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## HI SUN TECHNOLOGY (CHINA) LIMITED

高陽科技(中國)有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 818)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>1H2020</b> <i>HK\$'000</i>	<b>1H2019</b> <i>HK\$'000</i>	<b>Change</b> +/(–)
<b>RESULTS</b>			
<b>Revenue</b>	<b>2,022,166</b>	3,005,796	-33%
<b>Gross profit</b>	<b>409,627</b>	743,718	-45%
<b>Segmental EBITDA#</b> (before unallocated items)	<b>312,414</b>	589,886	-47%
<b>Operating profit</b>	<b>142,735</b>	360,373	-60%
<b>Share of results of investments</b> accounted for using the equity method	<b>128,232</b>	111,058	+15%
<b>Profit for the period</b>	<b><u>215,015</u></b>	<u>400,271</u>	-46%
<b>Profit attributable to:</b>			
– Owners of the Company	<b>158,485</b>	329,586	-52%
– Non-controlling interests	<b><u>56,530</u></b>	<u>70,685</u>	-20%
	<b><u>215,015</u></b>	<u>400,271</u>	

# *Excluding write off of property, plant and equipment, net fair value (losses)/gains on financial assets at fair value through profit or loss and employees' incentive programme of a subsidiary*

\* *For identification purpose only*

	<b>1H2020</b> <i>HK\$</i> <i>per share</i>	<b>1H2019</b> <i>HK\$</i> <i>per share</i>	<b>Change</b> +/( <b>-</b> )
<b>Earnings per share for profit attributable to the owners of the Company:</b>			
Basic	<b>0.06</b>	0.12	-50%
Diluted	<b>0.05</b>	0.11	-55%
	<b>As at</b> <b>30 June</b> <b>2020</b> <i>HK\$'000</i>	<b>As at</b> 31 December 2019 <i>HK\$'000</i>	<b>Change</b> +/( <b>-</b> )
<b>HIGHLIGHTS OF FINANCIAL POSITION</b>			
Total equity	<b>5,456,121</b>	5,278,512	+3%
Net current assets	<b>3,338,513</b>	3,120,060	+7%
Total assets	<b>8,460,936</b>	8,149,068	+4%
	<b>HK\$</b> <i>per share</i>	<b>HK\$</b> <i>per share</i>	<b>Change</b> +/( <b>-</b> )
Net assets per share	<b>1.965</b>	1.901	+3%

The Board of Directors (the “Board”) of Hi Sun Technology (China) Limited (the “Company”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020 together with the unaudited comparative figures for the corresponding period in 2019 as follows:

### INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2020</b>	<b>2019</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	4	2,022,166	3,005,796
Cost of sales	6	<u>(1,612,539)</u>	<u>(2,262,078)</u>
<b>Gross profit</b>		<b>409,627</b>	743,718
Other income	4	76,459	30,808
Other (losses)/gains, net	4	(8,224)	5,575
Selling expenses	6	(33,237)	(37,219)
Administrative expenses	6	(259,392)	(354,025)
Employees' incentive programme of a subsidiary		–	(7,896)
Credit impairment loss, net	6	<u>(42,498)</u>	<u>(20,588)</u>
<b>Operating profit</b>		<b>142,735</b>	360,373
Finance costs		(30,798)	(1,434)
Share of results of investments accounted for using the equity method	15	128,232	111,058
Gain on deemed acquisition of an investment accounted for using the equity method	15	<u>3,904</u>	<u>–</u>
<b>Profit before income tax</b>		<b>244,073</b>	469,997
Income tax expense	8	<u>(29,058)</u>	<u>(69,726)</u>
<b>Profit for the period</b>		<b><u>215,015</u></b>	<b><u>400,271</u></b>
<b>Profit attributable to:</b>			
– Owners of the Company		158,485	329,586
– Non-controlling interests		<u>56,530</u>	<u>70,685</u>
		<b><u>215,015</u></b>	<b><u>400,271</u></b>
		<i>HK\$ per share</i>	<i>HK\$ per share</i>
<b>Earnings per share for profit attributable to the owners of the Company:</b>			
Basic	10	<u>0.06</u>	<u>0.12</u>
Diluted	10	<b><u>0.05</u></b>	<b><u>0.11</u></b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the period</b>	<b>215,015</b>	400,271
<b>Other comprehensive loss, net of tax</b>		
<u>Items that may be subsequently reclassified to</u> <u>profit or loss</u>		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	(38,977)	(6,578)
Share of other comprehensive loss of investments accounted for using the equity method	(20,356)	(734)
<u>Items that will not be subsequently reclassified to</u> <u>profit or loss</u>		
Change in value of a financial asset at fair value through other comprehensive income	–	(344)
Share of other comprehensive loss of an investment accounted for using the equity method	(2,018)	(508)
<b>Total comprehensive income for the period, net of tax</b>	<b>153,664</b>	<b>392,107</b>
<b>Attributable to:</b>		
– Owners of the Company	106,476	322,888
– Non-controlling interests	47,188	69,219
	<b>153,664</b>	<b>392,107</b>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited At 30 June 2020 <i>HK\$'000</i>	Audited At 31 December 2019 <i>HK\$'000</i>
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties		1,279	1,378
Property, plant and equipment		348,704	384,456
Right-of-use assets		89,421	88,501
Intangible assets		8,302	2,065
Deferred income tax assets		44	119
Investments accounted for using the equity method	15	2,208,817	2,106,737
Financial asset at fair value through other comprehensive income	16	–	–
Other financial assets at amortised cost		2,243	2,914
Loan receivables	11	194	–
Financial assets at fair value through profit or loss	17	277,711	288,206
Bank deposits		4,312	–
<b>Total non-current assets</b>		<b>2,941,027</b>	<b>2,874,376</b>
<b>Current assets</b>			
Inventories		126,106	95,651
Other current assets		64,956	67,006
Other financial assets at amortised cost		52,105	98,795
Amounts due from investments accounted for using the equity method		26,270	19,970
Loan receivables	11	507,732	385,128
Trade and bills receivables	12	313,271	212,174
Financial asset at fair value through profit or loss	17	1,734	1,712
Current income tax recoverable		32,011	10,007
Bank deposits		5,478	147
Cash and bank balances		4,390,246	4,384,102
<b>Total current assets</b>		<b>5,519,909</b>	<b>5,274,692</b>
<b>Total assets</b>		<b>8,460,936</b>	<b>8,149,068</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the owners of the Company</b>			
Share capital		6,942	6,942
Reserves		4,755,908	4,680,106
		<b>4,762,850</b>	<b>4,687,048</b>
Non-controlling interests		693,271	591,464
<b>Total equity</b>		<b>5,456,121</b>	<b>5,278,512</b>

		<b>Unaudited</b>	Audited
		<b>At</b>	At
		<b>30 June</b>	31 December
		<b>2020</b>	2019
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Written put option liabilities	<i>18</i>	<b>792,201</b>	683,908
Lease liabilities		<b>30,784</b>	31,494
Deferred income tax liabilities		<b>434</b>	522
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>823,419</b>	715,924
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current liabilities</b>			
Trade and bills payables	<i>13</i>	<b>570,216</b>	439,287
Payables for payment processing solutions business	<i>14</i>	<b>645,507</b>	599,389
Other payables and accruals	<i>14</i>	<b>867,496</b>	1,029,432
Amounts due to investments accounted for using the equity method		<b>31,230</b>	21,226
Current income tax liabilities		<b>37,163</b>	31,905
Borrowing		–	5,577
Lease liabilities		<b>29,784</b>	27,816
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>2,181,396</b>	2,154,632
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total liabilities</b>		<b>3,004,815</b>	2,870,556
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total equity and liabilities</b>		<b>8,460,936</b>	8,149,068
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*Note:*

## **1 GENERAL INFORMATION**

The principal activity of Hi Sun Technology (China) Limited (the “Company”) is investment holdings.

The Company and its subsidiaries (collectively referred to as the “Group”), are principally engaged in the provision of payment processing solutions, sales of information security chips and solutions, provision of platform operation solutions, provision of financial solutions and sales of electronic power meters and solutions.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

This interim condensed consolidated financial information is presented in thousands of Hong Kong dollar (HK\$’000), unless otherwise stated.

This interim condensed consolidated financial information was approved for issue on 13 August 2020.

This interim condensed consolidated financial information has not been audited.

### **Significant changes in the current reporting period**

Substantially all of the Group’s business segments are based in Mainland China. In view of the outbreak of the novel coronavirus disease 2019 (COVID-19) (the “epidemic”) in Mainland China since January 2020, the Group has adopted various prevention and control measures in accordance with the relevant national and local regulations on epidemic prevention and control in compliance with the national epidemic prevention policies. During the six months ended 30 June 2020, there was a material decline in segmental turnover of the Group’s payment processing solutions segment as transaction volumes being processed through this segment dropped significantly as a result of a decline in consumer consumption of goods and services. The segmental turnover of the Group’s financial solutions and the electronic power meters and solutions segments also decreased significantly during the period, as the nationwide interruption of normal business operation caused by the epidemic prevention and control measures has also hindered the Group’s ability to deliver its goods and services.

Given the uncertainties as to the development of the COVID-19 outbreak at present, it is difficult to predict how long these conditions will persist and the extent to which the business of the Group may be affected for the year ending 31 December 2020. The Group will pay close attention to the development of the epidemic and evaluate its impact on the operation and financial position and results of the Group.

## **2 BASIS OF PREPARATION**

This interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 ‘Interim financial reporting’ issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This interim condensed consolidated financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## **3 ACCOUNTING POLICIES**

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2019, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standard as set out below. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### **3.1 New and amended standard adopted by the Group**

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

### **3.2 Impact of standards issued but not yet applied by the Group**

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.



#### 4 REVENUE, OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

The Group is principally engaged in the provision of payment processing solutions, sales of information security chips and solutions, provision of platform operation solutions, provision of financial solutions and sales of electronic power meters and solutions.

Revenue, other income and other (losses)/gains, net recognised during the period are as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover		
Provision of payment processing solutions	1,667,327	2,564,269
Sales of information security chips and solutions	170,757	168,775
Provision of platform operation solutions	81,417	89,811
Provision of financial solutions	67,201	83,223
Sales of electronic power meters and solutions	35,464	99,718
	<u>2,022,166</u>	<u>3,005,796</u>
Other income		
Interest income	36,395	19,339
Subsidy income ( <i>Note</i> )	37,800	9,809
Rental income	1,516	1,370
Others	748	290
	<u>76,459</u>	<u>30,808</u>
Other (losses)/gains, net		
Fair value gains/(losses) on financial assets at fair value through profit or loss		
– Unlisted convertible preference shares	3,853	9,201
– Unlisted investment fund	(12,210)	(3,090)
– Listed trading securities	22	(653)
Dividend income earned from a financial asset at fair value through profit or loss	111	117
	<u>(8,224)</u>	<u>5,575</u>

*Note:* Subsidy income recognised was related to value-added tax refund from local tax bureau and grant from government. There were no unfulfilled condition and other contingencies attached to the receipts of those subsidy income.

## 5 SEGMENT INFORMATION

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

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

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

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

The Board of Directors assesses the performance of the operating segments based on a measure of earnings before interest expense, taxes, depreciation and amortisation (“EBITDA”) excluding write off of property, plant and equipment, net fair value (losses)/gains on financial assets at fair value through profit or loss (“FVPL”) and employees’ incentive programme of a subsidiary.

An analysis of the Group's revenue and results for the six months ended 30 June 2020 by operating segment is as follows:

	Unaudited						Total Group HK\$'000
	Payment processing solutions HK\$'000	Information security chips and solutions HK\$'000	Platform operation solutions HK\$'000	Financial solutions HK\$'000	Electronic power meters and solutions HK\$'000	Others HK\$'000	
<b>Six months ended 30 June 2020</b>							
Segment turnover	1,667,327	170,757	87,089	67,201	35,464	-	2,027,838
Inter-segment turnover	-	-	(5,672)	-	-	-	(5,672)
Turnover from external customers	<u>1,667,327</u>	<u>170,757</u>	<u>81,417</u>	<u>67,201</u>	<u>35,464</u>	<u>-</u>	<u>2,022,166</u>
Segmental EBITDA (excluding write off of property, plant and equipment and net fair value losses on financial assets at fair value through profit or loss)	<u>336,527</u>	<u>19,018</u>	<u>5,576</u>	<u>(37,753)</u>	<u>(6,613)</u>	<u>(4,341)</u>	<u>312,414</u>
Depreciation	(108,055)	(1,586)	(2,726)	(2,272)	(1,404)	(197)	(116,240)
Amortisation	-	(723)	(18)	-	(42)	-	(783)
Write off of property, plant and equipment	(15,480)	-	-	-	-	-	(15,480)
Net fair value losses on financial assets at fair value through profit or loss	-	-	(8,357)	-	-	-	(8,357)
Segmental operating profit/(loss)	<u>212,992</u>	<u>16,709</u>	<u>(5,525)</u>	<u>(40,025)</u>	<u>(8,059)</u>	<u>(4,538)</u>	<u>171,554</u>
Unallocated other income							4,194
Unallocated corporate expenses							(33,013)
Finance costs							(30,798)
Share of results of investments accounted for using the equity method							128,232
Gain on deemed acquisition of an investment accounted for using the equity method							3,904
Profit before income tax							244,073
Income tax expense							(29,058)
Profit for the period							<u>215,015</u>

An analysis of the Group's revenue and results for the six months ended 30 June 2019 by operating segment is as follows:

	Unaudited						Total Group HK\$'000
	Payment processing solutions HK\$'000	Information security chips and solutions HK\$'000	Platform operation solutions HK\$'000	Financial solutions HK\$'000	Electronic power meters and solutions HK\$'000	Others HK\$'000	
<b>Six months ended 30 June 2019</b>							
Segment turnover from external customers	2,564,269	168,775	89,811	83,223	99,718	–	3,005,796
Segmental EBITDA (excluding net fair value gains on financial assets at fair value through profit or loss and employees' incentive programme of a subsidiary)	621,560	12,439	(9,490)	(34,577)	5,683	(5,729)	589,886
Depreciation	(189,689)	(1,135)	(2,730)	(1,768)	(1,480)	(635)	(197,437)
Amortisation	–	–	(19)	–	(39)	–	(58)
Net fair value gains on financial assets at fair value through profit or loss	–	–	6,111	–	–	–	6,111
Employees' incentive programme of a subsidiary	–	(7,896)	–	–	–	–	(7,896)
Segmental operating profit/(loss)	431,871	3,408	(6,128)	(36,345)	4,164	(6,364)	390,606
Unallocated other income							3,338
Unallocated corporate expenses							(33,571)
Finance costs							(1,434)
Share of results of investments accounted for using the equity method							111,058
Profit before income tax							469,997
Income tax expense							(69,726)
Profit for the period							<u>400,271</u>

Unallocated corporate expenses represent costs that are used for all segments, including depreciation of property, plant and equipment of HK\$682,000 (six months ended 30 June 2019: HK\$2,977,000), depreciation of investment properties of HK\$99,000 (six months ended 30 June 2019: HK\$98,000) and depreciation of right-of-use assets of HK\$2,590,000 (six months ended 30 June 2019: HK\$380,000), respectively.

The segment assets and liabilities as at 30 June 2020 and additions to non-current assets for the six months ended 30 June 2020 are as follows:

	Unaudited At 30 June 2020								
	Payment processing solutions HK\$'000	Information security chips and solutions HK\$'000	Platform operation solutions HK\$'000	Financial solutions HK\$'000	Electronic power meters and solutions HK\$'000	Others HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total Group HK\$'000
Segment assets	4,473,679	440,378	610,086	247,409	221,180	55,507	3,421,820	(1,009,123)	8,460,936
Segment liabilities	(2,713,586)	(302,940)	(308,407)	(298,681)	(154,580)	(117,703)	(118,041)	1,009,123	(3,004,815)
Additions to non-current assets (Note)	88,729	16,226	5,138	4,846	761	-	77	-	115,777

The segment assets and liabilities as at 31 December 2019 and additions to non-current assets for the six months ended 30 June 2019 are as follows:

	Audited At 31 December 2019								
	Payment processing solutions HK\$'000	Information security chips and solutions HK\$'000	Platform operation solutions HK\$'000	Financial solutions HK\$'000	Electronic power meters and solutions HK\$'000	Others HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total Group HK\$'000
Segment assets	4,233,447	334,768	620,759	325,571	213,800	98,513	3,333,286	(1,011,076)	8,149,068
Segment liabilities	(2,600,467)	(201,880)	(307,764)	(335,316)	(153,417)	(159,190)	(123,598)	1,011,076	(2,870,556)

  

	Unaudited Six months ended 30 June 2019								
	Payment processing solutions HK\$'000	Information security chips and solutions HK\$'000	Platform operation solutions HK\$'000	Financial solutions HK\$'000	Electronic power meters and solutions HK\$'000	Others HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total Group HK\$'000
Additions to non-current assets (Note)	61,226	644	1,994	6,057	382	342	9,165	-	79,810

*Note:* The additions to non-current assets exclude deferred income tax assets, investments accounted for using equity method, financial asset at fair value through other comprehensive income, other financial assets at amortised cost, loan receivables, financial assets at fair value through profit or loss and bank deposits.

During the period, additions to non-current assets mainly comprise additions to property, plant and equipment, right-of-use assets and intangible assets (six months ended 30 June 2019: property, plant and equipment and right-of-use assets).

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

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

The Group principally domiciles in Mainland China and Hong Kong (six months ended 30 June 2019: same).

## 6 EXPENSES BY NATURE

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Auditor's remuneration	1,900	2,003
Commission paid to merchant recruitment agents	1,025,645	1,667,318
Depreciation of property, plant and equipment	102,079	186,582
Depreciation of right-of-use assets	17,433	14,212
Depreciation of investment properties	99	98
Amortisation of intangible assets	783	58
Employee benefit expenses (excluding employees' incentive programme of a subsidiary)	277,906	376,825
Costs of inventories sold (including provision for inventories)	150,240	197,383
Operating lease rentals in respect of land and buildings	827	5,926
Research and development costs (including staff cost)	99,034	152,558
Losses/(gains) on disposals of property, plant and equipment	63	(99)
Write off of property, plant and equipment	15,480	–
Credit impairment loss, net		
– Trade receivables	(1,466)	7,063
– Loan receivables ( <i>Note 11</i> )	43,964	13,525

## 7 NET FOREIGN EXCHANGE (LOSS)/GAIN

The net foreign exchange loss recognised in the interim condensed consolidated income statement and included in administrative expenses for the six months ended 30 June 2020 amounted to HK\$5,197,000 (six months ended 30 June 2019: net foreign exchange gain of HK\$2,217,000).

## 8 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (six months ended 30 June 2019: same) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Subsidiaries in the People's Republic of China (the "PRC") are subject to corporate income tax ("CIT") in accordance with the PRC CIT Law. According to the PRC CIT Law and the relevant regulations, the CIT tax rate applicable is 25% unless preferential rates are applicable in the cities where the subsidiaries are located.

If a subsidiary in the PRC is subject to CIT and qualified as High and New Technology Enterprise ("HNTE"), the applicable CIT tax rate is 15%. If a subsidiary in the PRC is subject to CIT and qualified as Software and Integrated Circuit Enterprise ("SICE"), the applicable CIT tax rate is 0% for the first two years of being qualified and 12.5% for the next three years. SICE can enjoy 10% preferential CIT tax rate if they are not enjoying tax exemption in that year. If a subsidiary is subject to CIT and qualified as Key Software Enterprise ("KSE"), the applicable CIT tax rate is 10%.

## Applicable corporate income tax rates of principal subsidiaries

	Applicable corporate income tax rate	
	Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
<b>Subsidiaries</b>		
Beijing Hi Sun Advanced Business Solutions Information Technology Limited (“ABS”) (Note (i))	15%	15%
Hangzhou PAX Electronic Technology Limited (“Hangzhou Electronic Technology”) (Note (ii))	15%	15%
隨行付支付有限公司 (“VBill OPCO”) (Note (iii)) 北京銀企融合技術開發有限公司	15%	15%
(“Beijing Bank and Enterprise”) (Note (iv))	10%	15%
隨行付 (北京) 金融信息服務有限公司 (“VBill Finance”) (Note (v))	15%	15%
北京隨信雲鏈科技有限公司 (“Beijing Cloud Chain”) (Note (vi))	15%	25%
Mega Hunt Microelectronics (Beijing) Company Limited (“Megahunt Microelectronics”) (Note (vii))	10%	12.5%
Hunan Hisun Mobile Pay IT Limited (“HN Mobile Pay”) (Note (viii))	15%	15%

### Notes:

- (i) ABS was renewed as HNTE in 2018.
- (ii) Hangzhou Electronic Technology was renewed as HNTE in 2018.
- (iii) VBill OPCO was renewed as HNTE in 2017.
- (iv) Beijing Bank and Enterprise was qualified as HNTE in 2016 and qualified as KSE in 2019.
- (v) VBill Finance was qualified as HNTE in 2018.
- (vi) Beijing Cloud Chain was qualified as HNTE in 2019.
- (vii) Megahunt Microelectronics was qualified as SICE in 2015.
- (viii) HN Mobile Pay was renewed as HNTE in 2017.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current income tax		
– Hong Kong profits tax	–	–
– Overseas taxation	<b>29,063</b>	69,737
Deferred tax	<b>(5)</b>	(11)
	<u>                    </u>	<u>                    </u>
Income tax expense	<b><u>29,058</u></b>	<b><u>69,726</u></b>

## **9 DIVIDENDS**

No dividend on ordinary share has been paid or declared by the Company for the six months ended 30 June 2020 (six months ended 30 June 2019: same).

## **10 EARNINGS PER SHARE**

### **(a) Basic**

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
Profit attributable to the owners of the Company ( <i>HK\$'000</i> )	<b><u>158,485</u></b>	<u>329,586</u>
Weighted average number of ordinary shares in issue ( <i>thousands shares</i> )	<b><u>2,776,834</u></b>	<u>2,776,834</u>
Basic earnings per share attributable to the owners of the Company ( <i>HK\$ per share</i> )	<b><u>0.06</u></b>	<u>0.12</u>

### **(b) Diluted**

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



For the six months ended 30 June 2020, the Group has four categories (six months ended 30 June 2019: five categories) of potentially dilutive shares: share options issued by an associated company – PAX Global Technology Limited (“PAX Global”), share options and convertible preference shares issued by an associated company – Cloopen Group Holdings Limited (“Clopen”) and share options issued by subsidiaries – VBill OPCO (six months ended 30 June 2019: share options issued by PAX Global, share options and convertible preference shares issued by Cloopen and share options issued by VBill OPCO and Megahunt Microelectronics).

For the six months ended 30 June 2020, the calculation of diluted earnings per share does not assume the exercise of the share options of PAX Global as they would have an anti-dilutive impact to the basic earnings per share (six months ended 30 June 2019: same).

For share options and convertible preference shares issued by Cloopen, the carrying amount of the interest in Cloopen was zero as at 30 June 2020 (31 December 2019: same). As at 30 June 2020, the Group’s share of loss exceeded its interest in the ordinary shares of Cloopen, the exercise of the abovementioned share options and convertible preference shares would not have any impact on the diluted earnings per share (six months ended 30 June 2019: same).

For the six months ended 30 June 2020, the exercise of the outstanding share options in VBill OPCO would have a dilutive effect (six months ended 30 June 2019: same). The exercise of the share options in VBill OPCO would be dilutive if the net profit attributable to the owners of the Company will decrease. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual fair value of the subsidiary’s shares) based on the monetary value of the subscription rights attached to outstanding share options of VBill OPCO. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options of VBill OPCO.

For the six months ended 30 June 2019, the exercise of the outstanding share options in Megahunt Microelectronics would have an anti-dilutive effect. The exercise of the share options in Megahunt Microelectronics would be anti-dilutive if the net profit attributable to the owners of the Company will increase.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
Profit attributable to the owners of the Company <i>(HK\$'000)</i>	<b>158,485</b>	329,586
Assuming exercise of all outstanding dilutive share options issued by VBill OPCO <i>(HK\$'000)</i> – Decrease in net profit attributable to the owners of the Company	<u><b>(11,185)</b></u>	<u>(23,967)</u>
Adjusted profit attributable to the owners of the Company used to determine diluted earnings per share <i>(HK\$'000)</i>	<u><b>147,300</b></u>	<u>305,619</u>
Weighted average number of ordinary shares for diluted earnings per share <i>(thousands shares)</i>	<u><b>2,776,834</b></u>	<u>2,776,834</u>
Diluted earnings per share attributable to the owners of the Company <i>(HK\$ per share)</i>	<u><b>0.05</b></u>	<u>0.11</u>

## 11 LOAN RECEIVABLES

Loan receivables are amounts due from customers in the ordinary course of the micro-lending business, unsecured and primarily denominated in Renminbi (“RMB”).

### (i) Ageing analysis of loan receivables

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

	<b>Unaudited</b> <b>At</b> <b>30 June</b> <b>2020</b> <b>HK\$'000</b>	Audited At 31 December 2019 <b>HK\$'000</b>
Current	<b>500,484</b>	369,971
1 to 3 months past due	<b>15,159</b>	24,659
Over 3 months past due	<b>78,566</b>	33,738
	<hr/>	<hr/>
Loan receivables, gross	<b>594,209</b>	428,368
Less: provision for impairment of loan receivables	<b>(86,283)</b>	(43,240)
	<hr/>	<hr/>
	<b>507,926</b>	385,128
	<hr/> <hr/>	<hr/> <hr/>
Non-current	<b>194</b>	–
Current	<b>507,732</b>	385,128
	<hr/>	<hr/>
	<b>507,926</b>	385,128
	<hr/> <hr/>	<hr/> <hr/>

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:

	<b>Stage 1</b> <b>HK\$'000</b>	<b>Unaudited</b> <b>At 30 June 2020</b> <b>Stage 2</b> <b>HK\$'000</b>	<b>Stage 3</b> <b>HK\$'000</b>	<b>Total</b> <b>HK\$'000</b>
Loan receivables, gross	<b>499,446</b>	<b>13,916</b>	<b>65,036</b>	<b>578,398</b>
Less: Provision for impairment of loan receivables	<b>(4,339)</b>	<b>(3,089)</b>	<b>(65,036)</b>	<b>(72,464)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Loan receivables, net	<b>495,107</b>	<b>10,827</b>	–	<b>505,934</b>
Interest receivables, net				<b>1,992</b>
				<hr/>
				<b>507,926</b>
				<hr/> <hr/>

	Audited			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
Loan receivables, gross	368,409	22,698	26,393	417,500
Less: Provision for impairment of loan receivables	<u>(2,217)</u>	<u>(6,695)</u>	<u>(26,393)</u>	<u>(35,305)</u>
Loan receivables, net	366,192	16,003	–	382,195
Interest receivables, net				<u>2,933</u>
				<u><u>385,128</u></u>

*Note:*

During the period ended 30 June 2020, based on management's assessment, the Group recorded credit impairment loss of HK\$43,964,000 (six months ended 30 June 2019: HK\$13,525,000) in the interim condensed consolidated income statement. No loan receivables were determined as uncollectible and written off against loan receivables during the period ended 30 June 2020 (six months ended 30 June 2019: same).

**(ii) Effective interest rates on loan receivables**

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

	Unaudited At 30 June 2020	Audited At 31 December 2019
Loans to individual borrowers	<u>5% to 36% p.a.</u>	<u>5% to 36% p.a.</u>

**12 TRADE AND BILLS RECEIVABLES**

	Unaudited At 30 June 2020 HK\$'000	Audited At 31 December 2019 HK\$'000
Trade receivables ( <i>Note (a)</i> )	326,396	210,103
Bills receivables ( <i>Note (b)</i> )	–	16,922
Less: provision for impairment of receivables	<u>(13,125)</u>	<u>(14,851)</u>
	<u><u>313,271</u></u>	<u><u>212,174</u></u>

Notes:

**(a) Trade receivables**

The Group's credit terms to trade debtors range from 0 to 180 days. At 30 June 2020 and 31 December 2019, the ageing analysis of the trade receivables primarily based on invoice date was as follows:

	<b>Unaudited</b>	Audited
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current to 90 days	<b>238,638</b>	166,857
91 days to 180 days	<b>37,624</b>	11,831
181 days to 365 days	<b>28,554</b>	4,910
Over 365 days	<b>21,580</b>	26,505
	<hr/>	<hr/>
	<b>326,396</b>	210,103
	<hr/> <hr/>	<hr/> <hr/>

**(b) Bills receivables**

The balance represents bank acceptance notes with maturity dates within six months.

The maturity profile of the bills receivables is as follows:

	<b>Unaudited</b>	Audited
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
Falling within 90 days	–	3,425
Falling within 91 to 181 days	–	13,497
	<hr/>	<hr/>
	–	16,922
	<hr/> <hr/>	<hr/> <hr/>

### 13 TRADE AND BILLS PAYABLES

	Unaudited At 30 June 2020 <i>HK\$'000</i>	Audited At 31 December 2019 <i>HK\$'000</i>
Trade payables ( <i>Note (a)</i> )	570,216	438,993
Bills payables ( <i>Note (b)</i> )	–	294
	<u>570,216</u>	<u>439,287</u>

*Notes:*

#### (a) Trade payables

At 30 June 2020 and 31 December 2019, the ageing analysis of the trade payables primarily based on invoice date was as follows:

	Unaudited At 30 June 2020 <i>HK\$'000</i>	Audited At 31 December 2019 <i>HK\$'000</i>
Current to 90 days	558,424	402,025
91 days to 180 days	2,298	1,859
181 days to 365 days	295	24,544
Over 365 days	9,199	10,565
	<u>570,216</u>	<u>438,993</u>

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

#### (b) Bills payables

The balance represents bank acceptance notes:

	Unaudited At 30 June 2020 <i>HK\$'000</i>	Audited At 31 December 2019 <i>HK\$'000</i>
Due within 90 days	–	294

**14 PAYABLES FOR PAYMENT PROCESSING SOLUTIONS BUSINESS AND OTHER PAYABLES AND ACCRUALS**

	Unaudited At 30 June 2020 <i>HK\$'000</i>	Audited At 31 December 2019 <i>HK\$'000</i>
Payables for payment processing solutions business ( <i>Note (a)</i> )	645,507	599,389
Other payables and accruals ( <i>Note (b)</i> )	<u>867,496</u>	<u>1,029,432</u>
	<u><u>1,513,003</u></u>	<u><u>1,628,821</u></u>

*Notes:*

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

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

**(b) Other payables and accruals**

	Unaudited At 30 June 2020 <i>HK\$'000</i>	Audited At 31 December 2019 <i>HK\$'000</i>
Accrued staff costs and pension obligations	147,808	287,402
Deposits	48,321	62,250
Receipt in advance from customers	59,153	73,389
Advance from merchant recruitment agents	382,448	370,337
Others	<u>229,766</u>	<u>236,054</u>
	<u><u>867,496</u></u>	<u><u>1,029,432</u></u>

Revenue recognised during the period ended 30 June 2020 that was included in the contract liability balance at the beginning of the period amounted to HK\$66,853,000 (six months ended 30 June 2019: HK\$147,076,000). The Group recognised its contract liabilities under other payables and accruals as receipt in advance from customers in the interim condensed consolidated balance sheet.

## 15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	<b>Unaudited</b>	Audited
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
Associated companies:		
– PAX Global ( <i>Note (a)</i> )	<b>2,198,200</b>	2,103,541
– Good Chain (Chongqing) Technology Co., Ltd	<b>4,092</b>	3,196
– Beijing Suiyun Technology Co., Ltd	<b>3,240</b>	–
– Shenzhen Guofu Yunlian Technology Co., Ltd	<b>3,285</b>	–
	<u><b>2,208,817</b></u>	<u>2,106,737</u>

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
Associated companies:		
– PAX Global ( <i>Note (a)</i> )	<b>127,323</b>	111,073
– Good Chain (Chongqing) Technology Co., Ltd	<b>956</b>	(15)
– Beijing Suiyun Technology Co., Ltd	<b>(45)</b>	–
– Shenzhen Guofu Yunlian Technology Co., Ltd	<b>(2)</b>	–
	<u><b>128,232</b></u>	<u>111,058</u>

The amount of gain on deemed acquisition recognised in the interim condensed consolidated income statement is as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
Associated company:		
– PAX Global ( <i>Note (a)</i> )	<b>3,904</b>	–
	<u><b>3,904</b></u>	<u>–</u>

(a) **Investment in PAX Global**

The movement on interest in PAX Global is as follows:

	<b>Unaudited</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1 January	<b>2,103,541</b>	1,927,772
Share of profit	<b>127,323</b>	111,073
Share of other comprehensive loss	<b>(22,328)</b>	(1,242)
Share of other reserves	<b>7,600</b>	–
Gain on deemed acquisition	<b>3,904</b>	–
Dividend received	<b>(21,840)</b>	(14,560)
	<hr/> <b>2,198,200</b> <hr/>	<hr/> 2,023,043 <hr/>
At 30 June	<b>2,198,200</b>	2,023,043

*Note:*

- (i) During the period, PAX Global repurchased a total of 17,283,000 ordinary shares (six months ended 30 June 2019: nil) on the Stock Exchange, of which 15,601,000 ordinary shares were subsequently cancelled during the period. A gain on deemed acquisition of an investment accounted for using the equity method of HK\$3,904,000 was recognised in the interim condensed income statement. The Group's interest in PAX Global increased from 33.09% to 33.56% accordingly.

(b) **Investment in Cloopen**

As at 30 June 2020, the carrying value of Cloopen is nil (31 December 2019: same) and there is no movement on the interest in the ordinary shares of Cloopen during the period (six months ended 30 June 2019: same).

The Group's share of loss of Cloopen exceeded its interest in the ordinary shares of Cloopen, there are no overall financial impact on the interim condensed consolidated income statement from the investment for the current period (six months ended 30 June 2019: same).

As at 30 June 2020, the unrecognised share of loss of the interest in Cloopen is HK\$642,672,000 (31 December 2019: HK\$582,356,000).



## 16 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 30 June 2020, the Group's financial asset at fair value through other comprehensive income ("FVOCI") included unlisted equity security (31 December 2019: same) with following details:

	<b>Unaudited</b> <b>2020</b> <b>HK\$'000</b>	2019 <b>HK\$'000</b>
Balance at 1 January	–	895
Fair value loss on revaluation recognised in other comprehensive income	–	(344)
Exchange realignment	–	5
	<u>–</u>	<u>5</u>
Balance at 30 June	<u><u>–</u></u>	<u><u>556</u></u>
	<b>Unaudited</b> <b>At</b> <b>30 June</b> <b>2020</b> <b>HK\$'000</b>	<b>Audited</b> <b>At</b> <b>31 December</b> <b>2019</b> <b>HK\$'000</b>
<b>Non-current assets</b>		
Unlisted equity security outside Hong Kong	<u><u>–</u></u>	<u><u>–</u></u>

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

## 17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial assets at FVPL represent investment in unlisted investment fund, unlisted convertible preference shares and listed equity securities (31 December 2019: same) with the following details:

	<b>Unaudited</b> <b>2020</b> <b>HK\$'000</b>	2019 <b>HK\$'000</b>
Balance at 1 January	<b>289,918</b>	273,745
Net fair value (losses)/gains on revaluation recognised in profit or loss	<b>(8,335)</b>	5,458
Distribution	–	(2,006)
Exchange realignment	<b>(2,138)</b>	(59)
	<u><u><b>279,445</b></u></u>	<u><u>277,138</u></u>
Balance at 30 June	<u><u><b>279,445</b></u></u>	<u><u>277,138</u></u>

	<b>Unaudited</b>	Audited
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current assets</b>		
Unlisted investment fund outside Hong Kong ( <i>Note (a)</i> )	<b>107,745</b>	122,093
Unlisted convertible preference shares outside Hong Kong ( <i>Note (b)</i> )	<b>169,966</b>	166,113
	<u><b>277,711</b></u>	<u>288,206</u>
<b>Current assets</b>		
Listed equity securities in Hong Kong ( <i>Note (c)</i> )	<b>1,734</b>	1,712
	<u><b>279,445</b></u>	<u>289,918</u>

*Notes:*

**(a) Unlisted investment fund outside Hong Kong**

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

**(b) Unlisted convertible preference shares outside Hong Kong**

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

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

- (i) options to request Cloopen to redeem the Convertible Series C Preferred Shares and Convertible Series D Preferred Shares at the prices equal to the greater of the issue prices with an 8% compound interest per annum return plus any accrued but unpaid dividends or the fair values at the dates of redemptions after the earliest of 10 June 2020 for Convertible Series C Preferred Shares and 28 February 2021 for Convertible Series D Preferred Shares or the occurrences of other conditions as provided for under the definitive subscription agreements; and
- (ii) options to convert the Convertible Series C Preferred Shares and Convertible Series D Preferred Shares into ordinary shares of Cloopen at the conversion prices based on certain conditions on the dates of conversions as provided for under the definitive subscription agreements.

The Convertible Series C Preferred Shares and Convertible Series D Preferred Shares, together with the abovementioned options, were classified as financial assets at FVPL and recognised at fair values. The fair values of the Convertible Series C Preferred Shares and Convertible Series D Preferred Shares were valued by an independent valuer at the date of initial inception and on 30 June 2020.

The carrying amounts of the unlisted convertible preference shares is denominated in US dollar (“US\$”).

**(c) Listed equity securities in Hong Kong**

The fair value of the listed equity securities is based on their current bid prices in an active market and their carrying amount is denominated in Hong Kong dollar.

Changes in fair value of financial assets at FVPL are recorded in ‘other (losses)/gains, net’ in the interim condensed consolidated income statement.

**18 WRITTEN PUT OPTION LIABILITIES**

	<b>Unaudited</b>	
	<b>2020</b>	2019
	<b>HK\$’000</b>	<b>HK\$’000</b>
At 1 January	683,908	–
Issuance of written put option	78,824	–
Unwinding of discount	29,294	–
Exchange realignment	175	–
	<hr/>	<hr/>
At 30 June	<b>792,201</b>	–
	<hr/> <hr/>	<hr/> <hr/>
	<b>Unaudited</b>	<b>Audited</b>
	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
<b>Written put option liabilities</b>		
– VBill Limited (“VBill (Cayman)”) ( <i>Note (a)</i> )	711,189	683,908
– Megahunt Microelectronics ( <i>Note (b)</i> )	81,012	–
	<hr/>	<hr/>
	<b>792,201</b>	<b>683,908</b>
	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

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

As a part of the VBill Subscription, VBill (Cayman) would grant a put option, which the VBill Investor could request VBill (Cayman) to repurchase, redeem and/or cancel all the VBill (Cayman)’s shares of the VBill Investor at its discretion within 3 to 5 years after the completion date of the VBill Subscription under certain conditions at an exercise price of RMB588,000,000 (equivalent to HK\$676,494,000) plus 8.0% interest per annum. The VBill Subscription was completed on 12 November 2019.

The fair value of the written put option liability is based on the present value of the exercise price of RMB588,000,000 (equivalent to HK\$676,494,000) plus 8.0% interest per annum, by applying a discount rate of 8%, and on the assumption that the put option will be redeemable after 3 years from the completion date. The written put option liability was denominated in US\$ and classified under non-current liabilities.

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

As a part of the Megahunt Subscription, Megahunt HK would grant a put option, which the Megahunt Investors could request Megahunt HK to repurchase all the Megahunt Microelectronics’ shares of the Megahunt Investor at its discretion from 31 December 2023 to 31 December 2025 under certain conditions at an exercise price of RMB80,000,000 (equivalent to HK\$87,441,000) plus 8.0% interest per annum. The Megahunt Subscription was completed on 30 March 2020 (Note 19).

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

## **19 DEEMED DISPOSALS OF SHARES OF SUBSIDIARIES**

### **(a) Deemed disposal of Megahunt Microelectronics**

Saved as disclosed in Note 18, the Megahunt Subscription was completed on 30 March 2020. Upon the completion of the Megahunt Subscription, Megahunt Microelectronics remains as a subsidiary of the Group. The Group was deemed to have disposed of approximately 11.19% of Megahunt Microelectronics from 76.92% to approximately 65.73%.

### **(b) Deemed disposal of CodeOne Data Limited**

In 2020, VBill (Cayman), VBill Management Shareholders and CodeOne Data Limited (“CodeOne”) (a subsidiary of the Group) entered into a subscription agreement (the “CodeOne Subscription”), pursuant to which, the VBill Management Shareholders had agreed to acquire approximately 17.72% effective shareholding in CodeOne through subscription of the issued shares of CodeOne at a subscription price of HK\$1,772,000.

The CodeOne Subscription was completed on 30 March 2020. Upon the completion of the CodeOne Subscription, CodeOne remains as a subsidiary of the Group. The Group was deemed to have disposed of approximately 17.72% of CodeOne from 100% to approximately 82.28%.

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

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

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

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

	<b>Unaudited Six months ended 30 June 2020 HK\$'000</b>
<b>Megahunt Subscription</b>	
Proceeds received from the Megahunt Subscription	87,441
<i>Less:</i> recognition of non-controlling interests	(47,160)
<i>Less:</i> proportionate share of accumulated currency translation differences re-attributed to non-controlling interests	(1,697)
<i>Less:</i> directly attributable transaction costs	(437)
	<hr/>
Gain on deemed disposal of Megahunt Microelectronics	38,147
	<hr style="border-top: 1px dashed black;"/>
<b>CodeOne Subscription</b>	
Proceeds received from the CodeOne Subscription	1,772
<i>Less:</i> recognition of non-controlling interests	(1,256)
<i>Less:</i> directly attributable transaction costs	(150)
	<hr/>
Gain on deemed disposal of CodeOne	366
	<hr style="border-top: 1px dashed black;"/>
<b>Shenzhen Hi Sun Subscription</b>	
Proceeds received from the Shenzhen Hi Sun Subscription	6,543
<i>Less:</i> recognition of non-controlling interests	(6,203)
	<hr/>
Gain on deemed disposal of Shenzhen Hi Sun	340
	<hr style="border-top: 1px dashed black;"/>
Gain on deemed disposals of shares of subsidiaries	38,853
	<hr style="border-top: 3px double black;"/>

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

	<b>Unaudited Other reserves HK\$'000</b>
Gain on deemed disposals of shares of subsidiaries	38,853
Initial recognition of the written put option liability of Megahunt Microelectronics	(78,824)
	<hr/>
	(39,971)
	<hr style="border-top: 3px double black;"/>

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

## INTERIM CONDENSED SEGMENT RESULT ANALYSIS

	Note	Turnover		EBITDA <sup>#</sup>	
		1H2020 HK\$'000	1H2019 HK\$'000	1H2020 HK\$'000	1H2019 HK\$'000
Payment processing solutions	1	1,667,327	2,564,269	336,527	621,560
Information security chips and solutions	2	170,757	168,775	19,018	12,439
Platform operation solutions	3	87,089	89,811	5,576	(9,490)
Financial solutions	4	67,201	83,223	(37,753)	(34,577)
Electronic power meters and solutions	5	35,464	99,718	(6,613)	5,683
Others		–	–	(4,341)	(5,729)
Segmental results		2,027,838	3,005,796	312,414	589,886
Less: Inter-segment turnover		(5,672)	–	–	–
Total		<u>2,022,166</u>	<u>3,005,796</u>	312,414	589,886
Depreciation				(116,240)	(197,437)
Amortisation				(783)	(58)
Write off of property, plant and equipment				(15,480)	–
Net fair value (losses)/gains on financial assets at fair value through profit or loss				(8,357)	6,111
Employees' incentive programme of a subsidiary				–	(7,896)
Segmental operating profit				171,554	390,606
Unallocated other income				4,194	3,338
Unallocated corporate expenses				(33,013)	(33,571)
Operating profit				<u>142,735</u>	<u>360,373</u>

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

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	<b>1H2020</b> <i>HK\$'000</i>	1H2019 <i>HK\$'000</i>
Revenue	<i>A</i>	<b>2,022,166</b>	3,005,796
Cost of sales	<i>C</i>	<b>(1,612,539)</b>	(2,262,078)
Gross profit		<b>409,627</b>	743,718
Other income	<i>B</i>	<b>76,459</b>	30,808
Other (losses)/gains, net		<b>(8,224)</b>	5,575
Selling expenses	<i>C</i>	<b>(33,237)</b>	(37,219)
Administrative expenses	<i>C</i>	<b>(259,392)</b>	(354,025)
Employees' incentive programme of a subsidiary	<i>C</i>	<b>–</b>	(7,896)
Credit impairment loss, net	<i>C</i>	<b>(42,498)</b>	(20,588)
Operating profit		<b>142,735</b>	360,373
Finance costs	<i>O</i>	<b>(30,798)</b>	(1,434)
Share of results of investments accounted for using the equity method	<i>D</i>	<b>128,232</b>	111,058
Gain on deemed acquisition of an investment accounted for using the equity method		<b>3,904</b>	–
Profit before income tax		<b>244,073</b>	469,997
Income tax expense		<b>(29,058)</b>	(69,726)
Profit for the period		<b>215,015</b>	400,271
Profit attributable to:			
– Owners of the Company		<b>158,485</b>	329,586
– Non-controlling interests		<b>56,530</b>	70,685
		<b>215,015</b>	400,271
<b>Earnings per share for profit attributable to the owners of the Company:</b>		<b><i>HK\$ per share</i></b>	<b><i>HK\$ per share</i></b>
Basic		<b>0.06</b>	0.12
Diluted		<b>0.05</b>	0.11



## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
Investment properties and property, plant and equipment	<i>E</i>	349,983	385,834
Right-of-use assets	<i>F</i>	89,421	88,501
Intangible assets		8,302	2,065
Deferred income tax assets		44	119
Investments accounted for using the equity method	<i>G</i>	2,208,817	2,106,737
Financial assets at fair value through profit or loss	<i>H</i>	279,445	289,918
Inventories	<i>I</i>	126,106	95,651
Trade and bills receivables	<i>J</i>	313,271	212,174
Other financial assets at amortised cost and other current assets	<i>J</i>	119,304	168,715
Loan receivables	<i>K</i>	507,926	385,128
Amounts due from investments accounted for using the equity method	<i>L</i>	26,270	19,970
Current income tax recoverable		32,011	10,007
Bank deposits	<i>M</i>	9,790	147
Cash and bank balances	<i>M</i>	4,390,246	4,384,102
<b>Total assets</b>		<b>8,460,936</b>	<b>8,149,068</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		6,942	6,942
Reserves		4,755,908	4,680,106
		4,762,850	4,687,048
<b>Non-controlling interests</b>		<b>693,271</b>	<b>591,464</b>
<b>Total equity</b>		<b>5,456,121</b>	<b>5,278,512</b>

		As at 30 June 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
	<i>Note</i>		
<b>LIABILITIES</b>			
Written put option liabilities	<i>O</i>	792,201	683,908
Deferred income tax liabilities		434	522
Trade and bills payables	<i>N</i>	570,216	439,287
Payables for payment processing solutions business	<i>N</i>	645,507	599,389
Other payables and accruals	<i>N</i>	867,496	1,029,432
Amounts due to investments accounted for using the equity method	<i>L</i>	31,230	21,226
Current income tax liabilities		37,163	31,905
Lease liabilities	<i>F</i>	60,568	59,310
Borrowing		—	5,577
<b>Total liabilities</b>		<b>3,004,815</b>	<b>2,870,556</b>
<b>Total equity and liabilities</b>		<b>8,460,936</b>	<b>8,149,068</b>
		As at 30 June 2020 <i>HK\$ per share</i>	As at 31 December 2019 <i>HK\$ per share</i>
Net assets per share		<b>1.965</b>	<b>1.901</b>

## INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>1H2020</b> <i>HK\$'000</i>	1H2019 <i>HK\$'000</i>
<b>Net cash generated from operating activities</b>	<b>34,970</b>	913,076
<b>Net cash used in investing activities</b>	<b>(64,164)</b>	(108,585)
<b>Net cash generated from/(used in) financing activities</b>	<b>72,280</b>	(23,725)
<b>Net increase in cash and cash equivalents</b>	<b>43,086</b>	780,766
Cash and cash equivalents at beginning of the period	<b>3,712,567</b>	2,681,475
Exchange loss on cash and cash equivalents	<b>(44,524)</b>	(13,834)
<b>Cash and cash equivalents at end of the period</b>	<b><u>3,711,129</u></b>	<b><u>3,448,407</u></b>

During the six months ended 30 June 2020 (“1H2020”), the consolidated turnover of Hi Sun Technology (China) Limited (the “Company”) and its subsidiaries (the “Group”) amounted to HK\$2,022.2 million, representing a decrease of 33% when compared with the six months ended 30 June 2019 (“1H2019”). Profit for the period totalled HK\$215.0 million as compared to a profit of HK\$400.3 million in 1H2019. The decline in net profit was primarily due to the effects of the COVID-19 outbreak and epidemic prevention and control measures. The significant decrease in operating profit of the Group during 1H2020 was primarily attributable to a material decline in segmental turnover of the Group’s payment processing solutions segment. The segmental turnover of the Group’s financial solutions and the electronic power meters and solutions segments have also decreased significantly in the same period.

With regard to the balance sheet, the total assets as at 30 June 2020 amounted to HK\$8,460.9 million as compared with HK\$8,149.1 million as at 31 December 2019. As at 30 June 2020, net current assets amounted to HK\$3,338.5 million, when compared with HK\$3,120.1 million as at 31 December 2019.

## SEGMENT PERFORMANCE REVIEW

### (1) Payment processing solutions

#### Key performance indicators

	<b>1H2020</b> <b>HK\$'000</b>	1H2019 <i>HK\$'000</i>	Change + / (-)
Turnover*	<b>1,667,327</b>	2,564,269	-35%
EBITDA#	<b>336,527</b>	621,560	-46%
– Including credit impairment loss	<b>(43,964)</b>	<i>(13,525)</i>	+225%
Operating profit	<b>212,992</b>	431,871	-51%

\* Turnover from external customers

# Represents earnings before interest expenses, taxes, depreciation and amortisation, excludes write off of property, plant and equipment.

Segmental turnover amounted to HK\$1,667.3 million as compared to HK\$2,564.3 million in 1H2019. By end of 1H2020, there were over 3,200,000 active domestic merchants and the monthly transaction volume in June 2020 was approximately RMB110 billion. Segmental operating profit amounted to HK\$213 million, 51% down as compared to 1H2019. The decrease in segmental operating profit is primarily attributable to the material decline in segmental turnover as transaction volumes being processed through this segment dropped significantly as a result of a decline in consumer consumption of goods and services due to the effects of the COVID-19 outbreak and epidemic prevention and control measures. Increase in credit impairment loss was mainly due to additional impairment loss provision on long aged loan receivables.

### (2) Information security chips and solutions

#### Key performance indicators

	<b>1H2020</b> <b>HK\$'000</b>	1H2019 <i>HK\$'000</i>	Change + / (-)
Turnover*	<b>170,757</b>	168,775	+1%
EBITDA#	<b>19,018</b>	12,439	+53%
Employees' incentive programme of a subsidiary	–	(7,896)	N/A
Operating profit	<b>16,709</b>	3,408	+390%

\* Turnover from external customers

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

During 1H2020, segmental turnover amounted to HK\$170.8 million as compared to HK\$168.8 million in 1H2019. Segmental operating profit amounted to HK\$16.7 million as compared to HK\$3.4 million in 1H2019. The increase in segmental operating profit was mainly due to: (i) a decline in R&D expenses; and (ii) the absence of share option expenses, while share option expenses of approximately HK\$7.9 million was recorded in 1H2019.

### (3) Platform operation solutions

#### *Key performance indicators*

	<b>1H2020</b> <b>HK\$'000</b>	1H2019 <i>HK\$'000</i>	Change + / (-)
Turnover*	<b>81,417</b>	89,811	-9%
EBITDA#	<b>5,576</b>	(9,490)	N/A
Net fair value (losses)/gains on financial assets at fair value through profit or loss	<b>(8,357)</b>	6,111	N/A
Operating loss	<b>(5,525)</b>	(6,128)	N/A

\* Turnover from external customers

# Represents earnings/losses before interest expenses, taxes, depreciation and amortisation and excludes net fair value (losses)/gains on financial assets at fair value through profit or loss.

In 1H2020, we continued to provide high-quality and efficient supporting services, such as product development, business operation and system maintenance, to China Mobile Fintech, the IVR Base of China Mobile and the Animation Base of China Mobile. During 1H2020, segmental turnover amounted to HK\$81.4 million as compared to HK\$89.8 million in 1H2019. Segmental operating loss amounted to HK\$5.5 million as compared to HK\$6.1 million in 1H2019, which is mainly due to (i) a decline in the staff cost as a result of decrease in headcounts; and (ii) mostly net-off by net fair value losses on financial assets at fair value through profit or loss.

### (4) Financial solutions

#### *Key performance indicators*

	<b>1H2020</b> <b>HK\$'000</b>	1H2019 <i>HK\$'000</i>	Change + / (-)
Turnover*	<b>67,201</b>	83,223	-19%
EBITDA	<b>(37,753)</b>	(34,577)	N/A
Operating loss	<b>(40,025)</b>	(36,345)	N/A

\* Turnover from external customers

During 1H2020, segmental turnover amounted to HK\$67.2 million, as compared to HK\$83.2 million in 1H2019. Segmental operating loss totaled HK\$40.0 million as compared to HK\$36.3 million in 1H2019. The decrease in segmental turnover and the increase in segmental operating loss were mainly due to the effects of the COVID-19 outbreak as the nationwide interruption of normal business operation caused by the epidemic prevention and control measures had hindered the Group's ability to deliver its services to its customers.

## (5) Electronic power meters and solutions

### *Key performance indicators*

	<b>1H2020</b> <i>HK\$'000</i>	1H2019 <i>HK\$'000</i>	Change + / (-)
Turnover*	<b>35,464</b>	99,718	-64%
EBITDA	<b>(6,613)</b>	5,683	N/A
Operating (loss)/profit	<b>(8,059)</b>	4,164	N/A

\* Turnover from external customers

Segmental turnover amounted to HK\$35.5 million compared to HK\$99.7 million in 1H2019. Segmental operating loss amounted to HK\$8.1 million, as compared to segmental operating profit of HK\$4.2 million in 1H2019. The decline in segmental turnover and operating loss were attributable to a decline in shipment during 1H2020 due to the nationwide interruption of normal business operation caused by the epidemic prevention and control measures relating to COVID-19.

## OVERALL FINANCIAL RESULTS AND POSITION

### (A) Revenue

The consolidated turnover amounted to HK\$2,022.2 million, representing a decrease of 33% over 1H2019. Such decrease was mainly contributed by decrease in segmental turnover of the Group's payment processing solutions, financial solutions and electronic power meters and solutions segments. Please also refer to Notes (1) to (5) above on segmental performance.

### (B) Other income

Increase in other income was due to increase in interest income and subsidy income in 1H2020.

### (C) Cost of sales and operating expenses

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

Decrease in operating expenses was mainly due to declines in staff cost and R&D expenses during 1H2020.

No share option expenses were recorded in 1H2020 while share option expenses of approximately HK\$7.9 million was recorded in 1H2019. Increase in credit impairment loss was primarily due to impairment loss on aged loan receivable balances under the micro-lending business of the payment processing solutions segment.

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

Amount mainly represented share of the results of PAX Global Technology Limited (“PAX Global”), an associated company of the Company, the shares of which are listed on the Stock Exchange.

As an ordinary shareholder of Cloopen Group Holding Limited (“Cloopen”), an associated company of the Group, the Group’s share of loss exceeded its interest in the ordinary shares of Cloopen, and there was no overall financial impact on the interim condensed consolidated income statement from the investment for the current period.

**(E) Investment properties and property, plant and equipment**

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

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

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

**(G) Investments accounted for using the equity method**

Balance mainly represented the Group’s interests in PAX Global. As at 30 June 2020, the fair value of the Group’s approximately 33.6% effective interest in PAX Global was approximately HK\$1,226.7 million and the fair value of the investment was lower than its carrying value. The recoverable amount, based on the discounted cash flow model, exceeds the carrying value as at 30 June 2020.

The Group’s effective interest in the ordinary shares of Cloopen, calculated based on all issued and outstanding ordinary shares of Cloopen which are held by the Group, was 50.5%. As at 30 June 2020, the Group’s share of loss of Cloopen exceeded its interest in the ordinary shares of Cloopen, and there was no overall financial impact on the consolidated income statement from the investment for the current period. As at 30 June 2020, the carrying amount of the Group’s interest in the ordinary shares of Cloopen was zero and the fair value of the Group’s interest in the ordinary shares of Cloopen was approximately HK\$514.4 million.

The Group is optimistic about the future prospects of its associated companies and will continue to demonstrate prudence and resilience in assessing its investment strategy towards the enhancement of shareholders’ value.

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

The balance represented (i) the fair value of the Group's interest in the Convertible Series C Preferred Shares of Cloopen of HK\$122.5 million; (ii) the fair value of the Group's interest in the Convertible Series D Preferred Shares of Cloopen of HK\$47.5 million; (iii) the fair value of trading securities listed in Hong Kong of HK\$1.7 million; and (iv) the fair value of interest in a venture capital fund of HK\$107.7 million.

**(I) Inventories**

The amount mainly represented inventories of electronic power meters and solutions segment and information security chips and solutions segment. During 1H2020, HK\$9.0 million was recorded for provision on inventories with respect to slow-moving and obsolete stocks.

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

	As at 30 June 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
Trade receivables ( <i>Note (i)</i> )	326,396	210,103
Bills receivables	–	16,922
Less: provision for impairment of receivables	<u>(13,125)</u>	<u>(14,851)</u>
	313,271	212,174
Other receivables, prepayments and deposits ( <i>Note (ii)</i> )	<u>119,304</u>	<u>168,715</u>
Total	<u><u>432,575</u></u>	<u><u>380,889</u></u>

*Note (i):*

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

	As at 30 June 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i>
Current to 90 days	238,638	166,857
91 to 180 days	37,624	11,831
181 to 365 days	28,554	4,910
Over 365 days	<u>21,580</u>	<u>26,505</u>
	<u><u>326,396</u></u>	<u><u>210,103</u></u>



- Increase in trade receivables aged from current to 90 days was mainly due to increase in account receivable balances under the information security chips and solutions segment and electronic power meters and solutions segment.
- Increase in trade receivables aged from 91 to 180 days was mainly due to increases in account receivable balances under the information security chips and solutions segment.
- Increase in trade receivables aged 181 to 365 days was mainly due to increase in account receivable balances under the financial solutions segment.

*Note (ii):*

The decrease in balance was mainly due to the settlement of other receivables from the exercise of share options under information security chips and solutions segment during 1H2020.

### **(K) Loan receivables**

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

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

	<b>As at 30 June 2020 HK\$'000</b>	As at 31 December 2019 HK\$'000
Current	<b>500,484</b>	369,971
1 to 3 months past due	<b>15,159</b>	24,659
Over 3 months past due	<b>78,566</b>	33,738
	<hr/>	<hr/>
Loan receivables, gross	<b>594,209</b>	428,368
Less: provision for impairment of loan receivables	<b>(86,283)</b>	(43,240)
	<hr/>	<hr/>
Loan receivables, net	<b>507,926</b>	385,128
	<hr/> <hr/>	<hr/> <hr/>
Non-current	<b>194</b>	–
Current	<b>507,732</b>	385,128
	<hr/>	<hr/>
	<b>507,926</b>	385,128
	<hr/> <hr/>	<hr/> <hr/>

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

Amounts due from/to investments accounted for using the equity method are unsecured, interest-free and repayable on demand.

**(M) Cash and bank balances**

	<b>As at 30 June 2020 HK\$'000</b>	<b>As at 31 December 2019 HK\$'000</b>
<b>Non-current assets</b>		
Bank deposits	<u>4,312</u>	<u>–</u>
<b>Current assets</b>		
Bank deposits	<u>5,478</u>	<u>147</u>
Restricted bank balance ( <i>Note</i> )	<u>679,117</u>	<u>671,535</u>
Cash and cash equivalents	<u>3,711,129</u>	<u>3,712,567</u>
Cash and bank balances	<u><b>4,390,246</b></u>	<u><b>4,384,102</b></u>

*Note*

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

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

	<b>As at 30 June 2020 HK\$'000</b>	<b>As at 31 December 2019 HK\$'000</b>
Trade payables ( <i>Note (i)</i> )	<b>570,216</b>	438,993
Bills payables	–	294
Payables for payment processing solutions business ( <i>Note (ii)</i> )	<b>645,507</b>	599,389
Other payables and accruals ( <i>Note (iii)</i> )	<b>867,496</b>	1,029,432
	<hr/>	<hr/>
Total	<b><u>2,083,219</u></b>	<b><u>2,068,108</u></b>

*Note (i):*

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

	<b>As at 30 June 2020 HK\$'000</b>	<b>As at 31 December 2019 HK\$'000</b>
Current to 90 days	<b>558,424</b>	402,025
91 to 180 days	<b>2,298</b>	1,859
181 to 365 days	<b>295</b>	24,544
Over 365 days	<b>9,199</b>	10,565
	<hr/>	<hr/>
	<b><u>570,216</u></b>	<b><u>438,993</u></b>

- Increase in trade payables aged between current to 90 days was mainly due to increase in outstanding balances on commission payable under the payment processing solutions and electronic power meters and solutions segments.
- Change in trade payables aged between 181 to 365 days was mainly due to settlement of outstanding balances under the electronic power meters and solutions segment during 1H2020.

Note (ii):

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

Note (iii):

	As at 30 June 2020 HK\$'000	As at 31 December 2019 HK\$'000
Accrued staff costs and pension obligations*	147,808	287,402
Deposits	48,321	62,250
Receipt in advance from customers**	59,153	73,389
Advance from merchant recruitment agents**	382,448	370,337
Others***	229,766	236,054
	<u>867,496</u>	<u>1,029,432</u>

\* The decrease in accrued staff costs and pension obligations was mainly due to the payment of 2019 year-end bonus during 1H2020.

\*\* Receipt in advance from customers and advance from merchant recruitment agents represented advances and guarantees received from merchants and agents under the payment processing solutions segment.

\*\*\* Balance mainly represented other payables on fixed assets acquisition and other accrued handling fees and payments under the payment processing solutions segment.

## (O) Written put option liabilities and finance costs

Balance represents written put options liabilities on written put options granted by VBill Limited (“VBill Cayman”) and Mega Hunt Microelectronics (Beijing) Limited (兆訊恒達微電子技術(北京)有限公司) (“Megahunt”).

The increase in balance during 1H2020 was mainly due to (i) written put options liabilities of HK\$78.8 million recognised for exit options granted to certain investors by Mega Hunt Microelectronics Limited (“Megahunt HK”) in March 2020; and (ii) finance cost in relation to the put option liabilities amounted to HK\$29.3 million.

## **KEY INVESTING AND FINANCING ACTIVITIES**

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

## **OUTLOOK**

### **Effect of COVID-19**

Substantially all of the Group’s business segments are based in Mainland China. In view of the outbreak of the novel coronavirus disease 2019 (COVID-19) (the “epidemic”) in Mainland China since January 2020, the Group has adopted various prevention and control measures in accordance with the relevant national and local regulations on epidemic prevention and control in compliance with the national epidemic prevention policies. During the 1H2020, there was a material decline in segmental turnover of the Group’s payment processing solutions as transaction volumes being processed through this segment dropped significantly as a result of a decline in consumer consumption of goods and services. The segmental turnover of the Group’s financial solutions and the electronic power meters and solutions segments also decreased significantly in the same period, as the nationwide interruption of normal business operation caused by the epidemic prevention and control measures has also hindered the Group’s ability to deliver its goods and services.

Given the uncertainties as to the development of the COVID-19 outbreak at present, it is difficult to predict how long these conditions will persist and the extent to which the business of the Group may be affected for the Year 2020. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the operation and financial position and results of the Group.

## **Payment processing solutions**

In the first half of 2020, as affected by the global epidemic, the transaction volume of payment business dropped by 22.4% to approximately RMB720 billion. During the epidemic, in order to help merchants tide over difficulties, VBill OPCO strived to develop new products, help merchants achieve online and offline business integration, and created a “VBill OPCO business circle” to expand merchants’ sales channels and increase sales. In addition, we stepped up cooperation with SAAS service providers and were committed to improving the informatization and operational efficiency of merchants to help merchants reduce costs and increase efficiency. Our platform has been developing quickly with more than 1,700 partner products having been successively launched. In the second half of the year, we will continue to promote the scale development of the scanning code business, with “payment + marketing” as the core strategy, while we will expand the market share of cross-border payment business. In addition to VBill OPCO’s increased efforts in the establishment of various compliance systems, including anti-money laundering, it has also strengthened its operational control and risk prevention. Meanwhile we will continue to expand the payment business to offer less costly, more efficient and diversified payment and fintech services to a wider customer base.

## **Information security chips and solutions**

Due to the impact of the epidemic in the first half of 2020, growth of the information security chip business tended to be slow and competition became more intense. The market is expected to develop steadily in the second half of 2020, nonetheless it may be affected by changes in the central bank policies targeting the payment market. Other research and development projects are progressing smoothly and cost reduction initiatives of various products are also rolling out in an orderly manner.

## **Platform operation solutions**

In 2020, we continue to position ourselves to provide high-quality technical product development and business operation services for the communications, payment, and e-commerce industries. We have successfully renewed the contracts with China Mobile Financial Technology Co., Ltd., the IVR Base of China Mobile and the Comics Base in relation to new product development, system operation and maintenance and business operation support. At the same time, we have also endeavored to participate in related projects of China Mobile’s provincial companies and other professional companies to provide China Mobile with more products and business operation services. Looking to the future, we will continue to expand our presence in the markets apart from the domestic mobile operators. Meanwhile, we will continue to explore the development of our own e-commerce business, cultivate new revenue growth points, and ensure the healthy and stable development of our business.

## **Financial solutions**

In 2020, we continue to devote ourselves to customer IT services and leverage our deep-rooted advantages in the banking core business system to assist customers in rolling out system upgrade and transformation. During the period, in addition to facilitating a large domestic commercial bank in the relocation of core business system capacities to a decentralized micro-service architecture, we managed to reproduce the relevant implementation skills and methodology in other city commercial banks, rural commercial banks, and village banks. Moreover, we vigorously promoted the landing of newly developed products on the customer side, and realized the upgrade and transformation of their business system, including faster payment system (FPS), open application programming interface (Open API) management platform, anti-money laundering, supervisory reporting, virtual banking core system, etc.

In response to overseas financial IT service opportunities, in March 2020, the Group specifically established Shenzhen Hi Sun FinTech Global Co., Ltd. to focus on overseas business opportunities. In addition to conducting product research and development based on the characteristics of overseas markets, we will also actively expand cooperation channels in overseas markets. At present, we have already signed cooperation agreements with some cooperation channels in relation to business expansion in the Southeast Asian market.

## **Electronic power meters and solutions**

In the first half of 2020, we continued to win the bid in the first unified tender of the State Grid. Due to the epidemic, our business has been affected by varying degrees, and the business situation is not optimistic. During the period, the State Grid continued to promote the development of new technologies. At present, while the State Grid Power Research Institute is studying and setting up the GB standards for IR46 electronic power meter, we will continue to actively pursue with the relevant works.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2020, the Group reported total assets of HK\$8,460.9 million (31 December 2019: HK\$8,149.1 million), which were financed by total liabilities of HK\$3,004.8 million (31 December 2019: HK\$2,870.6 million) and equity of HK\$5,456.1 million (31 December 2019: HK\$5,278.5 million). The net asset value was HK\$5,456.1 million (31 December 2019: HK\$5,278.5 million). The net asset value per share amounted to HK\$1.965 per share as compared to HK\$1.901 per share as at 31 December 2019.

As at 30 June 2020, the Group had cash and bank balances of HK\$4,390.2 million (31 December 2019: HK\$4,384.1 million) and no borrowings (31 December 2019: HK\$5.6 million). The net cash position as at 30 June 2020 was HK\$4,390.2 million as compared to HK\$4,378.5 million as at 31 December 2019. As at 30 June 2020, the gearing ratio is calculated as total debt divided by total capital, while total debt includes borrowing, lease liabilities and written put option liabilities of the Group. The gearing ratio was 13.5% (2019: 12.4%). The gearing ratio is considered healthy and suitable for the continuing growth of the Group's business.

## **CAPITAL STRUCTURE AND DETAILS OF CHARGES**

As at 30 June 2020, the Group had no bank borrowings (31 December 2019: HK\$5.6 million) and had banking facilities of approximately HK\$17.5 million (31 December 2019: HK\$17.8 million). As at 30 June 2020, the banking facilities were secured by the leasehold land and buildings of a subsidiary of the Company, with a net book amount of HK\$2.6 million and HK\$5.8 million, respectively. As at 31 December 2019, the bank borrowings and banking facilities were secured by the leasehold land and buildings of a subsidiary of the Company, with a net carrying amount of HK\$2.7 million and HK\$6.4 million, respectively.

Approximately HK\$2,993.7 million, HK\$270.8 million, HK\$1,006.0 million, HK\$116.9 million and HK\$2.6 million of the Group's cash balances were denominated in Renminbi, Hong Kong dollar, US dollar, Japanese Yen and Macanese Pataca ("MOP") respectively as at 30 June 2020.

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

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

Save as disclosed in this announcement, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2020.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in this announcement, there was no specific plan for material investments or capital assets as at 30 June 2020.

## **EXCHANGE RATES EXPOSURE**

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

## **CONTINGENT LIABILITIES**

### **(A) Performance Guarantee Agreement with a customer**

In 2015, the Company entered into a performance guarantee agreement with a customer (the "Performance Guarantee Agreement"). Pursuant to the Performance Guarantee Agreement, the Company agreed to provide the customer with a guarantee in relation to the due and punctual performance of a service project by a subsidiary of the Company with a surety of not more than HK\$60,000,000 and to indemnify the customer against any third-party claim of intellectual property right infringement resulting from the acts of the said subsidiary. As at 30 June 2020, the Company did not recognise any liability in relation to the Performance Guarantee Agreement as the Directors consider the possibility of reimbursement not probable.



## **(B) Guarantee Agreements with subsidiaries of the Group**

- (i) In 2019, the Company entered into a guarantee agreement (the “2019 Manufacturer Guarantee Agreement”) with 3 subsidiaries of the Company in respect of the said subsidiaries’ payment obligations against a named manufacturer. Pursuant to the 2019 Manufacturer Guarantee Agreement, the Company shall guarantee to repay the due and unsettled debts of the said subsidiaries individually and/or collectively of up to US\$10,000,000 incurred in relation to such manufacturing orders placed against the named manufacturer by the said subsidiaries, should any of them individually and/or collectively cease or fail to honour its payment obligations.
- (ii) In 2020, the Company entered into a guarantee agreement (the “2020 OEM Guarantee Agreement”) with a subsidiary of the Company and an independent manufacturer (“OEM”), in respect of the said subsidiary’s payment obligations against the OEM. Pursuant to the 2020 OEM Guarantee Agreement, the Company shall guarantee to repay the said subsidiary’s due and unsettled debts of up to US\$10,000,000 owed to the OEM and incurred in relation to such manufacturing orders the said subsidiary placed against the OEM since 15 January 2020 should it cease or fail to honour its payment obligations.

Save as disclosed above, the Group had no material contingent liability as at 30 June 2020.

Disclaimer:

### *Non-GAAP measures*

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

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period.

## **CORPORATE GOVERNANCE**

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

In formulating and implementing its corporate governance practices, the Company has applied the Principles and complied with all applicable Code Provisions for the six months ended 30 June 2020.

## **REVIEW OF 2020 INTERIM RESULTS BY THE AUDIT COMMITTEE**

The audit committee of the Company has reviewed the unaudited interim condensed consolidated results for the six months ended 30 June 2020.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The 2020 interim results announcement is published on the Company's website at [www.hisun.com.hk](http://www.hisun.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The 2020 interim report will be available on the websites of the Stock Exchange and the Company and will be despatched to all shareholders in due course.

The 2020 interim financial information set out above does not constitute the Group's statutory financial statements for the six months ended 30 June 2020. Instead, it has been derived from the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2020, which will be included in the Company's 2020 interim report.

By Order of the Board  
**Hui Lok Yan**  
*Company Secretary*

Hong Kong, 13 August 2020

*As at the date of this announcement, the Board comprises five executive Directors namely Mr. Cheung Yuk Fung, Mr. Kui Man Chun, Mr. Xu Wensheng, Mr. Li Wenjin and Mr. Xu Chang Jun; and three independent non-executive Directors, namely Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Chang Kai-Tzung, Richard.*