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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 2022

FINANCIAL HIGHLIGHTS	Unaudited		Change +/(–)
	1H2022 HK\$'000	1H2021 HK\$'000 (Restated)	
RESULTS			
Revenue	1,742,494	2,010,976	-13%
Gross profit	602,867	535,445	+13%
Segmental EBITDA# (before unallocated items)	329,177	373,447	-12%
Operating profit	201,163	406,654	-51%
Share of results of associated companies	228,450	167,663	+36%
Adjusted net profit##	395,343	312,291	+27%
Fair value (losses)/gains on financial assets at fair value through profit or loss	(2,722)	199,708	N/A
Gains on disposals of subsidiaries	431,943	–	N/A
Gains on deemed disposals of associated companies	–	2,861,475	N/A
Profit for the period	824,564	3,373,474	-76%
Profit from continuing operations	744,326	3,340,946	-78%
Profit from discontinued operation	80,238	32,528	+147%
Profit for the period	824,564	3,373,474	-76%
Profit attributable to:			
– Owners of the Company	710,401	3,290,907	-78%
– Non-controlling interests	114,163	82,567	+38%
	824,564	3,373,474	

EBITDA is calculated by excluding interest expense, taxes, depreciation, amortisation, write off of property, plant and equipment and fair value (loss)/gains on financial assets at FVPL from segmental operating profit/ (loss)

Excluding fair value gains/(loss) on financial assets at fair value through profit or loss, gains on disposals of subsidiaries and gains on deemed disposals of associated companies

* For identification purpose only

	1H2022 <i>HK\$</i> <i>per share</i>	1H2021 <i>HK\$</i> <i>per share</i>	Change +/(-)
Earnings per share for profit attributable to the owners of the Company:			
Basic	0.256	1.185	-78%
Diluted	0.229	1.157	-80%
	As at 30 June 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>	Change +/(-)
HIGHLIGHTS OF FINANCIAL POSITION			
Total equity	7,593,435	7,490,994	+1%
Net current assets	3,617,913	3,816,758	-5%
Total assets	10,887,320	10,818,808	+1%
	HK\$ per share	HK\$ per share	Change +/(-)
Net assets per share	2.735	2.698	+1%

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 2022 together with the unaudited comparative figures for the corresponding period in 2021 and, for the interim condensed consolidated balance sheet only, the audited comparative figures as at 31 December 2021 as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
		Six months ended 30 June	
	<i>Notes</i>	2022	2021
		HK\$'000	HK\$'000
			(Restated)
Continuing operations			
Revenue	4, 5	1,742,494	2,010,976
Cost of sales	6	(1,139,627)	(1,475,531)
		<hr/>	<hr/>
Gross profit		602,867	535,445
Other income	4	41,677	41,040
Other (losses)/gains	4	(7,409)	199,716
Selling expenses	6	(68,465)	(40,078)
Administrative expenses	6	(320,027)	(296,327)
Credit impairment loss	6	(47,480)	(33,142)
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Operating profit		201,163	406,654
Finance costs		(36,269)	(34,929)
Share of results of associated companies	13	228,450	167,663
Gain/(loss) on deemed acquisition and dilution of interest of an associated company	13	441	(5,635)
Gains on deemed disposals of associated companies	13	–	2,861,475
Gains on disposals of subsidiaries	20	431,943	–
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Profit before income tax		825,728	3,395,228
Income tax expense	7	(81,402)	(54,282)
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Profit from continuing operations		744,326	3,340,946
Profit from discontinued operation	20	80,238	32,528
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Profit for the period		824,564	3,373,474
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Profit attributable to:			
– Owners of the Company		710,401	3,290,907
– Non-controlling interests		114,163	82,567
		<hr/>	<hr/>
		824,564	3,373,474
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		Unaudited	
		Six months ended 30 June	
		2022	2021
<i>Notes</i>		<i>HK\$ per share</i>	<i>HK\$ per share</i>
Profit from continuing operations attributable to:			
	– Owners of the Company	667,000	3,269,526
	– Non-controlling interests	77,326	71,420
		<u>744,326</u>	<u>3,340,946</u>
Profit from discontinuing operation attributable to:			
	– Owners of the Company	43,401	21,381
	– Non-controlling interests	36,837	11,147
		<u>80,238</u>	<u>32,528</u>
Earnings per share for profit from continuing operations attributable to the owners of the Company:			
Basic	<i>9</i>	<u>0.240</u>	<u>1.177</u>
Diluted	<i>9</i>	<u>0.213</u>	<u>1.149</u>
Earnings per share for profit attributable to the owners of the Company:			
Basic	<i>9</i>	<u>0.256</u>	<u>1.185</u>
Diluted	<i>9</i>	<u>0.229</u>	<u>1.157</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
		(Restated)
Profit for the period	824,564	3,373,474
Other comprehensive (loss)/income, net of tax		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences on translation of foreign subsidiaries	(143,629)	30,789
Exchange differences on translation of discontinued operation	(15,970)	2,161
Share of other comprehensive (loss)/income of associated companies	(65,680)	12,020
Release of reserve upon dilution of interest in an associated company	297	–
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Change in value of a financial asset at fair value through other comprehensive income	(401,712)	(1,632,905)
Share of other comprehensive income/(loss) of an associated company	650	(51)
Total comprehensive income for the period, net of tax	198,520	1,785,488
Total comprehensive income for the period attributable to:		
– Owners of the Company	131,561	1,693,996
– Non-controlling interests	66,959	91,492
	198,520	1,785,488
Total comprehensive income for the period attributable to the owners of the Company:		
– Continuing operations	104,131	1,671,195
– Discontinued operation	27,430	22,801
	131,561	1,693,996

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited At 30 June 2022 <i>HK\$'000</i>	Audited At 31 December 2021 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Non-current assets			
Investment properties		771	857
Property, plant and equipment		201,776	264,791
Right-of-use assets		60,503	60,133
Intangible assets		27,496	25,812
Investments in associated companies	13	3,373,502	2,695,559
Financial asset at fair value through other comprehensive income	10	227,999	629,711
Other financial assets at amortised cost		5,058	7,788
Financial assets at fair value through profit or loss	11	101,049	108,200
Total non-current assets		3,998,154	3,792,851
Current assets			
Inventories		17,280	18,427
Other current assets		102,069	65,088
Other financial assets at amortised cost		92,055	85,945
Amount due from an associated company		4,651	–
Loan receivables	12	2,037,135	2,228,327
Trade and bills receivables	14	136,307	168,409
Financial asset at fair value through profit or loss	11	890	1,103
Current income tax recoverable		2,692	12,701
Short-term bank deposits		2,354	6,832
Restricted bank balance		655,777	765,462
Cash and cash equivalents		3,837,956	3,254,558
Assets classified as held for sale	20	–	419,105
Total current assets		6,889,166	7,025,957
Total assets		10,887,320	10,818,808
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		6,942	6,942
Reserves		6,630,069	6,416,362
		6,637,011	6,423,304
Non-controlling interests		956,424	1,067,690
Total equity		7,593,435	7,490,994

	<i>Notes</i>	Unaudited At 30 June 2022 HK\$'000	Audited At 31 December 2021 HK\$'000
LIABILITIES			
Non-current liabilities			
Written put option liability	<i>18</i>	4,673	104,871
Lease liabilities		15,274	10,775
Deferred income tax liabilities		2,685	2,969
		<hr/>	<hr/>
Total non-current liabilities		22,632	118,615
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Current liabilities			
Trade and bills payables	<i>15</i>	556,692	505,583
Payables for payment processing solutions business	<i>16</i>	604,840	624,296
Other payables and accruals	<i>16</i>	935,899	1,076,401
Amounts due to associated companies		4,611	6,304
Current income tax liabilities		83,252	92,855
Bank borrowing		–	2,446
Asset-backed securities	<i>17</i>	237,487	–
Written put option liability	<i>18</i>	829,013	797,710
Lease liabilities		19,459	20,801
		<hr/>	<hr/>
		3,271,253	3,126,396
Liabilities directly associated with assets classified as held for sale	<i>20</i>	–	82,803
		<hr/>	<hr/>
Total current liabilities		3,271,253	3,209,199
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Total liabilities		3,293,885	3,327,814
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Total equity and liabilities		10,887,320	10,818,808
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Note:

1 GENERAL INFORMATION

Hi Sun Technology (China) Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in the provision of payment processing solutions, provision of fintech solutions and services, provision of platform operation solutions and provision of financial 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 Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

This interim condensed consolidated financial information was approved for issue on 11 August 2022.

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 2022 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 2021, 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 2021, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standards 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 standards 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, amendments to accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
		(Restated)
Continuing operations		
Revenue from contracts with customers		
<i>Recognised over time</i>		
Provision of services	1,630,104	1,869,384
<i>Recognised at a point in time</i>		
Sales of goods	<u>7,477</u>	<u>57,222</u>
	1,637,581	1,926,606
Revenue from other source		
Provision of fintech solutions and services (<i>Note i</i>)	<u>104,913</u>	84,370
	1,742,494	2,010,976
Other income		
Interest income	20,336	24,237
Government subsidies (<i>Note ii</i>)	19,385	14,652
Rental income	1,542	1,641
Others	<u>414</u>	<u>510</u>
	41,677	41,040
Other (losses)/gains		
Fair value (losses)/gains on financial assets at fair value through profit or loss		
– Unlisted convertible preference shares	–	197,822
– Unlisted investment fund	(2,509)	1,548
– Listed equity securities	(213)	338
Fair value loss on financial liability at fair value through profit or loss		
– Written put option liability	(4,687)	–
Dividend income from a financial asset at FVPL	<u>–</u>	<u>8</u>
	(7,409)	199,716

Note i: Revenue from provision of fintech solutions and services represented interest income recognised and accrued using the effective interest method.

Note ii: 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 People's Republic of China (the "PRC") for the period ended 30 June 2022. There were no unfulfilled condition and other contingencies attached to the receipts of those grants (six months ended 30 June 2021: same).

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.

During the period ended 30 June 2022, the results of the information security chips and solutions segment are presented as discontinued operation in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations (“HKFRS 5”) as detailed in Note 20. Last period’s comparative segment information has been restated to conform with the current period’s presentation.

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

Continued operations

- (a) Payment processing solutions – principally engaged in the provision of payment processing services, merchants recruiting and related products and solutions;
- (b) Fintech solutions and services – principally engaged in the provision of micro-lending, supply chain financing, factoring business, credit assessment services and related products and solutions;
- (c) Platform operation solutions – principally engaged in the provision of telecommunication and mobile payment platform operation services and operation value-added services;
- (d) Financial solutions – principally engaged in the provision of information system consultancy, integration and operation services and sales of information technology products to financial institutions and banks; and

Discontinued operation

- (e) Information security chips and solutions – principally engaged in the provision of information system consultancy services, the sales of mag-strip card security decoder chips and related products and solutions in Mainland China.

The Board of Directors assesses the performance of the operating segments based on a measure of earnings/(losses) before interest expense, taxes, depreciation and amortisation (“EBITDA”), and segmental operating profit/(loss). EBITDA is calculated by excluding interest expense, taxes, depreciation, amortisation, write off of property, plant and equipment and fair value (loss)/gains on financial assets at FVPL from segmental operating profit/(loss).

An analysis of the Group's revenue and results for the six months ended 30 June 2022 by operating segment is as follows:

	Unaudited						Discontinued operation Information security chips and solutions HK\$'000
	Continuing operations					Total Group HK\$'000	
	Payment processing solutions HK\$'000	Fintech solutions and services HK\$'000	Platform operation solutions HK\$'000	Financial solutions HK\$'000	Others HK\$'000		
Six months ended 30 June 2022							
Segment turnover	1,451,052	118,178	62,040	101,040	13,078	1,745,388	246,379
Inter-segment turnover	(2,263)	(629)	(2)	-	-	(2,894)	-
Turnover from external customers	<u>1,448,789</u>	<u>117,549</u>	<u>62,038</u>	<u>101,040</u>	<u>13,078</u>	<u>1,742,494</u>	<u>246,379</u>
Segmental EBITDA (excluding fair values loss on financial asset at FVPL)	<u>389,627</u>	<u>25,610</u>	<u>(19,639)</u>	<u>(37,716)</u>	<u>(28,705)</u>	<u>329,177</u>	<u>93,584</u>
Depreciation	(77,364)	(3,440)	(2,535)	(3,930)	(1,342)	(88,611)	-
Amortisation	(273)	(402)	-	-	(46)	(721)	-
Fair value loss on financial asset at FVPL	-	-	(2,509)	-	-	(2,509)	-
Segmental operating profit/(loss)	<u>311,990</u>	<u>21,768</u>	<u>(24,683)</u>	<u>(41,646)</u>	<u>(30,093)</u>	<u>237,336</u>	<u>93,584</u>
Unallocated other income						1,783	-
Unallocated corporate expenses						(37,956)	-
Finance costs						(36,269)	(143)
Share of results of associated companies						228,450	-
Gains on disposal of subsidiaries						431,943	-
Gain on deemed acquisition and dilution of interest of an associated company						441	-
Profit before income tax						825,728	93,441
Income tax expense						(81,402)	(13,203)
Profit for the period						<u>744,326</u>	<u>80,238</u>

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

	Unaudited						Discontinued operation Information security chips and solutions HK\$'000
	Continuing operations					Total Group HK\$'000	
	Payment processing solutions HK\$'000	Fintech solutions and services HK\$'000	Platform operation solutions HK\$'000	Financial solutions HK\$'000	Others HK\$'000		
Six months ended 30 June 2021 (Restated)							
Segment turnover	1,676,083	101,500	80,748	98,764	57,222	2,014,317	205,092
Inter-segment turnover	(2,668)	(658)	(15)	–	–	(3,341)	–
Turnover from external customers	<u>1,673,415</u>	<u>100,842</u>	<u>80,733</u>	<u>98,764</u>	<u>57,222</u>	<u>2,010,976</u>	<u>205,092</u>
Segmental EBITDA (excluding write off of property, plant and equipment and fair values gains on financial assets at FVPL)	<u>398,933</u>	<u>23,242</u>	<u>(6,310)</u>	<u>(32,975)</u>	<u>(9,443)</u>	<u>373,447</u>	<u>43,893</u>
Depreciation	(116,537)	(2,790)	(2,207)	(4,026)	(1,451)	(127,011)	(3,645)
Amortisation	(2)	(67)	(19)	–	(46)	(134)	(1,288)
Write off of property, plant and equipment	(2,250)	–	–	–	–	(2,250)	–
Fair values gains on financial assets at FVPL	–	–	199,370	–	–	199,370	–
Segmental operating profit/(loss)	<u>280,144</u>	<u>20,385</u>	<u>190,834</u>	<u>(37,001)</u>	<u>(10,940)</u>	<u>443,422</u>	<u>38,960</u>
Unallocated other income						2,359	–
Unallocated corporate expenses						(39,127)	–
Finance costs						(34,929)	(169)
Share of results of associated companies						167,663	–
Loss on deemed acquisition and dilution of interest of an associated company						(5,635)	–
Gains on deemed disposals of interest of an associated company						2,861,475	–
Profit before income tax						3,395,228	38,791
Income tax expense						(54,282)	(6,263)
Profit for the period						<u>3,340,946</u>	<u>32,528</u>

The segment assets and liabilities as at 30 June 2022 and additions to non-current assets for the six months ended 30 June 2022 are as follows:

	Unaudited							Total Group HK\$'000
	Continuing operations						Elimination HK\$'000	
	Payment processing solutions HK\$'000	Fintech solutions and services HK\$'000	Platform operation solutions HK\$'000	Financial solutions HK\$'000	Others HK\$'000	Unallocated HK\$'000		
As at 30 June 2022								
Segment assets	4,594,287	3,354,567	671,966	401,690	928,929	4,080,789	(3,144,908)	10,887,320
Segment liabilities	(3,223,710)	(1,957,392)	(331,082)	(529,526)	(175,517)	(221,566)	3,144,908	(3,293,885)
Six months ended 30 June 2022								
Additions to non-current assets (excluding investments in associated companies, other financial assets at amortised cost, loan receivables, financial assets at FVPL and short-term bank deposits)	24,538	183	6,521	10,577	2,494	18	-	44,331

The segment assets and liabilities as at 31 December 2021 and additions to non-current assets for the six months ended 30 June 2021 are as follows:

	Audited							Total Group HK\$'000	
	Continuing operations						Discontinued operation		
	Payment processing solutions HK\$'000	Fintech solutions and services HK\$'000	Platform operation solutions HK\$'000	Financial solutions HK\$'000	Others HK\$'000	Unallocated HK\$'000	Information security chips and solutions HK\$'000		Elimination HK\$'000
As at 31 December 2021									
Segment assets	4,026,159	2,671,425	1,134,058	564,251	336,457	3,963,724	419,105	(2,296,371)	10,818,808
Segment liabilities	(2,838,304)	(1,200,975)	(354,254)	(638,289)	(296,449)	(213,111)	(82,803)	2,296,371	(3,327,814)
									(Unaudited)
Six months ended 30 June 2021 (Restated)									
Additions to non-current assets (excluding deferred income tax assets, investments in associated companies, financial asset at FVOCI, other financial assets at amortised cost, loan receivables, financial assets at FVPL and short-term bank deposits)	71,257	21,890	1,076	6,837	504	17	19,528	-	121,109

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 2021: 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 is principally domiciled in Mainland China and Hong Kong (six months ended 30 June 2021: same).

6 EXPENSES BY NATURE

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
		(Restated)
Continuing operations		
Auditor's remuneration	1,905	1,900
Commission and incentives paid/payable to merchant recruitment agents	862,383	1,125,622
Interest expenses on asset-backed securities	4,225	–
Depreciation of property, plant and equipment	77,414	116,380
Depreciation of right-of-use assets	13,864	13,756
Depreciation of investment properties	86	102
Amortisation of intangible assets	721	134
Employee benefit expenses	365,546	319,110
Costs of inventories sold (including provision for inventories)	13,096	48,622
Operating lease rentals in respect of land and buildings	7,676	6,268
Research and development costs (including staff cost)	112,816	84,187
Gains on disposals of property, plant and equipment	(131)	(149)
Write off of property, plant and equipment	–	2,250
Credit impairment loss		
– Trade and bills receivables	9,389	–
– Loan receivables (<i>Note 12</i>)	38,091	33,142
Net foreign exchange losses	4,541	3,669

7 INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	<i>HK\$'000</i>
		(Restated)
Current income tax		
– Hong Kong profits tax	–	–
– Overseas taxation	94,765	59,969
Deferred income tax	(160)	576
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Income tax expense	94,605	60,545
	<hr/> <hr/>	<hr/> <hr/>
Income tax expense is attributable to:		
– Profit from continuing operations	81,402	54,282
– Profit from discontinued operation	13,203	6,263
	<hr/>	<hr/>
	94,605	60,545
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Hong Kong profits tax has been provided for at the rate of 16.5% (six months ended 30 June 2021: 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 (six months ended 30 June 2021: same).

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 2022	2021
Subsidiaries		
Beijing Hi Sun Advanced Business Solutions Information Technology Limited (“BJ 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”)	25%	25%
北京銀企融合技術開發有限公司 (“Beijing Bank and Enterprise”) (Note (iii))	25%	15%
隨行付(北京)金融信息服務有限公司 (“VBill Finance”) (Note (iv))	25%	15%
北京隨信雲鏈科技有限公司 (“Beijing Cloud Chain”) (Note (v))	15%	15%
重慶鑫聯隨行科技有限公司 (“Chongqing Xinlian”) (Note (vi))	15%	15%
Megahunt Technologies Inc. (“Megahunt”) (Note (vii))	15%	15%
Hunan Hisun Mobile Pay IT Limited (“HN Mobile Pay”) (Note (viii))	15%	12.5%

Notes:

- (i) BJ ABS was qualified as HNTE for the six months ended 30 June 2021 and 2022.
- (ii) Hangzhou Electronic Technology was qualified as HNTE for the six months ended 30 June 2021 and 2022.
- (iii) Beijing Bank and Enterprise was qualified as HNTE for the six months ended 30 June 2021. The entity was not qualified for preferential rates for the six months ended 30 June 2022.
- (iv) VBill Finance was qualified as HNTE for the six months ended 30 June 2021. The entity was not qualified for preferential rates for the six months ended 30 June 2022.
- (v) Beijing Cloud Chain was qualified as HNTE for the six months ended 30 June 2021 and 2022.
- (vi) Chongqing Xinlian was engaged in EIWR for the six months ended 30 June 2021 and 2022.
- (vii) Megahunt was qualified as HNTE for the six months ended 30 June 2021 and 2022.
- (viii) HN Mobile Pay was qualified as SICE for the six months ended 30 June 2021 and qualified as HNTE for the six months ended 30 June 2022.

8 DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

9 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	
	2022	2021
Profit attributable to the owners of the Company (<i>HK\$'000</i>)		
– Continuing operations	667,000	3,269,526
– Discontinued operation	43,401	21,381
	710,401	3,290,907
Weighted average number of ordinary shares in issue (<i>thousands shares</i>)	2,776,834	2,776,834
Basic earnings per share attributable to the owners of the Company (<i>HK\$ per share</i>)		
– Continuing operations	0.240	1.177
– Discontinued operation	0.016	0.008
	0.256	1.185

(b) Diluted

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

For the six months ended 30 June 2022, the Group has four categories (six months ended 30 June 2021: same) 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 2021: same).

For the six months ended 30 June 2022, 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 (six months ended 30 June 2021: same).

For the six months ended 30 June 2022, the exercise of the outstanding share options in VBill OPCO would have a dilutive effect. 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 (six months ended 30 June 2021: same).

For the six months ended 30 June 2022, 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 2021: same).

	Unaudited	
	Six months ended 30 June	
	2022	2021
Profit attributable to the owners of the Company <i>(HK\$'000)</i>		
– Continuing operations	667,000	3,269,526
Assuming exercise of all outstanding dilutive share options issued by PAX Global <i>(HK\$'000)</i>		
– Decrease in share of profit of an associated company	(4,358)	(3,083)
– Increase in loss on dilution of interest of an associated company	(62,722)	(64,037)
Assuming exercise of all outstanding dilutive share options issued by VBill OPCO <i>(HK\$'000)</i>		
– Decrease in profit attributable to the owners of the Company	(7,447)	(12,524)
Adjusted profit attributable to the owners of the Company from continuing operations used to determine diluted earnings per share <i>(HK\$'000)</i>	592,473	3,189,882
Profit attributable to the owners of the Company		
– Discontinued operation	43,401	21,381
Weighted average number of ordinary shares for diluted earnings per share <i>(thousands shares)</i>	2,776,834	2,776,834
Diluted earnings per share attributable to the owners of the Company <i>(HK\$ per share)</i>		
– Continuing operations	0.213	1.149
– Discontinued operation	0.016	0.008
	0.229	1.157

10 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group previously subscribed certain convertible preferred shares (the “CPS”) and ordinary shares of Cloopen Group Holding Limited (“Clopen”).

On 9 February 2021, the trading of Cloopen’s American depository shares (“ADSs”) on the New York Stock Exchange (“NYSE”) commenced. The CPS which were previously classified as financial asset at FVPL (Note 11) were converted into the listed shares of Cloopen and accounted for at fair value with reference to the trading price. The fair value of the CPS at the time of the conversion amounted to HK\$616,346,000.

Upon completion of the offering of the ADSs, the Group equity interest of the Company in Cloopen was diluted and reduced to 17.42%. The Company’s representative also resigned to serve on the board of directors of Cloopen. As a result, the Group lost its significant influence over Cloopen, and Cloopen ceased to be an associate of the Group (Note 13). 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 associated company recognised in interim condensed consolidated income statement during the period ended 30 June 2021.

The Group’s interest in Cloopen, which is not held for trading, was classified as a financial asset at FVOCI, with subsequent fair value movement recognised in other comprehensive income. 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 As at 30 June 2022 HK\$’000	Audited As at 31 December 2021 HK\$’000
Non-current asset		
Listed equity security outside Hong Kong – Cloopen (<i>Note</i>)	<u>227,999</u>	<u>629,711</u>
	Unaudited Six months ended 30 June 2022 HK\$’000	2021 HK\$’000
Balance at 1 January	629,711	–
Reclassified from an investment in an associated company (<i>Note 13</i>)	–	2,857,920
Conversion of convertible preference shares (<i>Note 11</i>)	–	616,346
Fair value loss on revaluation recognised in other comprehensive income	<u>(401,712)</u>	<u>(1,632,905)</u>
Balance at 30 June	<u>227,999</u>	<u>1,841,361</u>

Note:

Listed equity security outside Hong Kong – Cloopen

ADSs were listed on the New York Stock Exchange (“NYSE”) (stock symbol: RAAS) on 9 February 2021. The fair value of the ADSs is based on its quoted bid prices at New York Time in NYSE and its carrying amount is denominated in US dollar (“US\$”).

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Non-current asset		
Unlisted investment fund outside Hong Kong (<i>Note (a)</i>)	<u>101,049</u>	<u>108,200</u>
Current asset		
Listed equity securities in Hong Kong (<i>Note (b)</i>)	<u>890</u>	<u>1,103</u>
	<u>101,939</u>	<u>109,303</u>
	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Balance at 1 January	109,303	543,040
Fair value (losses)/gains on revaluation recognised in profit or loss	(2,722)	199,708
Conversion of convertible preference shares (<i>Note 10</i>)	–	(616,346)
Exchange realignment	<u>(4,642)</u>	<u>994</u>
Balance at 30 June	<u>101,939</u>	<u>127,396</u>

Notes:

(a) Unlisted investment fund outside Hong Kong

The carrying amount of the unlisted investment fund is denominated in Renminbi (“RMB”).

(b) 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 HK\$.

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

12 LOAN RECEIVABLES

Loan receivables are amounts due from customers in the ordinary course of the fintech solutions and services business and primarily denominated in 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 2022 HK\$'000	Audited At 31 December 2021 HK\$'000
Current	2,046,227	2,219,046
1 to 3 months past due	16,086	16,449
Over 3 months past due	<u>121,290</u>	<u>122,980</u>
Loan receivables, gross	2,183,603	2,358,475
Less: provision for impairment of loan receivables	<u>(146,468)</u>	<u>(130,148)</u>
	<u>2,037,135</u>	<u>2,228,327</u>
Current	<u>2,037,135</u>	<u>2,228,327</u>

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

	Unaudited At 30 June 2022			Total
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	HK\$'000
Loan receivables	2,046,227	16,086	121,290	2,183,603
Less: Provision for impairment of loan receivables	<u>(20,905)</u>	<u>(13,409)</u>	<u>(112,154)</u>	<u>(146,468)</u>
Loan receivables, net	<u>2,025,322</u>	<u>2,677</u>	<u>9,136</u>	<u>2,037,135</u>

	Audited			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
Loan receivables	2,219,046	16,449	122,980	2,358,475
Less: Provision for impairment of loan receivables	<u>(15,333)</u>	<u>(12,794)</u>	<u>(102,021)</u>	<u>(130,148)</u>
Loan receivables, net	<u>2,203,713</u>	<u>3,655</u>	<u>20,959</u>	<u>2,228,327</u>

Note:

During the period ended 30 June 2022, based on management's assessment, the Group recorded credit impairment loss of HK\$38,091,000 (six months ended 30 June 2021: HK\$33,142,000) in the interim condensed consolidated income statement. Loan receivables of HK\$16,193,000 (six months ended 30 June 2021: nil), were determined as uncollectible and written off against loan receivables during the period ended 30 June 2022.

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

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

	For the period ended 30 Jun	
	2022	2021
Loans to borrowers	<u>4% to 24% p.a.</u>	<u>5% to 24% p.a.</u>

13 INVESTMENTS IN ASSOCIATED COMPANIES

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

	Unaudited At 30 June 2022 HK\$'000	Audited At 31 December 2021 HK\$'000
Associated companies:		
– PAX Global (<i>Note (a)</i>)	2,793,854	2,688,668
– Beijing Suiyun Technology Co., Ltd (“Beijing Suiyun”)	3,062	3,242
– Shenzhen Guofu Yunlian Technology Co., Ltd (“Shenzhen Guofu”)	3,491	3,649
– Beijing Fangyun Technology Co., Ltd (“Beijing Fangyun”) (<i>Note (b)</i>)	–	–
– Beijing Zhongjin Yunchuang Software., Ltd (“Beijing Zhongjin”) (<i>Note (d)</i>)	29,627	–
– Megahunt (<i>Note (c)</i>)	543,468	–
	<u>3,373,502</u>	<u>2,695,559</u>

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Associated companies:		
– PAX Global (<i>Note (a)</i>)	221,567	168,721
– Good Chain (Chongqing) Technology Co., Ltd (“Good Chain”)	–	(606)
– Beijing Suiyun	(40)	(144)
– Shenzhen Guofu	–	4
– Beijing Fangyun (<i>Note (b)</i>)	–	(312)
– Beijing Zhongjin (<i>Note (d)</i>)	(812)	–
– Megahunt (<i>Note (c)</i>)	7,735	–
	<u>228,450</u>	<u>167,663</u>

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Associated company:		
– PAX Global (<i>Note (a)</i>)	441	(5,635)

The amount of gains on deemed disposals of associated companies recognised in the interim condensed consolidated income statement is as follows:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Associated companies:		
– Cloopen (<i>Note 10</i>)	–	2,857,920
– Good Chain (<i>Note 19</i>)	–	3,555
	<u>–</u>	<u>2,861,475</u>

(a) **Investment in PAX Global**

The movement on interest in PAX Global is as follows:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
At 1 January	2,688,668	2,393,435
Share of profit	221,567	168,721
Share of other comprehensive (loss)/income	(62,519)	11,878
Share of other reserves	–	1,742
Gain/(loss) on deemed acquisition and dilution of interest (<i>Note i</i>)	738	(5,635)
Dividend received/receivable	(54,600)	(36,400)
	<hr/>	<hr/>
At 30 June	2,793,854	2,533,741
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (i) During the period, PAX Global repurchased a total of 11,092,000 ordinary shares (six months ended 30 June 2021: 1,600,000) on the Stock Exchange, of which 11,092,000 ordinary shares (six months ended 30 June 2021: 1,600,000) 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 gain on deemed acquisition and dilution of interest of an associated company of HK\$441,000 (six months ended 30 June 2021: a loss of HK\$5,635,000) and a release of reserve credited to the interim condensed consolidated income statement of HK\$297,000 (six months ended 30 June 2021: nil) was recognised in the interim condensed consolidated income statement. The Group's interest in PAX Global increased from 33.30% to 33.75% accordingly.

(b) **Investment in Beijing Fangyun**

The interest in Beijing Fangyun was initially measured at fair value. The carrying amount was increased or decreased to recognise the Group's share of the profit or loss and movements in other comprehensive income or loss of the interest in Beijing Fangyun to the extent the carrying amount of the interest in Beijing Fangyun reduced to nil due to losses, after the initial recognition. As at 30 June 2022, the Group's share of loss of Beijing Fangyun exceeded its interest in the ordinary shares of Beijing Fangyun. As at 30 June 2022, the unrecognised share of loss of the interests in Beijing Fangyun is HK\$2,577,000 (31 December 2021: HK\$1,746,000).

(c) **Investment in Megahunt**

As disclosed in Note 20, upon the completion of the transfer of the remaining of 8.37% of the issued share capital of Megahunt on 23 May 2022, Megahunt ceased to be a subsidiary of the Company and was accounted for as an associated company of the Company. Consequently, the financial results of Megahunt will no longer be consolidated into the interim condensed consolidated financial information of the Group and its assets and liabilities will be deconsolidated from the Group's interim condensed consolidated financial information. The Group accounts for its interests in Megahunt as an investment in an associated company initially at fair value and will shares the results of Megahunt as an investment in an associated company using the equity method going forward.

The movement on interest in Megahunt is as follows:

	Unaudited Six months ended 30 June 2022 HK\$'000
Recognition of investment in an associated company upon disposal of a subsidiary (<i>Note 20</i>)	536,584
Share of profit	7,735
Share of other comprehensive income	(851)
	<hr/>
At 30 June 2022	543,468
	<hr/> <hr/>

(d) **Investment in Beijing Zhongjin**

During the period ended 30 June 2022, the Group acquired 20% of the issued share capital of Beijing Zhongjin, which is principally engaged in the provision of fintech solutions and services business, at a purchase consideration of approximately HK\$31,801,000. A representative from the Group has been appointed to serve on the board of directors of Beijing Zhongjin. The Group accounted for its interest in Beijing Zhongjin as an investment in an associated company using the equity method.

14 TRADE AND BILLS RECEIVABLES

	Unaudited At 30 June 2022 HK\$'000	Audited At 31 December 2021 HK\$'000
Current portion		
Trade receivables (<i>Note (a)</i>)	149,795	176,292
Bills receivables (<i>Note (b)</i>)	2,774	1,520
Less: provision for impairment of receivables	(16,262)	(9,403)
	<hr/>	<hr/>
	136,307	168,409
	<hr/> <hr/>	<hr/> <hr/>

Notes:

(a) Trade receivables

The Group's credit terms to trade debtors range from 0 to 180 days.

The ageing analysis of the trade receivables primarily based on invoice date was as follows:

	Unaudited	Audited
	At	At
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Current to 90 days	78,467	128,311
91 days to 180 days	16,323	10,947
181 days to 365 days	35,729	17,934
Over 365 days	19,276	19,100
	<u>149,795</u>	<u>176,292</u>
	149,795	176,292

(b) Bills receivables

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

The maturity profile of the bills receivables of the Group is as follows:

	Unaudited	Audited
	At	At
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Falling within 90 days	2,726	–
Falling within 91 to 180 days	48	1,520
	<u>2,774</u>	<u>1,520</u>
	2,774	1,520

15 TRADE AND BILLS PAYABLES

	Unaudited At 30 June 2022 <i>HK\$'000</i>	Audited At 31 December 2021 <i>HK\$'000</i>
Current portion		
Trade payables (<i>Note (a)</i>)	555,967	497,080
Bills payables (<i>Note (b)</i>)	<u>725</u>	<u>8,503</u>
	<u>556,692</u>	<u>505,583</u>

Notes:

(a) Trade payables

At 30 June 2022 and 31 December 2021, the ageing analysis of the trade payables primarily based on invoice date was as follows:

	Unaudited At 30 June 2022 <i>HK\$'000</i>	Audited At 31 December 2021 <i>HK\$'000</i>
Current to 90 days	365,720	468,595
91 days to 180 days	178,318	11,272
181 days to 365 days	3,149	7,089
Over 365 days	<u>8,780</u>	<u>10,124</u>
	<u>555,967</u>	<u>497,080</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 2022 <i>HK\$'000</i>	Audited At 31 December 2021 <i>HK\$'000</i>
Due within 90 days	725	5,993
Due within 91 to 180 days	<u>–</u>	<u>2,510</u>
	<u>725</u>	<u>8,503</u>

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

	Unaudited At 30 June 2022 HK\$'000	Audited At 31 December 2021 HK\$'000
Payables for payment processing solutions business (<i>Note (a)</i>)	604,840	624,296
Other payables and accruals (<i>Note (b)</i>)	<u>935,899</u>	<u>1,076,401</u>
	<u><u>1,540,739</u></u>	<u><u>1,700,697</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 required to be settled with merchants upon the respective contracted settlement clearance dates and are denominated in RMB.

(b) Other payables and accruals

	Unaudited At 30 June 2022 HK\$'000	Audited At 31 December 2021 HK\$'000
Accrued staff costs and pension obligations	132,683	266,720
Deposits	49,026	60,751
Receipt in advance from customers (<i>Note i</i>)	99,261	77,241
Advance from merchant recruitment agents	447,946	435,842
Others	<u>206,983</u>	<u>235,847</u>
Total	<u><u>935,899</u></u>	<u><u>1,076,401</u></u>

Note:

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

Revenue recognised during the period ended 30 June 2022 that was included in the contract liability balance at the beginning of the period amounted to HK\$71,634,000 (six months ended 30 June 2021: HK\$26,653,000).

17 ASSET-BACKED SECURITIES

Unaudited
At
30 June
2022
HK\$'000

Current

Asset-backed securities (*Note*)

237,487

Note:

During the period ended 30 June 2022, 北京隨行付商業保理有限公司(Beijing VBill Commercial Factoring Co. Ltd.), a subsidiary of the Group, has obtained approval from the Shanghai Stock Exchange for issuance of asset-backed securities (the “ABS”) in the PRC under an asset-backed securities scheme (the “ABS Scheme”). The ABS are backed by the Group’s loan receivables and administrated under a trust interests. The maximum issue size of the ABS Scheme is RMB1,000,000,000 (equivalent to approximately HK\$1,230,000,000) and the ABS can be issued in not more than 15 phases by 31 December 2023.

On 27 January 2022, the first phase of the ABS Scheme with an issue size of RMB309,000,000 (equivalent to approximately HK\$380,070,000) was established. The ABS are classified into (i) priority tranche with total principal of RMB277,000,000 (equivalent to HK\$340,710,000) which are listed and traded on the Shanghai Stock Exchange with expected maturity date on 29 July 2022 and with coupon rate of 4.8% per annum; and (ii) subordinated tranche with total principal of RMB32,000,000 (equivalent to HK\$39,360,000) with expected maturity date on 31 October 2022 and with no coupon rate.

The principal and interest of the priority tranche ABS shall be repaid monthly in six instalments. The holders of the priority tranche of the ABS shall have priority in receiving coupon interest and repayment of the principal amount of the ABS over the holders of the subordinated tranche of the ABS. The subordinated tranche is not listed and was subscribed by 北京隨信雲鏈科技有限公司 (Beijing Suixin Yunlian Technology Ltd. (“Beijing Suixin Yunlian”)), a subsidiary of the Group.

On 20 May 2022, the second phase of the ABS Scheme with an issue size of RMB362,000,000 (equivalent to approximately HK\$419,920,000) was established. The ABS are classified into (i) priority tranche with total principal of RMB324,000,000 (equivalent to HK\$375,840,000) which are listed and traded on the Shanghai Stock Exchange with expected maturity date on 31 January 2023 and with coupon rate of 4.87% per annum; and (ii) subordinated tranche with total principal of RMB38,000,000 (equivalent to HK\$44,080,000) with expected maturity date on 28 February 2023 and with no coupon rate.

The principal and interest of the priority tranche ABS shall be repaid monthly in six instalments. The holders of the priority tranche of the ABS shall have priority in receiving coupon interest and repayment of the principal amount of the ABS over the holders of the subordinated tranche of the ABS. The subordinated tranche is not listed and was subscribed by Beijing Suixin Yunlian.

Since Group holds all the subordinated tranches of the ABS, substantially all the risks and rewards of ownership of the loan receivables are retained, the Group continues to recognise the loan receivable in its entirety and recognises a financial liability for the consideration received.

As at 30 June 2022, the Group’s asset-backed securities with carrying amount of approximately HK\$237,487,000 (31 December 2021: nil) were collateralised by the loans receivable of the Group with an aggregate carrying amount of approximately HK\$458,494,000 (31 December 2021: nil) (*Note 12*).

18 WRITTEN PUT OPTION LIABILITY

	Unaudited	Audited
	At	At
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Current portion		
– VBill (Cayman) <i>(Note (a))</i>	829,013	797,710
Non-current portion		
– Megahunt HK <i>(Note (b))</i>	4,673	104,871
	833,686	902,581
	833,686	902,581
	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
At 1 January	902,581	831,207
Unwinding of discount	35,355	33,967
Derecognition <i>(Note (b))</i>	(104,249)	–
Fair value loss on revaluation recognised in profit or loss <i>(Note (b))</i>	4,687	–
Exchange realignment	(4,688)	747
At 30 June	833,686	865,921

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). The VBill Subscription was completed on 12 November 2019.

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

The fair value of the written put option liability is derived base 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%, with the assumption that the put option will be redeemable on 12 November 2022. The written put option liability was denominated in US\$ and classified under current liabilities as at 30 June 2022 (31 December 2021: same).

- (b) On 4 December 2019, the Company, Megahunt, Megahunt HK, the management team members and certain investors entered into a subscription agreement (the “Megahunt Subscription”). The management team members include Li Li, Liu Zhan-li, Xu Changjun, Xu Wensheng, Yang Lei, Hui Lok Yan and Song Jie. The investors include Wonder Pax Technology (Shenzhen) Co. Ltd (a subsidiary of PAX Global), 上海聚源聚芯集成電路產業股權投資基金中心(有限合夥), 芯聯芯(平潭綜合實驗區)科技投資中心(有限合夥)(collectively the “Megahunt Investors”). Pursuant to the Megahunt Subscription, the Megahunt Investors have conditionally agreed to subscribe for an aggregate of approximately 14.55% of the enlarged registered capital of Megahunt at a subscription price of RMB80,000,000 (equivalent to HK\$87,441,000). The Megahunt Subscription was completed on 30 March 2020.

As a part of the Megahunt Subscription, Megahunt HK granted a put option, allowing the Megahunt Investors to 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 fair value of the written put option liability is derived base 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%, with the assumption that the put option will be redeemable from 31 December 2023. The written put option liability was denominated in RMB and classified under non-current liabilities at 31 December 2021.

Prior to the completion of the disposal as detailed in Note 20, the carrying value of the written put option liabilities was approximately HK\$104,249,000.

As disclosed in Note 20, upon the completion of the transfer of the remaining of 8.37% of the issued share capital of Megahunt on 23 May 2022, Megahunt ceased to be a subsidiary of the Company was accounted for as an associated company of the Company. As a result, the relevant written put option liability originally measured at amortised costs was derecognised with a corresponding adjustment to equity. The written put option liability was reclassified and recognised as a derivative financial liability at FVPL thereafter.

19 BUSINESS COMBINATION

Acquisition of Good Chain

(i) Summary of acquisition of Good Chain

On 8 June 2021, the Group acquired 40% of the issued share capital of Good Chain (previously an associated company of the Group), 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:

	At date of acquisition <i>HK\$'000</i>
Purchase consideration (<i>Note (ii)</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.

Upon completion of the acquisition, Good Chain became a subsidiary of the Group. It was accounted for as a deemed disposal of the investment in Good Chain, with a resulting gain of approximately HK\$3,555,000 on deemed disposal of an associated company recognised in interim condensed consolidated income statement during the period ended 30 June 2021, followed by an acquisition of a subsidiary.

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

	At date of acquisition 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:</i> Non-controlling interests	(2,165)
<i>Add:</i> Goodwill	<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.

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.

(ii) Purchase consideration – cash outflow

	Unaudited Six months ended 30 June 2021 HK\$'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	12,011
Less: Cash acquired	<u>(1)</u>
Net outflow of cash – investing activities	<u><u>12,010</u></u>

20 DISPOSALS OF SUBSIDIARIES

(a) Disposal of Megahunt

On 15 December 2021, Megahunt HK entered into share transfer agreements with certain purchasers (the “Megahunt Purchasers”), pursuant to which Megahunt HK has conditionally agreed to dispose of an aggregate of approximately 20% of the issued share capital of Megahunt at an aggregate consideration of RMB208,727,000 (equivalent to approximately HK\$254,647,000). The Megahunt Purchasers include 天津韋豪泰達海河股權投資合夥企業(有限合夥)(“天津韋豪”), 天津芯聚科技合夥企業(有限合夥), 天津芯智科技合夥企業(有限合夥) and 天津信芯科技合夥企業(有限合夥). Upon completion of all share transfer agreements, the Group's interest in Megahunt would decrease from approximately 65.73% to approximately 45.73%. Completion of each of the share transfer agreements was not inter-conditional to each other.

As at 31 December 2021, transfer of an aggregate of approximately 11.63% of the issued share capital of Megahunt at an aggregate consideration of RMB116,364,000 (equivalent to approximately HK\$142,324,000) was completed. The associated assets and liabilities of Megahunt and its subsidiary (together the “Disposal Group”) were presented as held for sale in the consolidated financial statements as at 31 December 2021.

On 23 May 2022, the transfer of the remaining of 8.37% of the issued shares capital of Megahunt at an aggregate consideration of RMB92,363,000 (equivalent to approximately HK\$108,382,000) was completed, Megahunt ceased to be a subsidiary of the Company and was accounted for as an associated company of the Company.

Previously, the Group's sales of information security chips and solutions business is engaged by the Disposal Group. The above disposal constituted a discontinued operation under HKFRS 5, and accordingly, sales of information security chips and solutions business are reported in the current period as a discontinued operation.

(i) **Details of the disposal of Megahunt**

	At date of disposal HK\$'000
Consideration	
Proceeds received	108,382
Fair value of retained interest	<u>536,584</u>
	644,966
<i>Less:</i> Net assets disposed of:	
Property, plant and equipment	54,696
Right-of-use assets	5,601
Intangible assets	18,666
Other financial assets at amortised cost	2,060
Inventories	185,749
Other current assets	53,637
Amount due from an associated company	59,630
Trade and bills receivables	68,502
Cash and cash equivalents	62,577
Lease liabilities	(4,780)
Trade payables	(42,897)
Bank borrowing	(10,732)
Other payables and accruals	(35,046)
Current income tax liabilities	(12,668)
Amounts due to fellow subsidiaries	<u>(4,427)</u>
	(400,568)
<i>Add:</i> Non-controlling interest disposed of	184,102
<i>Add:</i> Release of exchange reserve up on disposal	1,611
<i>Less:</i> Release of other reserves upon disposal	<u>(772)</u>
Gain of disposal of Megahunt recognised in interim condensed consolidated income statement	<u><u>429,339</u></u>

In the interim condensed consolidated cash flow statement for the period ended 30 June 2022, net cash inflow for disposal of HK\$35,155,000 represents proceeds received of HK\$108,382,000, less cash and cash equivalents disposal of HK\$62,577,000 and capital gains tax of HK\$10,650,000.

The fair value of the 45.73% retained equity interest as at date of disposal as part of the consideration received was valued by an independent valuer.

(ii) **Financial performance and cash flow information of discontinued operation**

The financial performance and cash flow information presented are for the period from 1 January 2022 to 23 May 2022 and the period ended 30 June 2021.

	For the period from 1 January 2022 to 23 May 2022 HK\$'000	For the period ended 30 June 2021 HK\$'000
Revenue	246,379	205,092
Cost of sales	<u>(105,387)</u>	<u>(123,879)</u>
Gross profit	140,992	81,213
Other income	6,939	3,255
Selling expenses	(4,811)	(4,575)
Administrative expenses	(49,536)	(40,967)
Reversal of credit impairment loss	<u>–</u>	<u>34</u>
Operating profit	93,584	38,960
Finance costs	<u>(143)</u>	<u>(169)</u>
Profit before income tax	93,441	38,791
Income tax expense	<u>(13,203)</u>	<u>(6,263)</u>
Profit from discontinued operation	80,238	32,528
Exchange difference on translation of discontinued operation	<u>(15,970)</u>	<u>2,161</u>
Total comprehensive income from discontinued operation	<u>64,268</u>	<u>34,689</u>
Profit from discontinued operation attributable to:		
– Owners of the Company	43,401	21,381
– Non-controlling interests	<u>36,837</u>	<u>11,147</u>
	<u>80,238</u>	<u>32,528</u>
Total comprehensive income from discontinued operation attributable to:		
– Owners of the Company	34,763	22,802
– Non-controlling interests	<u>29,505</u>	<u>11,887</u>
	<u>64,268</u>	<u>34,689</u>
Net cash inflow from operating activities	34,766	44,525
Net cash outflow from investing activities	(18,438)	(19,458)
Net cash inflow/(outflow) from financing activities	<u>10,165</u>	<u>(1,013)</u>
Net increase in cash generated by the Disposal Group	<u>26,493</u>	<u>24,054</u>

(iii) Assets and liabilities of the Disposal Group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 December 2021.

Assets classified as held for sale

	Audited As at 31 December 2021 HK\$'000
Property, plant and equipment	43,481
Right-of-use assets	5,837
Intangible assets	14,347
Other financial assets at amortised cost	1,703
Inventories	156,771
Other current assets	41,813
Amount due from an associated company	35,501
Trade and bills receivables	78,910
Cash and cash equivalents	40,742
	<hr/>
Total assets of the Disposal Group classified as held for sale	419,105

Liabilities directly associated with assets classified as held for sale

	Audited As at 31 December 2021 HK\$'000
Lease liabilities	5,879
Trade payables	19,664
Other payables and accruals	44,482
Current income tax liabilities	8,121
Amounts due to fellow subsidiaries	4,657
	<hr/>
Total liabilities of the Disposal Group classified as held for sale	82,803

The accumulated foreign exchange gains recognised in other comprehensive income in relation to the discontinued operation as at 31 December 2021 amounted to HK\$21,156,000.

(b) **Disposal of Jiehang Yunchuang (Beijing) Shuzi Technology Ltd.**

On 18 January 2022, the Group also disposed of its 51% equity interests of Jiehang Yunchuang (Beijing) Shuzi Technology Ltd. (“Jiehang Yunchuang”) upon which the Group lost its control over Jiehang Yunchuang.

Details of the disposal of Jiehang Yunchuang

	At date of disposal HK\$'000
Consideration	
Proceeds received	18,096
<i>Less: Net assets disposed of</i>	(12,748)
<i>Less: Non-controlling interest disposed of</i>	(2,185)
<i>Less: Release of exchange reserve up on disposal</i>	<u>(559)</u>
Gain of disposal of Jiehang Yunchuang recognised in interim condensed consolidated income statement	<u><u>2,604</u></u>

In the interim condensed consolidated cash flow statement for the period ended 30 June 2022, net cash inflow for disposal of Jiehang Yunchuang of HK\$5,331,000 represents proceeds received of HK\$18,096,000, less cash and cash equivalent disposed of HK\$12,765,000.

INTERIM CONDENSED SEGMENT RESULT ANALYSIS

	Notes	Turnover Unaudited		EBITDA [#] Unaudited	
		1H2022	1H2021	1H2022	1H2021
		HK\$'000	HK\$'000 (Restated)	HK\$'000	HK\$'000 (Restated)
Payment processing solutions	1	1,451,052	1,676,083	389,627	398,933
Fintech solutions and services	2	118,178	101,500	25,610	23,242
Platform operation solutions	3	62,040	80,748	(19,639)	(6,310)
Financial solutions	4	101,040	98,764	(37,716)	(32,975)
Others	5	13,078	57,222	(28,705)	(9,443)
Segmental results		1,745,388	2,014,317	329,177	373,447
Less: Inter-segment turnover		(2,894)	(3,341)	-	-
Total		<u>1,742,494</u>	<u>2,010,976</u>	329,177	373,447
Depreciation				(88,611)	(127,011)
Amortisation				(721)	(134)
Write off of property, plant and equipment				-	(2,250)
Fair value (loss)/gains on financial assets at fair value through profit or loss	E			(2,509)	199,370
Segmental operating profit				237,336	443,422
Unallocated other income				1,783	2,359
Unallocated corporate expenses				(37,956)	(39,127)
Operating profit				<u>201,163</u>	<u>406,654</u>
	Note	Turnover Unaudited		EBITDA [#] Unaudited	
		1H2022	1H2021	1H2022	1H2021
		HK\$'000	HK\$'000 (Restated)	HK\$'000	HK\$'000 (Restated)
Discontinued operation					
Information security chips and solutions	S	246,379	205,092	93,584	43,893
Depreciation				-	(3,645)
Amortisation				-	(1,288)
Segmental operating profit				<u>93,584</u>	<u>38,960</u>

[#] EBITDA is calculated by excluding interest expense, taxes, depreciation, amortisation, write off of property, plant and equipment and fair value (loss)/gains on financial assets at FVPL from segmental operating profit/(loss)

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited	
	<i>Notes</i>	1H2022 HK\$'000	1H2021 HK\$'000 (Restated)
Revenue	<i>A</i>	1,742,494	2,010,976
Cost of sales	<i>C</i>	(1,139,627)	(1,475,531)
Gross profit		602,867	535,445
Other income	<i>B</i>	41,677	41,040
Other (losses)/gains	<i>E</i>	(7,409)	199,716
Selling expenses	<i>C</i>	(68,465)	(40,078)
Administrative expenses	<i>C</i>	(320,027)	(296,327)
Credit impairment loss	<i>C</i>	(47,480)	(33,142)
Operating profit		201,163	406,654
Finance costs	<i>R</i>	(36,269)	(34,929)
Share of results of associated companies	<i>D</i>	228,450	167,663
Gain/(loss) on deemed acquisition and dilution of interest of an associated company		441	(5,635)
Gains on deemed disposals of associated companies	<i>E</i>	–	2,861,475
Gains on disposals of subsidiaries	<i>S</i>	431,943	–
Profit before income tax		825,728	3,395,228
Income tax expense		(81,402)	(54,282)
Profit from continuing operations		744,326	3,340,946
Profit from discontinued operations		80,238	32,528
		824,564	3,373,474
Profit attributable to:			
– Owners of the Company		710,401	3,290,907
– Non-controlling interests		114,163	82,567
		824,564	3,373,474
Earnings per share for profit from continuing operations attributable to the owners of the Company:		HK\$ per share	HK\$ per share
Basic		0.240	1.177
Diluted		0.213	1.149
Earnings per share for profit attributable to the owners of the Company:		HK\$ per share	HK\$ per share
Basic		0.256	1.185
Diluted		0.229	1.157

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 June 2022 <i>HK\$'000</i>	Audited As at 31 December 2021 <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS			
Investment properties and property, plant and equipment	<i>F</i>	202,547	265,648
Right-of-use assets	<i>G</i>	60,503	60,133
Intangible assets		27,496	25,812
Investments in associated companies	<i>H</i>	3,373,502	2,695,559
Financial assets at fair value through profit or loss	<i>I</i>	101,939	109,303
Financial asset at fair value through other comprehensive income	<i>J</i>	227,999	629,711
Inventories	<i>K</i>	17,280	18,427
Trade and bills receivables	<i>L</i>	136,307	168,409
Other financial assets at amortised cost and other current assets	<i>L</i>	199,182	158,821
Loan receivables	<i>M</i>	2,037,135	2,228,327
Amounts due from an associated company	<i>N</i>	4,651	–
Current income tax recoverable		2,692	12,701
Short-term bank deposits		2,354	6,832
Restricted bank balance	<i>O</i>	655,777	765,462
Cash and cash equivalents	<i>O</i>	3,837,956	3,254,558
Assets classified as held for sale		–	419,105
Total assets		10,887,320	10,818,808
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		6,942	6,942
Reserves		6,630,069	6,416,362
		6,637,011	6,423,304
Non-controlling interests		956,424	1,067,690
Total equity		7,593,435	7,490,994

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2022	2021
	<i>Notes</i>	HK\$'000	HK\$'000
LIABILITIES			
Written put option liabilities	<i>R</i>	833,686	902,581
Deferred income tax liabilities		2,685	2,969
Trade and bills payables	<i>P</i>	556,692	505,583
Payables for payment processing solutions business	<i>P</i>	604,840	624,296
Other payables and accruals	<i>P</i>	935,899	1,076,401
Amounts due to associated companies	<i>N</i>	4,611	6,304
Current income tax liabilities		83,252	92,855
Lease liabilities	<i>G</i>	34,733	31,576
Bank borrowing		–	2,446
Asset-backed securities	<i>Q</i>	237,487	–
Liabilities directly associated with assets classified as held for sale		–	82,803
		<u>3,293,885</u>	<u>3,327,814</u>
Total liabilities		3,293,885	3,327,814
Total equity and liabilities		10,887,320	10,818,808
		As at	As at
		30 June	31 December
		2022	2021
		HK\$ per share	HK\$ per share
Net assets per share		<u>2.735</u>	<u>2.698</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
<i>Notes</i>	1H2022	1H2021
	HK\$'000	<i>HK\$'000</i>
		(Restated)
Profit for the period	824,564	3,373,474
Other comprehensive (loss)/income, net of tax		
<u>Items that may be subsequently reclassified to profit or loss</u>		
Exchange differences arising on translation of foreign subsidiaries	(143,629)	30,789
Exchange differences on translation of discontinued operation	(15,970)	2,161
Share of other comprehensive (loss)/income of associated companies	(65,680)	12,020
Release of reserve upon dilution of interest in an associated company	297	–
<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> (401,712)	(1,632,905)
Share of other comprehensive income/(loss) of an associated company	<u>650</u>	<u>(51)</u>
Total comprehensive income for the period, net of tax	<u>198,520</u>	<u>1,785,488</u>
Attributable to:		
– Owners of the Company	131,561	1,693,996
– Non-controlling interests	<u>66,959</u>	<u>91,492</u>
	<u>198,520</u>	<u>1,785,488</u>

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	1H2022	1H2021
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	304,376	(128,121)
Net cash generated from investing activities	114,308	131,277
Net cash generated from/(used in) financing activities	222,228	(15,668)
Net increase/(decrease) in cash and cash equivalents	640,912	(12,512)
Cash and cash equivalents at beginning of the period (1 January 2022: HK\$40,742,000 is included in the assets classified as held for sale)	3,295,300	3,747,468
Exchange (loss)/gain on cash and cash equivalents	(98,256)	35,322
Cash and cash equivalents at the end of the period	3,837,956	3,770,278
Net cash flows of discontinued operation	26,493	24,054

In view of continual development of the Group, management has implemented the internal organization alignment to better and more closely align our segment reporting with the Group's strategic decision and market dynamics to better serve the market and the customers. In particular, electronic power meters and solutions is no longer separately disclosed in management reporting.

During the six months ended 30 June 2022 ("1H2022"), the consolidated turnover of Hi Sun Technology (China) Limited (the "Company") and its subsidiaries (collectively, the "Group") amounted to HK\$1,742.5 million, representing a decrease of 13% when compared with the six months ended 30 June 2021 ("1H2021"). Profit for the period totalled HK\$824.6 million as compared to HK\$3,373.5 million in 1H2021.

With regard to the balance sheet, the total assets as at 30 June 2022 amounted to HK\$10,887.3 million as compared to HK\$10,818.8 million as at 31 December 2021. As at 30 June 2022, net current assets amounted to HK\$3,617.9 million, as compared to HK\$3,816.8 million as at 31 December 2021.

SEGMENT PERFORMANCE REVIEW

(1) Payment processing solutions

Key performance indicators

	Unaudited		Change + / (-)
	1H2022 <i>HK\$'000</i>	1H2021 <i>HK\$'000</i>	
Turnover*	1,448,789	1,673,415	-13%
EBITDA [#]	389,627	398,933	-2%
Operating profit	311,990	280,144	+11%

* Turnover from external customers

[#] EBITDA is calculated by excluding interest expense, taxes, depreciation, amortization and write off of property, plant and equipment from segmental operating profit

Segmental turnover amounted to HK\$1,448.8 million as compared to HK\$1,673.4 million in 1H2021. Monthly transaction volume in June 2022 was over RMB120 billion. The decrease in segmental turnover was due to the decrease in transaction volumes being processed. Given the decline in consumer consumption of goods and services in China resulting from the regional spread of COVID-19 pandemic and the adoption of epidemic prevention and control measures across the country.

Segmental operating profit amounted to HK\$312.0 million, 11% up as compared to 1H2021. The increase is primarily attributable to the streamlining of our sales channels management and increased margin from our new digital service products.

(2) Fintech solutions and services

Key performance indicators

	Unaudited		Change +/(–)
	1H2022 HK\$'000	1H2021 HK\$'000	
Turnover*	117,549	100,842	+17%
EBITDA#	25,610	23,242	+10%
– including credit impairment loss	(38,091)	(33,142)	N/A
Operating profit	21,768	20,385	+7%

* Turnover from external customers

EBITDA is calculated by excluding interest expense, taxes, depreciation and amortisation from segmental operating profit

During 1H2022, segmental turnover amounted to HK\$ 117.5 million as compared to HK\$100.8 million in 1H2021, representing an increase of 17%. Our micro-lending business and supply chain financing services business have achieved steady growth. Segmental operating profit amounted to HK\$21.8 million as compared to HK\$20.4 million in 1H2021.

(3) Platform operation solutions

Key performance indicators

	Unaudited		Change +/(–)
	1H2022 HK\$'000	1H2021 HK\$'000	
Turnover*	62,038	80,733	-23%
EBITDA#	(19,639)	(6,310)	N/A
Fair value (loss)/gains on financial assets at fair value through profit or loss	(2,509)	199,370	N/A
Operating (loss)/profit	(24,683)	190,834	N/A

* Turnover from external customers

EBITDA is calculated by excluding interest expense, taxes, depreciation, amortisation and fair value (loss)/gains on financial assets at FVPL from segmental operating (loss)/profit

In 1H2022, 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. Segmental turnover amounted to HK\$62.0 million as compared to HK\$80.7 million in 1H2021. Segmental operating loss amounted to HK\$24.7 million as compared to segmental operating profit of HK\$190.8 million in 1H2021, mainly due to the absence of a fair value gain on a financial asset at fair value through profit and loss in 1H2022. Please refer to note (E) for details.

(4) Financial solutions

Key performance indicators

	Unaudited		
	1H2022	1H2021	Change
	HK\$'000	HK\$'000	+ / (-)
Turnover*	101,040	98,764	+2%
EBITDA [#]	(37,716)	(32,975)	N/A
Operating loss	(41,646)	(37,001)	N/A

* Turnover from external customers

[#] EBITDA is calculated by excluding interest expense, taxes, depreciation and amortisation from segmental operating loss

During 1H2022, segmental turnover amounted to HK\$101.0 million as compared to HK\$98.8 million in 1H2021. Segmental operating loss totalled HK\$41.6 million as compared to HK\$37.0 million in 1H2021. The segmental operating loss was mainly due to the upfront costs on various projects incurred during the period.

(5) Others

Other business operations mainly included our electronic power meters business and various new business projects in development stage. Turnover from these businesses contributed approximately 0.8% of the total consolidated turnover from continuing operations of the Group. The decline in turnover and increase in EBITDA loss were mainly due to the shrinkage in shipment volume of electronic power meters business during the period.

Segmental turnover amounted to HK\$13.1 million as compared to HK\$57.2 million in 1H2021. Segmental operating loss amounted to HK\$30.1 million as compared to HK\$10.9 million in 1H2021.

OVERALL FINANCIAL RESULTS AND POSITION

(A) Revenue

The consolidated turnover amounted to HK\$1,742.5 million in 1H2022, representing a decrease of 13% over 1H2021. Such decrease was mainly contributed by decrease in segmental turnover of the Group's payment processing solutions segment. Please also refer to Notes (1) to (5) above on segmental performance.

(B) Other income

Other income mainly consisted of interest income and government subsidies.

(C) Cost of sales and operating expenses

During 1H2022, cost of sales decreased significantly mainly due to decline in total turnover particularly in payment processing solutions segment.

Increase in operating expenses was mainly due to increase in staff cost during 1H2022.

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 associated companies

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.

(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

The Group’s then associated company, Cloopen Group Holding Limited (“Cloopen”) listed its American depositary 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”). Upon completion of Cloopen Listing and as at 30 June 2022, the Group held 55,677,341 Class A ordinary shares of Cloopen and the entire interest was classified as a financial asset at fair value through other comprehensive income (FVOCI), with subsequent fair value movement recognised in other comprehensive income.

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

Based on the market price of each ADS (of US\$1.06 as at 30 June 2022 (New York time), equivalent to approximately HK\$8.27) and the corresponding market value of the shares of the Cloopen held by the Group (at US\$29.2 million, equivalent to approximately HK\$228.0 million), the Group recognised an “other comprehensive loss” of approximately HK\$401.7 million in 1H2022 due to the change in fair value of its interest in Cloopen.

Cloopen Group Holding Limited is a 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).

Further details are set out in the Company's announcements dated 20 January 2021, 4 February 2021, 10 February 2021, 1 July 2021, 28 February 2022 and 4 May 2022.

(F) Investment properties and property, plant and equipment

Balance mainly represented fixed assets of payment processing solutions and electronic power meter and solutions under other business operations.

(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 in associated companies

Balance mainly represented the Group's interests in PAX Global and Megahunt Technologies Inc. ("Megahunt"). 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.

(i) Pax Global

As at 30 June 2022, the Group held 364,000,000 ordinary shares of PAX Global and the fair value of the Group's approximately 33.8% effective interest in PAX Global was approximately HK\$2,224.0 million and the fair value of the investment was lower than its carrying value. The recoverable amount, based on discounted cashflow model, exceeds the carrying value as at 30 June 2022. The interest in PAX Global of HK\$2,793.9 million represented approximately 25.7% of the Group's unaudited total assets as at 30 June 2022 and the cost of investment as at 30 June 2022 was HK\$259.8 million.

PAX Global, together with its subsidiaries, is principally engaged in the development and sales of electronic payment point-of-sale terminals products and the provision of maintenance and installation and payment solution services.

PAX Global is one of the global leading suppliers of electronic payment terminals solutions. In face of the tough times where the COVID-19 pandemic continued to hit the global economy, PAX Global has managed to turn challenges into opportunities and driving forces for business development. While the world shifts towards an increasingly cashless society under the pandemic, demand for PAX Global's Android smart payment terminals continues on a high-growth trajectory. Leading the market trend and security upgrade of payment terminal technology, PAX Global has consistently invested in research and development, with particular emphasis in recent years on its new-generation Android smart payment terminals and cloud-based Software as a Service platform.

In 1H2022, the increase in unaudited net profit of PAX Global was mainly attributable to the strong revenue growth recorded, as driven by the surging sales of its Android smart payment terminals, particularly in the Europe, Middle East and Africa region. Looking forward, we are optimistic about the market demand for PAX Global's payment terminals, and expect that PAX Global is well prepared to embrace the vast opportunities in the global payments industry.

(ii) Megahunt

As at 30 June 2022, the Group held RMB27,349,109 of the registered capital in Megahunt. The fair value of the Group's approximately 45.73% effective interest in Megahunt was approximately HK\$536.6 million and the fair value of the investment approximates its carrying value. The interest in Megahunt of HK\$543.5 million represented approximately 5.0% of the Group's unaudited total assets as at 30 June 2022 and the cost of investment as at 30 June 2022 was HK\$536.6 million.

In 1H2022, due to the impact of the pandemic and the tightened global semiconductor supply chain, the growth of the information security chip industry tended to slow down and competition became more intense. The increase in unaudited turnover and net profit of Megahunt as compared to 1H2021 was mainly due to the active stocking of downstream customers because of the tight semiconductor supply chain. In particular, sales of magnetic stripe encryption and decoding chips remained stable, and sales of security microcontrollers (MCU) increased. In general, the information security chip market is expected to develop steadily in 2022, subject to changes due to the policy impact in the payment market. At the same time, it is expected that the security chips used in the Internet of Things (IoT) will achieve preliminary sales in 2022. Other research and development projects are progressing smoothly and the cost reduction initiatives of various products are also rolling out in an orderly manner.

(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\$0.9 million; and the fair value of interest in a venture capital fund of HK\$101.0 million.

(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\$1.06 as at 30 June 2022 (New York time), equivalent to approximately HK\$8.27) and the market value of the shares of the Cloopen held by the Group of US\$29.2 million, equivalent to approximately HK\$228.0 million as at 30 June 2022 and the cost of investment as at 30 June 2022 was HK\$127.8 million.

Please also refer to note (E) above for details.

(K) Inventories

The amount mainly represented inventories of the electronic power meters and solutions under other business operations.

During the period, HK\$2.9 million was recorded for provision on inventories with respect to slow-moving and obsolete stocks.

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

	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Trade receivables (<i>Note (i)</i>)	149,795	176,292
Bills receivables	2,774	1,520
<i>Less:</i> provision for impairment of receivables	(16,262)	(9,403)
	136,307	168,409
Other receivables, deposits and prepayments	199,182	158,821
Total	335,489	327,230

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:

	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
Current to 90 days	78,467	128,311
91 to 180 days	16,323	10,947
181 to 365 days	35,729	17,934
Over 365 days	19,276	19,100
	149,795	176,292

- Decrease in trade receivables aged from current to 90 days was mainly due to decrease 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 the increase in account receivable balances under the financial solutions segment and platform operation solution 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:

	Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 <i>HK\$'000</i>
Current	2,046,227	2,219,046
1 to 3 months past due	16,086	16,449
Over 3 months past due	121,290	122,980
Loan receivables, gross	2,183,603	2,358,475
<i>Less:</i> provision for impairment of loan receivables	(146,468)	(130,148)
Loan receivables, net	2,037,135	2,228,327
Current	2,037,135	2,228,327

(N) Amounts due from/to associated companies

Amounts due from/to associated companies are unsecured and interest-free.

(O) Short-term bank deposits, restricted bank balance and cash and cash equivalents

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Current assets		
Short-term bank deposits	<u>2,354</u>	<u>6,832</u>
Restricted bank balance (<i>Note</i>)	655,777	765,462
Cash and cash equivalents	<u>3,837,956</u>	<u>3,254,558</u>
Restricted bank balance and cash and cash equivalents	<u>4,493,733</u>	<u>4,020,020</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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Trade payables (<i>Note (i)</i>)	555,967	497,080
Bills payables	725	8,503
Payables for payment processing solutions business (<i>Note (ii)</i>)	604,840	624,296
Other payables and accruals (<i>Note (iii)</i>)	935,899	1,076,401
	<hr/>	<hr/>
Total	2,097,431	2,206,280
	<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:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Current to 90 days	365,720	468,595
91 to 180 days	178,318	11,272
181 to 365 days	3,149	7,089
Over 365 days	8,780	10,124
	<hr/>	<hr/>
	555,967	497,080
	<hr/> <hr/>	<hr/> <hr/>

- Change in trade payables aged between current to 90 days and 91 to 180 days were mainly due to changes in outstanding balances under the payment processing solutions segment.

Note (ii):

This balance represents payables to merchants for the payment processing solutions business.

Note (iii):

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Accrued staff costs and pension obligations*	132,683	266,720
Deposits	49,026	60,751
Receipt in advance from customers**	99,261	77,241
Advance from merchant recruitment agents**	447,946	435,842
Others***	206,983	235,847
	935,899	1,076,401

* The decrease in accrued staff costs and pension obligations was mainly due to the payment of year 2021 year-end bonus during 1H2022.

** 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) Asset-backed securities

Balance represents carrying amount of outstanding priority tranche of asset-backed securities (“ABS”).

北京隨行付商業保理有限公司 (“VBill Factoring”), a wholly-owned subsidiary of 隨行付支付有限公司 (“VBill OPCO”), approved 隨行付供應鏈金融1-15期資產支持專項計劃 (the “ABS Scheme”) and the issuance of asset-backed securities (“ABS”) thereunder. The ABS are backed by loan receivables in the form of trust interests. Pursuant to the no-objection letter from the Shanghai Stock Exchange, the maximum issue size of the ABS Scheme is RMB1,000 million (equivalent to approximately HK\$1,230 million) which can be issued in not more than 15 phases by 31 December 2023. The ABS are classified into priority and subordinated tranches according to their risks, earnings and duration. The priority tranche of the ABS is traded on the Shanghai Stock Exchange.

The first phase of the ABS Scheme with an issue size of RMB309 million (equivalent to approximately HK\$380.1 million) was established on 27 January 2022 and the second phase with an issue size of RMB362 million (equivalent to approximately HK\$419.9 million) was established on 20 May 2022. The priority tranche is issued to qualified institutional investors in the PRC and the subordinated tranche is issued to VBill Factoring or its designated affiliates. The proceeds from the issuance are principally used as general working capital of the fintech solutions and services business segment. The issuance of the ABS widens the fund-raising channels of the Group to access low-cost capital, which in turn will be used to improve the financing structure of the Company and promote its operating activities and investments. Further details are set out in the Company’s announcements dated 27 January 2022 and 20 May 2022.

(R) 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 decrease in balance during 1H2022 was due to the fact that upon the completion of the transfer of the remaining of 8.37% of the issued share capital of Megahunt on 23 May 2022, Megahunt ceased to be a subsidiary and was thereafter accounted for as an associated company of the Company, and as a result, the relevant written put option liability originally measured at amortised costs was derecognised with a corresponding adjustment to equity. The written put option liability was reclassified and recognised as a derivative financial liability at FVPL thereafter.

The finance cost represented finance charges up to the redemption amount that is payable at the date at which the option becomes exercisable.

(S) Discontinued operation/gains on disposals of subsidiaries

Reference is made to the announcements of the Company dated 15 December 2021, 28 December 2021, 11 February 2022, 28 February 2022, 14 April 2022 and 23 May 2022 in relation to the share transfer agreements entered into by Megahunt HK, certain purchasers and Megahunt in relation to the Group’s disposal of an aggregate of approximately 20% of the issued share capital of Megahunt (representing an aggregate of approximately RMB12.0 million (equivalent to approximately HK\$14.5 million) registered capital) (the “Disposal”) at an aggregate consideration of approximately RMB208.7 million (equivalent to approximately HK\$254.6 million). Completion of the Share Transfer Agreement II (first tranche), Share Transfer Agreement III and Share Transfer Agreement IV (as referred to in the aforesaid announcements) took place on 31 December 2021, and immediately after such completion the Group’s interest in Megahunt decreased from approximately 65.73% to approximately 54.10%. Megahunt remained a subsidiary of the Company as at 31 December 2021. Upon completion of (i) the Share Transfer Agreement I and (ii) the Share Transfer Agreement II (second tranche) (as referred to in the aforesaid announcements) on 20 May 2022 and 23 May 2022 respectively, the Group’s interest in Megahunt further decreased to approximately 45.73% and Megahunt has ceased to be a subsidiary of the Company and has been accounted for as an associated company of the Company. Gain on disposal of HK\$429.3 million was recognised in May 2022.

Megahunt is principally engaged in the sale of information security chips and solutions, computer hardware and software, system integration and the development of SOC. The corresponding business segment (i.e. the information security chips and solutions segment) was classified as discontinued operation for 1H2021 and 1H2022.

Key Financial Performance

	Unaudited		
	1H2022	1H2021	Change
	HK\$'000	HK\$'000	+ / (-)
		(Restated)	
Turnover*	246,379	205,092	+20%
EBITDA [#]	93,584	43,893	+113%
Operating profit	93,584	38,960	+140%

* Turnover from external customers

[#] EBITDA is calculated by excluding interest expense, taxes, depreciation and amortisation from segmental operating profit

Financial Position

	Audited
	As at
	31 December
	2021
	HK\$'000
Assets classified as held-for-sale	419,105
Liabilities directly associated with assets classified as held-for-sale	<u>(82,803)</u>

During 1H2022, turnover from discontinued operation amounted to HK\$246.4 million as compared to HK\$205.1 million in 1H2021, representing an increase by more than 20%. Operating profit from discontinued operation amounted to HK\$93.6 million, as compared to HK\$39.0 million in 1H2021. The increase in turnover was mainly due to the active stocking of downstream customers because of the tight semiconductor supply chain.

KEY INVESTING AND FINANCING ACTIVITIES

Disposal of Megahunt

In December 2021, Megahunt HK entered into certain share transfer agreements with certain purchasers and Megahunt for the disposal of an aggregate of approximately 20% interest in Megahunt (the “Megahunt Interest”) at an aggregate consideration of approximately RMB208.7 million (equivalent to approximately HK\$254.6 million).

In connection with the disposal of (i) approximately 4.36% Megahunt Interest by Megahunt HK pursuant to one of the aforesaid share transfer agreements; and (ii) approximately 3.64% Megahunt Interest by Wonder Pax Technology (Shenzhen) Co. Ltd (a subsidiary of PAX Global, an associated company of the Company) to an independent third-party purchaser, Megahunt, the said independent third-party purchaser and the Management Platform Company (a limited partnership in the PRC held as to approximately 99.99% by Megahunt’s directors and management) entered into the side letters, pursuant to which Megahunt shall guarantee the repurchase obligations of the Management Platform Company to repurchase all or part of the aforesaid aggregate of 8% Megahunt Interest upon the occurrence of the triggering events, subject to other conditions as provided in the side letters and a cap of RMB180 million (equivalent to approximately HK\$219.6 million) (the “Repurchase Guarantee”). The Repurchase Guarantee shall unconditionally and irrevocably terminate on 31 December 2022, notwithstanding its validity as provided under the side letters would be 3 years from the relevant triggering events.

The Disposal completed on 23 May 2022. Immediately subsequent thereto and as at the date of this announcement, the Company’s interest in Megahunt is approximately 45.73% and Megahunt is accounted for as an associated company of the Company.

Further details are referred to in the Company’s announcements dated 15 December 2021, 28 December 2021, 11 February 2022, 28 February 2022, 14 April 2022 and 23 May 2022.

ISSUANCE OF ASSET-BACKED SECURITIES

VBill Factoring, a wholly-owned subsidiary of VBill OPCO, approved the ABS Scheme and the issuance of ABS thereunder. The ABS are backed by loan receivables in the form of trust interests. Pursuant to the no-objection letter from the Shanghai Stock Exchange, the maximum issue size of the ABS Scheme is RMB1,000 million (equivalent to approximately HK\$1,230 million) which can be issued in not more than 15 phases by 31 December 2023. The ABS are classified into priority and subordinated tranches according to their risks, earnings and duration. The priority tranche of the ABS is traded on the Shanghai Stock Exchange.

The first phase of the ABS Scheme with an issue size of RMB309 million (equivalent to approximately HK\$380.1 million) was established on 27 January 2022 and the second phase with an issue size of RMB362 million (equivalent to approximately HK\$419.9 million) was established on 20 May 2022. The priority tranche is issued to qualified institutional investors in the PRC and the subordinated tranche is issued to VBill Factoring or its designated affiliates. The proceeds from the issuance are principally used as general working capital of the fintech solutions and services business segment. The issuance of the ABS will widen the fund-raising channels of the Group to access low-cost capital, which in turn will be used to improve the financing structure of the Company and promote its operating activities and investments.

Further details are set out in the Company’s announcements dated 27 January 2022 and 20 May 2022.

OUTLOOK

In 1H2022, the regional spread of the COVID-19 pandemic put China's economy under greater pressure. After more than two years of large-scale epidemic prevention and control, we are optimistic about the country's rapid response to sporadic outbreaks and the rapid and joint efforts in its dynamic zero-COVID epidemic prevention policy. Under the trend of global economic integration, it is expected that the economic outlook and operating environment will remain challenging throughout 2022.

Payment Processing Solutions

According to the Administrative Measures for the Payment Services Provided by Non-financial Institutions formulated by the People's Bank of China, the intermediaries between payers and payees which provide online payment, issuance and acceptance of prepaid cards, bankcard acquiring and other payment services as specified by the People's Bank of China shall obtain a "Payment Business Permit", which shall be valid for 5 years. We successfully completed the renewal on 27 June 2022, and the certificate is valid until 27 June 2027.

In 2022, the COVID-19 pandemic situations were more abrupt than last year, showing a trend of nationwide regional outbreaks in cities. The payment business also fluctuated across different regions and in different time period alongside the epidemic situations. Under these circumstances, our QR code transactions still achieved a 59% growth, driven by the digital service business. In 1H2022, our domestic payment transaction volume reached RMB772.4 billion. In terms of cross-border payment business, during the period, we continued to open up overseas mainstream e-commerce platforms, built a global overseas payment network, and provided export enterprises with one-stop cross-border capital services such as cross-border payment collection, global payment as an agent, and foreign exchange management. Our monthly transaction amount exceeded US\$10 million, and our business covers Hong Kong, the United States, Japan, Singapore and other countries and regions.

In terms of digital service business, the outbreak of the COVID-19 pandemic has triggered major changes in consumption patterns and industry formats. In view of the offline merchants' demand for digital business having entered a stage of rapid growth, we provide the merchants with a full range of digital solutions by adopting payment as the entry point and combining our information-based and smart products. In line with merchants' digital demand, we have launched a variety of smart products, including smart decision-making, smart marketing, smart account books, smart scales and other products. Our smart decision-making products take advantage of big data smart database and DEM smart algorithm (fluctuation model, AI diagnosis model, decision correction model) to intelligently manage the entire cycle of commodity circulation, targeting and providing retail merchants such as offline chain supermarkets, convenience stores and fresh food stores with digital solutions for the retail industry that integrate four functional modules including "operation status diagnosis", "smart supply chain", "commodity category management" and "on-site AI management" to comprehensively improve the operational efficiency of merchants. Such products quickly gained market recognition as soon as they were launched in 2022. In 1H2022, we cooperated with more than 10 leading chain merchants, covering more than 20,000 stores. In addition, we focused on the digital transformation of traditional wet markets, to assist in the smart transformation of farmers' markets, provide market managers, merchants and consumers with smart solutions that integrate management, marketing, and user experience to create a digital ecosystem for wet markets. As of 30 June 2022, our digital products have served 0.8 million merchants, mainly in the retail industry, community fresh food stores, farmers' markets, chain convenience stores, etc.

Fintech Solutions and services

Fintech solutions and services mainly include: supply chain financial technology, micro-lending and factoring business. Among these, our supply chain financial technology sector has made great progress, and we have created two product service platforms: “Suixin Cloud Chain Financial Service Platform” (“Suixin Cloud Chain”) and “Commercial Bill Financing Service Platform”.

Suixin Cloud Chain is the Company’s self-developed supply chain financial service platform, mainly serving core enterprise suppliers. Relying on financial technologies such as blockchain, big data, cloud computing, etc., it has built standards and allows splitting, circulation and financing activities throughout the supply chain for core enterprises. It runs across credit barriers along the industrial chain, achieved business credit empowerment for core enterprises, and solved the problems of difficult, expensive and slow financing for small and medium-sized enterprises along the industrial chain, facilitating the favourable and healthy development of the industrial ecology. The Commercial Bill Financing Service Platform, relying on the abundant resources on cooperation with financial institutions, provides one-stop standardised bill services, including bill financing services. It also provides small and medium-sized enterprises with efficient, convenient, compliant and safe financing services.

In addition, we provide financial support to many small and micro enterprises through direct connection to banks, issuance of asset-backed securities schemes, and through our small loan companies and factoring companies, helping small and micro enterprises to expand production scale and achieve stable growth. As of 30 June 2022, we have cooperated with more than 21 banks and 2 trusts with a customer financing amount exceeding RMB18.4 billion. On 27 January 2022 and 20 May 2022, the first phase and the second phase of asset-backed securities scheme with a total issue size of RMB309 million (equivalent to approximately HK\$380.1 million) and RMB362 million (equivalent to approximately HK\$419.9 million) were also established, respectively.

Platform Operation Solutions

In 1H2022, we successfully signed product development, business operation and system maintenance-related contracts for the new year with China Mobile Financial Technology Co., Ltd., the Company’s major customer, and our business scale remained stable. Meanwhile, we also actively participated in the project competition of China Mobile’s provincial companies and expanded technical service opportunities outside the operator’s system. The size of our technical service orders in the securities industry increased by more than 30% year-on-year. Under the influence of the pandemic and the overall shrinkage of market resources, the expansion of new businesses face more challenges. Looking forward to the second half of the year, we will continue to expand and innovate at the business level and strive to seek various opportunities.

Financial Solutions

In Mainland China, BJ ABS, leveraging its experience accumulated in previous projects and its independent research and development, put forward three major strategies and nine major techniques for the migration of banking transaction systems, helping banks to achieve digital transformation and independent control. This solution advocates the maximum inheritance of application design assets, in order to achieve a more efficient, secure and complete business system migration from mainframe to the distributed open platform smoothly. In 1H2022, BOC Hong Kong and BOC Macau successively kick started system migration following China Guangfa Bank's overall downshift of its core banking system.

In terms of overseas financial IT service opportunities, we actively carried out market expansion and research and development of new products and new technologies on the basis of continuously improving overseas service capabilities. To improve overseas service capabilities, we have set up overseas offices in Laos and Cambodia, greatly improving our local technical service capabilities. In terms of market expansion, we signed contracts with five new customers during the period and actively expanded in new overseas countries. In terms of research and development of new products and technologies, our newly developed decentralised and micro-service core system has achieved certain results. We have signed a contract with a virtual bank in Hong Kong and the system is expected to be put into production within this year. At the same time, we are cooperating with a cloud vendor to actively develop technical solutions for migrating from IBM mainframes to the cloud. To date, technical research has been initially completed, and market promotion will be carried out jointly in the next stage.

Disposal of Megahunt

Following the completion of the Disposal in 1H2022 (as provided in the section titled "Key Investing and Financing Activities" on page 57), the Group's interest in Megahunt was reduced to approximately 45.73%. Megahunt ceased to be a subsidiary of the Company and was accounted for as an associate of the Company. The Disposal is expected to bring strategic benefits to Megahunt's long-term growth. Through the establishment of cooperative relationships with new investors, it is expected that Megahunt can benefit from the experience and reputation of new investors while providing the management team of Megahunt with the opportunity to further acquire proprietary interests in Megahunt and encouraging them to work towards enhancing the value of equity interests in Megahunt for the benefit of Megahunt and its shareholder(s) as a whole.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group reported total assets of HK\$10,887.3 million (31 December 2021: HK\$10,818.8 million), which were financed by total liabilities of HK\$3,293.9 million (31 December 2021: HK\$3,327.8 million) and equity of HK\$7,593.4 million (31 December 2021: HK\$7,491.0 million). The net asset value was HK\$7,593.4 million (31 December 2021: HK\$7,491.0 million). The net asset value per share amounted to HK\$2.735 per share (31 December 2021: HK\$2.698 per share).

As at 30 June 2022, the Group had restricted bank balance of HK\$655.8 million (31 December 2021: HK\$765.5 million), cash and cash equivalents of HK\$3,838.0 million (31 December 2021: HK\$3,254.6 million) and no short-term borrowing (31 December 2021: HK\$2.4 million). The net cash position as at 30 June 2022 was HK\$3,838.0 million (31 December 2021: HK\$3,252.2 million). As at 30 June 2022, the gearing ratio is calculated as total debt divided by total capital, while total debt includes lease liabilities, written put option liabilities and asset-backed securities of the Group. The gearing ratio was 12.7% (31 December 2021: 11.1%). 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 2022, the Group had no bank borrowings (31 December 2021: HK\$2.4 million) and banking facilities of approximately HK\$25.5 million (31 December 2021: HK\$26.6 million). The bank borrowing carried an interest rate of 4.25% per annum as at 31 December 2021. As at 30 June 2022, the banking facilities were secured by the leasehold land and buildings of a subsidiary of the Company, with net book amount of HK\$2.7 million (31 December 2021: HK\$2.7 million) and HK\$4.2 million (31 December 2021: HK\$4.7 million) respectively.

Approximately HK\$3,009.2 million, HK\$549.3 million, HK\$912.5 million, HK\$16.3 million, HK\$2.5 million, HK\$2.6 million and HK\$1.3 million of the Group's restricted bank balance and cash and cash equivalent were denominated in Renminbi, Hong Kong dollar, US dollar, Euro, Japanese Yen, British pound and Singapore dollar respectively as at 30 June 2022.

Approximately HK\$2,626.1 million, HK\$413.5 million, HK\$979.4 million and HK\$1.0 million of the Group's restricted bank balance and cash and cash equivalents were denominated in Renminbi, Hong Kong dollar, US dollar, Euro respectively as at 31 December 2021.

SIGNIFICANT INVESTMENT

Save as disclosed in note H and note J under the section titled "Overall Financial Results and Position" on pages 48 to 49, the Group held no significant investment as at 30 June 2022.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in the section titled "Key Investing and Financing Activities" on page 57, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2022.

EXCHANGE RATES EXPOSURE

The Group derives its revenue, makes purchases and incurs expenses denominated mainly in US dollar, Renminbi, Euro, Japanese Yen, British pound, Singapore dollar 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 million 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 2022. As at 30 June 2022, the Company did not recognise any liability in relation to the Performance Guarantee Agreement. The Directors considered the possibility of reimbursement not probable.

(B) Guarantee Agreements with associates of the Company

- (i) In 2019, the Company entered into a guarantee agreement (the "2019 Manufacturer Guarantee Agreement") with 3 then subsidiaries of the Company (two of which being associates of the Company as at the date of this announcement), pursuant to which the Company shall guarantee to repay the due and unsettled debts of the said associates individually and/or collectively of up to US\$10 million (equivalent to approximately HK\$78 million) incurred in relation to such manufacturing orders placed against the named manufacturer by the said associates, should any of them individually and/or collectively cease or fail to honour its payment obligations.

In respect of the further expansion of order scale, the Company entered into a new guarantee agreement in 2021 (the "2021 Manufacturer Guarantee Agreement") with the same counterparties, pursuant to which the Company shall guarantee to repay the due and unsettled debts of the said associates individually and/or collectively of up to US\$20 million (equivalent to approximately HK\$156 million) incurred in relation to such manufacturing orders placed against the named manufacturer by the said associates, should any of them individually and/or collectively cease or fail to honour its payment obligations.

The 2019 Manufacturer Guarantee Agreement was terminated and the entirety of the Company's obligations and liability thereunder, if any, was effectively transferred to the 2021 Manufacturer Guarantee Agreement. As at 30 June 2022, the Company did not recognise any liability in relation to the 2021 Manufacturer Guarantee Agreement. The Directors considered the possibility of reimbursement not probable.

- (ii) In 2020, the Company entered into a guarantee agreement (the “2020 OEM Guarantee Agreement”) with a then subsidiary of the Company (being an associate of the Company as at the date of this announcement) and an independent manufacturer (“OEM”), pursuant to which the Company shall guarantee to repay the said associate’s due and unsettled debts of up to US\$10 million (equivalent to approximately HK\$78 million) owed to the OEM incurred in relation to such manufacturing orders the said associate placed against the OEM should it cease or fail to honour its payment obligations. As at 30 June 2022, the Company did not recognise any liability in relation to the 2020 OEM Guarantee Agreement. The Directors considered the possibility of reimbursement not probable.

Save as disclosed above, the Group had no material contingent liability as at 30 June 2022.

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 of good corporate governance (the “Principles”) and code provisions (the “Code Provisions”) of the Corporate Governance 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 2022.

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 Corporate Governance 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.

RESIGNATION AND RETIREMENT OF DIRECTORS

Mr. Chang Kai-Tzung, Richard retired as an independent non-executive Director and a member of the audit committee of the Company with effect from 19 April 2022, upon the expiration of the term of the then service agreement. Further details are set out in the Company's announcement dated 14 April 2022.

Mr. Cheung Yuk Fung ("Mr. Cheung") would resign as an executive Director and Chairman of the Company with effect from 18 August 2022. He has confirmed that he has no disagreement with the Board and there is no other matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company or the Stock Exchange.

APPOINTMENT OF CHAIRMAN

Following Mr. Cheung's resignation, Mr. Xu Wensheng, an executive Director has been appointed as the Chairman of the Company with effect from 18 August 2022.

Save as disclosed above, 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 2022 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 2022.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This 2022 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 2022 interim report will be available on the aforesaid websites and despatched to the shareholders of the Company in due course.

The 2022 interim financial information set out above does not constitute the Group's statutory financial statements for the six months ended 30 June 2022. Instead, it has been derived from the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2022, which will be included in the Company's 2022 interim report.

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

Hong Kong, 11 August 2022

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 Changjun; and three independent non-executive Directors, namely Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Li Heguo.