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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 2021

FINANCIAL HIGHLIGHTS	1H2021 HK\$'000	1H2020 HK\$'000	Change +/(–)
RESULTS			
Revenue	2,216,068	2,022,166	+10%
Gross profit	616,658	409,627	+51%
Segmental EBITDA# (before other and unallocated items)	420,089	316,755	+33%
Operating profit	445,614	142,735	+212%
Share of results of investments accounted for using the equity method	<u>167,663</u>	<u>128,232</u>	+31%
Adjusted net profit##	312,291	223,350	+40%
Net fair value gains/(losses) on financial assets at fair value through profit or loss	199,708	(8,335)	N/A
Gains on deemed disposals of investments accounted for using the equity method	<u>2,861,475</u>	<u>–</u>	N/A
Profit for the period	<u>3,373,474</u>	<u>215,015</u>	+1,469%
Profit attributable to:			
– Owners of the Company	3,290,907	158,485	+1,976%
– Non-controlling interests	<u>82,567</u>	<u>56,530</u>	+46%
	<u>3,373,474</u>	<u>215,015</u>	

Excluding write off of property, plant and equipment and net fair value gains/(losses) on financial assets at fair value through profit or loss

Excluding net fair value gains/(losses) on financial assets at fair value through profit or loss and gains on deemed disposals of investments accounted for using the equity method

* For identification purpose only

	1H2021 <i>HK\$</i> <i>per share</i>	1H2020 <i>HK\$</i> <i>per share</i>	Change +/(%)
Earnings per share for profit attributable to the owners of the Company:			
Basic	1.19	0.06	+1,883%
Diluted	1.16	0.05	+2,220%
	As at 30 June 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>	Change +/(%)
HIGHLIGHTS OF FINANCIAL POSITION			
Total equity	8,154,998	6,367,504	+28%
Net current assets	4,076,412	3,778,477	+8%
Total assets	11,295,343	9,717,099	+16%
	<i>HK\$</i> <i>per share</i>	<i>HK\$</i> <i>per share</i>	Change +/(%)
Net assets per share	2.937	2.293	+28%

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 2021 together with the unaudited comparative figures for the corresponding period in 2020 as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	2,216,068	2,022,166
Cost of sales	6	<u>(1,599,410)</u>	<u>(1,612,539)</u>
Gross profit		616,658	409,627
Other income	4	44,295	76,459
Other gains/(losses), net	4	199,716	(8,224)
Selling expenses	6	(44,653)	(33,237)
Administrative expenses	6	(337,294)	(259,392)
Credit impairment loss, net	6	<u>(33,108)</u>	<u>(42,498)</u>
Operating profit		445,614	142,735
Finance costs		(35,098)	(30,798)
Share of results of investments accounted for using the equity method	17	167,663	128,232
(Loss)/gain on deemed acquisition and dilution of interest of an investment accounted for using the equity method	17	(5,635)	3,904
Gains on deemed disposals of investments accounted for using the equity method	17	<u>2,861,475</u>	<u>–</u>
Profit before income tax		3,434,019	244,073
Income tax expense	8	<u>(60,545)</u>	<u>(29,058)</u>
Profit for the period		<u>3,373,474</u>	<u>215,015</u>
Profit attributable to:			
– Owners of the Company		3,290,907	158,485
– Non-controlling interests		<u>82,567</u>	<u>56,530</u>
		<u>3,373,474</u>	<u>215,015</u>
		<i>HK\$ per share</i>	<i>HK\$ per share</i>
Earnings per share for profit attributable to the owners of the Company:			
Basic	10	<u>1.19</u>	<u>0.06</u>
Diluted	10	<u>1.16</u>	<u>0.05</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Profit for the period	3,373,474	215,015
Other comprehensive income/(loss), net of tax		
<u>Items that may be subsequently reclassified to profit or loss</u>		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	32,950	(38,977)
Share of other comprehensive income/(loss) of investments accounted for using the equity method	12,020	(20,356)
<u>Items that will not be subsequently reclassified to profit or loss</u>		
Change in value of a financial asset at fair value through other comprehensive income	(1,632,905)	–
Share of other comprehensive loss of an investment accounted for using the equity method	(51)	(2,018)
Total comprehensive income for the period, net of tax	<u>1,785,488</u>	<u>153,664</u>
Attributable to:		
– Owners of the Company	1,693,996	106,476
– Non-controlling interests	91,492	47,188
	<u>1,785,488</u>	<u>153,664</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 June 2021 <i>HK\$'000</i>	Audited As at 31 December 2020 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Investment properties		1,117	1,219
Property, plant and equipment		352,804	387,318
Right-of-use assets		75,280	81,655
Intangible assets		29,775	11,231
Deferred income tax assets		54	17
Investments accounted for using the equity method	17	2,540,616	2,404,813
Financial asset at fair value through other comprehensive income	15	1,841,361	–
Other financial assets at amortised cost		2,437	14,332
Loan receivables	11	54	54
Financial assets at fair value through profit or loss	16	126,022	542,004
Bank deposits		–	6,105
Total non-current assets		4,969,520	3,448,748
Current assets			
Inventories		118,260	121,445
Other current assets		81,669	80,006
Other financial assets at amortised cost		104,084	88,902
Amounts due from investments accounted for using the equity method		29,240	19,957
Loan receivables	11	1,241,553	1,043,025
Trade and bills receivables	12	233,369	273,894
Financial asset at fair value through profit or loss	16	1,374	1,036
Current income tax recoverable		17,529	11,990
Short-term bank deposits		6,563	76
Restricted bank balance		721,904	880,552
Cash and cash equivalents		3,770,278	3,747,468
Total current assets		6,325,823	6,268,351
Total assets		11,295,343	9,717,099
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		6,942	6,942
Reserves		7,230,862	5,535,124
		7,237,804	5,542,066
Non-controlling interests		917,194	825,438
Total equity		8,154,998	6,367,504

	<i>Notes</i>	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
LIABILITIES			
Non-current liabilities			
Written put option liabilities	<i>18</i>	865,921	831,207
Lease liabilities		22,963	28,143
Deferred income tax liabilities		2,050	371
		<hr/>	<hr/>
Total non-current liabilities		890,934	859,721
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade and bills payables	<i>13</i>	497,433	526,804
Payables for payment processing solutions business	<i>14</i>	664,249	828,619
Other payables and accruals	<i>14</i>	973,649	1,013,991
Amounts due to investments accounted for using the equity method		28,491	43,936
Current income tax liabilities		59,206	51,189
Lease liabilities		26,383	25,335
		<hr/>	<hr/>
Total current liabilities		2,249,411	2,489,874
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		3,140,345	3,349,595
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total equity and liabilities		11,295,343	9,717,099
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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, provision of fintech solutions and services, 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 12 August 2021.

This interim condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2021 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 2020, 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 2020, 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 GAINS/(LOSSES), NET

The Group is principally engaged in the provision of payment processing solutions, provision of fintech solutions and services, 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 recognised during the period is as follows:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
		(restated)
		(Note 5)
Revenue		
Provision of payment processing solutions	1,673,415	1,590,657
Provision of fintech solutions and services	100,842	76,670
Sales of information security chips and solutions	205,092	170,757
Provision of platform operation solutions	80,733	81,417
Provision of financial solutions	98,764	67,201
Sales of electronic power meters and solutions	57,222	35,464
	<u>2,216,068</u>	<u>2,022,166</u>

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Other income		
Interest income	24,343	36,395
Government subsidies (Note)	17,701	37,800
Rental income	1,641	1,516
Others	610	748
	<u>44,295</u>	<u>76,459</u>
Other gains/(losses), net		
Fair value gains/(losses) on financial assets at fair value through profit or loss		
– Unlisted convertible preference shares	197,822	3,853
– Unlisted investment fund	1,548	(12,210)
– Listed trading securities	338	22
Dividend income earned from a financial asset at fair value through profit or loss	8	111
	<u>199,716</u>	<u>(8,224)</u>

Note: Government subsidies represented value-added tax refund from local tax bureau and grant from government in relation to sales and research and development of self-developed software products in the PRC. There were no unfulfilled condition and other contingencies attached to the receipts of those grants.

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.

Due to continual development of the Group, management has changed its internal organisational structure to align more closely with the Group's strategic decision and market dynamics to better serve customers. In particular, separate business units have been established for its payment processing solutions business and fintech solutions and services business. The Group has adopted the new organisational structure as the reporting format effective for the period ended 30 June 2021. The comparative segment information has been revised to conform with the current organisational structure.

The Group is organised into six 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) Fintech solutions and services – principally engaged in provision of micro-lending, supply chain financing, factoring business, credit assessment services and related products and solutions;
- (c) 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;
- (d) Platform operation solutions – principally engaged in the provision of telecommunication and mobile payment platform operation services and operation value-added services;
- (e) 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
- (f) 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 and net fair value gains/(losses) on financial assets at fair value through profit or loss (“FVPL”), and segmental operating profit/(loss).

An analysis of the Group's revenue and results for the six months ended 30 June 2021 by operating segment is as follows:

	Unaudited						Total HK\$'000
	Payment processing solutions HK\$'000	Fintech solutions and services 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	
Six months ended 30 June 2021							
Segment revenue	1,676,083	101,500	205,092	80,748	98,764	57,222	2,219,409
Inter-segment revenue	(2,668)	(658)	-	(15)	-	-	(3,341)
Revenue from external customers	<u>1,673,415</u>	<u>100,842</u>	<u>205,092</u>	<u>80,733</u>	<u>98,764</u>	<u>57,222</u>	<u>2,216,068</u>
Segmental EBITDA (excluding write off of property, plant and equipment and net fair value gains on financial assets at fair value through profit or loss)	<u>398,933</u>	<u>23,242</u>	<u>43,146</u>	<u>(6,310)</u>	<u>(32,975)</u>	<u>(5,947)</u>	<u>420,089</u>
Depreciation	(116,537)	(2,790)	(3,645)	(2,207)	(4,026)	(1,451)	(130,656)
Amortisation	(2)	(67)	(1,288)	(19)	-	(46)	(1,422)
Write off of property, plant and equipment	(2,250)	-	-	-	-	-	(2,250)
Net fair value gains on financial assets at fair value through profit or loss	-	-	-	199,370	-	-	199,370
Segmental operating profit/(loss)	<u>280,144</u>	<u>20,385</u>	<u>38,213</u>	<u>190,834</u>	<u>(37,001)</u>	<u>(7,444)</u>	<u>485,131</u>
Unallocated other income							2,359
Unallocated corporate expenses							(41,876)
Finance costs							(35,098)
Share of results of investments accounted for using the equity method							167,663
Loss on deemed acquisition and dilution of interest of an investment accounted for using the equity method							(5,635)
Gains on deemed disposals of investments accounted for using the equity method							2,861,475
Profit before income tax							3,434,019
Income tax expense							(60,545)
Profit for the period							<u>3,373,474</u>

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 (restated)	Fintech solutions and services HK\$'000 (restated)	Information security chips and solutions HK\$'000	Platform operation solutions HK\$'000	Financial solutions HK\$'000	Electronic power meters and solutions HK\$'000	
Six months ended 30 June 2020							
Segment revenue	1,593,937	77,254	170,757	87,089	67,201	35,464	2,031,702
Inter-segment revenue	(3,280)	(584)	–	(5,672)	–	–	(9,536)
Revenue from external customers	<u>1,590,657</u>	<u>76,670</u>	<u>170,757</u>	<u>81,417</u>	<u>67,201</u>	<u>35,464</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>346,667</u>	<u>(10,140)</u>	<u>19,018</u>	<u>5,576</u>	<u>(37,753)</u>	<u>(6,613)</u>	<u>316,755</u>
Depreciation	(105,533)	(2,522)	(1,586)	(2,726)	(2,272)	(1,404)	(116,043)
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>225,654</u>	<u>(12,662)</u>	<u>16,709</u>	<u>(5,525)</u>	<u>(40,025)</u>	<u>(8,059)</u>	<u>176,092</u>
Unallocated other income							4,194
Unallocated corporate expenses							(37,551)
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							<u>3,904</u>
Profit before income tax							244,073
Income tax expense							<u>(29,058)</u>
Profit for the period							<u><u>215,015</u></u>

Unallocated corporate expenses represent costs that are used for all segments, including depreciation of property, plant and equipment of HK\$655,000 (six months ended 30 June 2020: HK\$879,000), depreciation of investment properties of HK\$102,000 (six months ended 30 June 2020: HK\$99,000) and depreciation of right-of-use assets of HK\$2,470,000 (six months ended 30 June 2020: HK\$2,590,000), respectively.

The segment assets and liabilities as at 30 June 2021 and additions to non-current assets for the six months ended 30 June 2021 are as follows:

	Unaudited At 30 June 2021								Total Group HK\$'000
	Payment processing solutions HK\$'000	Fintech solutions and services HK\$'000	Information security chips and solutions HK\$'000	Platform operation solutions HK\$'000	Financial solutions HK\$'000	Electronic power meters and solutions HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	
Segment assets	4,146,824	1,916,033	366,051	2,315,500	306,759	244,544	3,840,772	(1,841,140)	11,295,343
Segment liabilities	(2,783,997)	(870,007)	(182,355)	(312,567)	(406,083)	(188,647)	(237,829)	1,841,140	(3,140,345)
Additions to non-current assets (Note)	71,257	21,890	19,528	1,076	6,837	504	17	-	121,109

The segment assets and liabilities as at 31 December 2020 and additions to non-current assets for the six months ended 30 June 2020 are as follows:

	Audited At 31 December 2020								Total Group HK\$'000
	Payment processing solutions HK\$'000 (restated)	Fintech solutions and services HK\$'000 (restated)	Information security chips and solutions HK\$'000	Platform operation solutions HK\$'000	Financial solutions HK\$'000	Electronic power meters and solutions HK\$'000	Unallocated HK\$'000	Elimination HK\$'000 (restated)	
Segment assets	4,189,618	1,829,530	339,517	905,870	385,722	276,463	3,700,458	(1,910,079)	9,717,099
Segment liabilities	(2,859,268)	(997,884)	(185,098)	(322,506)	(438,423)	(213,879)	(242,616)	1,910,079	(3,349,595)

	Unaudited At 30 June 2020								Total Group HK\$'000
	Payment processing solutions HK\$'000 (restated)	Fintech solutions and services HK\$'000 (restated)	Information security chips and solutions HK\$'000	Platform operation solutions HK\$'000	Financial solutions HK\$'000	Electronic power meters and solutions HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	
Additions to non-current assets (Note)	88,700	29	16,226	5,138	4,846	761	77	-	115,777

Note: The additions to non-current assets are excluding 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 2020: same).

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 2020: 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	
	2021	2020
	HK\$'000	HK\$'000
Auditor's remuneration	1,900	1,900
Commission and incentives paid to merchant recruitment agents	1,125,622	1,189,412
Depreciation of property, plant and equipment	118,971	102,079
Depreciation of right-of-use assets	14,810	17,433
Depreciation of investment properties	102	99
Amortisation of intangible assets	1,422	783
Employee benefit expenses	348,722	277,906
Costs of inventories sold (including provision for inventories)	171,419	150,240
Operating lease rentals in respect of land and buildings	6,630	827
Research and development costs (including staff cost)	116,065	99,034
(Gains)/losses on disposals of property, plant and equipment	(149)	63
Write off of property, plant and equipment	2,250	15,480
Credit impairment loss, net		
– Trade and bills receivables	(34)	(1,466)
– Loan receivables (Note 11)	33,142	43,964
	<u>33,142</u>	<u>43,964</u>

7 NET FOREIGN EXCHANGE LOSS

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 2021 amounted to HK\$3,669,000 (six months ended 30 June 2020: HK\$5,197,000).

8 INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	–	–
– Overseas taxation	59,969	29,063
Deferred tax	576	(5)
Income tax expense	<u>60,545</u>	<u>29,058</u>

Hong Kong profits tax has been provided for at the rate of 16.5% (six months ended 30 June 2020: 16.5%) 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 is qualified as High and New Technology Enterprise (“HNTE”), the applicable CIT tax rate is 15%. If a subsidiary is qualified as Key Software Enterprise (“KSE”), the applicable CIT tax rate is 10%. If a subsidiary is engaged in Encouraged Industries in the Western Region (“EIWR”), the applicable CIT tax rate is 15%. If a subsidiary is qualified as Key Integrated Circuit Design Enterprises and Software Enterprises (“KIC”), the applicable CIT tax rate is 0% for the first five years commencing from the first profit-making year, and 10% for the subsequent years. If a subsidiary is 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.

Applicable corporate income tax rates of principal subsidiaries

	Applicable corporate income tax rate	
	Six months ended 30 June 2021	2020
Subsidiaries		
Beijing Hi Sun Advanced Business Solutions Information Technology Limited (“ABS”) (Note (i))	15%	15%
Hangzhou PAX Electronic Technology Limited (“Hangzhou Electronic Technology”) (Note (ii))	15%	15%
隨行付支付有限公司 (“VBill OPCO”) (Note (iii))	25%	15%
北京銀企融合技術開發有限公司 (“Beijing Bank and Enterprise”) (Note (iv))	15%	10%
隨行付 (北京) 金融信息服務有限公司 (“VBill Finance”) (Note (v))	15%	15%
北京隨信雲鏈科技有限公司 (“Beijing Cloud Chain”) (Note (vi))	15%	15%
重慶鑫聯隨行科技有限公司 (“Chongqing Xinlian”) (Note (vii))	15%	15%
Megahunt Technologies Inc. (“Megahunt”) (Note (viii))	15%	10%
Hunan Hisun Mobile Pay IT Limited (“HN Mobile Pay”) (Note (ix))	12.5%	15%

Notes:

- (i) ABS was renewed as HNTE in 2018.
- (ii) Hangzhou Electronic Technology was renewed as HNTE in 2018.
- (iii) VBill OPCO was renewed as HNTE in 2017.
- (iv) Beijing Bank and Enterprise was qualified as KSE in 2020 and qualified as HNTE in 2021.
- (v) VBill Finance was qualified as HNTE in 2018.
- (vi) Beijing Cloud Chain was qualified as HNTE in 2019.
- (vii) Chongqing Xinlian was engaged in EIWR in 2020 and 2021.
- (viii) Megahunt was qualified as KIC in 2020 and qualified as HNTE in 2021.
- (ix) HN Mobile Pay was renewed as HNTE in 2017 and qualified as SICE in 2021.

9 DIVIDENDS

No dividend on ordinary share has been paid or declared by the Company for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

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.

	Unaudited	
	Six months ended 30 June	
	2021	2020
Profit attributable to the owners of the Company (<i>HK\$'000</i>)	<u>3,290,907</u>	<u>158,485</u>
Weighted average number of ordinary shares in issue (<i>thousands shares</i>)	<u>2,776,834</u>	<u>2,776,834</u>
Basic earnings per share attributable to the owners of the Company (<i>HK\$ per share</i>)	<u>1.19</u>	<u>0.06</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 2021, the Group has four categories (six months ended 30 June 2020: six categories) of potentially dilutive shares: share options issued by an associated company – PAX Global Technology Limited (“PAX Global”), share options issued by a subsidiary – VBill OPCO and written put option liabilities issued by subsidiaries – VBill Limited (“VBill (Cayman)”) and Mega Hunt Microelectronics Limited (“Megahunt HK”) (six months ended 30 June 2020: share options issued by PAX Global, share options and convertible preference shares issued by an associated company – Cloopen Group Holdings Limited (“Cloopen”), share options issued by VBill OPCO and written put option liabilities issued by VBill (Cayman) and Megahunt HK).

For the six months ended 30 June 2021, the exercise of the outstanding share options in PAX Global would have a dilutive effect. The exercise of the share options in PAX Global would be dilutive if the net profit attributable to the owners of the Company will decrease. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual fair value of the associated company's shares) based on the monetary value of the subscription rights attached to outstanding share options of PAX Global. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options of PAX Global.

For the 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.

For the six months ended 30 June 2021, the exercise of the outstanding share options in VBill OPCO would have a dilutive effect (six months ended 30 June 2020: 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 2021, the calculation of diluted earnings per share does not assume the exercise of the written put option liabilities of VBill (Cayman) and Megahunt HK as they would have an anti-dilutive impact to the basic earnings per share (six months ended 30 June 2020: 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. 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.

	Unaudited	
	Six months ended 30 June	
	2021	2020
Profit attributable to the owners of the Company <i>(HK\$'000)</i>	3,290,907	158,485
Assuming exercise of all outstanding dilutive share options issued by PAX Global <i>(HK\$'000)</i>		
– Decrease in share of profit of the associated company	(3,083)	–
– Increase in loss on dilution of interest of the associated company	(64,037)	–
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	(12,524)	(11,185)
Adjusted profit attributable to the owners of the Company used to determine diluted earnings per share <i>(HK\$'000)</i>	<u>3,211,263</u>	<u>147,300</u>
Weighted average number of ordinary shares for diluted earnings per share <i>(thousands shares)</i>	<u>2,776,834</u>	<u>2,776,834</u>
Diluted earnings per share attributable to the owners of the Company <i>(HK\$ per share)</i>	<u>1.16</u>	<u>0.05</u>

11 LOAN RECEIVABLES

Loan receivables are amounts due from customers in the ordinary course of the fintech solutions and services business 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:

	Unaudited At 30 June 2021 HK\$'000	Audited At 31 December 2020 HK\$'000
Current	1,250,560	1,038,283
1 to 3 months past due	19,695	10,658
Over 3 months past due	51,101	39,078
	<hr/>	<hr/>
Loan receivables, gross	1,321,356	1,088,019
Less: provision for impairment of loan receivables	(79,749)	(44,940)
	<hr/>	<hr/>
	1,241,607	1,043,079
	<hr/> <hr/>	<hr/> <hr/>
Non-current	54	54
Current	1,241,553	1,043,025
	<hr/>	<hr/>
	1,241,607	1,043,079
	<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:

	Stage 1 HK\$'000	Unaudited At 30 June 2021		Total HK\$'000
		Stage 2 HK\$'000	Stage 3 HK\$'000	
Loan receivables, gross	1,165,681	103,132	52,543	1,321,356
Less: Provision for impairment of loan receivables	(4,705)	(23,415)	(51,629)	(79,749)
	<hr/>	<hr/>	<hr/>	<hr/>
Loan receivables, net	1,160,976	79,717	914	1,241,607
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Audited			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
Loan receivables, gross	1,038,181	10,760	39,078	1,088,019
Less: Provision for impairment of loan receivables	<u>(2,607)</u>	<u>(3,255)</u>	<u>(39,078)</u>	<u>(44,940)</u>
Loan receivables, net	<u>1,035,574</u>	<u>7,505</u>	<u>–</u>	<u>1,043,079</u>

Note:

During the period ended 30 June 2021, based on management's assessment, the Group recorded credit impairment loss of HK\$33,142,000 (six months ended 30 June 2020: HK\$43,964,000) 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 2021 (six months ended 30 June 2020: same).

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

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

	For the period ended 30 June	
	2021	2020
Loans to borrowers	<u>5% to 24% p.a.</u>	<u>5% to 36% p.a.</u>

12 TRADE AND BILLS RECEIVABLES

	Unaudited	Audited
	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Trade receivables (<i>Note (a)</i>)	243,933	236,974
Bills receivables (<i>Note (b)</i>)	3,890	51,291
Less: provision for impairment of receivables	<u>(14,454)</u>	<u>(14,371)</u>
	<u>233,369</u>	<u>273,894</u>

Notes:

(a) Trade receivables

The Group's credit terms to trade debtors range from 0 to 180 days. At 30 June 2021 and 31 December 2020, the ageing analysis of the trade receivables primarily based on invoice date was as follows:

	Unaudited	Audited
	At	At
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
Current to 90 days	175,886	194,298
91 days to 180 days	20,426	7,955
181 days to 365 days	23,378	11,185
Over 365 days	24,243	23,536
	<u>243,933</u>	<u>236,974</u>

(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:

	Unaudited	Audited
	At	At
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
Falling within 90 days	<u>3,890</u>	<u>51,291</u>

13 TRADE AND BILLS PAYABLES

	Unaudited At 30 June 2021 <i>HK\$'000</i>	Audited At 31 December 2020 <i>HK\$'000</i>
Trade payables (<i>Note (a)</i>)	477,283	512,622
Bills payables (<i>Note (b)</i>)	20,150	14,182
	<u>497,433</u>	<u>526,804</u>

Notes:

(a) Trade payables

At 30 June 2021 and 31 December 2020, the ageing analysis of the trade payables primarily based on invoice date was as follows:

	Unaudited At 30 June 2021 <i>HK\$'000</i>	Audited At 31 December 2020 <i>HK\$'000</i>
Current to 90 days	447,489	462,757
91 days to 180 days	8,766	30,489
181 days to 365 days	11,554	9,898
Over 365 days	9,474	9,478
	<u>477,283</u>	<u>512,622</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 2021 <i>HK\$'000</i>	Audited At 31 December 2020 <i>HK\$'000</i>
Due within 90 days	15,070	4,878
Due within 91 to 180 days	5,080	9,304
	<u>20,150</u>	<u>14,182</u>

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

	Unaudited At 30 June 2021 <i>HK\$'000</i>	Audited At 31 December 2020 <i>HK\$'000</i>
Payables for payment processing solutions business (<i>Note (a)</i>)	664,249	828,619
Other payables and accruals (<i>Note (b)</i>)	<u>973,649</u>	<u>1,013,991</u>
	<u><u>1,637,898</u></u>	<u><u>1,842,610</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 2021 <i>HK\$'000</i>	Audited At 31 December 2020 <i>HK\$'000</i>
Accrued staff costs and pension obligations	205,208	302,642
Deposits	57,928	50,373
Receipt in advance from customers	64,554	27,932
Advance from merchant recruitment agents	471,282	415,261
Others	<u>174,677</u>	<u>217,783</u>
	<u><u>973,649</u></u>	<u><u>1,013,991</u></u>

Revenue recognised during the period ended 30 June 2021 that was included in the contract liability balance at the beginning of the period amounted to HK\$26,653,000 (six months ended 30 June 2020: HK\$66,853,000). 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 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 30 June 2021, the Group's financial asset at fair value through other comprehensive income ("FVOCI") included listed equity security (31 December 2020: nil) which is not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. This is a strategic investment and the Group considers this classification to be more relevant.

	Unaudited 2021 HK\$'000	2020 HK\$'000
Balance at 1 January	–	–
Reclassified from an investment accounted for using the equity method (<i>Note 17(b)</i>)	2,857,920	–
Conversion of convertible preference shares (<i>Note 16(b)</i>)	616,346	–
Fair value loss on revaluation recognised in other comprehensive income	(1,632,905)	–
Balance at 30 June	1,841,361	–
	Unaudited At 30 June 2021 HK\$'000	Audited At 31 December 2020 HK\$'000
Non-current assets		
Listed equity security outside Hong Kong – Cloopen (<i>Note (a)</i>)	1,841,361	–

Note:

(a) Listed equity security outside Hong Kong – Cloopen

Cloopen's American depositary shares ("ADSs") are listed on the New York Stock Exchange ("NYSE") (stock symbol: RAAS) on 9 February 2021. The fair value is based on its quoted bid prices at New York Time in NYSE and its carrying amount is denominated in US dollar ("US\$").

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial assets at FVPL represent investment in unlisted investment fund and listed equity securities (31 December 2020: unlisted investment fund, unlisted convertible preference shares and listed equity securities) with the following details:

	Unaudited	
	2021	2020
	HK\$'000	HK\$'000
Balance at 1 January	543,040	289,918
Net fair value gains/(losses) on revaluation recognised in profit or loss	199,708	(8,335)
Conversion of convertible preference shares (<i>Note (b)</i>)	(616,346)	–
Exchange realignment	994	(2,138)
	<u>127,396</u>	<u>279,445</u>
Balance at 30 June	<u>127,396</u>	<u>279,445</u>
	Unaudited	Audited
	At	At
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
Non-current assets		
Unlisted investment fund outside Hong Kong (<i>Note (a)</i>)	126,022	123,480
Unlisted convertible preference shares outside Hong Kong (<i>Note (b)</i>)	–	418,524
	<u>126,022</u>	<u>542,004</u>
Current assets		
Listed equity securities in Hong Kong (<i>Note (c)</i>)	1,374	1,036
	<u>127,396</u>	<u>543,040</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 (“CPS”) 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 CPS have:

- (i) options to request Cloopen to redeem the CPS 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 CPS 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 CPS, together with the abovementioned options, were classified as financial assets at FVPL and recognised at fair values. The fair values of the CPS were valued by an independent valuer at the date of initial inception and on 31 December 2020.

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

On 19 January 2021 (New York Time), Cloopen made a public filing of its registration statement pursuant to the United States Securities Act of 1933, as amended, with the United States Securities and Exchange Commission (the “SEC”) in connection with its proposed listing and offering of its ADSs on NYSE. The trading in the ADSs on NYSE commenced on 9 February 2021 (New York time). On the same day, the CPS held by the Group were converted into ordinary shares of Cloopen. The CPS which were previously classified as financial assets at FVPL were converted into the listed shares of Cloopen and accounted for at fair value with reference to the trading price.

Upon completion of the offering of the ADSs on 9 February 2021, the Group’s interest in Cloopen was classified as a financial asset at FVOCI, with subsequent fair value movement recognised in other comprehensive income.

(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 gains/(losses), net’ in the interim condensed consolidated income statement.

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	Unaudited At 30 June 2021 HK\$'000	Audited At 31 December 2020 HK\$'000
Associated companies:		
– PAX Global (<i>Note (a)</i>)	2,533,741	2,393,435
– Good Chain (Chongqing) Technology Co., Ltd (“Good Chain”)	–	4,108
– Beijing Suiyun Technology Co., Ltd (“Beijing Suiyun”)	3,274	3,391
– Shenzhen Guofu Yunlian Technology Co., Ltd (“Shenzhen Guofu”)	3,601	3,568
– Beijing Fangyun Technology Co., Ltd (“Beijing Fangyun”)	–	311
	<u>2,540,616</u>	<u>2,404,813</u>

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

	Unaudited Six months ended 30 June 2021 HK\$'000	2020 HK\$'000
Associated companies:		
– PAX Global (<i>Note (a)</i>)	168,721	127,323
– Good Chain	(606)	956
– Beijing Suiyun	(144)	(45)
– Shenzhen Guofu	4	(2)
– Beijing Fangyun	(312)	–
	<u>167,663</u>	<u>128,232</u>

The amount of (loss)/gain on deemed acquisition and dilution of interest recognised in the interim condensed consolidated income statement is as follows:

	Unaudited Six months ended 30 June 2021 HK\$'000	2020 HK\$'000
Associated company:		
– PAX Global (<i>Note (a)</i>)	(5,635)	3,904
	<u>(5,635)</u>	<u>3,904</u>

The amount of gains on deemed disposals of investments accounted for using the equity method recognised in the interim condensed consolidated income statement is as follows:

	Unaudited Six months ended 30 June 2021 HK\$'000	2020 HK\$'000
Associated companies:		
– Cloopen (<i>Note (b)</i>)	2,857,920	–
– Good Chain	3,555	–
	<u>2,861,475</u>	<u>–</u>

(a) **Investment in PAX Global**

The movement on interest in PAX Global is as follows:

	Unaudited	
	2021	2020
	HK\$'000	HK\$'000
At 1 January	2,393,435	2,103,541
Share of profit	168,721	127,323
Share of other comprehensive income/(loss)	11,878	(22,328)
Share of other reserves	1,742	7,600
(Loss)/gain on deemed acquisition and dilution of interest	(5,635)	3,904
Dividend received/receivable	(36,400)	(21,840)
	<hr/>	<hr/>
At 30 June	2,533,741	2,198,200
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (i) During the period, PAX Global repurchased a total of 1,600,000 ordinary shares (six months ended 30 June 2020: 17,283,000) on the Stock Exchange, of which 1,600,000 ordinary shares (six months ended 30 June 2020: 15,601,000) were subsequently cancelled during the period. Certain employees of PAX Global exercised share options granted to them pursuant to a share option scheme set up on 2 May 2019. A loss on deemed acquisition and dilution of interest of an investment accounted for using the equity method of HK\$5,635,000 (six months ended 30 June 2020: a gain of HK\$3,904,000) was recognised in the interim condensed income statement. The Group's interest in PAX Global decreased from 33.31% to 33.16% accordingly.

(b) **Investment in Cloopen**

As at 31 December 2020, the carrying value of Cloopen is zero which is not considered as material to the Group. As at 31 December 2020, Cloopen had share capital consisting of class A ordinary share, class B ordinary share, series A convertible preferred shares, series B convertible preferred shares, series C convertible preferred shares, series D convertible preferred shares, series E convertible preferred shares and series F convertible preferred shares.

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

Saved as disclosed in Note 16(b), immediately upon completion of the offering of the ADSs on 9 February 2021 and the conversion of the CPS into the ordinary shares, the equity interest of the Company in Cloopen was diluted and reduced to 17.42% and Cloopen ceased to be an associate of the Group. Upon completion of the offering of the ADSs on 9 February 2021, the Group's interest in Cloopen was classified as a financial asset at FVOCI, with subsequent fair value movement recognised in other comprehensive income. It was accounted for as a deemed disposal of the investment in Cloopen, with a resulting gain of approximately HK\$2,857,920,000 on deemed disposal of an investment accounted for using the equity method recognised in interim condensed consolidated income statement during the period ended 30 June 2021.

18 WRITTEN PUT OPTION LIABILITIES

	Unaudited	
	2021	2020
	HK\$'000	HK\$'000
At 1 January	831,207	683,908
Issuance of written put option	–	78,824
Unwinding of discount	33,967	29,294
Exchange realignment	747	175
	<u>865,921</u>	<u>792,201</u>
At 30 June	<u>865,921</u>	<u>792,201</u>
	Unaudited	Audited
	At	At
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
Written put option liabilities		
– VBill (Cayman) (<i>Note (a)</i>)	767,922	738,620
– Megahunt HK (<i>Note (b)</i>)	97,999	92,587
	<u>865,921</u>	<u>831,207</u>

Notes:

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

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

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

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

As a part of the Megahunt Subscription, Megahunt HK would grant a put option, which the Megahunt Investors could request Megahunt HK to repurchase all the Megahunt’s shares 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

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

(b) Deemed disposal of CodeOne Data Limited

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

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

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

	Unaudited Six months ended 30 June 2020 HK\$'000
(a) Deemed disposal of Megahunt	
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	<u>(437)</u>
Gain on deemed disposal of Megahunt	----- 38,147
(b) Deemed disposal of CodeOne	
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	<u>(150)</u>
Gain on deemed disposal of CodeOne	----- 366
(c) Deemed disposal of Shenzhen Hi Sun	
Proceeds received from the Shenzhen Hi Sun Subscription	6,543
<i>Less:</i> recognition of non-controlling interests	<u>(6,203)</u>
Gain on deemed disposal of Shenzhen Hi Sun	----- 340
Gain on deemed disposals of shares of subsidiaries	<u><u>38,853</u></u>

20 BUSINESS COMBINATION

On 8 June 2021, the Group acquired 70% of the issued share capital of Good Chain, which is principally engaged in the provision of fintech solutions and services business.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Unaudited <i>HK\$'000</i>
Purchase consideration (<i>Note (b)</i>)	
– Cash paid	12,011
– Fair value of 30% equity interest of Good Chain accounted for using the equity method	<u>7,090</u>
	<u><u>19,101</u></u>

The fair value of the 30% equity interest of Good Chain as at date of acquisition as part of the consideration paid was valued by an independent valuer.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Unaudited Fair value <i>HK\$'000</i>
Cash and cash equivalents	1
Trade receivables	14
Other current assets	72
Other financial assets at amortised cost	3,603
Property, plant and equipment	53
Intangible assets	8,049
Trade payables, other payables and accruals	(366)
Deferred income tax liabilities	<u>(2,012)</u>
Net identifiable assets acquired	9,414
<i>Less: non-controlling interests</i>	(2,165)
<i>Add: goodwill</i>	<u>11,852</u>
Net assets acquired	<u><u>19,101</u></u>

The goodwill is attributable to the expected synergies from combining operations of Good Chain and the fintech solutions and services business. It will not be deductible for tax purposes.

There were no acquisitions in the period ended 30 June 2020.

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Good Chain, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

INTERIM CONDENSED SEGMENT RESULT ANALYSIS

	Note	Turnover		EBITDA [#]	
		1H2021 HK\$'000	1H2020 HK\$'000 (restated)	1H2021 HK\$'000	1H2020 HK\$'000 (restated)
Payment processing solutions	1	1,676,083	1,593,937	398,933	346,667
Fintech solutions and services	2	101,500	77,254	23,242	(10,140)
Information security chips and solutions	3	205,092	170,757	43,146	19,018
Platform operation solutions	4	80,748	87,089	(6,310)	5,576
Financial solutions	5	98,764	67,201	(32,975)	(37,753)
Electronic power meters and solutions	6	57,222	35,464	(5,947)	(6,613)
Segmental results		2,219,409	2,031,702	420,089	316,755
Less: Inter-segment turnover		(3,341)	(9,536)	-	-
Total		<u>2,216,068</u>	<u>2,022,166</u>	420,089	316,755
Depreciation				(130,656)	(116,043)
Amortisation				(1,422)	(783)
Write off of property, plant and equipment				(2,250)	(15,480)
Net fair value gains/(losses) on financial assets at fair value through profit or loss	E			199,370	(8,357)
Segmental operating profit				485,131	176,092
Unallocated other income				2,359	4,194
Unallocated corporate expenses				(41,876)	(37,551)
Operating profit				<u>445,614</u>	<u>142,735</u>

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	1H2021 <i>HK\$'000</i>	1H2020 <i>HK\$'000</i>
Revenue	<i>A</i>	2,216,068	2,022,166
Cost of sales	<i>C</i>	(1,599,410)	(1,612,539)
Gross profit		616,658	409,627
Other income	<i>B</i>	44,295	76,459
Other gains/(losses), net	<i>E</i>	199,716	(8,224)
Selling expenses	<i>C</i>	(44,653)	(33,237)
Administrative expenses	<i>C</i>	(337,294)	(259,392)
Credit impairment loss, net	<i>C</i>	(33,108)	(42,498)
Operating profit		445,614	142,735
Finance costs	<i>Q</i>	(35,098)	(30,798)
Share of results of investments accounted for using the equity method	<i>D</i>	167,663	128,232
(Loss)/gain on deemed acquisition and dilution of interest of an investment accounted for using the equity method		(5,635)	3,904
Gains on deemed disposals of investments accounted for using the equity method	<i>E</i>	2,861,475	–
Profit before income tax		3,434,019	244,073
Income tax expense		(60,545)	(29,058)
Profit for the period		3,373,474	215,015
Profit attributable to:			
– Owners of the Company		3,290,907	158,485
– Non-controlling interests		82,567	56,530
		3,373,474	215,015
Earnings per share for profit attributable to the owners of the Company:		<i>HK\$ per share</i>	<i>HK\$ per share</i>
Basic		1.19	0.06
Diluted		1.16	0.05

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Investment properties and property, plant and equipment	<i>F</i>	353,921	388,537
Right-of-use assets	<i>G</i>	75,280	81,655
Intangible assets		29,775	11,231
Deferred income tax assets		54	17
Investments accounted for using the equity method	<i>H</i>	2,540,616	2,404,813
Financial assets at fair value through profit or loss	<i>I</i>	127,396	543,040
Financial asset at fair value through other comprehensive income	<i>J</i>	1,841,361	–
Inventories	<i>K</i>	118,260	121,445
Trade and bills receivables	<i>L</i>	233,369	273,894
Other financial assets at amortised cost and other current assets	<i>L</i>	188,190	183,240
Loan receivables	<i>M</i>	1,241,607	1,043,079
Amounts due from investments accounted for using the equity method	<i>N</i>	29,240	19,957
Current income tax recoverable		17,529	11,990
Bank deposits	<i>O</i>	6,563	6,181
Restricted bank balance and cash and cash equivalents	<i>O</i>	4,492,182	4,628,020
Total assets		11,295,343	9,717,099
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		6,942	6,942
Reserves		7,230,862	5,535,124
		7,237,804	5,542,066
Non-controlling interests		917,194	825,438
Total equity		8,154,998	6,367,504

		As at 30 June 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
	<i>Note</i>		
LIABILITIES			
Written put option liabilities	<i>Q</i>	865,921	831,207
Deferred income tax liabilities		2,050	371
Trade and bills payables	<i>P</i>	497,433	526,804
Payables for payment processing solutions business	<i>P</i>	664,249	828,619
Other payables and accruals	<i>P</i>	973,649	1,013,991
Amounts due to investments accounted for using the equity method	<i>N</i>	28,491	43,936
Current income tax liabilities		59,206	51,189
Lease liabilities	<i>G</i>	49,346	53,478
		<hr/>	<hr/>
Total liabilities		3,140,345	3,349,595
		<hr/>	<hr/>
Total equity and liabilities		11,295,343	9,717,099
		<hr/>	<hr/>
		As at 30 June 2021 <i>HK\$ per share</i>	As at 31 December 2020 <i>HK\$ per share</i>
Net assets per share		2.937	2.293
		<hr/>	<hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	1H2021	1H2020
<i>Note</i>	HK\$'000	HK\$'000
Profit for the period	3,373,474	215,015
Other comprehensive income/(loss), net of tax		
<u>Items that may be subsequently reclassified to profit or loss</u>		
Exchange differences arising on translation of the financial statements of foreign subsidiaries	32,950	(38,977)
Share of other comprehensive income/(loss) of investments accounted for using the equity method	12,020	(20,356)
<u>Items that will not be subsequently reclassified to profit or loss</u>		
Change in value of a financial asset at fair value through other comprehensive income	<i>E</i> (1,632,905)	–
Share of other comprehensive loss of an investment accounted for using the equity method	(51)	(2,018)
Total comprehensive income for the period, net of tax	<u>1,785,488</u>	<u>153,664</u>
Attributable to:		
– Owners of the Company	1,693,996	106,476
– Non-controlling interests	91,492	47,188
	<u>1,785,488</u>	<u>153,664</u>

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	1H2021	1H2020
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(128,121)	34,970
Net cash generated from/(used in) investing activities	131,277	(64,164)
Net cash (used in)/generated from financing activities	(15,668)	72,280
Net (decrease)/increase in cash and cash equivalents	(12,512)	43,086
Cash and cash equivalents at beginning of the period	3,747,468	3,712,567
Exchange gain/(loss) on cash and cash equivalents	35,322	(44,524)
Cash and cash equivalents at end of the period	<u>3,770,278</u>	<u>3,711,129</u>

During the six months ended 30 June 2021 (“1H2021”), the consolidated turnover of Hi Sun Technology (China) Limited (the “Company”) and its subsidiaries (collectively, the “Group”) amounted to HK\$2,216.1 million, representing an increase of 10% when compared with the six months ended 30 June 2020 (“1H2020”). Profit for the period totalled HK\$3,373.5 million as compared to a profit of HK\$215.0 million in 1H2020. The increase in segmental EBITDA was due to more normalised profit in 1H2021 as compared to 1H2020, the results of which had been adversely affected by the effects of the COVID-19 outbreak and epidemic prevention and control measures. Increase in net profit for 1H2021 was mainly due to fair value gain of approximately HK\$197.8 million then held by the Group on the convertible preference shares of Cloopen Group Holding Limited (“Clopen”) and deemed disposal gain of approximately HK\$2,857.9 million in respect of ordinary shares of Cloopen then held by the Group prior to the listing of Cloopen on the New York Stock Exchange on 9 February 2021 (New York time) through an initial public offering.

With regard to the balance sheet, the total assets as at 30 June 2021 amounted to HK\$11,295.3 million as compared with HK\$9,717.1 million as at 31 December 2020. As at 30 June 2021, net current assets amounted to HK\$4,076.4 million, when compared with HK\$3,778.5 million as at 31 December 2020.

SEGMENT PERFORMANCE REVIEW

(1) Payment processing solutions

Key performance indicators

	1H2021 HK\$'000	1H2020 HK\$'000 (restated)	Change +/(–)
Turnover*	1,673,415	1,590,657	+5%
EBITDA#	398,933	346,667	+15%
Operating profit	280,144	225,654	+24%

* 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\$1,673.4 million compared to HK\$1,590.7 million in 1H2020. By end of 1H2021, there were over 3,400,000 active domestic merchants and the monthly transaction volume in June 2021 was approximately RMB137 billion. Segmental operating profit amounted to HK\$280.1 million, 24% up as compared to 1H2020. The increase is primarily attributable to the increase in segmental turnover as a result of the increase in transaction volumes being processed and an improved profit margin due to a gradual recovery in consumer consumption of goods and services in China resulting from the considerable success in managing the COVID-19 outbreak and adopting epidemic prevention and control measures across the country.

(2) Fintech solutions and services

Key performance indicators

	1H2021 HK\$'000	1H2020 HK\$'000 (restated)	Change +/(–)
Turnover*	100,842	76,670	+32%
EBITDA#	23,242	(10,140)	N/A
– including credit impairment loss	(33,142)	(43,964)	N/A
Operating profit/(loss)	20,385	(12,662)	N/A

* Turnover from external customers

Represents earnings/losses before interest expenses, taxes, depreciation and amortisation

To promote better efficiency and effectiveness in management, during 1H2021, we have split our “Fintech solutions and services” segment from the “Payment processing solutions” segment. During 1H2021, segmental turnover amounted to HK\$100.8 million as compared to HK\$76.7 million in 1H2020, representing an increase of more than 32%. Micro-leading business was stable while that of supply chain financing services business increased drastically. Segmental operating profit amounted to HK\$20.4 million as compared to segmental operating loss of HK\$12.7 million in 1H2020. Credit impairment loss was mainly due to additional impairment loss provision on long aged loan receivables.

(3) Information security chips and solutions

Key performance indicators

	1H2021 HK\$'000	1H2020 HK\$'000	Change +/(–)
Turnover*	205,092	170,757	+20%
EBITDA#	43,146	19,018	+127%
Operating profit	38,213	16,709	+129%

* Turnover from external customers

Represents earnings before interest expenses, taxes, depreciation and amortisation

During 1H2021, segmental turnover amounted to HK\$205.1 million as compared to HK\$170.8 million in 1H2020. Segmental operating profit amounted to HK\$38.2 million as compared to HK\$16.7 million in 1H2020, such increase was mainly due to the increased segmental turnover and gross profit margin during the period.

(4) Platform operation solutions

Key performance indicators

	1H2021 HK\$'000	1H2020 <i>HK\$'000</i>	Change + / (-)
Turnover*	80,733	81,417	-1%
EBITDA#	(6,310)	5,576	N/A
Net fair value gains/(losses) on financial assets at fair value through profit or loss	199,370	(8,357)	N/A
Operating profit/(loss)	190,834	(5,525)	N/A

* Turnover from external customers

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

In 1H2021, 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 1H2021, segmental turnover amounted to HK\$80.7 million as compared to HK\$81.4 million in 1H2020. Segmental operating profit amounted to HK\$190.8 million as compared to segmental operating loss of HK\$5.5 million in 1H2020, which is mainly due to fair value gain on financial assets at fair value through profit and loss. Please refer to note (E) for details.

(5) Financial solutions

Key performance indicators

	1H2021 HK\$'000	1H2020 <i>HK\$'000</i>	Change + / (-)
Turnover*	98,764	67,201	+47%
EBITDA#	(32,975)	(37,753)	N/A
Operating loss	(37,001)	(40,025)	N/A

* Turnover from external customers

Represents losses before interest expenses, taxes, depreciation and amortisation

During 1H2021, segmental turnover amounted to HK\$98.8 million as compared to HK\$67.2 million in 1H2020. Segmental operating loss totaled HK\$37.0 million as compared to HK\$40.0 million in 1H2020. The segmental operating loss was mainly due to the upfront costs on various projects incurred during the period.

(6) Electronic power meters and solutions

Key performance indicators

	1H2021 HK\$'000	1H2020 <i>HK\$'000</i>	Change + / (-)
Turnover*	57,222	35,464	+61%
EBITDA [#]	(5,947)	(6,613)	N/A
Operating loss	(7,444)	(8,059)	N/A

* Turnover from external customers

[#] Represents losses before interest expenses, taxes, depreciation and amortisation

Segmental turnover amounted to HK\$57.2 million as compared to HK\$35.5 million in 1H2020. Segmental operating loss amounted to HK\$7.4 million as compared to HK\$8.1 million in 1H2020.

OVERALL FINANCIAL RESULTS AND POSITION

(A) Revenue

The consolidated turnover amounted to HK\$2,216.1 million, representing an increase of 10% over 1H2020. Such increase was mainly contributed by increase in segmental turnover of the Group's payment processing solutions, financial solutions and services and information security chips and solutions segments. Please also refer to Notes (1) to (6) above on segmental performance.

(B) Other income

Decrease in other income was due to decrease in interest income and government subsidies in 1H2021.

(C) Cost of sales and operating expenses

Despite an increase in turnover during 1H2021, cost of sales did not increase proportionally, mainly due to (i) improved gross profit from our fintech solutions and services segment and information security chips and solution segment; and (ii) additional incentives were given to our merchant recruitment agents in relation to our payment processing solutions segment in 1H2020 endeavored to ride out the crest of the pandemic. Such effort was well paid in the second half of 2020 while our business gradually recovered and the COVID-19 control measures in China have achieved substantial success and managed to effectively quell the spread of the virus in the country.

Increase in operating expenses was mainly due to increase in staff cost and R&D expenses during 1H2021.

Credit impairment loss was primarily due to impairment loss on aged loan receivable balances under the fintech solutions and services 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”), a then associated company of the Group, the Group’s share of loss exceeded its interest in the ordinary shares of Cloopen prior to its listing on the New York Stock Exchange on 9 February 2021 (New York time) through an initial public offering.

(E) Fair value gain on convertible preference shares of Cloopen, deemed disposal gain on ordinary shares of Cloopen then held by the Group and other comprehensive loss on financial asset at FVOCI

As disclosed in the Company’s announcements dated 20 January 2021, 4 February 2021, 10 February 2021 and 1 July 2021, the Group’s then associated company, Cloopen listed its American depository shares (“ADS”) on the New York Stock Exchange on 9 February 2021 (New York time) through an initial public offering priced at US\$16.00 (equivalent to approximately HK\$124.8) per ADS (each of which represents two underlying Class A ordinary shares of Cloopen) (“Cloopen Listing”) and upon completion of the Cloopen Listing, the Group holds 55,677,341 Class A ordinary shares.

Upon completion of Cloopen Listing, the Group’s entire interest in Cloopen was classified as a financial asset at fair value through other comprehensive income (FVOCI), with subsequent fair value movement recognised in other comprehensive income. Prior to the Cloopen Listing, the Group’s interest in Cloopen was accounted for (i) using equity method in respect of ordinary shares held, the fair value of which as at 31 December 2020 was approximately HK\$1,900.5 million and the carrying value of which as at 31 December 2020 was zero, and (ii) as financial assets at fair value through profit or loss in respect of convertible preference shares held, both the fair value and thus carrying value of which as at 31 December 2020 were approximately HK\$418.5 million.

Based on the market price of each ADS (of US\$8.48 as at 30 June 2021 (New York time), equivalent to approximately HK\$66.1) and the market value of the shares of the Cloopen held by the Group (at US\$236.1 million, equivalent to approximately HK\$1,841.4 million) as at 30 June 2021, the Group has recognised an “other comprehensive loss” of approximately HK\$1,632.9 million in 1H2021 due to the change in fair value of its interest in Cloopen after the Cloopen Listing (i.e. by comparing the market price of the ADS as at 30 June 2021 against the offering price of the ADS).

In 1H2021, the non-cash aggregate gain of approximately HK\$3,055.7 million that arose in connection with the Cloopen Listing calculated by reference to the offering price of the ADS attributable to the Group’s interest in the ordinary shares or convertible preference shares (as the case may be) of Cloopen less the then carrying value of such interest as at 31 December 2020) will: (i) in respect of ordinary shares of Cloopen then held by the Group, be credited to profit or loss in the financial statements of the Group for 1H2021 as deemed disposal gain of approximately HK\$2,857.9 million, although such gain will not be classified as operating profit; and (ii) in respect of the convertible preference shares held prior to the Cloopen Listing, be reflected in the operating profit of the Group for 1H2021 as fair value gain of approximately HK\$197.8 million.

(F) Investment properties and property, plant and equipment

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

(G) 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.

(H) Investments accounted for using the equity method

Balance mainly represented the Group's interests in PAX Global. As at 30 June 2021, the fair value of the Group's approximately 33.2% effective interest in PAX Global was approximately HK\$3,250.5 million and the fair value of the investment was higher than its carrying value. 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. The interest in PAX Global of HK\$2,533.7 million represented approximately 22.4% of the Group's unaudited total assets as at 30 June 2021.

PAX Global is one of the world's leading electronic payment terminal solution providers. In 2020, the COVID-19 pandemic has caused people to adopt new lifestyles in social and consumer habits. E-commerce and electronic payments are fueling the shift towards cashless societies. Consumers today are also more concerned about the perceived health risks associated with handling physical cash, which further reinforces the wide adoption of electronic payments. PAX Global's technological competitive advantages have become even more accentuated amid the COVID-19 pandemic, with the surging demand for PAX Global's Android payment terminal products. PAX Global's new generation of Android payment terminal solutions is connected to the cloud-based platform PAXSTORE, providing merchants with business intelligence and digital marketing applications, as well as helping acquiring banks and payment service providers to better manage payment terminal estates in real-time and delivering better payment service experience.

During the six months ended 30 June 2021, the unaudited net profit of PAX Global increased which is mainly attributable to the strong revenue growth in the Europe, Middle East and Africa region, the Latin America and the Commonwealth of Independent States region and the United States of America and Canada region. Meanwhile, PAX Global's Android solution and cloud-based Software-as-a-Service ("SaaS") platform are gaining more widespread popularity across the globe. This trend has stimulated the market demand for and thereby boosted the sales volume of PAX Global's Android smart payment terminals. Looking forward, we are optimistic about the market demand of PAX Global's payment terminals, and we expect that PAX Global is very well prepared to embrace the vast opportunities in a post COVID-19 era.

For the impact of the deemed disposal of Cloopen, a then associated company of the Group, upon its listing on the New York Stock Exchange on 9 February 2021 (New York time) through an initial public offering, please refer to note (E) above.

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

The balance represented the fair value of trading securities listed in Hong Kong of HK\$1.4 million; and the fair value of interest in a venture capital fund of HK\$126.0 million.

Significant decrease in balance was due to the conversion of the Group's interest in the Convertible Series C Preferred Shares of Cloopen and the Convertible Series D Preferred Shares of Cloopen to ordinary shares of Cloopen upon its listing on the New York Stock Exchange on 9 February 2021 (New York time) through an initial public offering. Please also refer to note (E) above.

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

The balance represented the fair value of the Group's interests in Cloopen. Based on the market price of each ADS (of US\$8.48 as at 30 June 2021 (New York time), equivalent to approximately HK\$66.1) and the market value of the shares of the Cloopen held by the Group (of US\$236.1 million, equivalent to approximately HK\$1,841.4 million) as at 30 June 2021.

Please also refer to the section "Significant Investment" below and note (E) above for details.

(K) Inventories

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

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

	As at 30 June 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Trade receivables (<i>Note (i)</i>)	243,933	236,974
Bills receivables	3,890	51,291
<i>Less: provision for impairment of receivables</i>	<u>(14,454)</u>	<u>(14,371)</u>
	233,369	273,894
Other receivables, prepayments and deposits	<u>188,190</u>	<u>183,240</u>
Total	<u><u>421,559</u></u>	<u><u>457,134</u></u>

Note (i):

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 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Current to 90 days	175,886	194,298
91 to 180 days	20,426	7,955
181 to 365 days	23,378	11,185
Over 365 days	<u>24,243</u>	<u>23,536</u>
	<u><u>243,933</u></u>	<u><u>236,974</u></u>

- Decrease in trade receivables aged from current to 90 days was mainly due to decrease in account receivable balances under the electronic power meters and solutions segment.
- Increase in trade receivables aged 91 to 180 days was mainly due to increase in account receivable balances under the financial solutions segment and platform operation 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.

(M) Loan receivables

Loan receivables are amounts due from customers under the fintech solutions and services segment in the ordinary course of business and primarily denominated in RMB. Increase in balance was mainly under supply chain business.

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

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Current	1,250,560	1,038,283
1 to 3 months past due	19,695	10,658
Over 3 months past due	51,101	39,078
Loan receivables, gross	1,321,356	1,088,019
Less: provision for impairment of loan receivables	(79,749)	(44,940)
Loan receivables, net	<u>1,241,607</u>	<u>1,043,079</u>
Non-current	54	54
Current	<u>1,241,553</u>	<u>1,043,025</u>
	<u>1,241,607</u>	<u>1,043,079</u>

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

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

(O) Bank deposits, restricted bank balances and cash and cash equivalents

	As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Non-current assets		
Bank deposits	<u>–</u>	<u>6,105</u>
Current assets		
Bank deposits	<u>6,563</u>	<u>76</u>
Restricted bank balance (<i>Note</i>)	<u>721,904</u>	<u>880,552</u>
Cash and cash equivalents	<u>3,770,278</u>	<u>3,747,468</u>
Restricted bank balances and cash and cash equivalents	<u>4,492,182</u>	<u>4,628,020</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.

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

	As at 30 June 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Trade payables (<i>Note (i)</i>)	477,283	512,622
Bills payables	20,150	14,182
Payables for payment processing solutions business (<i>Note (ii)</i>)	664,249	828,619
Other payables and accruals (<i>Note (iii)</i>)	973,649	1,013,991
	<hr/>	<hr/>
Total	2,135,331	2,369,414
	<hr/> <hr/>	<hr/> <hr/>

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:

	As at 30 June 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
Current to 90 days	447,489	462,757
91 to 180 days	8,766	30,489
181 to 365 days	11,554	9,898
Over 365 days	9,474	9,478
	<hr/>	<hr/>
	477,283	512,622
	<hr/> <hr/>	<hr/> <hr/>

- Decrease in trade payables aged between current to 90 days was mainly due to decrease in outstanding balances under the information security chips and solutions segment and electronic power meters and solutions segment.
- Change in trade payables aged between 91 to 180 days was mainly due to settlement of outstanding balances under the electronic power meters segment during 1H2021.

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 2021 HK\$'000	As at 31 December 2020 HK\$'000
Accrued staff costs and pension obligations*	205,208	302,642
Deposits	57,928	50,373
Receipt in advance from customers**	64,554	27,932
Advance from merchant recruitment agents**	471,282	415,261
Others***	174,677	217,783
	<u>973,649</u>	<u>1,013,991</u>

* The decrease in accrued staff costs and pension obligations was mainly due to the payment of 2020 year-end bonus during 1H2021.

** 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 accrued subcontracting costs under the financial solutions segment and other accrued handling fees and payments under the payment processing solutions segment.

(Q) 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 Limited (“Megahunt HK”).

The increase in balance during 1H2021 was mainly due to finance cost in relation to the put option liabilities amounted to HK\$34.0 million.

KEY INVESTING AND FINANCING ACTIVITIES

As disclosed in the Company's announcements dated 20 January 2021, 4 February 2021, 10 February 2021 and 1 July 2021, the Group's then associated company, Cloopen, listed its ADS on the New York Stock Exchange on 9 February 2021 (New York time) through an initial public offering priced at US\$16.00 (equivalent to approximately HK\$124.8) per ADS (each of which represents two underlying Class A ordinary shares of Cloopen). Upon completion of the Cloopen Listing, the Group holds 55,677,341 Class A ordinary shares, classified as a financial asset at fair value through other comprehensive income (FVOCI), with subsequent fair value movement recognised in other comprehensive income. Please also refer to note (E) under the section "Overall Financial Result and Positions" in this announcement.

OUTLOOK

It is expected that the economic outlook and operating environment will remain challenging in year 2021. At present, the COVID-19 control measures in China are successful to a substantial extent, managing to sufficiently quell the spread of the virus within the nation. While Mainland China's economy has stabilised in many areas, with the COVID-19 vaccine roll-out underway, we are cautiously optimistic about the direction and scope of the country's full recovery.

Payment Processing Solutions

In the first half of 2021, the payment transaction volume increased by approximately 15% compared with the same period last year to approximately RMB830 billion. In particular, the QR code payment transaction volume increased by more than 2.5 times. We are committed to building a smart and open platform, to which over 1,000 SaaS service providers have been introduced to provide payment services and information services for a number of offline small and micro merchants.

Meanwhile, we continue to increase product innovation and enhance corporate competitiveness. In the first half of the year, we have successively launched a number of innovative technology products/solutions to promote the digital transformation of merchants in multiple dimensions in terms of customer acquisition, marketing, operation and decision-making. (I) "JIM Community", personalised and customised smart customer lock-in marketing solutions, integrates payments using digital algorithms and achieves profit growth for community stores; (II) "JIM Good Days", with smart empowerment as the core, provides the vegetable market with all-round smart solutions including management, marketing, and supervision; (III) "JIM Smart Shelves", through data analysis, maximise operating benefits and saves retailer from manual management, by way of smart decision-making solutions to realise automatic replenishment, increase inventory turnover rate, and reduce the loss of stock for the merchants. In the second half of 2021, we will continue to strengthen compliance and anti-money laundering risks performance, increase investment in risk prevention and control, reduce regulatory policy risks in various business lines, and actively prepare and complete the renewal of the Operating License for Non-Bank Payment Institutions on time.

Fintech Solutions and Services

In order to improve management efficiency and effectiveness, we separated “fintech solutions and services” from the “payment processing solutions” segment in the first half of 2021. Fintech solutions and services mainly include: micro-lending, supply chain finance, factoring business, credit assessment services and related products and solutions. In particular, our supply chain finance sector has also made great progress. Its products include Suixin Cloud Chain, Bank-Enterprise Chain, Sui Quick Bill Discounting, etc. Suixin Cloud Chain mainly serves core enterprise suppliers. Bank-Enterprise Chain connects core enterprise financial platforms and banks. Sui Quick Bill Discounting platform connects the bill-holding enterprises and banks. As of the end of June 2021, more than 14 banks are in co-operation with us, serving more than 2,860 suppliers and helping suppliers at all levels to raise more than RMB9 billion in total.

Information Security Chips and Solutions

In the first half of 2021, affected by the tight global semiconductor supply chain, the growth of the information security chip business tended to slow down and competition became more intense. Thanks to the concerted efforts of the Company, sales in the first half of the year increased slightly compared with the same period last year. In particular, sales of magnetic stripe encryption and decoding chips remained stable, and sales of security microcontrollers (MCU) recorded modest growth. The market is expected to develop steadily in the second half of 2021, whilst the impact of continued deterioration in the semiconductor supply chain cannot be eliminated. Various research and development projects are progressing smoothly and the cost reduction initiatives of various products are also rolling out in an orderly manner.

Platform Operation Solutions

During the period, we continued to provide stable technical services and support for China Mobile, our major customer. In the first half of 2021, we successfully renewed the product development, business operation and system maintenance contracts with China Mobile Financial Technology Co., Ltd.. Meanwhile, we have also actively participated in the bidding of China Mobile’s provincial companies’ and other related projects, with a view to expanding the Company’s market share in mobile operators. In addition, we also strived to explore technical service opportunities outside the operator system. Looking to the future, we will continue to strengthen support for and cooperation with China Mobile’s various businesses, and expand into markets outside mobile operators. We will continue to expand and innovate at the business level, and seek various opportunities to develop our business scale.

Financial Solutions

In the first half of 2021, ABS continued to assist customers in the operation and maintenance of core banking product IBS in Mainland China. During the period, we focused on the downshift of our business system and the research and development of cross-border financial management products, and achieved new breakthroughs. (I) In terms of the downshift process, to cater to the industry-wide downshift trend of business systems, we have continuously engaged with the advancement and conclusion of the downshift process, and the tools needed in the downshift process. In respect of business system relocation involving host downshift, we have introduced the “maximising the inheritance of application assets” solutions, which have been well received by customers. (II) The cross-border financial management plans launched by the PBOC and the Hong Kong Monetary Authority are the business hotspots of banks in the Greater Bay Area this year. ABS managed to take the lead in launching product research and development based on relevant policies, and related solutions and products have been highly favored by the customers. In the second half of the year, ABS will continue to leverage its advantages in downshift process and success of related policy products to serve customers well and achieve a win-win situations through innovation.

For overseas financial IT service opportunities, Hi Sun FinTech Global actively carried out market expansion and new product research and development on the basis of serving its existing customers. During the period, in addition to the daily operation and maintenance of projects, the core business system of Banque Pour Le Commerce Exterieur Lao Public (“BCEL”), the largest local commercial bank in Laos, was put into operation in April this year. The system has been operating stably since it was put into operation. In terms of expanding into new markets, by virtue of the close cooperation with pipelines, we respectively signed contracts in relation to IT system construction projects for a Kazakh digital bank and a Cambodian bank during the period. In terms of product research and development, during the period, we focused on the research and development of a new generation of bank core business systems based on a decentralised, micro-service technology architecture, and the implementation of new products will be rolled out in the second half of this year.

Electronic Power Meters and Solutions

In the first half of 2021, as we did not manage to win the bid in the first unified tender of the State Grid, business situation was not optimistic. During the period, the State Grid continued to promote the development of new technologies. At present, the State Grid Power Research Institute is studying and setting up the GB standards for IR46 electronic power meter and we are also actively following up the relevant work. Meanwhile, we will also review various work and strive to win the bid in the next tender.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group reported total assets of HK\$11,295.3 million (31 December 2020: HK\$9,717.1 million), which were financed by total liabilities of HK\$3,140.3 million (31 December 2020: HK\$3,349.6 million) and equity of HK\$8,155.0 million (31 December 2020: HK\$6,367.5 million). The net asset value was HK\$8,155.0 million (31 December 2020: HK\$6,367.5 million). The net asset value per share amounted to HK\$2.937 per share as compared to HK\$2.293 per share as at 31 December 2020.

As at 30 June 2021, the Group had cash and bank balances of HK\$4,492.2 million (31 December 2020: HK\$4,628.0 million). The net cash position as at 30 June 2021 was HK\$4,492.2 million as compared to HK\$4,628.0 million as at 31 December 2020. As at 30 June 2021, the gearing ratio is calculated as total debt divided by total capital, while total debt includes lease liabilities and written put option liabilities of the Group. The gearing ratio was 10.1% (2020: 12.2%). 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 2021, the Group had no bank borrowings (31 December 2020: Nil) and had banking facilities of approximately HK\$26.1 million (31 December 2020: HK\$25.9 million). As at 30 June 2021, the banking facilities were secured by the leasehold land and buildings of a subsidiary of the Company, with a net book amount of HK\$2.8 million and HK\$5.2 million, respectively. As at 31 December 2020, the banking facilities were secured by the leasehold land and buildings of a subsidiary of the Company, with a net carrying amount of HK\$2.8 million and HK\$5.8 million, respectively.

Approximately HK\$3,163.1 million, HK\$316.3 million, HK\$1,011.8 million and HK\$1.0 million of the Group's cash balances were denominated in Renminbi, Hong Kong dollar, US dollar and Euro respectively as at 30 June 2021.

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

SIGNIFICANT INVESTMENT

As at 30 June 2021, the carrying amount of the Group's investment in Cloopen is HK\$1,841.4 million, which has been recorded as financial asset at fair value through other comprehensive income (FVOCI) with subsequent fair value movement recognised in other comprehensive income since 9 February 2021, representing approximately 16.3% of the Group's unaudited total assets as at 30 June 2021. As at 30 June 2021, the Group held 55,677,341 Class A ordinary shares of Cloopen, representing approximately 16.9% of the issued share capital of Cloopen.

Performance and future prospects of the Company's significant investments

Cloopen is a leading multi-capability cloud-based communications solution provider in China offering a full suite of cloud-based communications solutions, covering communications platform as a service (CPaaS), cloud-based contact centers (cloud-based CC), and cloud-based unified communications and collaborations (cloud-based UC&C). Cloopen's mission is to enhance the daily communication experience and operational productivity for enterprises. Cloopen aspires to drive the transformation of enterprise communications industry by offering innovative marketing and operational tactics and SaaS-based tools.

As the cloud-based Contact Center (CC) remains the cornerstone of Cloopen's strategic focus, Cloopen consistently seeks to expand its horizons, from merely a communication channel between enterprises and customers to a more comprehensive tool that includes subsequent customer management mechanisms such as CRM and Social CRM (SCRM). According to the earning release of Cloopen dated 11 August 2021 on the unaudited second quarter financial results, Cloopen's unaudited revenue reached RMB273.9 million for the 3 months ended 30 June 2021, representing a 47.9% year-over-year increase, while second quarter gross margin came in at 43.1%, compared with 38.5% in the second quarter of 2020, which represents a testament to the continuously improving intrinsic value and technology of its products as well as optimised business mix. Dollar-based net customer retention rate recovered to 109.0% for the second quarter of 2021, benefitting from the broader economic recovery in China.

China's IT spending is expected to experience solid growth. This trend, accompanied by the availability of fiber internet, development in 5G technologies, and high penetration rates of smart devices, lays a solid foundation for the rapid adoption of cloud technologies in China. Cloopen's management believes enterprises are increasingly inclined to adopt cloud-based, software-centric communications solutions as they upgrade their systems, for lower upfront investment, easy and fast deployment, flexible integration and scalable adaption to evolving business environment. Cloopen's management believes that, these market opportunities, together with the adoption of AI technologies, new use cases enabled by video technologies, and significant potential for consolidation presented by the fragmented industry, will contribute to the future growth in China's cloud-based communications industry.

At present, the Group intends to continue to hold the investment in Cloopen given the good prospects of cloud industry. The Group will review from time to time its investment strategy in view of the volatile stock market and uncertainty in Sino-US relationship.

Save for the Group's investment in Cloopen as disclosed above and the Group's investment in PAX Global as discussed under note (H) headed "Investments accounted for using the equity method" in the section "Overall Financial Results and Position" above, the Group did not have other significant investment having a value of 5% or more of the Group's unaudited total assets as at 30 June 2021.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Group did not have any material acquisition or disposal of subsidiaries during the six months ended 30 June 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2021.

EXCHANGE RATES EXPOSURE

The Group derives its revenue, makes purchases and incurs expenses denominated mainly in US dollar, Renminbi and Hong Kong dollar. 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 or Renminbi may have an impact on the operating results of the Group.

CONTINGENT LIABILITIES

(A) Performance Guarantee Agreement with a customer

In 2015, the Company entered into a performance guarantee agreement with a customer (the "Performance Guarantee Agreement"). Pursuant to the Performance Guarantee Agreement, the Company agreed to provide the customer with a guarantee in relation to the due and punctual performance of a service project by a subsidiary of the Company with a surety of not more than HK\$60,000,000 and to indemnify the customer against any third-party claim of intellectual property right infringement resulting from the acts of the said subsidiary. The Performance Guarantee Agreement remained in full force and effect during the six months ended 30 June 2021. As at 30 June 2021, 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 Company

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

In respect of the further expansion of organization structure, the Company entered into a new guarantee agreement dated 22 April 2021 (the "2021 Manufacturer Guarantee Agreement") with the same counterparties. Pursuant to the 2021 Manufacturer Guarantee Agreement, the Company shall guarantee to repay the due and unsettled debts of said subsidiaries individually and/or collectively of up to US\$20,000,000 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.

The 2019 Manufacturer Guarantee Agreement was terminated on 22 April 2021 and the entirety of the Company's obligations and liability thereunder, if any, was effectively transferred to the 2021 Manufacturer Guarantee Agreement, subject to the terms and conditions of the 2021 Manufacturer Guarantee Agreement. As at 30 June 2021, the Company did not recognise any liability in relation to the 2021 Manufacturer Guarantee Agreement as the Directors considered the possibility of reimbursement is not probable.

- (ii) In 2020, the Company entered into a guarantee agreement (the “2020 OEM Guarantee Agreement”) with a subsidiary of the Company and an independent manufacturer (“OEM”), in respect of the said subsidiary’s payment obligations against the OEM. Pursuant to the 2020 OEM Guarantee Agreement, the Company shall guarantee to repay the said subsidiary’s due and unsettled debts of up to US\$10,000,000 owed to the OEM which are incurred in relation to such manufacturing orders the said subsidiary placed against the OEM should it cease or fail to honour its payment obligations. As at 30 June 2021, the Company did not recognise any liability in relation to the 2020 OEM Guarantee Agreement as the Directors considered the possibilities of reimbursement is not probable.

Save as disclosed above, the Group had no material contingent liability as at 30 June 2021.

Disclaimer:

Non-GAAP measures

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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 (the “CG Code”) as set out in Appendix 14 of the Listing Rules.

In formulating and implementing its corporate governance practices and standards, the Company has applied the Principles and complied with all applicable Code Provisions for the six months ended 30 June 2021.

The Board periodically reviews and monitors the Company’s policies and practices on corporate governance or compliance with legal and regulatory requirements and employees’ compliance manual to ensure that the Group’s operations are conducted in accordance with the standards of the CG Code and applicable disclosure requirements. Directors and senior management are provided with appropriate ongoing training, continuing professional development for regular updates of the legal and regulatory requirements relevant to their duties.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

On 20 July 2021, the Company appointed Mr. Li Heguo as an independent non-executive director and a member of the audit committee of the Company. The appointment was effective immediately. Please refer to the Company's announcement dated 20 July 2021 for further details of the appointment.

Save as disclosed above, there is no other important event affecting the Group has occurred since the end of the current reporting period up to the date of this announcement.

REVIEW OF 2021 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 2021.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This 2021 interim results announcement is published on the Company's website at www.hisun.com.hk and the website of the Stock Exchange at www.hkexnews.hk. The Company's 2021 interim report will be available on the aforesaid websites and despatched to all shareholders in due course.

The 2021 interim financial information set out above does not constitute the Group's statutory financial statements for the six months ended 30 June 2021. Instead, it has been derived from the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2021, which will be included in the Company's 2021 interim report.

By Order of the Board
Hui Lok Yan
Company Secretary

Hong Kong, 12 August 2021

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