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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 2024

FINANCIAL HIGHLIGHTS	Unaudited		Change +/(–)
	1H2024 HK\$'000	1H2023 HK\$'000	
RESULTS			
Revenue	1,176,888	1,310,613	–10%
Gross profit	413,836	476,332	–13%
Segmental EBITDA# (before unallocated items)	75,379	168,465	–55%
Operating profit	9,488	69,735	–86%
Share of results of associated companies	141,385	220,380	–36%
Adjusted net profit##	164,011	349,414	–53%
Impairment of investment in an associated company	(140,865)	–	N/A
Fair value gains on financial assets at fair value through profit or loss (“FVPL”), net	269	4,316	–94%
Gain on disposal of a subsidiary	–	3,277	N/A
Profit for the period	23,415	357,007	–93%
Profit attributable to:			
– Owners of the Company	3,397	316,301	–99%
– Non-controlling interests	20,018	40,706	–51%
	23,415	357,007	

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

Excluding impairment of investment in an associated company, fair value gains on financial assets at FVPL, net and gain on disposal of a subsidiary

* For identification purpose only

	1H2024 <i>HK\$</i> <i>per share</i>	1H2023 <i>HK\$</i> <i>per share</i>	Change +/(–)
Earnings/(losses) per share for profit attributable to the owners of the Company:			
Basic	0.001	0.115	–99%
Diluted	(0.032)	0.083	N/A
	As at 30 June 2024 <i>HK\$'000</i>	As at 31 December 2023 <i>HK\$'000</i>	Change +/(–)
HIGHLIGHTS OF FINANCIAL POSITION			
Total equity	7,666,116	7,778,018	–1%
Net current assets	3,765,304	3,958,374	–5%
Total assets	12,147,823	13,031,718	–7%
	<i>HK\$</i> <i>per share</i>	<i>HK\$</i> <i>per share</i>	Change +/(–)
Net assets per share	2.761	2.801	–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 2024 together with the unaudited comparative figures for the corresponding period in 2023 and, for the interim condensed consolidated balance sheet only, the audited comparative figures as at 31 December 2023 as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Unaudited	
		Six months ended 30 June	
		2024	2023
		HK\$'000	HK\$'000
Revenue	4, 5	1,176,888	1,310,613
Cost of sales	6	<u>(763,052)</u>	<u>(834,281)</u>
Gross profit		413,836	476,332
Other income	4	89,322	51,779
Other gains, net	4	269	9,179
Selling expenses	6	(55,452)	(86,186)
Administrative expenses	6	(404,664)	(367,859)
Credit impairment loss, net	6	<u>(33,823)</u>	<u>(13,510)</u>
Operating profit		9,488	69,735
Share of results of associated companies	11	141,385	220,380
Impairment of investment in an associated company	11	(140,865)	–
Loss on deemed acquisition and dilution of interest in an associated company	11	(2,524)	(224)
Gain on disposal of a subsidiary		–	3,277
Finance costs		<u>(924)</u>	<u>(2,179)</u>
Profit before income tax		6,560	290,989
Income tax credit	7	<u>16,855</u>	<u>66,018</u>
Profit for the period		<u>23,415</u>	<u>357,007</u>
Profit attributable to:			
– Owners of the Company		3,397	316,301
– Non-controlling interests		<u>20,018</u>	<u>40,706</u>
		<u>23,415</u>	<u>357,007</u>
		<i>HK\$ per share</i>	<i>HK\$ per share</i>
Earnings/(losses) per share for profit attributable to the owners of the Company:			
Basic	9	<u>0.001</u>	<u>0.115</u>
Diluted	9	<u>(0.032)</u>	<u>0.083</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	23,415	357,007
Other comprehensive (loss)/income, net of tax		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Share of other comprehensive loss of associated companies	(61,012)	(36,167)
Exchange differences on translation of foreign subsidiaries	(74,198)	(139,016)
Release of reserve upon dilution of interest in an associated company	176	(2,460)
<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	–	(152,832)
Share of other comprehensive loss of an associated company	–	(17)
Total comprehensive (loss)/income for the period, net of tax	(111,619)	26,515
Total comprehensive (loss)/income for the period attributable to:		
– Owners of the Company	(116,962)	12,794
– Non-controlling interests	5,343	13,721
	(111,619)	26,515

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 June 2024 <i>HK\$'000</i>	Audited As at 31 December 2023 <i>HK\$'000</i>
	<i>Note</i>		
Assets			
Non-current assets			
Investment properties		425	511
Property, plant and equipment		50,683	77,660
Right-of-use assets		54,287	69,560
Intangible assets		2,585	2,834
Investments in associated companies	11	3,459,550	3,606,250
Financial assets at fair value through profit or loss		78,221	82,321
Other financial assets at amortised cost		2,019	2,070
Long-term bank deposits		267,437	–
Total non-current assets		3,915,207	3,841,206
Current assets			
Inventories		781	19,474
Other current assets		28,058	27,245
Other financial assets at amortised cost		146,712	170,845
Amount due from an associated company		5,000	5,000
Loan receivables	10	1,064,481	1,536,634
Trade and bills receivables	12	131,949	177,055
Financial asset at fair value through profit or loss		709	226,885
Current income tax recoverable		7,482	3,040
Short-term bank deposits		250,321	–
Restricted bank balances		3,077,045	3,542,318
Cash and cash equivalents		3,446,567	3,482,016
Assets classified as held for sale	15	8,159,105 73,511	9,190,512 –
Total current assets		8,232,616	9,190,512
Total assets		12,147,823	13,031,718
Equity			
Capital and reserves attributable to the owners of the Company			
Share capital		6,942	6,942
Reserves		7,066,518	7,183,993
Non-controlling interests		7,073,460 592,656	7,190,935 587,083
Total equity		7,666,116	7,778,018

	<i>Note</i>	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Liabilities			
Non-current liabilities			
Lease liabilities		14,395	21,545
Deferred income tax liabilities		–	17
		<hr/>	<hr/>
Total non-current liabilities		14,395	21,562
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade payables	<i>13</i>	497,598	596,415
Payables for payment and digital services business	<i>14</i>	3,010,791	3,591,920
Other payables and accruals	<i>14</i>	826,521	932,745
Amounts due to associated companies		4,193	4,295
Current income tax liabilities		28,168	42,136
Bank borrowings		12,302	42,688
Lease liabilities		22,749	21,939
		<hr/>	<hr/>
		4,402,322	5,232,138
Liabilities directly associated with assets classified as held for sale	<i>15</i>	64,990	–
		<hr/>	<hr/>
Total current liabilities		4,467,312	5,232,138
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		4,481,707	5,253,700
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Total equity and liabilities		12,147,823	13,031,718
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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 and digital services, provision of fintech 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 20 August 2024.

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 2024 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 of 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 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Reclassification in the Interim Condensed Consolidated Cash Flow Statement

The Group previously recorded the decrease in restricted bank balances of HK\$142,180,000 for the period ended 30 June 2023 under investing activities in the interim condensed consolidated cash flow statement. During the year ended 31 December 2023, the Group revisited the nature of certain of its restricted bank balances arising from customer reserve accounts and considered these restricted bank balances represent payments received on behalf of the merchants to settle related payment and digital services business. Accordingly, an adjustment is made to reclassify such decrease from investing activities to operating activities in the Group’s interim condensed consolidated cash flow statement for the period ended 30 June 2023 to align with the presentation of the Group’s consolidated cash flow statement for the year ended 31 December 2023.

As a result, the net cash generated from operating activities of HK\$736,522,000 for the period ended 30 June 2023 as previously stated in the interim condensed consolidated cash flow statement has been restated to HK\$594,342,000, and the net cash used in investing activities of HK\$58,650,000 for the period ended 30 June 2023 as previously stated in the interim condensed consolidated cash flow statement has been restated to net cash generated from investing activities of HK\$83,530,000. The above reclassification has no impact on the interim condensed consolidated financial position of the Group as at 30 June 2023 and the profit for the period then ended.

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended 31 December 2023, 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 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 GAINS, NET

Revenue, other income and other gains, net, recognised during the period is as follows:

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Revenue from contracts with customers		
<i>Recognised over time</i>		
Provision of services	1,055,482	1,185,761
<i>Recognised at a point in time</i>		
Sales of goods	83,887	16,675
	1,139,369	1,202,436
Revenue from other source		
Provision of fintech services (<i>Note i</i>)	37,519	108,177
	1,176,888	1,310,613
Other income		
Interest income	80,755	32,217
Government subsidies (<i>Note ii</i>)	7,855	17,392
Rental income	437	1,499
Others	275	671
	89,322	51,779

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Other gains, net		
Fair value (losses)/gains on financial assets at FVPL		
– Unlisted investment fund	(2,165)	4,339
– Listed equity securities	(124)	(23)
– Investments at FVPL	2,558	–
Derecognition of written put option liability at FVPL	–	4,863
	<u>269</u>	<u>9,179</u>

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

Note ii: Government grants 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 2024 (six months ended 30 June 2023: same). There were no unfulfilled condition and other contingencies attached to the receipts of those grants (six months ended 30 June 2023: 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.

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

- (a) Payment and digital services – principally engaged in the provision of payment processing services and related digital products and solutions;
- (b) Fintech services – principally engaged in the provision of microlending, 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; and
- (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.

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 and fair value gains/(losses) 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 2024 by operating segment is as follows:

	Unaudited					
	Payment and digital services HK\$'000	Fintech services HK\$'000	Platform operation solutions HK\$'000	Financial solutions HK\$'000	Others HK\$'000	Total Group HK\$'000
Six months ended 30 June 2024						
Segment turnover	892,681	46,697	57,057	99,810	83,887	1,180,132
Inter-segment turnover	(451)	(2,793)	-	-	-	(3,244)
Turnover from external customers	<u>892,230</u>	<u>43,904</u>	<u>57,057</u>	<u>99,810</u>	<u>83,887</u>	<u>1,176,888</u>
Segmental EBITDA (excluding fair value gains/(losses) on financial assets at FVPL)	<u>117,472</u>	<u>(20,372)</u>	<u>(16,080)</u>	<u>384</u>	<u>(6,025)</u>	<u>75,379</u>
Depreciation	(26,552)	(2,722)	(2,846)	(2,907)	(1,071)	(36,098)
Amortisation	(167)	-	-	-	(10)	(177)
Fair value gains/(losses) on financial assets at FVPL	-	2,558	(2,165)	-	-	393
Segmental operating profit/(loss)	<u>90,753</u>	<u>(20,536)</u>	<u>(21,091)</u>	<u>(2,523)</u>	<u>(7,106)</u>	<u>39,497</u>
Unallocated other income						12,582
Unallocated corporate expenses						(42,591)
Share of results of associated companies						141,385
Impairment of investment in an associated company						(140,865)
Loss on deemed acquisition and dilution of interest in an associated company						(2,524)
Finance costs						<u>(924)</u>
Profit before income tax						6,560
Income tax credit						<u>16,855</u>
Profit for the period						<u><u>23,415</u></u>

An analysis of the Group's revenue and results for the six months ended 30 June 2023 by operating segment is as follows:

	Unaudited					Total Group HK\$'000
	Payment and digital services HK\$'000	Fintech services HK\$'000	Platform operation solutions HK\$'000	Financial solutions HK\$'000	Others HK\$'000	
Six months ended 30 June 2023						
Segment turnover	1,023,799	115,660	59,918	94,858	16,675	1,310,910
Inter-segment turnover	(297)	–	–	–	–	(297)
Turnover from external customers	<u>1,023,502</u>	<u>115,660</u>	<u>59,918</u>	<u>94,858</u>	<u>16,675</u>	<u>1,310,613</u>
Segmental EBITDA (excluding fair value gain on financial assets at FVPL)	<u>175,405</u>	<u>58,887</u>	<u>(17,433)</u>	<u>(35,716)</u>	<u>(12,678)</u>	<u>168,465</u>
Depreciation	(61,297)	(2,936)	(2,977)	(3,239)	(1,072)	(71,521)
Amortisation	(367)	(377)	–	–	(14)	(758)
Fair value gain on financial assets at FVPL	–	–	4,339	–	–	4,339
Segmental operating profit/(loss)	<u>113,741</u>	<u>55,574</u>	<u>(16,071)</u>	<u>(38,955)</u>	<u>(13,764)</u>	<u>100,525</u>
Unallocated other income						9,815
Unallocated corporate expenses						(40,605)
Share of results of associated companies						220,380
Gain on disposal of a subsidiary						3,277
Loss on deemed acquisition and dilution of interest in an associated company						(224)
Finance costs						<u>(2,179)</u>
Profit before income tax						290,989
Income tax credit						<u>66,018</u>
Profit for the period						<u>357,007</u>

The segment assets and liabilities as at 30 June 2024 and additions to non-current assets for the six months ended 30 June 2024 are as follows:

	Unaudited							
	Payment and digital services <i>HK\$'000</i>	Fintech services <i>HK\$'000</i>	Platform operation solutions <i>HK\$'000</i>	Financial solutions <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total Group <i>HK\$'000</i>
As at 30 June 2024								
Segment assets	<u>6,393,782</u>	<u>1,967,711</u>	<u>559,341</u>	<u>395,721</u>	<u>323,094</u>	<u>4,892,272</u>	<u>(2,384,098)</u>	<u>12,147,823</u>
Segment liabilities	<u>(4,602,458)</u>	<u>(782,789)</u>	<u>(326,913)</u>	<u>(531,108)</u>	<u>(174,457)</u>	<u>(448,080)</u>	<u>2,384,098</u>	<u>(4,481,707)</u>
Six months ended 30 June 2024								
Additions to non-current assets (excluding investments in associated companies, financial assets at FVPL, other financial assets at amortised cost and long-term bank deposits)	<u>22,702</u>	<u>-</u>	<u>21</u>	<u>9</u>	<u>271</u>	<u>15</u>	<u>-</u>	<u>23,018</u>

The segment assets and liabilities as at 31 December 2023 and additions to non-current assets for the six months ended 30 June 2023 are as follows:

	Audited							
	Payment and digital services <i>HK\$'000</i>	Fintech services <i>HK\$'000</i>	Platform operation solutions <i>HK\$'000</i>	Financial solutions <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total Group <i>HK\$'000</i>
As at 31 December 2023								
Segment assets	<u>6,742,579</u>	<u>2,357,488</u>	<u>603,153</u>	<u>470,905</u>	<u>327,551</u>	<u>5,004,890</u>	<u>(2,474,848)</u>	<u>13,031,718</u>
Segment liabilities	<u>(5,195,717)</u>	<u>(944,593)</u>	<u>(340,573)</u>	<u>(594,618)</u>	<u>(174,194)</u>	<u>(478,853)</u>	<u>2,474,848</u>	<u>(5,253,700)</u>
Six months ended 30 June 2023								
Additions to non-current assets (excluding investments in associated companies, financial asset at FVOCI, financial assets at FVPL and other financial assets at amortised cost)	<u>33,217</u>	<u>13,559</u>	<u>6,121</u>	<u>289</u>	<u>151</u>	<u>18</u>	<u>-</u>	<u>53,355</u>

During the period, additions to non-current assets mainly comprise additions to property, plant and equipment and right-of-use assets (six months ended 30 June 2023: 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 2023: same).

6 EXPENSES BY NATURE

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

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Auditor's remuneration	2,029	2,000
Commission and incentives paid/payable to business channel partners	513,035	576,590
Interest expenses on asset-backed securities	–	14,343
Depreciation of property, plant and equipment	24,672	60,233
Depreciation of right-of-use assets	13,892	14,808
Depreciation of investment properties	86	86
Amortisation of intangible assets	177	758
Employee benefit expenses	454,638	424,363
Costs of inventories sold (including reversal of provision for inventories)	61,776	12,129
Operating lease rentals in respect of land and buildings	5,421	4,989
Research and development costs (including staff cost)	165,965	133,553
Gains on disposals of property, plant and equipment	(43)	(17)
Credit impairment loss/(reversal of credit impairment loss), net		
– Trade and bills receivables	202	(6)
– Loan receivables	33,621	13,516
Net foreign exchange loss	966	665

7 INCOME TAX CREDIT

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– PRC Corporate income tax (<i>Note (a)</i>)	(7,075)	(20,373)
– Over-provision in prior year (<i>Note (b)</i>)	23,924	86,242
Deferred income tax	<u>6</u>	<u>149</u>
Income tax credit	<u><u>16,855</u></u>	<u><u>66,018</u></u>

Note (a)

No Hong Kong profits tax has been provided as the Group has no assessable profit during six months ended 30 June 2024 (six months ended 30 June 2023: same).

Subsidiaries in the PRC are subject to corporate income tax (“CIT”) in accordance with the PRC CIT Law. According to the PRC CIT Law and the relevant regulations, the CIT tax rate applicable is 25% unless preferential rates are applicable in the cities where the subsidiaries are located. If a subsidiary is qualified as High and New Technology Enterprise (“HNTE”), the applicable CIT tax rate is 15%. 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 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	
	2024	2023
Subsidiaries		
Beijing Hi Sun Advanced Business Solutions Information Technology Limited (“BJ ABS”)	15%	15%
隨行付支付有限公司 (“VBill OPCO”)	25%	25%
重慶鑫聯隨行科技有限公司 (“Chongqing Xinlian”)	15%	15%
北京結慧科技有限公司 (“Vintelligence Beijing”)	<u>15%</u>	<u>0%</u>

Note (b)

The over-provision of current income tax in prior year recognised during the periods ended 30 June 2023 and 2024 were mainly attributable to Vintelligence Beijing.

Pursuant to Caishui Circular 49 of 2016 jointly released by the Ministry of Finance, the State Administration of Taxation, the National Development and Reform Commission and the Ministry of Industry and Information Technology of the PRC and the amendments of the relevant tax rules and requirements of the eligibility for the tax incentives, management performed self-assessment for Vintelligence Beijing on the eligibility of tax incentives.

In May 2023, Vintelligence Beijing was accredited as SICE with the first effective period being the year ended 31 December 2022 and is entitled to a preferential tax rate of 0% for the first two years of being qualified and 12.5% for the next three years. As a result of the accreditation, Vintelligence Beijing received a tax refund in relation to corporate income tax paid during the year ended 31 December 2022 of HK\$21,084,000 and recognised an over-provision for income tax expense of HK\$72,660,000, which was calculated at the applicable tax rate of 15% when Vintelligence Beijing was qualified as HNTE during the year ended 31 December 2022, in the interim condensed consolidated income statement for the period ended 30 June 2023.

In July 2023, the Chinese tax authority published the version 2.0 of the policy implementation guidelines for research and development (“R&D”) expenditures super deduction (“Guidelines 2.0”), which provided additional clarity on the different kinds for research and development (“R&D”) expenses that are eligible for deductions, as well as more details on the types of activity that are deemed to be R&D. In view of the more stringent requirements and implementation measures in granting the preferential tax rate of SICE resulted from Guidelines 2.0, management applied the corporate income tax rate of 15% for the year ended 31 December 2023 and the period ended 30 June 2024 when Vintelligence Beijing was qualified as HNTE.

In May 2024, Vintelligence Beijing continued to be accredited as SICE with the second effective period being the year ended 31 December 2023 and is entitled to a preferential tax rate of 0%. During the period ended 30 June 2024, Vintelligence Beijing received a tax refund in relation to corporate income tax paid during the year ended 31 December 2023 of HK\$20,460,000 and recognised an over-provision for income tax expense of HK\$22,932,000, which was calculated at the applicable tax rate of 15% when Vintelligence Beijing was qualified as HNTE during the year ended 31 December 2023, in the interim condensed consolidated income statement for the period ended 30 June 2024.

8 DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

9 EARNINGS/(LOSSES) 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	
	2024	2023
Profit attributable to the owners of the Company (<i>HK\$'000</i>)	<u><u>3,397</u></u>	<u><u>316,301</u></u>
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (<i>thousands shares</i>)	<u><u>2,758,406</u></u>	<u><u>2,744,839</u></u>
Basic earnings per share attributable to the owners of the Company (<i>HK\$ per share</i>)	<u><u>0.001</u></u>	<u><u>0.115</u></u>

(b) Diluted

Diluted (losses)/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 2024, the Group has three categories (six months ended 30 June 2023: three) 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 share options issued by a subsidiary – Shenzhen Hi Sun FinTech Global Limited (“Shenzhen Hi Sun”) (six months ended 30 June 2023: share options issued by an associated company – PAX Global, share options issued by a subsidiary – VBill OPCO and a written put option liability issued by a subsidiary – VBill Limited).

For the six months ended 30 June 2024, the exercise of the outstanding share options in PAX Global and VBill OPCO (six months ended 30 June 2023: PAX Global) would have a dilutive effect. A calculation is performed 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 and subsidiary’s shares (six months ended 30 June 2023: the associated company’s shares)) based on the monetary value of the subscription rights attached to outstanding share options of PAX Global and VBill OPCO (six months ended 30 June 2023: 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 and VBill OPCO (six months ended 30 June 2023: PAX Global).

For the six months ended 30 June 2024, the conversion feature of the share option issued by Shenzhen Hi Sun is considered to fall within contingently issuable ordinary shares. The triggering event of conversion did not occur for the six months ended 30 June 2024, therefore the conversion feature of this potential ordinary shares has no dilutive effect on earnings per share calculation.

For the six months ended 30 June 2023, the calculation of diluted earnings per share does not assume the exercise of the share options issued by VBill OPCO and the written put option liability of VBill (Cayman) as they would have an anti-dilutive impact to the basic earnings per share.

	Unaudited	
	Six months ended 30 June	
	2024	2023
Profit attributable to the owners of the Company (<i>HK\$'000</i>)	3,397	316,301
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	(3,073)	(5,167)
– Loss on dilution of an associated company	(88,276)	(84,593)
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	(685)	–
Adjusted (loss)/profit attributable to the owners of the Company used to determine diluted earnings per share (<i>HK\$'000</i>)	(88,637)	226,541
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands shares</i>)	2,758,406	2,744,839
Diluted (losses)/earnings per share attributable to the owners of the Company (<i>HK\$ per share</i>)	(0.032)	0.083

10 LOAN RECEIVABLES

Loan receivables are amounts due from customers in the ordinary course of the fintech 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	Audited
	At	At
	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
Current	1,043,488	1,498,174
1 to 3 months past due	4,408	72,032
Over 3 months past due	171,043	112,255
Loan receivables, gross	1,218,939	1,682,461
Less: provision for impairment of loan receivables	(154,458)	(145,827)
	1,064,481	1,536,634

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			Total
	At 30 June 2024			
	Stage 1	Stage 2	Stage 3	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loan receivables	1,043,488	4,408	171,043	1,218,939
Less: Provision for impairment of loan receivables	<u>(5,032)</u>	<u>(3,585)</u>	<u>(145,841)</u>	<u>(154,458)</u>
Loan receivables, net	<u>1,038,456</u>	<u>823</u>	<u>25,202</u>	<u>1,064,481</u>
		Audited		
		At 31 December 2023		
	Stage 1	Stage 2	Stage 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loan receivables	1,498,174	72,032	112,255	1,682,461
Less: Provision for impairment of loan receivables	<u>(11,751)</u>	<u>(30,754)</u>	<u>(103,322)</u>	<u>(145,827)</u>
Loan receivables, net	<u>1,486,423</u>	<u>41,278</u>	<u>8,933</u>	<u>1,536,634</u>

(ii) Effective interest rates on loan receivables

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

	Six months ended 30 June	
	2024	2023
Loans to borrowers	<u>4% to 24% p.a.</u>	<u>4% to 24% p.a.</u>

11 INVESTMENTS IN ASSOCIATED COMPANIES

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

	Unaudited At 30 June 2024 HK\$'000	Audited At 31 December 2023 HK\$'000
Associated companies:		
– PAX Global (<i>Note (a)</i>)	3,088,054	3,046,010
– Megahunt Technologies Inc (“Megahunt”) (<i>Note (b)</i>)	342,597	529,835
– Beijing Fangyun Technology Co., Ltd (“Beijing Fangyun”) (<i>Note (c)</i>)	–	–
– Beijing Zhongjin Yunchuang Software., Ltd (“Beijing Zhongjin”)	23,156	24,489
– Beijing Suiyun Technology Co., Ltd (“Beijing Suiyun”)	2,562	2,644
– Shenzhen Guofu Yunlian Technology Co., Ltd (“Shenzhen Guofu”)	3,181	3,272
– Cloopen Group Holding Limited (“Cloopen”) (<i>Note (d)</i>)	–	–
	<u>3,459,550</u>	<u>3,606,250</u>

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

	Unaudited Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Associated companies:		
– PAX Global (<i>Note (a)</i>)	154,525	219,398
– Megahunt (<i>Note (b)</i>)	(12,349)	3,952
– Beijing Zhongjin	(758)	(2,942)
– Beijing Suiyun	(20)	(28)
– Shenzhen Guofu	(13)	–
	<u>141,385</u>	<u>220,380</u>

The amount of 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	
	2024 HK\$'000	2023 HK\$'000
Associated company:		
– PAX Global (<i>Note (a)</i>)	<u>2,524</u>	<u>224</u>

(a) **Investment in PAX Global**

The movement on interest in PAX Global is as follows:

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
At 1 January	3,046,010	2,846,550
Share of profit	154,525	219,398
Share of other comprehensive loss	(26,275)	(27,346)
Share of other reserve	(138)	–
Loss on deemed acquisition and dilution of interest, net (<i>Note i</i>)	(2,348)	(2,684)
Dividend received	(83,720)	(69,160)
	<hr/> 3,088,054 <hr/>	<hr/> 2,966,758 <hr/>
At 30 June	3,088,054	2,966,758

Note:

- (i) During the period, PAX Global repurchased a total of 638,000 ordinary shares (six months ended 30 June 2023: 6,800,000) on the Stock Exchange, of which 638,000 ordinary shares (six months ended 30 June 2023: 5,800,000) were subsequently cancelled during the period. Certain employees of PAX Global exercised share options granted to them pursuant to a share option scheme set up on 2 May 2019. A loss on deemed acquisition and dilution of interest in an associated company of HK\$2,524,000 (six months ended 30 June 2023: HK\$224,000) (which includes a release of reserve debited (six months ended 30 June 2023: credited) to the interim condensed consolidated income statement of HK\$176,000 (six months ended 30 June 2023: HK\$2,460,000)) were recognised in the interim condensed consolidated income statement. The Group's interest in PAX Global decreased from 34.01% to 34.00% accordingly.

(b) **Investment in Megahunt**

As disclosed in the Company's announcement dated 24 June 2024, the application for listing of Megahunt on the Science and Technology Innovation Board of the Shanghai Stock Exchange had been withdrawn in light of the strategic planning of Megahunt and the recent capital market environment. In view of this, management prepared an impairment assessment on the investment in Megahunt as at 30 June 2024.

The recoverable amount of Megahunt had been determined based on the higher of the fair value less cost of disposal and value-in-use. The recoverable amount of Megahunt as at 30 June 2024 was approximately HK\$342,597,000 based on the fair value less costs of disposal calculation determined under a market approach performed by an independent professional valuer. It was classified as a level 3 fair value measurement.

The recoverable amount of Megahunt is lower than its carrying amount. The shortfall of HK\$140,865,000 was recognised as impairment of investment in an associated company in the interim condensed consolidated income statement for the period ended 30 June 2024.

For the purpose of the impairment test of investment in Megahunt, management determined the key assumptions and inputs as below:

	Unaudited At 30 June 2024
Enterprise value to sales multiple	2.56
Discount for lack of marketability	<u>20.5%</u>

(c) 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 zero due to losses, after the initial recognition. As at 30 June 2024, the Group's share of loss of Beijing Fangyun exceeded its interest in the ordinary shares of Beijing Fangyun (31 December 2023: same). As at 30 June 2024, the unrecognised share of loss of the interests in Beijing Fangyun is HK\$2,947,000 (31 December 2023: HK\$3,086,000).

(d) Investment in Cloopen

During the year ended 31 December 2023, two of the Group's representatives were appointed to serve on the board of directors of Cloopen, which is principally engaged in providing integrated communication services based on cloud computing technology. Upon the appointment effective from 30 November 2023, the Group ceased to recognise its interest in Cloopen as FVOCI. On the same date, the Group accounted for its interest in Cloopen as an investment in an associated company using the equity method going forward.

12 TRADE AND BILLS RECEIVABLES

	Unaudited At 30 June 2024 HK\$'000	Audited At 31 December 2023 HK\$'000
Trade receivables (<i>Note (a)</i>)	137,463	187,243
Bills receivables (<i>Note (b)</i>)	805	5,830
<i>Less: provision for impairment of receivables</i>	<u>(6,319)</u>	<u>(16,018)</u>
	<u>131,949</u>	<u>177,055</u>

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
	2024	2023
	HK\$'000	HK\$'000
Current to 90 days	52,882	145,541
91 to 180 days	63,335	13,989
181 to 365 days	12,343	3,463
Over 365 days	8,903	24,250
	<u>137,463</u>	<u>187,243</u>

(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
	2024	2023
	HK\$'000	HK\$'000
Falling within 90 days	805	588
Falling within 91 to 180 days	-	5,242
	<u>805</u>	<u>5,830</u>

13 TRADE PAYABLES

	Unaudited	Audited
	At	At
	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
Trade payables	<u>497,598</u>	<u>596,415</u>

At 30 June 2024 and 31 December 2023, the ageing analysis of the trade payables primarily based on invoice date was as follows:

	Unaudited	Audited
	At	At
	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
Current to 90 days	490,780	318,313
91 to 180 days	1	110,708
181 to 365 days	1,692	156,504
Over 365 days	5,125	10,890
	497,598	596,415

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

14 PAYABLES FOR PAYMENT AND DIGITAL SERVICES BUSINESS AND OTHER PAYABLES AND ACCRUALS

	Unaudited	Audited
	At	At
	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
Payables for payment and digital services business (<i>Note (a)</i>)	3,010,791	3,591,920
Other payables and accruals (<i>Note (b)</i>)	826,521	932,745
	3,837,312	4,524,665

Notes:

(a) Payables for payment and digital services business

Payables for payment and digital services business mainly represent 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 contractual settlement clearance dates.

(b) Other payables and accruals

	Unaudited At 30 June 2024 HK\$'000	Audited At 31 December 2023 HK\$'000
Accrued staff costs and pension obligations	158,295	256,214
Deposits	34,274	35,154
Receipt in advance from customers (<i>Note i</i>)	21,670	24,023
Advance from business channel partners	439,457	424,893
Others	172,825	192,461
	<hr/>	<hr/>
Total	826,521	932,745

Note:

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

Revenue recognised during the period ended 30 June 2024 that was included in the contract liability balance at the beginning of the period amounted to HK\$22,010,000 (six months ended 30 June 2023: HK\$40,931,000).

15 ASSETS AND LIABILITIES OF DISPOSAL COMPANIES CLASSIFIED AS HELD FOR SALE

As at 30 June 2024, the Group was undergoing negotiation with the intention to dispose Hangzhou PAX Electronic Technology Ltd. (“Hangzhou Electronic”) and 杭州富順信息技術有限公司 (“Hangzhou Fushun”), being two indirect wholly-owned subsidiaries of the Company (the “Disposal Companies”) upon which the Group would cease its electronic power meters and solutions business. Accordingly, the associated assets and liabilities were consequently presented as held for sale in the interim condensed consolidated balance sheet as at 30 June 2024.

Subsequent to the period ended 30 June 2024, on 7 July 2024, a share transfer agreement has been entered into with Zhejiang Haochao Technology Co., Ltd., a third party purchaser in relation to the disposal of the entire equity interests in the Disposal Companies at a total cash consideration of approximately RMB41,600,000 (equivalent to approximately HK\$44,500,000). The share transfer of Hangzhou Electronic was completed on 10 July 2024.

The following assets and liabilities were reclassified as held for sale as at 30 June 2024.

Assets classified as held for sale

	Unaudited At 30 June 2024 HK\$'000
Property, plant and equipment	14,757
Right-of-use assets	7,570
Intangible assets	7
Other financial assets at amortised cost	535
Inventories	19,322
Other current assets	3,480
Trade and bills receivables	7,422
Cash and cash equivalents	20,418
	<hr/>
Total assets of Disposal Companies classified as held for sale	73,511

Liabilities directly associated with assets classified as held for sale

	Unaudited At 30 June 2024 HK\$'000
Trade payables	44,081
Other payables and accruals	20,898
Deferred income tax liabilities	11
	<hr/>
Total liabilities of Disposal Companies classified as held for sale	64,990

INTERIM CONDENSED SEGMENT RESULT ANALYSIS

	Notes	Turnover Unaudited		EBITDA [#] Unaudited	
		1H2024 HK\$'000	1H2023 HK\$'000	1H2024 HK\$'000	1H2023 HK\$'000
Payment and digital services	1	892,681	1,023,799	117,472	175,405
Fintech services	2	46,697	115,660	(20,372)	58,887
Platform operation solutions	3	57,057	59,918	(16,080)	(17,433)
Financial solutions	4	99,810	94,858	384	(35,716)
Others	5	83,887	16,675	(6,025)	(12,678)
		<u>1,180,132</u>	<u>1,310,910</u>	<u>75,379</u>	<u>168,465</u>
Segmental results					
Less: Inter-segment turnover		(3,244)	(297)	-	-
		<u>1,176,888</u>	<u>1,310,613</u>	<u>75,379</u>	<u>168,465</u>
Depreciation				(36,098)	(71,521)
Amortisation				(177)	(758)
Fair value gains on financial assets at fair value through profit or loss ("FVPL"), net				393	4,339
				<u>39,497</u>	<u>100,525</u>
Segmental operating profit					
Unallocated other income				12,582	9,815
Unallocated corporate expenses				(42,591)	(40,605)
				<u>9,488</u>	<u>69,735</u>
Operating profit				<u>9,488</u>	<u>69,735</u>

[#] EBITDA is calculated by excluding interest expense, taxes, depreciation, amortisation and fair value gains on financial assets at FVPL, net from segmental operating profit

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Unaudited	
		1H2024 <i>HK\$'000</i>	1H2023 <i>HK\$'000</i>
Revenue	<i>A</i>	1,176,888	1,310,613
Cost of sales	<i>C</i>	<u>(763,052)</u>	<u>(834,281)</u>
Gross profit		413,836	476,332
Other income	<i>B</i>	89,322	51,779
Other gains, net		269	9,179
Selling expenses	<i>C</i>	(55,452)	(86,186)
Administrative expenses	<i>C</i>	(404,664)	(367,859)
Credit impairment loss, net	<i>C</i>	<u>(33,823)</u>	<u>(13,510)</u>
Operating profit		9,488	69,735
Share of results of associated companies	<i>D</i>	141,385	220,380
Impairment of investment in an associated company	<i>F</i>	(140,865)	–
Loss on deemed acquisition and dilution of interest in an associated company		(2,524)	(224)
Gain on disposal of a subsidiary		–	3,277
Finance costs		<u>(924)</u>	<u>(2,179)</u>
Profit before income tax		6,560	290,989
Income tax credit	<i>K</i>	<u>16,855</u>	<u>66,018</u>
Profit for the period		<u>23,415</u>	<u>357,007</u>
Profit attributable to:			
– Owners of the Company		3,397	316,301
– Non-controlling interests		<u>20,018</u>	<u>40,706</u>
		<u>23,415</u>	<u>357,007</u>
Earnings/(losses) per share for profit attributable to the owners of the Company:		<i>HK\$</i>	<i>HK\$</i>
		<i>per share</i>	<i>per share</i>
Basic		<u>0.001</u>	<u>0.115</u>
Diluted		<u>(0.032)</u>	<u>0.083</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 June 2024 <i>HK\$'000</i>	Audited As at 31 December 2023 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Investment properties and property, plant and equipment	<i>E</i>	51,108	78,171
Right-of-use assets		54,287	69,560
Intangible assets		2,585	2,834
Investments in associated companies	<i>F</i>	3,459,550	3,606,250
Financial assets at fair value through profit or loss		78,930	309,206
Inventories		781	19,474
Trade and bills receivables	<i>G</i>	131,949	177,055
Other financial assets at amortised cost and other current assets		176,789	200,160
Loan receivables	<i>H</i>	1,064,481	1,536,634
Amount due from an associated company		5,000	5,000
Current income tax recoverable		7,482	3,040
Time deposit	<i>I</i>	517,758	–
Restricted bank balances	<i>I</i>	3,077,045	3,542,318
Cash and cash equivalents	<i>I</i>	3,446,567	3,482,016
Assets classified as held for sale	<i>L</i>	73,511	–
Total assets		<u>12,147,823</u>	<u>13,031,718</u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		6,942	6,942
Reserves		7,066,518	7,183,993
		<u>7,073,460</u>	<u>7,190,935</u>
Non-controlling interests		592,656	587,083
Total equity		<u>7,666,116</u>	<u>7,778,018</u>

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2024	2023
	<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES			
Deferred income tax liabilities		–	17
Trade payables	<i>J</i>	497,598	596,415
Payables for payment and digital services business	<i>J</i>	3,010,791	3,591,920
Other payables and accruals	<i>J</i>	826,521	932,745
Amounts due to associated companies		4,193	4,295
Current income tax liabilities		28,168	42,136
Lease liabilities		37,144	43,484
Bank borrowings		12,302	42,688
Liabilities directly associated with assets classified as held for sale	<i>L</i>	64,990	–
Total liabilities		4,481,707	5,253,700
Total equity and liabilities		12,147,823	13,031,718
		As at	As at
		30 June	31 December
		2024	2023
		HK\$	HK\$
		per share	per share
Net assets per share		2.761	2.801

During the six months ended 30 June 2024 (“1H2024”), the consolidated turnover of Hi Sun Technology (China) Limited (the “Company”) and its subsidiaries (collectively, the “Group”) amounted to HK\$1,176.9 million, representing a decrease of approximately 10% when compared with the six months ended 30 June 2023 (“1H2023”). Profit for the period totalled HK\$23.4 million as compared to HK\$357.0 million in 1H2023.

With regard to the balance sheet, the total assets as at 30 June 2024 amounted to HK\$12,147.8 million as compared to HK\$13,031.7 million as at 31 December 2023. As at 30 June 2024, net current assets amounted to HK\$3,765.3 million, as compared to HK\$3,958.4 million as at 31 December 2023.

SEGMENT PERFORMANCE REVIEW

(1) Payment and digital services

Key performance indicators

	Unaudited		Change + / (-)
	1H2024 <i>HK\$'000</i>	1H2023 <i>HK\$'000</i>	
Turnover*	892,230	1,023,502	-13%
EBITDA#	117,472	175,405	-33%
Operating profit	90,753	113,741	-20%

* Turnover from external customers

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

Segmental turnover for 1H2024 amounted to HK\$892.2 million as compared to HK\$1,023.5 million in 1H2023. Segmental operating profit amounted to HK\$90.8 million, 20% down as compared to 1H2023.

The decrease in segmental turnover and segmental operating profit was primarily attributable to the further replacement of the traditional payment market by digital payments. While the digital services business of the Group is in the expansion stage, the handling fee rate of digital payment is lower than that of traditional payment. As such, the decline in the overall transaction volume and average handling fee rate during the digital transformation period has resulted in a decrease in revenue and operating profit during the relevant period. At the same time, the Group was actively making strategic moves to expand its management service products and platforms as well as cross-border business. Despite the expected short-term pressure during the period of digital transformation, the Group firmly believes that this strategic adjustment will bring about the cornerstone of more stable development in the future.

(2) Fintech services

Key performance indicators

	Unaudited		Change + / (-)
	1H2024 HK\$'000	1H2023 HK\$'000	
Turnover*	43,904	115,660	-62%
EBITDA#	(20,372)	58,887	N/A
– including credit impairment loss	(33,621)	(13,567)	N/A
Operating (loss)/profit	(20,536)	55,574	N/A

* Turnover from external customers

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

During 1H2024, segmental turnover amounted to HK\$43.9 million as compared to HK\$115.7 million in 1H2023. Decline in segmental turnover was mainly due to the decrease in volume of loans granted during the period. Segmental operating loss for 1H2024 amounted to HK\$20.5 million as compared to profit of HK\$55.6 million in 1H2023. Increase in segmental operating loss was mainly attributable to a decrease in turnover and an increase in credit impairment loss.

(3) Platform operation solutions

Key performance indicators

	Unaudited		Change + / (-)
	1H2024 HK\$'000	1H2023 HK\$'000	
Turnover*	57,057	59,918	-5%
EBITDA#	(16,080)	(17,433)	N/A
Fair value (loss)/gain on a financial asset at FVPL	(2,165)	4,339	N/A
Operating loss	(21,091)	(16,071)	N/A

* Turnover from external customers

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

In 1H2024, 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 for 1H2024 amounted to HK\$57.1 million as compared to HK\$59.9 million in 1H2023. Segmental operating loss for 1H2024 amounted to HK\$21.1 million as compared to HK\$16.1 million in 1H2023, which was primarily attributable to the fair value loss on a financial asset through profit or loss amounting to HK\$2.2 million in 1H2024 as compared to fair value gain of HK\$4.3 million in 1H2023.

(4) Financial solutions

Key performance indicators

	Unaudited		Change
	1H2024	1H2023	+ / (-)
	HK\$'000	HK\$'000	
Turnover*	99,810	94,858	+5%
EBITDA [#]	384	(35,716)	N/A
Operating loss	(2,523)	(38,955)	N/A

* Turnover from external customers

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

During 1H2024, segmental turnover amounted to HK\$99.8 million as compared to HK\$94.9 million in 1H2023. Segmental operating loss for 1H2024 totalled HK\$2.5 million as compared to HK\$39.0 million in 1H2023. The decline in segmental operating loss was mainly due to the reduced upfront costs as compared to 1H2023.

(5) Others

Other business operations mainly included our electronic power meters and solutions business. Turnover from these businesses contributed approximately 7% of the total consolidated turnover of the Group for 1H2024.

Segmental turnover for 1H2024 amounted to HK\$83.9 million as compared to HK\$16.7 million in 1H2023. Segmental operating loss for 1H2024 amounted to HK\$7.1 million as compared to HK\$13.8 million in 1H2023.

OVERALL FINANCIAL RESULTS AND POSITION

(A) Revenue

The consolidated turnover amounted to HK\$1,176.9 million in 1H2024, representing a decrease of approximately 10% over 1H2023. Such decrease was mainly attributable to a decrease in segmental turnover of the payment and digital services 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 1H2024, cost of sales decreased significantly mainly due to decline in total turnover particularly in the payment and digital services segment.

Increase in operating expenses was mainly due to increase in staff cost and research and development costs during 1H2024.

Credit impairment loss was primarily due to impairment loss on aged loan receivable balances under the fintech services segment.

(D) Share of results of associated companies

Amounts 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) Investment properties and property, plant and equipment

Balance mainly represented fixed assets of payment and digital services segment.

(F) 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 2024, the Group held 364,000,000 ordinary shares of PAX Global and the fair value of the Group’s approximately 34.0% effective interest in PAX Global was approximately HK\$2,133.0 million and the fair value of the investment was lower than its carrying value. The recoverable amount, based on discounted cashflow model, exceeded the carrying value as at 30 June 2024. The interest in PAX Global of HK\$3,088.1 million represented approximately 25.4% of the Group’s unaudited total assets as at 30 June 2024 and the cost of investment as at 30 June 2024 was HK\$259.8 million.

PAX Global, together with its subsidiaries, is principally engaged in the development and sales of electronic funds transfer point-of-sale (“E-payment Terminals”) products, provision of maintenance and installation and payment solution services (collectively, referred to as the “E-payment Terminals solutions business”).

PAX Global is one of the global leading suppliers of E-payment Terminals solutions business. The continuous progress in payment technology, coupled with the growing consumer preference for convenient and secure payment options, along with global cashless initiatives, has opened up new opportunities for PAX Global’s products and solutions. Despite facing challenging macroeconomic conditions, PAX Global has showcased resilience to risks and adaptability to volatile environments. PAX Global remains at the forefront of market trends and actively drives the enhancement of payment terminal technology.

In 1H2024, the decrease in unaudited net profit of PAX Global was primarily due to the decline in revenue recorded. The decline in revenue was primarily due to the drop in purchase orders in certain markets during the period, which is attributed to the global economic uncertainty.

Looking forward, the shift toward cashless and digital economies remains an irreversible trend. We are optimistic about PAX Global maintaining a positive outlook on the market demand for its payment terminals and being well-prepared to capitalise on the vast opportunities within the global payments industry.

(ii) Megahunt

As at 30 June 2024, the Group held approximately 45.73% of the issued shares of Megahunt. The financial impact attributed to Megahunt's withdrawal of the proposed listing on the Shanghai Stock Exchange in June 2024. The recoverable amount had been determined based on the higher of the fair value less cost of disposal and value-in-use. The recoverable amount of Megahunt based on the fair value less costs of disposal calculation was determined under the market approach valuation performed by an independent professional valuer. The recoverable amount of Megahunt is lower than its carrying amount. The total shortfall of HK\$140.9 million was recognised as a non-cash impairment loss of investment in an associated company during 1H2024. The interest in Megahunt of HK\$342.6 million represented approximately 2.8% of the Group's unaudited total assets as at 30 June 2024.

In 1H2024, due to the impact of the global economic conditions 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 information security chip market is generally expected to develop steadily in 2024, subject to changes due to the policy impact on 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 2024. Other research and development projects are progressing smoothly and the cost reduction initiatives of various products are also rolling out in an orderly manner.

(G) Trade and bills receivables

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Trade receivables (<i>Note (i)</i>)	137,463	187,243
Bills receivables	805	5,830
Less: provision for impairment of receivables	(6,319)	(16,018)
Total	<u>131,949</u>	<u>177,055</u>

Note (i):

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

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Current to 90 days	52,882	145,541
91 to 180 days	63,335	13,989
181 to 365 days	12,343	3,463
Over 365 days	8,903	24,250
	<u>137,463</u>	<u>187,243</u>

- Changes in trade receivables aged from current to 90 days and 91 to 180 days were mainly due to changes in outstanding balances under platform operation solutions, financial solutions segments and reclassification of account receivable balances of electronic power meter and solutions under other business operations to assets classified as held for sale.

(H) Loan receivables

Loan receivables are amounts due from customers under the fintech services segment in the ordinary course of business and primarily denominated in RMB.

The decline in balance was due to the decrease in the volume of loans granted during the period.

(I) Time deposits, restricted bank balances and cash and cash equivalents

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Non-current assets		
Long-term bank deposits	267,437	–
Current assets		
Short-term bank deposits	250,321	–
Total time deposits	517,758	–
Restricted bank balances (<i>Note</i>)	3,077,045	3,542,318
Cash and cash equivalents	3,446,567	3,482,016
Restricted bank balances and cash and cash equivalents	6,523,612	7,024,334

Note:

In accordance with the notice issued by the Payment and Settlement Department of the People's Bank of China ("PBOC") from 14 January 2019, all customer reserve accounts held by third-party payment institutions should be cancelled and the customer reserves should be deposited in a dedicated deposit account maintained centrally by a designated agency. Since the transfer of fund of the dedicated deposit account is subject to measures imposed by PBOC, the customer reserves maintained therein are restricted in nature.

As at 30 June 2024, the amount comprised (i) the customer reserves deposited in the abovesaid dedicated deposit account which was denominated in RMB; and (ii) the funds deposited in designated bank accounts for the operation of the Group's cross-border payment business.

(J) Trade payables, payables for payment and digital services business and other payables and accruals

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Trade payables (<i>Note (i)</i>)	497,598	596,415
Payables for payment and digital services business (<i>Note (ii)</i>)	3,010,791	3,591,920
Other payables and accruals (<i>Note (iii)</i>)	826,521	932,745
	<hr/>	<hr/>
Total	4,334,910	5,121,080
	<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 As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Current to 90 days	490,780	318,313
91 to 180 days	1	110,708
181 to 365 days	1,692	156,504
Over 365 days	5,125	10,890
	<hr/>	<hr/>
	497,598	596,415
	<hr/> <hr/>	<hr/> <hr/>

- Change in trade payables aged between current to 90 days, 91 to 180 days and 181 to 365 days were mainly due to changes in outstanding balances under the payment and digital services segment.

Note (ii):

This balance represents payables to merchants for the payment and digital services business.

Note (iii):

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
Accrued staff costs and pension obligations*	158,295	256,214
Deposits	34,274	35,154
Receipt in advance from customers**	21,670	24,023
Advance from business channel partners**	439,457	424,893
Others***	172,825	192,461
	826,521	932,745

* The decrease in accrued staff costs and pension obligations was mainly due to the payment of year 2023 year-end bonus during 1H2024.

** Receipt in advance from customers and advance from business channel partners represented advances and guarantees received from merchants and partners under the payment and digital services segment.

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

(K) Income tax credit

The income tax credit was mainly due to a subsidiary under payment and digital services segment being qualified as a Software and Integrated Circuit Enterprise (“SICE”).

(L) Assets classified as held for sale/liabilities directly associated with assets classified as held for sale

On 7 July 2024, two indirect wholly-owned subsidiaries of the Company entered into, inter alia, a share transfer agreement with an independent third-party purchaser in relation to the Company’s disposal of the entire equity interests in two other indirect wholly-owned subsidiaries of the Company (the “Disposal Companies”). Upon completion of the disposal, the Disposal Companies will cease to be subsidiaries of the Company. Other details can be referred to the announcement of the Company dated 7 July 2024.

KEY INVESTING AND FINANCING ACTIVITIES

The share incentive scheme of Shenzhen Hi Sun and the possible deemed disposal

In May 2024, the board of directors and shareholders of Shenzhen Hi Sun FinTech Global Limited (“Shenzhen Hi Sun”) (an indirect non-wholly owned subsidiary of the Company) resolved to adopt a share incentive scheme (“Shenzhen Hi Sun Share Incentive Scheme”), pursuant to which Shenzhen Hi Sun shall grant options to the scheme participants to subscribe for a maximum of RMB7,500,000 new registered capital of Shenzhen Hi Sun at the subscription price of RMB1.5 for RMB 1 new registered capital. All the new registered capital to be subscribed for shall be held by the scheme participants through a shareholding platform.

The purposes of the Shenzhen Hi Sun Share Incentive Scheme are to strengthen the workforce, align the interests of Shenzhen Hi Sun with its shareholders and core employees, enhance the core competitiveness, to build Shenzhen Hi Sun into China’s leading financial technology overseas enterprise in three years, and to maximise the value of Shenzhen Hi Sun for its shareholders. The Shenzhen Hi Sun Share Incentive Scheme, unless further resolved by its shareholders, will remain valid and effective for 3 years from 20 May 2024 until 19 May 2027.

It was further resolved that 7,500,000 options were granted to three employees of Shenzhen Hi Sun (the “Grantees”), subject to certain predetermined financial targets. Each of the Grantees may elect to request Shenzhen Hi Sun to repurchase up to 30% of the subscription rights of his vested options. Should the options be vested and exercised in full, Shenzhen Hi Sun will cease to be a subsidiary of the Company, as the Company’s interests in Shenzhen Hi Sun will decrease from 50.91% to 40% (assuming no repurchase) or approximately 42.75% (assuming repurchase of all 30% of the subscription rights of all vested options).

No incentive share was vested, exercised, cancelled or lapsed under the Shenzhen Hi Sun Share Incentive Scheme since adoption and up to 30 June 2024. Further details of the Shenzhen Hi Sun Share Incentive Scheme can be found in the announcement of the Company dated 20 May 2024.

Withdrawal of application for listing of Megahunt

In June 2024, the Shanghai Stock Exchange formally approved the application of Megahunt, an associated company of the Company, to withdraw its application for listing of its shares on the Science and Technology Innovate Board of the Shanghai Stock Exchange filed in light of its strategic planning and the recent capital market environment. Other details can be referred to Note (F) of the section “Overall Financial Results and Positions” and the announcement of the Company dated 20 May 2024.

UPDATES ON THE CONTRACTUAL ARRANGEMENTS

In order to improve its corporate structure and for better management and resource allocation, the Group undertook a restructuring (“Tchain Restructuring”) involving 北京隨信雲鏈科技有限公司 (“Beijing Tchain”, unofficial English translation being Beijing Sui Xin Yun Lian Technology Co., Ltd.) and its subsidiaries (collectively, “Beijing Tchain Group”) as detailed in the announcement of the Company dated 29 April 2024.

Prior to the Tchain Restructuring, Beijing Tchain Group was controlled by the Company under the New JIM Control Documents (Pre-Swap) (as defined and disclosed in the announcement of the Company dated 24 October 2019) through 重慶結行科技有限公司 (“Chongqing JIM”, unofficial English translation being Chongqing JIM Technology Co., Ltd.).

On 28 April 2024, as part of the Tchain Restructuring, a set of agreements (“Tchain Control Documents”) were entered into between 北京結行隨信科技有限公司 (“Tchain”, unofficial English translation being Beijing Jie Xing Sui Xin Technology Co., Ltd.) (a 80.04% of subsidiary of the Company), Mr. Wang Yuanqi (“Mr. Wang”) and 北京隨信數科科技有限公司 (“Beijing OPCO”, unofficial English translation being Beijing Sui Xin Digital Technology Co., Ltd.) to enable Tchain to obtain effective control over and receive all the economic benefits generated by the businesses operated by Beijing OPCO (including Beijing Tchain Group). The major terms of the Tchain Control Documents were disclosed in the announcement of the Company dated 29 April 2024.

Beijing OPCO was formed by Tchain and Mr. Wang as part of the Tchain Restructuring, holding 62.5% and 37.5% of its equity interests respectively. Both Beijing OPCO and Tchain are accounted for as 80.04% subsidiaries of the Company upon completion of the Tchain Restructuring. There was no change to the Group’s effective interest in Beijing Tchain Group as a result of the Tchain Restructuring.

Beijing OPCO and its subsidiaries are principally engaged in the business of fintech solutions and services in the PRC. Beijing Tchain, in particular, is principally engaged in the value-added telecommunication business (增值電信業務) which requires an internet content provider license and is subject to a maximum permitted interest restriction under the applicable foreign investment laws of the PRC. Contractual arrangement was only used under the Tchain Restructuring to the extent necessary to address the aforementioned PRC foreign investment restrictions.

Save for the fact that Beijing Tchain Group was no longer contractually controlled by the Company under the New JIM Control Documents (Pre-Swap) through Chongqing JIM but through Beijing OPCO by way of the Tchain Control Documents as disclosed above, there was no material change in the Group’s contractual arrangements during 1H2024.

OUTLOOK

During the first half of 2024, China's economy remained stable and its long-term positive trend remained, despite the added complexity and uncertainty of the external environment. Domestic demand continued to recover, and external demand also improved. The quality of economic development steadily improved, while maintaining overall economic stability. Looking ahead to the second half of the year, we expect more challenges, given the added external volatility and uncertainty. As a whole, the favorable conditions for China's development outweigh the unfavorable factors, maintaining a trend of steady and positive long-term growth. We remain optimistic about the country's economic recovery momentum, while expecting the economic outlook and business environment for 2024 to remain challenging.

Payment and Digital Services

In the first half of 2024, we actively implemented the concept of “payment for the people” by focusing on serving frequent small-value payment transactions, and continuously advanced our digital strategy. During the first half of the year, digital payments continued to grow rapidly with year-on-year growth of more than 50%. We continued to introduce new partners for our PaaS platform, covering business transactions from catering, retail, second-hand car trading market, gas station, hotel, tourist attraction, wet market, property management to payment in campus.

Our digital management products, “Diansansan”, specifically for the retail industry have been deployed to dozens of sizable chain convenience stores and supermarkets, and the use of four types of our products, including “Smart Supply Chain”, “Smart Category Management”, “Smart In-store Management” and “KPI Monitoring and Analysis”, helping merchants to improve operational efficiency and sales capacity, which in turn had resulted in improved inventory turnover, reduced capital requirement, and hence more rapid expansion. In addition, “Jiexingchejia”, the new generation of automotive assets digital service platform is dedicated to providing global automobile/used car dealers with one-stop digital solutions, including transaction, payment, management, and finance. Transaction volume in the first half of this year has reached RMB2.6 billion.

Our cross-border business has consistently followed a differentiation strategy, continuing to explore opportunities in new regions, new businesses and new platforms. During the period, we continued to strengthen our business development capability and enhance overall manpower efficiency in sales expansion. We have also optimized the differentiated structure of industry customers and raised the proportion of high-margin business types and scales. At the same time, we have gained access to payment collection channels from South America, Brazil, Southeast Asia and other regions to empower our differentiated pipeline service capabilities. During the period, we also delved into the “Easier Payment for Visitors in China” initiative led by the People’s Bank of China aiming to facilitate overseas visitors’ payments in China and enhance their payment experience. With respect to foreign card acceptance, we have also strengthened our cooperation and innovation efforts in domestic billing with international payment card services organization to enhance the convenience of foreigners’ payment in China. Currently, the Company has qualified as a member of, and directly connected, with three leading international payment card services organizations, including VISA, Mastercard and American Express. In terms of foreign card acceptance and payment facilitation, we continued to expand acceptance of foreign cards in China through cooperation and product innovation, in particular around specific merchants in the catering, accommodation, transportation, tourism, shopping, entertainment, and healthcare sectors. Our foreign card business has already expanded to 20 provinces, municipalities and autonomous regions including Beijing, Jiangsu, Guangdong, Hunan and Hubei. We will steadily promote foreign card acceptance in other cities to provide visitors with high-quality, efficient and convenient payment services in China, aligning payment experience in China with international level and standard.

Fintech Services

Suixin Cloud Chain Technology Service Platform continued to develop its two major business systems, namely corporate credit and data credit. During the first half of 2024, we launched a new business product, E-Finance (信單E融). E-Finance is an electronic debt certificate-based financing product for core enterprises which can support multiple platforms. Compared with preceding Suixin products, it can cover more core enterprises, addresses the financing needs of multiple tiers suppliers in the for such core enterprises’ upstream which can provide, more financial support for financing enterprises through asset securitization. Subsequent to the launch of the new product, currently the number of registered enterprises on Suixin Cloud Chain Platform has reached approximately 5,000, of which nearly 1,000 new enterprises joined us in the first half of 2024, representing a year-on-year increase of 136%.

In the first half of 2024, we continued to strengthen cooperation between commercial banks and our Suixin Cloud Chain Platform, by continuously introducing new bank partners and has established cooperative relationships with more than 40 financial institutions, providing more and better financing options for small and medium-sized companies, and enhance our overall competitiveness through continuous optimization of our financial products and services. In the first half of this year, Suixin Cloud Chain Platform assisted small and medium-sized companies raise more than RMB9 billion, representing an increase of 242% year-on-year.

Platform Operation Solutions

In the first half of 2024, we successfully signed a contract with China Mobile Financial Technology Co., Ltd., a key client of the Company, in relation to product development, business operation and system maintenance for the upcoming year, with business scale remained stable. In the first half of the year, we maintained the steady expansion of our corporate WeChat marketing agency operation, and have secured new business opportunities with new operators and financial clients. This year, we are expected to gradually onboard new enterprise partners, laying the foundation for further in-depth cooperation in the future. Furthermore, we have continued to invest in research and development in technology, optimize our fundamental platform and software tools, to ensure advancement and stability of the technology. At the same time, we have actively explored the application of large models and general AI technology in conjunction with the Company's business to provide new impetus for a more diversified development. Looking forward to the second half of the year, in the face of market uncertainties, it is our plan to maintain a cautious and prudent business strategy, continue to refine our products, improve the quality of service to strive for growth amid market competition.

Financial Solutions

Beijing Hi Sun Advanced Business Solutions Information Technology Limited ("BJ ABS") has been committed to providing system services for domestic financial institutions. In the first half of 2024, due to the impact of the overall financial environment, demand for system innovation, construction and transformation from financial clients shrank to a certain extent. At the same time, BJ ABS focused its business on IT application innovation in assisting clients to achieve localization of key technologies in their business systems. In the wave of IT application innovation, not only financial clients in Mainland China, Hong Kong and Macao, but also non-banking institutions, such as network operators, have been highlighting their demands in this regard. Therefore, we anticipate a positive momentum in the business development. With BJ ABS's three major downshifting strategies and nine downshifting techniques at play, combined with the latest release of the bank's core IBS9.0 version, it is expected to generate better market feedbacks in the future.

For overseas business, Hi Sun FinTech Global Limited has established various overseas offices to continuously enhance the local technical support service capabilities for the clients. In terms of market expansion, Hi Sun FinTech Global Limited entered into contracts with two new clients during the period, while it is also in the process of outlining their expansion plans in the Middle East and Africa to actively pursue new overseas markets. In addition, we continued to improve the new generation of decentralized and micro-service core systems in terms of the research and development of new product technology, and successfully signed contracts with new clients during the period. At the same time, we are also actively pursuing further technology development in response to business opportunities from host migration, which will be a key task in the next phase.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2024, the Group reported total assets of HK\$12,147.8 million (31 December 2023: HK\$13,031.7 million), which were financed by total liabilities of HK\$4,481.7 million (31 December 2023: HK\$5,253.7 million) and equity of HK\$7,666.1 million (31 December 2023: HK\$7,778.0 million). The net asset value was HK\$7,666.1 million (31 December 2023: HK\$7,778.0 million). Net assets per share amounted to HK\$2.761 per share as compared to HK\$2.801 per share as at 31 December 2023.

As at 30 June 2024, the Group had restricted bank balances of HK\$3,077.0 million (31 December 2023: HK\$3,542.3 million), cash and cash equivalents of HK\$3,446.6 million (31 December 2023: HK\$3,482.0 million) and short-term borrowings of HK\$12.3 million (31 December 2023: HK\$42.7 million). The net cash position as at 30 June 2024 was HK\$3,434.3 million (31 December 2023: HK\$3,439.3 million). The gearing ratio was calculated as total debt divided by total capital, while total debt included bank borrowings and lease liabilities of the Group. The gearing ratio as at 30 June 2024 was 0.7% (31 December 2023: 1.1%). 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 2024, the Group had bank borrowings of HK\$12.3 million (31 December 2023: HK\$42.7 million) carrying fixed interest rates (31 December 2023: same) and banking facilities of approximately HK\$217.5 million (31 December 2023: HK\$277.0 million). As at 30 June 2024, banking facilities amounting to HK\$23.3 million were secured by leasehold land and buildings (31 December 2023: HK\$23.9 million), with a net carrying amount of HK\$2.5 million (31 December 2023: HK\$2.6 million) and HK\$2.0 million (31 December 2023: HK\$2.6 million) respectively.

The Group's restricted bank balances and cash and cash equivalents were principally denominated in Renminbi, Hong Kong dollar, US dollar, Euro, British Pound, Singapore dollar, Japanese Yen and Canadian dollar in the respective amounts of approximately HK\$5,222.7 million, HK\$578.0 million, HK\$660.1 million, HK\$30.5 million, HK\$4.8 million, HK\$4.1 million, HK\$18.5 million and HK\$3.0 million as at 30 June 2024.

Approximately HK\$5,793.6 million, HK\$573.1 million, HK\$558.2 million, HK\$54.2 million, HK\$32.9 million, HK\$2.4 million, and HK\$6.6 million and HK\$2.0 million of the Group's restricted bank balances and cash and cash equivalents were principally denominated in Renminbi, Hong Kong dollar, US dollar, Euro, British Pound, Singapore dollar, Japanese Yen and Czech Koruna respectively as at 31 December 2023.

SIGNIFICANT INVESTMENT

Save as disclosed in note F under the section titled "Overall Financial Results and Position" on pages 33 to 34, the Group held no other significant investment as at 30 June 2024.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed, the Group had no other material acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2024.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2024.

EXCHANGE RATES EXPOSURE

The Group derives its revenue, makes purchases and incurs expenses denominated mainly in US dollar, Renminbi, Euro, British Pound, Singapore dollar, Japanese Yen, Canadian 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

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 have become associates of the Company since May 2022), 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 manufacturing orders placed against a named manufacturer, should any of the said subsidiary/associates 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 another guarantee agreement in 2021 (the "2021 Manufacturer Guarantee Agreement") with the same counterparties, pursuant to which the amount of guarantee was increased to up to US\$20 million (equivalent to approximately HK\$156 million) and 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.

- (ii) In 2020, the Company entered into a guarantee agreement (the "2020 OEM Guarantee Agreement") with a then subsidiary of the Company (an associate of the Company since May 2022) 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 manufacturing orders placed against the OEM should the associate cease or fail to honour its payment obligations.

As at 30 June 2024, the Company did not recognise any liability in relation to the 2021 Manufacturer Guarantee Agreement and the 2020 OEM Guarantee Agreement, and the Directors considered the possibility of reimbursement thereunder not probable.

Save as disclosed above, the Group had no other material contingent liability as at 30 June 2024.

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.

SUBSEQUENT EVENTS

On 7 July 2024, two indirect wholly-owned subsidiaries of the Company entered into, inter alia, a share transfer agreement with an independent third-party purchaser in relation to the Company's disposal of the entire equity interests in two other indirect wholly-owned subsidiaries of the Company (the "Disposal Companies") at the consideration of approximately RMB41.6 million (the "Disposal"). Following completion of the Disposal, the Disposal Companies will cease to be subsidiaries of the Company and their financial results will no longer be consolidated into the Company's consolidated financial statements. As the Disposal Companies are principally engaged in the manufacturing and sales of electronic power meters and related solutions in the PRC, the Group will cease its electronic power meters and solutions business accordingly.

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") in the Corporate Governance Code as set out in Appendix C1 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 2024.

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.

REVIEW OF 2024 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 2024.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This 2024 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 2024 interim report will be available on the aforesaid websites and despatched to the shareholders of the Company in due course.

The 2024 interim financial information set out above does not constitute the Group's statutory financial statements for the six months ended 30 June 2024. Instead, it has been derived from the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2024, which will be included in the Company's 2024 interim report.

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

Hong Kong, 20 August 2024

As at the date of this announcement, the Board comprises five executive Directors namely Mr. Xu Wensheng, Mr. Kui Man Chun, Mr. Li Wenjin, Mr. Xu Changjun and Ms. Hui Lok Yan; and three independent non-executive Directors, namely Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger and Mr. Li Heguo.