)	(375,133)	(342,858)
Amount due to an intermediate holding company *(Note 30(b))*			
– RMB	(80,086)	(86,417)	(82,028)
Amount due to the immediate holding company *(Note 30(b)*			
– RMB	(2,823)	(2,986)	(2,789)
Amount due to the ultimate holding company *(Note 30(b))*			
– RMB	–	(140,280)	–

	Chongqing JIM		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Amounts due from a subsidiary *(Note 30(b))*			
– RMB	33,348	35,984	34,157
Amount due to a related company *(Note 30(b))*			
– RMB	–	–	(876)

	Chongqing JIM		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Amount due to a fellow subsidiary *(Note 30(b))*			
– RMB	(242,330)	(261,485)	(248,207)
Amount due to a subsidiary *(Note 30(b))*			
– RMB	–	–	(721)
Amount due to the immediate holding company *(Note 30(b))*			
– RMB	(2,823)	(2,986)	(2,789)

22 Cash and cash equivalents

	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Cash at bank and on hand	1,648,569	1,487,815	1,618,232

Included in cash and cash equivalents were HK$748,548,000 (31 December 2017: HK$678,445,000, 31 December 2016: HK$818,793,000) bank deposits with original maturities within three months and effective interest rate of 0.0% (31 December 2017: 0.5%, 31 December 2016: 1.8%) which are placed as deposits designated for settlement of certain payables in relation to the payment processing solutions business and are denominated in RMB.

Funds of Chongqing JIM Group amounting to approximately HK$1,618,195,000 (31 December 2017: HK$1,487,766,000, 31 December 2016: HK$1,648,549,000) are kept in the bank accounts opened with banks in the PRC where the remittance of funds is subject to foreign exchange control.

All cash and cash equivalents are denominated in RMB.

23 Registered capital

	HK$'000
Registered and fully paid:	
As at 1 January 2016, 31 December 2016, 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	11,400

(a) Issuance of share option of VBill OPCO

On 15 January 2018, the directors and shareholders of VBill OPCO have passed a resolution to conditionally grant options to several management (the "Proposed Grantees") of VBill OPCO pursuant to the terms of a share option scheme for VBill OPCO (the "VBill OPCO Share Option Scheme") a right to subscribe up to approximately 12% of the enlarged registered and paid up capital of VBill OPCO at the exercise price of RMB12.51 for every RMB1.00 in the registered and paid up capital of VBill OPCO within a period of 3 years from the date of grant.

Date of grant	Exercised price	Number of Share Options held as at 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year	Number of Share Options held as at 31 December 2018
	(RMB)					
5 February 2018	12.51	–	27,259,000	–	–	27,259,000

The share options are fully vested as at 31 December 2018. The validity period of these share options shall be 3 years from the date of grant.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price in RMB per share option	Options (thousands)
At 1 January 2017, 31 December 2017 and 1 January 2018	–	–
Granted	12.51	27,259
Exercised	–	–
Lapsed	–	–
At 31 December 2018	12.51	27,259

Up to the date of this report, no option is exercised. Employee share options expenses of HK$195,300,000 were fully recognised in the consolidated income statement during the period as all these options were fully vested on grant date.

The weighted average fair value of options granted during the period determined using the Binomial valuation model was HK$7.16 (equivalent to RMB5.76 per option). The significant inputs into the model were exercise price shown above, volatility of 64.89%, zero dividend yield, exercise multiple of 2.80 times, post vesting exit rate of 0% and an annual risk-free interest rate of 3.62%.

24 Reserves

	Other Reserves *(Note (a))* *HK$'000*	Merger reserve *(Note (b))* *HK$'000*	Exchange reserve *HK$'000*	(Accumulated losses)/ retained earnings *HK$'000*	Total *HK$'000*
Balance at 1 January 2016	90,337	–	(6,464)	(141,843)	(57,970)
Profit for the year	–	–	–	153,259	153,259
Exchange differences arising on translation of the financial statements	–	–	(4,789)	–	(4,789)
Change in value of an available-for-sale financial asset	8,471	–	–	–	8,471
Acquisition of a subsidiary under merger reserve *(Note 2)*	–	5,558	–	–	5,558
Balance at 31 December 2016	98,808	5,558	(11,253)	11,416	104,529
Balance at 1 January 2017	98,808	5,558	(11,253)	11,416	104,529
Profit for the year	–	–	–	178,509	178,509
Exchange differences arising on translation of the financial statements	–	–	13,471	–	13,471
Change in value of an available-for-sale financial asset	(278)	–	–	–	(278)
Acquisition of a subsidiary under merger reserve *(Note 2)*	–	(5,558)	–	–	(5,558)
Transaction with non-controlling interests *(Note 2)*	(25,349)	–	–	–	(25,349)
Balance at 31 December 2017	73,181	–	2,218	189,925	265,324

	Other Reserves	Exchange reserve	Retained earnings	Total
	(Note (a))			
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2018	73,181	2,218	189,925	265,324
Profit for the year	–	–	234,294	234,294
Exchange differences arising on translation of the financial statements	–	(27,881)	–	(27,881)
Change in value of a financial asset at fair value through other comprehensive income	(14,384)	–	–	(14,384)
Employees' incentive programme of a subsidiary *(Note 23)*	156,318	–	–	156,318
Balance at 31 December 2018	215,115	(25,663)	424,219	613,671

Note (a) The other reserves of Chongqing JIM Group mainly represent the reserves arising from granting and exercising of employee's incentive programme of a subsidiary and reserves arising from the change in values of the financial asset at FVOCI or AFS.

Note (b) The merger reserve of Chongqing JIM Group represents the nominal value of the ordinary shares of Guangzhou Health acquired pursuant to the reorganisation undertaken on 4 December 2017.

25 Trade payables, payables for payment processing solutions business and other payables and accruals

	Chongqing JIM Group		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Current portion			
Trade payables	61,490	117,100	196,542
Payables for payment processing solutions business *(Note (a))*	808,651	292,588	266,710
Other payables and accruals *(Note (b))*	404,053	594,138	1,137,712
	1,274,194	1,003,826	1,600,964
Non-current portion			
Other payables *(Note (b))*	–	–	983
	1,274,194	1,003,826	1,601,947

	Chongqing JIM		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Current portion			
Other payables and accruals *(Note (b))*	3,891	4,231	3,847

Trade payables and other payables and accruals are denominated in RMB.

Notes:

(a) Payables for payment processing solutions business

This balance represents payables to merchants for the payment processing solutions business. The amounts are generally due for settlement within 30 days and are denominated in RMB.

(b) Other payables and accruals

	Chongqing JIM Group		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Accrued staff costs and pension obligations	79,744	122,628	176,248
Deposits	57,334	73,932	84,556
Receipt in advance *(Note i)*	246,797	357,406	702,945
Payables for property, plant and equipment	–	625	79,133
Others	20,178	39,547	95,813
	404,053	594,138	1,138,695
Less: Non-current portion receipt in advance *(Note i)*	–	–	(983)
Total current portion	404,053	594,138	1,137,712

	Chongqing JIM		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Accrued staff costs and pension obligations	3,071	3,487	3,121
Others	820	744	726
	3,891	4,231	3,847

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 Chongqing JIM Group recognises the related revenue. Chongqing JIM Group recognised its contract liabilities under other payables and accruals as receipt in advance from customers in the consolidated balance sheet.

26 Deferred income tax

The movement in deferred tax liabilities is as follows:

	Revaluation of intangible assets		
	2016	**2017**	**2018**
	HK\$'000	*HK\$'000*	*HK\$'000*
At 1 January	–	94	58
Acquisition of a subsidiary	99	–	–
Credited to consolidated income statement *(Note 10)*	–	(35)	(36)
Exchange realignment	(5)	(1)	1
	94	58	23

Deferred tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2016, 2017 and 2018, Chongqing JIM Group had unrecognised tax losses to be carried forward against future taxable income amounted to HK$40,233,000, HK$58,660,000 and HK$73,613,000. These tax losses will expire 5 year since the year then ended. The potential deferred tax assets in respect of these tax losses which have not been recognised amounted to HK$7,895,000, HK$12,035,000 and HK$15,468,000.

Chongqing JIM Group does not have any withholding tax that would be payable on the unremitted earnings of the subsidiaries as at 31 December 2018.

27 Notes to the consolidated cash flow statements

(a) Reconciliation of profit before income tax to net cash generated from operations

	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax	204,212	264,173	383,531
Adjustments for:			
Depreciation of property, plant and equipment	81,996	172,789	293,362
Amortisation of intangible assets	–	141	144
Loss/(gain) on disposal of property, plant and equipment	1	(141)	(41)
Employees' incentive programme of a subsidiary	–	–	195,300
Credit impairment loss	–	–	34,829
Interest income	(14,641)	(23,296)	(19,301)
Operating profit before working capital changes	271,568	413,666	887,824
(Increase)/decrease in inventories	–	(265)	355
Decrease/(increase) in other current assets	1,688	(5,941)	(32,574)
Decrease/(increase) in other financial assets at amortised cost	4,616	(11,080)	(19,502)
Increase in amount due from a related company	–	(243)	(3,269)
Increase in loan receivables	–	(2,127)	(589,557)
Decrease/(increase) in trade receivables	13,053	(4,217)	527
Increase/(decrease) in trade payables, payables for payment processing solutions business and other payables and accruals	671,812	(358,032)	674,037
Increase/(decrease) in amounts due to related companies	17,056	7,459	(224)
Cash generated from operations	979,793	39,220	917,617

(b) In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Net book amount *(Note 12)*	100	54	967
(Loss)/gain on disposals of property, plant and equipment	(1)	141	41
Proceeds from disposals of property, plant and equipment	99	195	1,008

(c) Reconciliation of liabilities arising from financing activities

This section sets out the movements in liabilities arising from financing activities for each of the years presented.

	Amounts due to fellow subsidiaries	Amount due to the immediate holding company	Amount due to the ultimate holding company
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2016	386,127	3,044	59,011
Cash flows	(20,952)	(46)	(58,214)
Exchange difference	(23,476)	(175)	(797)
As at 31 December 2016 and 1 January 2017	341,699	2,823	–
Cash flows	(19,360)	(58)	135,345
Non-cash transaction *(Note i)*	25,558	–	–
Exchange difference	27,236	221	4,935
As at 31 December 2017 and 1 January 2018	375,133	2,986	140,280
Cash flows	(13,734)	(47)	(138,273)
Exchange difference	(18,541)	(150)	(2,007)
As at 31 December 2018	342,858	2,789	–

Note i

The amount represents repayment payable from the transfer of Guangzhou Health of HK$5,558,000 and transaction with non-controlling interests of HK$20,000,000.

28 Contingent liabilities

As at 31 December 2016, 2017 and 2018, Chongqing JIM Group and Chongqing JIM had no contingent liabilities.

29 Operating lease commitments

As at 31 December 2016, 2017 and 2018, Chongqing JIM Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Not later than one year	6,047	16,329	25,512
Later than one year and not later than five years	44,579	42,492	33,576
Later than five years	8,840	–	–
	59,466	58,821	59,088

30 Related party transactions

Chongqing JIM is controlled by 結行信息技術(上海)有限公司 ("Shanghai JIM") (incorporated in the PRC). In the opinion of the directors, the ultimate holding company of Chongqing JIM is the Company.

(a) Except for those disclosed below and other than those disclosed elsewhere in the financial statements, Chongqing JIM Group has no other significant transaction with related parties during the Track Record Period:

	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Transactions with Cloopen Group Holding Limited ("Cloopen"), an associated company of the Company			
– Technical and support services charges *(Note i)*	55,538	54,397	50,116
– Provision of platform operation service *(Note ii)*	–	–	3,318
Transactions with 百富計算機技術(深圳)有限公司 ("Pax Computer Technology (Shenzhen) Co., Ltd."), an associated company of the Company			
– Purchase of electronic payment products *(Note iii)*	133,791	134,916	194,221

Note i Technical and support services fee were charged pursuant to the terms and conditions set out in the framework agreement entered into by the ultimate holding company and Cloopen on 9 May 2016.

Note ii Provision of platform operation services were transacted pursuant to the terms and conditions set out in the contracts entered into by Chongqing JIM Group and Cloopen on 28 September 2018 and 1 November 2018, respectively.

Note iii Purchase of electronic payment products was transacted pursuant to the terms and conditions set out in the framework agreements entered into by the ultimate holding company and the related company on 19 December 2012. The terms and conditions of the framework agreement has been mutually agreed with the related company.

(b) Balances with related parties are as follows:

	Chongqing JIM Group		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Amount due from a related company			
– Cloopen	–	252	3,387
Amounts due from fellow subsidiaries:			
– 北京高陽金信信息技術有限公司 (“Beijing Hi Sun Advanced Business Solutions Information Technology Limited”)	3,335	3,598	9,109
– 杭州百富電子技術有限公司 (“Hangzhou PAX Electronic Technology Limited”)	–	5,997	–
– 杭州佰福數據技術有限公司 (“Hangzhou Pax Data Limited”)	3,335	–	–
– Beijing Hi Sunsray	9,005	9,718	9,230
	15,675	19,313	18,339
Amounts due to related companies:			
– Cloopen	(16,284)	(25,302)	(23,801)
– Pax Computer Technology (Shenzhen) Co., Ltd.	(65,184)	(32,453)	(90,389)
	(81,468)	(57,755)	(114,190)
Amounts due to fellow subsidiaries:			
– Fame	–	(20,000)	(20,000)
– Max Ascent Limited	(20,000)	(20,000)	(20,000)
– Beijing Hi Sunsray	(321,699)	(335,133)	(302,858)
	(341,699)	(375,133)	(342,858)
Amount due to an intermediate holding company			
– Success Bridge Limited	(80,086)	(86,417)	(82,028)

	Chongqing JIM Group		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Amount due to the immediate holding company			
– Shanghai JIM	(2,823)	(2,986)	(2,789)
Amount due to the ultimate holding company:			
– the Company	–	(140,280)	–

	Chongqing JIM		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Amount due from a subsidiary			
– Hunan Yurong	33,348	35,984	34,157
Amounts due to a related company			
– Cloopen	–	–	(876)
Amounts due to a fellow subsidiary			
– Beijing Hi Sunsray	(242,330)	(261,485)	(248,207)
Amounts due to a subsidiary			
– Hunan Mobile Pay	–	–	(721)
Amount due to the immediate holding company			
– Shanghai JIM	(2,823)	(2,986)	(2,789)

The English name of the fellow subsidiary set up in the PRC represents the best effort by the management of Chongqing JIM Group in translating the fellow subsidiary's Chinese name as it does not have an official English name.

(c) Key management compensation

During the years ended 31 December 2016, 2017 and 2018, key management compensation is equivalent to the director's emolument as disclosed in Note 32.

31 Reserve Movement of Chongqing JIM

	Exchange reserves	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2016	127	(26,376)	(26,249)
Profit for the year	–	4,474	4,474
Exchange differences arising on translation of the financial statements	660	–	660
At 31 December 2016	787	(21,902)	(21,115)
At 1 January 2017	787	(21,902)	(21,115)
Profit for the year	–	4,593	4,593
Exchange differences arising on translation of the financial statements	(600)	–	(600)
At 31 December 2017	187	(17,309)	(17,122)
At 1 January 2018	187	(17,309)	(17,122)
Loss for the year	–	(3,734)	(3,734)
Exchange differences arising on translation of the financial statements	428	–	428
At 31 December 2018	615	(21,043)	(20,428)

32 Benefits and interests of key management

(a) Key management compensation

The key management compensation is set out below:

	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Wages and salaries	6,413	6,944	7,684
Pension costs and social security costs	209	274	443
Employees' incentive program of subsidiary	–	–	146,476
	6,622	7,218	154,603

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the Track Record Period.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the Track Record Period.

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2016, 2017 and 2018, Chongqing JIM did not pay consideration to any third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2016, 2017 and 2018, there is no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors.

(f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed, no significant transactions, arrangements and contracts in relation to Chongqing JIM's business to which Chongqing JIM was a party and in which a director of Chongqing JIM had a material interest, whether directly to indirectly, subsisted at the end of the year or at any time during the Track Record Period.

33 Subsequent events

On 12 February 2019, the Company, Shen Zheng, Li Huimin, Xue Guangyu, Ge XiaoXia (the "Management Shareholders"), ELECTRUM B.V. (the "Investor"), VBill (Cayman) and 隨行付支付有限公司 ("VBill OPCO") (collectively the "Contractual Parties") entered into a subscription agreement (the "Subscription Agreement") as amended and restated by an amendment and restatement agreement (the "Restatement Agreement") on 21 May 2019, pursuant to which, the Investor has conditionally agreed to subscribe for an approximately 11.21% of the issued ordinary shares of VBill (Cayman) at a subscription price of RMB588,000,000.

On 21 May 2019, the Contractual Parties together with the Management Shareholders Holdcos, 北京微碼數據科技有限公司 and Chongqing JIM Mobile Business Co. Ltd. entered into the shareholders' agreement, pursuant to which, VBill (Cayman) has granted a put option to the Investor whereby all its shares in VBill (Cayman) can be repurchased, redeemed and/or cancelled under certain specified circumstances.

On the date of the Subscription Agreement, the Investor, the Management Shareholders and the Management Shareholders Holdcos also entered into a side letter to agree on the key terms in relation to the exit bonus of the Management Shareholders.

Subsequent to the completion of the Subscription Agreement, Chongqing JIM Group will cease its business in the platform operation solutions segment. As of the date of this accountant's report, the Subscription Agreement has yet been completed.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Chongqing JIM or any of its subsidiaries in respect of any period subsequent to 31 December 2018 and up to the date of this report. Except as disclosed in Note 33 in Section II, no dividend or distribution has been declared, made or paid by Chongqing JIM or any of its subsidiaries in respect of any period subsequent to 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS ON CHONGQING JIM GROUP FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2018

Set out below is the management discussion and analysis of Chongqing JIM Group:

Key financial information of Chongqing JIM Group:

	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ended 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	1,241,982	2,175,207	3,954,559
Operating profit and profit before income tax	204,212	264,173	383,531
Income tax expense	(19,938)	(41,752)	(87,480)
Profit for the year	184,274	222,421	296,051
Profit attributable to:			
– Owners of Chongqing JIM	153,259	178,509	234,294
– Non-controlling interest	31,015	43,912	61,757
	184,274	222,421	296,051

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Total assets	1,978,106	2,092,042	3,004,677
Total liabilities	1,794,071	1,690,542	2,164,151
Net assets/total equity	184,035	401,500	840,526

(i) Financial and business performance

Business Review

The principal activities of the Chongqing JIM Group are provision of payment processing solutions, platform operation solutions and micro loan solutions.

Payment processing solutions

The payment processing solutions segment recorded a turnover of approximately HK$1,031.2 million, HK$1,969.9 million and HK$3,640.8 million for the years ended 31 December 2016, 2017 and 2018 respectively. The revenue increased by approximately 91% for the year ended 31 December 2017 as compared with that for the year ended 31 December 2016 and further increased by approximately 85% for the year ended 31 December 2018. The increase in revenue during the year ended 31 December 2017 and 2018 was mainly contributed by business expansion. As at 31 December 2018, there were over 4,200,000 accumulated active domestic merchants (2017: over 2,500,000; 2016: over 1,400,000) and the monthly transaction volume in December 2018 exceeded RMB170 billion (December 2017: over RMB110 billion; December 2016: over RMB76 billion).

Segmental operating profit amounted to HK$174.5 million, HK$259.8 million and HK$378.0 million for the years ended 31 December 2016, 2017 and 2018 respectively. The increase in segmental operating profit for the year ended 31 December 2017 by 49% was mainly due to increased scale of transaction operations. During the year ended 31 December 2018, despite the employees' incentive programme expenses of approximately HK$195.3 million under the payment processing solutions segment attributable to the share options granted in February 2018, segmental operating profit further increased by 45% as compared to the year ended 31 December 2017 given the strong growth in the transaction volume.

During the year ended 31 December 2016, the size of acquiring transactions and fee incomes basically maintained steady growth. Meanwhile, MPOS merchants and innovative QR code payment developed rapidly, and the QR code payment business was forming in a trend of more diversified business revenue structure and steady business development. Furthermore, upon official implementation of the reform on transaction fee rates driven by the People's Bank of China in September 2016, the market ushered in favourable development for innovation business, bringing positive influence to the expansion of high value-added merchants and quasi-financial business such as wealth management and financing.

During the year ended 31 December 2017, we launched the "smart payment platform", an integration of various payment methods, such as "UnionPay QuickPass", "WeChat Pay", "Alipay"and bank cards, and various terminals ranging from traditional POS, MPOS to APP Cashier, card accepting facilities, easy code-scanning terminals and Smart POS, to provide a comprehensive set of application solutions to industry players. In June 2017, the payment processing solutions segment successfully passed the review of the People's Bank of China, and renewed the licenses for bank card acquiring, internet payment and mobile payment until June 2022.

Driven by the convenience and accessibility of mobile QR code payment, payment processing solutions segment maintained its strong momentum throughout the year ended 31 December 2018. The transaction size increased by more than 40% compared with last year while the merchants base grew by over 60%. Through the innovative Xinlianmeng channel, we have recruited a large number of sales personnels in China to provide strong driving forces for the expansion of the micro merchants market in second and third-tier cities. Meanwhile, the payment processing solutions segment have, based on the smart payment platform, built an open platform for service providers, offering omni-channel payment solutions to various software service providers and system integrators having payment demand, including bank cards, QuickPass, WeChat, Alipay. Evolving into the most comprehensive offline payment platform, the smart payment platform will offer scenario-based payment and settlement services to an exclusive network of small to medium-sized micro merchants.

Platform operation solutions

The platform operation solutions segment recorded a turnover of approximately HK$210.8 million, HK$205.3 million and HK$209.6 million for the years ended 31 December 2016, 2017 and 2018 respectively. For the years ended 31 December 2016, 2017 and 2018, platform operation solutions segment continued to provide high-quality and efficient supporting services, such as product development, business operation and system maintenance, to the E-commerce Base of China Mobile, the IVR Base of China Mobile and the Animation Base of China Mobile. Segmental turnover was relatively stable throughout the years.

Segmental operating profit amounted to HK$29.7 million and HK$4.3 million for the years ended 31 December 2016 and 2017 respectively. During the year ended 31 December 2018, there was a segmental operating loss of HK$13.5 million. The decrease in segmental operating profit for the year ended 31 December 2017 and the operating loss for the year ended 31 December 2018 was mainly attributable to the increase in other operating expenses due to additional resources placed to a number of new projects under development such as online health care services, online educational programmes etc.

During the year ended 31 December 2016, China Mobile and the Hunan province government entered into a strategic cooperation agreement to enhance the support for e-commerce business, entailing that "package (和包)" business would receive sound support and continue its development. Given the continuous investment of China Mobile and its rapid business development, the annual transaction volume of "package (和包)" business hit a record high of over RMB2 trillion in the year ended 31 December 2017. The growth of "package (和包)" business, along with the strong demand of the E-commerce Base for product development, business operation and system maintenance services, supported the long-term sustainability of the operational supporting services business of the platform operation solutions segment. During the year ended 31 December 2018, the platform operation solutions segment successfully renewed the operational supporting services contracts again with E-commerce Base of China Mobile, the IVR Base and the Animation Base of China Mobile. Meanwhile, with its employees' concerted effort, the platform operation solutions segment successfully accomplished various operational supporting services and gained high recognition from China Mobile in 2018.

Micro loan solutions

No turnover was recorded for the year end 31 December 2016. The micro loan solutions segment recorded a turnover of approximately HK$18,000 and HK$104.1 million for the years ended 31 December 2017 and 2018 respectively.

The micro loan solutions segment obtained the "internet micro-lending license" in September 2017, allowing it to commence lending business for online merchants and individuals. The micro loan solutions segment is developing rapidly, as such the micro loan solutions segment recorded segmental operating profit amounted to HK$0.1 million and HK$19.0 million for the years ended 31 December 2017 and 2018 respectively. The micro loan solutions segment has expanded nationwide. Following continuous research on risk model, our risk prevention capability have been enhanced through a systematic approach and the amount of loans granted have accumulated to over RMB930 million as at 31 December 2018.

Loan receivables under micro loan solutions segment are amounts due from customers in the ordinary course of business, unsecured and primarily denominated in RMB. As at 31 December 2018, loan receivables under micro loan solutions segment amounted to HK$536.3 million (2017: HK$2.2 million; 2016: Nil).

Financial Review

Chongqing JIM Group recorded a revenue of approximately HK$1,242.0 million, HK$2,175.2 million and HK$3,954.6 million for the years ended 31 December 2016, 2017 and 2018 respectively. Operating profit and profit before income tax amounted to HK$204.2 million, HK$264.2 million and HK$383.5 million for the years ended 31 December 2016, 2017 and 2018 respectively. Such increases in both revenue and operating profit and profit before income tax for the years ended 31 December 2016, 2017 and 2018 was mainly contributed by the increase in transaction volume of the payment processing solutions segment, in spite of the employees' incentive programme expenses of approximately HK$195.3 million under the payment processing solutions segment attributable to the share options granted in February 2018.

The total assets of Chongqing JIM Group amounted to HK$1,978.1 million, HK$2,092.0 million and HK$3,004.7 million as at 31 December 2016, 2017 and 2018 respectively. The net assets of the Chongqing JIM Group amounted to HK$184.0 million, HK$401.5 million and HK$840.5 million as at 31 December 2016, 2017 and 2018 respectively. The significant improvement of the financial position of Chongqing JIM Group was mainly attributable to the strong performance of the payment processing solutions segment during the years.

(ii) Liquidity, financial resources and capital structure

As at 31 December 2018, Chongqing JIM Group reported total assets of HK$3,004.7 million (2017: HK$2,092.0 million; 2016: HK$1,978.1 million), which were financed by total liabilities of HK$2,164.2 million (2017: HK$1,690.5 million; 2016: HK$1,794.1 million) and equity of HK$840.5 million (2017: HK$401.5 million; 2016: HK$184.0 million). The net asset value was HK$840.5 million (2017: HK$401.5 million; 2016: HK$184.0 million). As at 31 December 2018, the Chongqing JIM Group had cash and cash equivalents of HK$1,618.2 million (2017: HK$1,487.8 million; 2016: HK$1,648.6 million) and no bank borrowings and banking facilities (2017 and 2016: Same). The net cash position as at 31 December 2018 was HK$1,618.2 million (2017: HK$1,487.8 million; 2016: HK$1,648.6 million). The gearing ratio (defined as total bank borrowings divided by total capital) was zero (2017 and 2016: Same). The gearing ratio is considered healthy and suitable for the continuing growth of the Chongqing JIM Group's business. All cash and cash equivalents of Chongqing JIM Group are denominated in RMB.

(iii) Material investments, acquisitions or disposals

On 21 September 2017, Chongqing JIM Group established a wholly-owned subsidiary 南昌隨行付網絡小額貸款有限公司 (unofficial English translation being Nanchang SXF Online Small Loan Co., Ltd.) ("Nanchang SXF") in Nanchang City, Jiangxi Province, the PRC with a fully paid-up registered capital of RMB500 million. Nanchang SXF has obtained the Jiangxi Province Small Loan Company Operation Permit (江西省小額貸款公司經營許可證) and is principally engaged in online and offline small loan business in the PRC.

On 4 December 2017, 北京高陽聖思園信息技術有限公司 ("Beijing Hi Sunsray"), a fellow subsidiary of the Chongqing JIM, transferred its entire shareholding in 廣州健雲信息技術有限公司 ("Guangzhou Health") to Hunan Yunrong, at a consideration of HK$5.6 million (equivalent to RMB5 million). Guangzhou Health and Beijing Hi Sunsray and Hunan Yunrong are wholly controlled by the Company. As a result, Guangzhou Health became a wholly owned subsidiary of the Chongqing JIM Group.

Good Chain (Chongqing) Technology Co., Ltd. ("Good Chain") was set up on 15 June 2018. Chongqing JIM Group holds 30% equity interest in Good Chain. It does not have any material operation during the year ended 31 December 2018. As at 31 December 2018, investment accounted for using the equity method on Good Chain amounted to HK$3.4 million.

Except for the above, Chongqing JIM Group did not have any other material investment and there was no other material acquisition or disposal of subsidiaries and associated companies by Chongqing JIM Group which took place during the years ended 31 December 2016, 2017 and 2018.

(iv) Employee

The total number of employees of Chongqing JIM Group as at 31 December 2018 was 1,807 (2017: 1,484; 2016: 1,133). The breakdown of employees by division is as follows:

	As at 31 December 2016	As at 31 December 2017	As at 31 December 2018
Payment processing solutions	519	690	976
Platform operation solutions	614	771	791
Micro loan solutions	–	23	40
	1,133	1,484	1,807

The remunerations paid to the Chongqing JIM Group's employees for the years ended 31 December 2016, 2017 and 2018 were approximately HK$244.8 million, HK$312.1 million and HK$640.0 million respectively. For the remunerations paid for the year ended 31 December 2018, it consisted of expense on employees' incentive programme of a subsidiary amounted to HK$195.3 million (2017 and 2016: Nil).

Chongqing JIM Group ensures that its employees' remuneration packages are comprehensive and competitive. Employees are remunerated with fixed monthly income plus annual performance related bonuses. Chongqing JIM Group also operates a share option scheme at subsidiary level for the purpose of attracting, retaining and motivating the employees. On 15 January 2018, the directors and shareholders of VBill OPCO have passed a resolution to conditionally grant options to several management (the "Grantees") of VBill OPCO pursuant to the terms of a share option scheme for VBill OPCO (the "VBill OPCO Share Option Scheme") a right to subscribe up to approximately 12% of the enlarged registered and paid up capital of VBill OPCO at the exercise price of RMB12.51 for every RMB1.00 in the registered and paid up capital of VBill OPCO. The share options are fully vested as at 31 December 2018. The validity period of these share options shall be 3 years from 5 February 2018.

Knowledge and skills of employees are vital to the continuous business growth and success of Chongqing JIM Group. Chongqing JIM Group also sponsors selected employees to attend external training courses that suit the needs of its businesses.

(v) Charge on assets

As at 31 December 2016, 2017 and 2018, none of Chongqing JIM Group's assets was pledged to secure any facilities and borrowings granted to the Chongqing JIM Group.

(vi) Future plan for material investments or capital assets

Chongqing JIM Group had no specific plan for material investments or capital assets as at 31 December 2018.

(vii) Foreign exchange exposure

Chongqing JIM Group's currency transactions are mainly denominated in HK$ and RMB. The majority of assets and liabilities are denominated in HK$ and RMB, and there are no significant assets and liabilities denominated in other currencies. Chongqing JIM Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than RMB, which is the functional currency of Chongqing JIM Group. Chongqing JIM Group currently does not hedge its foreign currency exposure.

(viii) Contingent liabilities

Chongqing JIM Group did not have significant contingent liabilities as at 31 December 2016, 2017 and 2018.

(ix) Future Prospect

In these recent years, regulatory authorities such as the central bank and China Banking Regulatory Commission have published a series of announcements, which stated that license was required for operating financial businesses such as payment and lending. They also struck at illegal operations including operating without license or authorisation. The platform operation solutions segment and micro loan solutions segment will benefit from the regulatory policy in favor of licensed institutions and enjoy better development opportunities under the business strategy of "Payment + Financial".

Meanwhile, our supply chain financial asset management platform has utilized blockchain technology to complete the deployment of SAAS structure and introduced smart contract, attracting core enterprises, financial institutions and operating enterprises. Leveraging on the accumulated technology and risk control capability over recent years, we have successively obtained a number of awards from various associations, institutions and media. Along with the progressively increasing supervision by the regulatory authorities of China, Chongqing JIM Group will increase its effort in the establishment of various compliance systems, including anti-money laundering, and strengthen operational control and risk prevention. Chongqing JIM Group aims to offer less costly, more efficient and diversified payment and fintech services to a wider user base in the future.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of the Group (the ''Unaudited Pro Forma Financial Information''), which has been prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of (i) the Deemed Disposal and the granting of Put Option to the Investor; and (ii) the exercise of the Put Option as if it had taken place on 31 December 2018.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies consistent with those of the Group as set out in the published annual report of the Company for the year ended 31 December 2018.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had (i) the Deemed Disposal and the granting of the Put Option; and (ii) the exercise of the Put Option been completed as at 31 December 2018 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

I. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP AS AT 31 DECEMBER 2018

		The Deemed Disposal and the granting of the Put Option				Exercise of the Put Option	
		Pro forma adjustments				Pro forma adjustments	
	The Group as at 31 December 2018	Deemed Disposal	Recognition of an option liability	Transaction costs	The Group upon completion of the Deemed Disposal and the granting of the Put Option as at 31 December 2018	Exercise of Put Option	The Group upon exercise of the Put Option as at 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*		*Note 5*	
ASSETS							
Non-current assets							
Investment properties	1,575				1,575		1,575
Property, plant and equipment	715,193				715,193		715,193
Leasehold land	30,490				30,490		30,490
Intangible assets	1,884				1,884		1,884
Investments accounted for using the equity method	1,931,188				1,931,188		1,931,188
Financial asset at fair value through other comprehensive income	895				895		895
Other financial assets at amortised cost	12,807				12,807		12,807
Loan receivables	479				479		479
Financial assets at fair value through profit or loss	271,741				271,741		271,741
Total non-current assets	2,966,252				2,966,252		2,966,252
Current assets							
Inventories	162,275				162,275		162,275
Other current assets	68,988				68,988		68,988
Other financial assets at amortised cost	49,830				49,830		49,830
Amounts due from investments accounted for using the equity method	15,116				15,116		15,116
Loan receivables	535,816				535,816		535,816
Trade and bills receivables	149,178				149,178		149,178
Financial asset at fair value through profit or loss	2,004				2,004		2,004
Short-term bank deposits	1,583				1,583		1,583
Cash and cash equivalents	2,681,475	676,271		(9,108)	3,348,638	(676,271)	2,672,367
Total current assets	3,666,265				4,333,428		3,657,157

		The Deemed Disposal and the granting of the Put Option				Exercise of the Put Option	
		Pro forma adjustments				Pro forma adjustments	
	The Group as at 31 December 2018	Deemed Disposal	Recognition of an option liability	Transaction costs	The Group upon completion of the Deemed Disposal and the granting of the Put Option as at 31 December 2018	Exercise of Put Option	The Group upon exercise of the Put Option as at 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*		*Note 5*	
LIABILITIES							
Non-current liabilities							
Written put option liability	–		(676,271)		(676,271)	676,271	–
Deferred income tax liabilities	(109)				(109)		(109)
Other payables	(983)				(983)		(983)
Total non-current liabilities	(1,092)				(677,363)		(1,092)
Current liabilities							
Trade and bills payables	(251,043)				(251,043)		(251,043)
Payables for payment processing solutions business	(266,710)				(266,710)		(266,710)
Other payables and accruals	(1,375,891)				(1,375,891)		(1,375,891)
Amounts due to investments accounted for using the equity method	(114,190)				(114,190)		(114,190)
Current income tax liabilities	(42,069)				(42,069)		(42,069)
Borrowing	(10,247)				(10,247)		(10,247)
Total current liabilities	(2,060,150)				(2,060,150)		(2,060,150)
Net assets	4,571,275				4,562,167		4,562,167

Notes to the Unaudited Pro Forma Financial Information of the Group:

1. The assets and liabilities of the Group have been extracted from the audited consolidated statement of financial position of the Company as at 31 December 2018 as set out in the 2018 annual report of the Company.

2. The adjustment represents the Subscription Shares of VBill (Cayman) to be issued to the Investor for a consideration of RMB588,000,000. VBill (Cayman) will remain to be a subsidiary of the Company after the completion of the transaction. For the purpose of this Unaudited Pro Forma Financial Information, the exchange rate of RMB1 to HK$1.1501 has been used to translate the consideration. The consideration payable is approximately HK$676,271,000.

3. The adjustment represents the recognition of the liability in relation to the granting of the Put Option ("Put Option Liability"). Pursuant to the Shareholders' Agreement, the Investor can request VBill (Cayman) to repurchase, redeem and/or cancel all the VBill Shares of the Investor at its discretion under certain conditions at an exercise price of RMB588,000,000 plus 8.0% interest per annum. The recognised Put Option Liability of HK$676,271,000 is estimated based on the present value of the exercise price of RMB588,000,000 plus 8.0% interest per annum, and on the assumption that the Put Option will be redeemable after 3 years from the Completion Date.

4. The adjustment represents the transaction-related costs, such as professional fees for legal services and other transaction costs, amounting to approximately HK$9,108,000.

5. For the purpose of the pro forma financial information, the adjustment for demonstrating the effect of the exercise of the Put Option is made on the assumptions that (i) the Put Option is exercisable on 31 December 2018; (ii) the exercise price would be HK$676,271,000 which represents the present value of the Put Option Liability on 31 December 2018; and (iii) no transaction costs or tax impact have been considered.

6. Apart from the above adjustments, no other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group subsequent to 31 December 2018. In particular, no Investor's earn-out or exit bonus of management shareholders as set out in the side letter have been adjusted.

2. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

TO THE DIRECTORS OF HI SUN TECHNOLOGY (CHINA) LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hi Sun Technology (China) Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 31 December 2018 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IV-1 to IV-4 of the circular dated 21 June 2019 (the "Circular"), in connection with the proposed deemed disposal of VBill Limited by the Company and the granting of the put option by VBill Limited (the "Transactions"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-4.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transactions on the Group's financial position as at 31 December 2018 as if the Transactions had taken place at 31 December 2018. As part of this process, information about the Group's financial position has been extracted by the directors from the consolidated financial statements of the Group for the year ended 31 December 2018, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transactions as at 31 December 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

– The related pro forma adjustments give appropriate effect to those criteria; and

– The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 June 2019

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors

As at the Latest Practicable Date, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Personal interest	Corporate interest	Total number of Shares	Approximate of shareholding *(note (ii))*
Kui Man Chun	28,650,000	617,083,636 *(note (i))*	645,733,636	23.25%
Xu Wensheng	4,566,000	–	4,566,000	0.16%
Li Wenjin	6,400,000	–	6,400,000	0.23%
Xu Changjun	16,563,000	–	16,563,000	0.60%

Note:

(i) These Shares are held by Mr. Kui Man Chun through Hi Sun Limited, a company which Mr. Kui Man Chun hold a 99.16% interest, and Rich Global Limited, a wholly-owned subsidiary of Hi Sun Limited.

(ii) The percentage is calculated based on the total number of issued shares of the Company as at the Latest Practicable Date, which was 2,776,833,835 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the Shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(ii) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than the Directors or chief executives of the Company, had interests or short positions in the Shares and underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Long positions in the Shares and underlying Shares

Name of shareholder	Personal interest	Corporate interest	Total number of Shares	Approximate of shareholding *(note (iv))*
Rich Global Limited (“RGL”) *(Note (v))*	–	617,083,636	617,083,636	22.22%
Hi Sun Limited (“HSL”) *(Note (i))*	–	617,083,636	617,083,636	22.22%
Mr. Kui Man Chun *(Note (ii))*	28,650,000	617,083,636	645,733,636	23.25%
Ever Union Capital Limited (“Ever Union”)	–	334,314,000	334,314,000	12.04%
Mr. Che Fung *(Note (iii))*	–	334,314,000	334,314,000	12.04%

Notes:

(i) Representing HSL’s interests in the Company’s share capital by virtue of its control of 100% shareholding in RGL.

(ii) Representing Mr. Kui Man Chun’s (i) deemed interests in the Company’s share capital by virtue of his control of 99.16% shareholding of HSL; and (ii) personal interests in the Company’s share capital as disclosed in the preceding section.

(iii) Representing Mr. Che Fung's interests in the Company's share capital by virtue of his control of 100% shareholding in Ever Union, which holds beneficial interests in 334,314,000 Shares.

(iv) The percentage is calculated based on the total number of issued shares of the Company as at the Latest Practicable Date, which was 2,776,833,835 ordinary shares.

(v) Mr. Kui Man Chun and Mr. Li Wenjin were directors of RGL and Mr. Kui Man Chun, Mr. Li Wenjin and Mr. Xu Wensheng were directors of HSL which were deemed or taken to have interests or short positions in the Shares or underlying shares of the Company which are required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, there was no other person who had an interest or short position in the Shares and underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the members of the Enlarged Group within two years preceding the Latest Practicable Date and are, or may be, material:

(a) the Subscription Agreement, the principal terms of which are set out in the section headed "2. DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION" of Letter from the Board of this circular;

(b) the Restatement Agreement, as defined in the Definitions section of this circular;

(c) the Shareholders' Agreement, the principal terms of which are set out in the section headed "3. MAJOR TRANSACTION – GRANT OF THE PUT OPTION" of Letter from the Board of this circular;

(d) the Agreement of Pledge, the principal terms of which are set out in the section headed "3. MAJOR TRANSACTION – GRANT OF THE PUT OPTION" of Letter from the Board of this circular;

(e) the Yunrong Equity Transfer Agreement, the principal terms of which are set out in the announcement of the Company dated 21 May 2019;

(f) the Yunrong Loan Agreement, the principal terms of which are set out in the announcement of the Company dated 21 May 2019;

(g) the Yunrong Control Documents, the principal terms of which are set out in the announcement of the Company dated 21 May 2019;

(h) the Share Swap Agreement, the principal terms of which are set out in the announcement of the Company dated 21 May 2019;

(i) the New JIM Control Documents, the principal terms of which are set out in the announcement of the Company dated 21 May 2019; and

(j) the Existing JIM VIE Termination Agreement, the principal terms of which are set out in the announcement of the Company dated 21 May 2019.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

5. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has been named in this circular or has given opinions, letters or advice contained in this circular:

Name	Qualification
PricewaterhouseCoopers Hong Kong	Certified Public Accountants

PricewaterhouseCoopers Hong Kong has given and has not withdrawn its written consent to the issue of this circular with inclusion herein of its letter or report and/or reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, PricewaterhouseCoopers Hong Kong did not have any interest in the share capital of any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, PricewaterhouseCoopers Hong Kong did not have any interest, direct or indirect, in any assets which have been, since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of or leased to any member of the Enlarged Group.

6. LITIGATION

So far as is known to the Directors, no member of the Enlarged Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was pending or threatened against any member of the Enlarged Group as at the Latest Practicable Date.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any proposed Director nor their respective close associates had any interests in a business, which competed or was likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

8. INTERESTS IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors or proposed Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of or leased to any member of the Enlarged Group.

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group.

9. GENERAL

(a) The registered office of the Company is at Clarendon House, Church Street, Hamilton, HM 11, Bermuda.

(b) The principal place of business of the Company in Hong Kong is at Room 2515, 25th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019).

(d) The joint company secretaries of the Company are Ms. Hui Lok Yan, *HKICPA* and Mr. Chan Yiu Kwong, *FCCA, HKICPA.*

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. at the principal place of business of the Company in Hong Kong from the date of this circular up to the date of the SGM:

(a) the memorandum of association and the bye-laws of the Company;

(b) the annual reports of the Company for the years ended 31 December 2017 and 31 December 2018;

(c) the accountant's report on VBill Offshore Group issued by PricewaterhouseCoopers Hong Kong as set out in Appendix IIA to this circular;

(d) the accountant's report on Chongqing JIM Group issued by PricewaterhouseCoopers Hong Kong as set out in Appendix IIIA to this circular;

(e) the unaudited pro forma financial information of the Group issued by PricewaterhouseCoopers Hong Kong as set out in Appendix IV to this circular;

(f) the written consents referred to in the section headed "Qualifications and consents of experts" in this appendix; and

(g) the material contracts referred to in the section headed "Material Contracts" in this appendix.

HI SUN TECHNOLOGY (CHINA) LIMITED
高陽科技（中國）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 818)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting ("**Meeting**") of Hi Sun Technology (China) Limited ("**Company**") will be held at 3:00 p.m. on Thursday, 18 July 2019 at Room 2515, 25th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong to consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the subscription agreement ("**Subscription Agreement**") dated 12 February 2019 as amended and restated on 21 May 2019 and entered into between the Company, Shen Zheng, Li Huimin, Xue Guangyu, Ge Xiaoxia (Shen Zheng, Li Huimin, Xue Guangyu and Ge Xiaoxia collectively as the "**Management Shareholders**"), ELECTRUM B.V. ("**Investor**"), VBill Limited ("**VBill (Cayman)**") and 隨行付支付有限公司 (unofficial English translation for identification purpose only, being VBill Payment Co. Ltd. ("**VBill OPCO**")) in respect of the subscription for 1,263 new ordinary shares of US$1 each in the capital of VBill (Cayman) by the Investor (a copy of the Subscription Agreement marked "A" and initialed by the chairman of the Meeting for identification purpose has been tabled at the Meeting) be and is hereby approved, confirmed and ratified and the agreements, arrangement and transactions contemplated thereunder be and are hereby approved;

* *For identification purpose only*

(b) the grant of the put option ("**Put Option**") by VBill (Cayman) to the Investor and the exercise of the Put Option by the Investor as contemplated under and in accordance with the terms of the shareholders' agreement ("**Shareholders' Agreement**") dated 21 May 2019 and entered into between the Management Shareholders, Delia and Grace Technology Limited, Kapok Technology Limited, Yuteng Technology Limited, Just Pay Technology Limited, the Company, the Investor, VBill (Cayman), 北京微碼數據科技有限公司(unofficial English translation for identification purpose only, being Beijing Microcode Data Technology Co., Ltd.), Chongqing JIM Mobile Business Co. Ltd. and VBill OPCO (a copy of the Shareholders' Agreement marked "B" and initialed by the chairman of the Meeting for identification purpose has been tabled at the Meeting) be and is hereby approved, confirmed and ratified;

(c) any one director of the Company ("**Director**") be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and take such actions as he or she considers necessary, appropriate, desirable and expedient for the purpose of giving effect to or in connection with the Subscription Agreement, the grant and exercise of the Put Option and the agreements, arrangement and transactions contemplated thereunder, and to agree to such variation, amendment or waiver or matters relating thereto as are, in the opinion of such Director, in the interests of the Company and its shareholders as a whole."

By order of the Board
Hi Sun Technology (China) Limited
Li Wenjin
Executive Director

Hong Kong, 21 June 2019

Notes:

(1) A member of the Company entitled to attend and vote at the meeting (or any adjournment thereof) (the "**Meeting**") convened by this notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

(2) A form of proxy for use at the Meeting is enclosed.

(3) Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the Meeting if the member so desires.

(4) To be valid, a form of proxy must be duly completed and signed in accordance with the instructions printed thereon and lodged, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, at the principal place of business of the Company at Room 2515, 25th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting.

(5) Record date (being the last date of registration of any share transfer given there will be no book closure) for determining the entitlement of the shareholders of the Company to attend and vote at the Meeting will be Friday, 12 July 2019. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen's road East, Hong Kong with effect from 11 July 2019) for registration no later than 4:30 p.m. on Friday, 12 July 2019.

(6) All votings on the resolutions in this notice by the members at the Meeting shall be conducted by poll.