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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)

### RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

#### FINANCIAL HIGHLIGHTS

	2021 HK\$'000	2020 HK\$'000 (Restated)	Change +/(–)
<b>RESULTS</b>			
<b>Continuing operations</b>			
Revenue	4,182,684	3,844,618	+9%
Gross profit	1,224,081	1,008,330	+21%
Segmental EBITDA# (before unallocated items)	788,193	790,726	N/A
Write off of property, plant and equipment	2,327	26,156	–91%
Net fair values gains on financial assets at fair value through profit or loss	181,258	245,190	–26%
Employees' incentive programme of a subsidiary	–	40,191	N/A
Share of results of investments accounted for using the equity method	352,333	301,512	+17%
Gains on deemed disposals of investments accounted for using the equity method	2,861,475	–	N/A
<b>Profit from continuing operations</b>	<b>3,623,736</b>	771,631	+370%
<b>Profit from discontinued operation</b>	<b>61,300</b>	7,510	+716%
Profit for the year	<b>3,685,036</b>	779,141	+373%
Profit attributable to:			
– Owners of the Company	3,521,526	656,685	+436%
– Non-controlling interests	163,510	122,456	+34%
	<b>3,685,036</b>	779,141	
	<b>HK\$ per share</b>	<b>HK\$ per share</b>	Change +/(–)
<b>Earnings per share for profit attributable to the owners of the Company:</b>			
Basic	1.268	0.236	+437%
Diluted	1.237	0.206	+500%

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

\* For identification purpose only

	As at 31 December		Change +/(–)
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	
<b>HIGHLIGHTS OF FINANCIAL POSITION</b>			
Total equity	<b>7,490,994</b>	6,367,504	+18%
Net current assets	<b>3,816,758</b>	3,778,477	+1%
Total assets	<b><u>10,818,808</u></b>	<u>9,717,099</u>	+11%
	<i><b>HK\$ per share</b></i>	<i>HK\$ per share</i>	Change +/(–)
Net assets per share	<b><u>2.698</u></b>	<u>2.293</u>	+18%

The board of directors (the “Board”) of Hi Sun Technology (China) Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021 together with the comparative figures for the year ended 31 December 2020. The annual results have been reviewed by the audit committee of the Company (the “Audit Committee”).

## **FINANCIAL REVIEW**

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2021, the Group reported total assets of HK\$10,818.8 million (2020: HK\$9,717.1 million), which were financed by total liabilities of HK\$3,327.8 million (2020: HK\$3,349.6 million) and total equity of HK\$7,491.0 million (2020: HK\$6,367.5 million). The net asset value was HK\$7,491.0 million (2020: HK\$6,367.5 million). Net assets per share amounted to HK\$2.698 as compared to HK\$2.293 per share as at 31 December 2020.

As at 31 December 2021, the Group had restricted bank balance of HK\$765.5 million (2020: HK\$880.6 million), cash and cash equivalents of HK\$3,254.6 million (2020: HK\$3,747.5 million) and short-term borrowing of HK\$2.4 million (2020: Nil). The net cash position was HK\$3,252.2 million as compared to HK\$3,747.5 million as at 31 December 2020. The gearing ratio is calculated as total debt divided by total capital, while total debt includes borrowing, lease liabilities and written put option liability of the Group. The gearing ratio was 11.1% (2020: 12.2%). The gearing ratio is considered healthy and suitable for the continuing growth of the Group's business.

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

As at 31 December 2021, the Group had bank borrowing of HK\$2.4 million made at RMB (2020: Nil) and banking facilities of approximately HK\$26.6 million (2020: HK\$25.9 million). The bank borrowing carried an interest rate of 4.25% per annum as at 31 December 2021 (2020: Nil). As at 31 December 2021, the banking facilities were secured by the leasehold land and buildings of a subsidiary of the Company, with a net carrying amount of HK\$2.7 million (2020: HK\$2.8 million) and HK\$4.7 million (2020: HK\$5.8 million), respectively.

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 and Euro respectively as at 31 December 2021.

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

### **SIGNIFICANT INVESTMENT**

Save as disclosed in note (H) and note (J) under the section titled "Overall Financial Results and Position" on page 15 and 16, the Group had no significant investment held as at 31 December 2021.

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

Save as disclosed in the section titled "Key Investing and Financing Activities" on page 21, the Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2021.

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

There was no specific plan for material investments or capital assets as at 31 December 2021.

## **EXCHANGE RATES EXPOSURE**

The Group derives its revenue, makes purchases and incurs expenses denominated mainly in US Dollar, Renminbi and Hong Kong Dollar. Currently, 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 up to HK\$60,000,000 and to indemnify the customer against any third-party claim of intellectual property right infringement resulting from the acts of the said subsidiary. The Performance Guarantee Agreement remained in full force and effect during the year of 2021. As at 31 December 2021, 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 Agreement with subsidiaries of the Company**

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

Due to the further expansion of order scale, the Company entered into a new guarantee agreement dated 22 April 2021 (the "2021 Manufacturer Guarantee Agreement") with the same counterparties. Pursuant to the 2021 Manufacturer Guarantee Agreement, the Company shall guarantee to repay the due and unsettled debts of Megahunt, Megahunt HK, Tianjin Megahunt individually and/or collectively of up to US\$20,000,000 incurred in relation to such manufacturing orders placed against the named manufacturer by Megahunt, Megahunt HK, Tianjin Megahunt, should any of them individually and/or collectively cease or fail to honour its payment obligations.

The 2019 Manufacturer Guarantee Agreement was terminated on 22 April 2021 and the entirety of the Company's obligations and liability thereunder, if any, was effectively transferred to the 2021 Manufacturer Guarantee Agreement. As at 31 December 2021, the Company did not recognise any liability in relation to the 2021 Manufacturer Guarantee Agreement. The Directors considered the possibility of reimbursement is not probable.

- (ii) In 2020, the Company entered into a guarantee agreement (the “2020 OEM Guarantee Agreement”) with Megahunt and an independent manufacturer (“OEM”), in respect of Megahunt’s payment obligations against the OEM. Pursuant to the 2020 OEM Guarantee Agreement, the Company shall guarantee to repay Megahunt’s due and unsettled debts of up to US\$10,000,000 owed to the OEM which are incurred in relation to such manufacturing orders Megahunt placed against the OEM should it cease or fail to honour its payment obligations. As at 31 December 2021, the Company did not recognise any liability in relation to the 2020 OEM Guarantee Agreement. The Directors considered the possibility of reimbursement is not probable.

Save as disclosed above, the Group had no material contingent liability as at 31 December 2021.

## EMPLOYEES

The total number of employees of the Group as at 31 December 2021 was 2,759. The breakdown of employees by division is as follows:

Payment processing solutions	890
Fintech solutions and services	148
Information security chips and solutions	132
Platform operation solutions	704
Financial solutions	613
Others	231
Corporate office	41
	2,759
	2,759

The Group ensures that its employees’ remuneration packages are comprehensive and competitive. Directors are entitled to a fixed director’s fee, discretionary bonus and other benefits, which are determined with reference to the performance of the individual and the Company, market practice and conditions as well as the Group’s corporate goals and objectives in accordance with the remuneration policy of the Company. Employees are remunerated with fixed monthly income plus annual performance related bonuses. The Group also operates certain share option schemes and share award scheme for the purpose of attracting, retaining, motivating and rewarding the employees. The Group also sponsors selected employees to attend external training courses that suit the needs of the Group’s businesses.

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.

## BUSINESS REVIEW

### CONDENSED SEGMENT RESULTS ANALYSIS

	Note	Turnover		EBITDA <sup>#</sup>	
		2021 HK\$'000	2020 HK\$'000 (Restated)	2021 HK\$'000	2020 HK\$'000 (Restated)
<b>Continuing operations</b>					
Payment processing solutions	1	3,346,991	3,127,636	809,910	822,237
Fintech solutions and services	2	213,843	160,303	18,966	11
Platform operation solutions	3	191,697	176,873	(5,660)	3,864
Financial solutions	4	336,396	271,487	(8,202)	(33,494)
Others	5	101,176	138,289	(26,821)	(1,892)
Segmental results		4,190,103	3,874,588	788,193	790,726
Less: Inter-segment turnover		(7,419)	(29,970)	-	-
Total		<u>4,182,684</u>	<u>3,844,618</u>	788,193	790,726
Depreciation				(248,248)	(243,887)
Amortisation				(853)	(122)
Write off of property, plant and equipment				(2,257)	(26,156)
Net fair value gains on financial assets at fair value through profit or loss	B			181,191	245,866
Employees' incentive programme of a subsidiary	C			-	(40,191)
Segmental operating profit				718,026	726,236
Unallocated other income				4,090	6,798
Unallocated corporate expenses				(102,232)	(89,524)
Operating profit				<u>619,884</u>	<u>643,510</u>
<b>Discontinued operation</b>					
Information security chips and solutions	R	<u>454,480</u>	<u>298,753</u>	79,255	16,161
Depreciation				(8,564)	(4,818)
Amortisation				(2,666)	(1,803)
Segmental operating profit				<u>68,025</u>	<u>9,540</u>

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

## CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
<b>Continuing operations</b>			
Revenue	<i>A</i>	4,182,684	3,844,618
Cost of sales	<i>C</i>	<u>(2,958,603)</u>	<u>(2,836,288)</u>
Gross profit		1,224,081	1,008,330
Other income	<i>B</i>	95,686	143,971
Other gains, net	<i>B</i>	181,265	245,300
Selling expenses	<i>C</i>	(119,086)	(81,224)
Administrative expenses	<i>C</i>	(649,028)	(570,415)
Employees' incentive programme of a subsidiary	<i>C</i>	–	(40,191)
Credit impairment loss	<i>C</i>	<u>(113,034)</u>	<u>(62,261)</u>
Operating profit		619,884	643,510
Finance costs	<i>O</i>	(70,588)	(63,360)
Share of results of investments accounted for using the equity method	<i>D</i>	352,333	301,512
Loss on deemed acquisition and dilution of an investment accounted for using the equity method, net		(9,837)	(1,044)
Gains on deemed disposals of an investments accounted for using the equity method	<i>E</i>	<u>2,861,475</u>	<u>–</u>
Profit before income tax		3,753,267	880,618
Income tax expense		<u>(129,531)</u>	<u>(108,987)</u>
<b>Profit from continuing operations</b>		<u>3,623,736</u>	771,631
<b>Profit from discontinued operation</b>	<i>R</i>	<u>61,300</u>	7,510
		<u><b>3,685,036</b></u>	<u>779,141</u>
Profit attributable to:			
– Owners of the Company		3,521,526	656,685
– Non-controlling interests		<u>163,510</u>	<u>122,456</u>
		<u><b>3,685,036</b></u>	<u>779,141</u>
		<i>HK\$ per share</i>	<i>HK\$ per share</i>
<b>Earnings per share for profit from continuing operations attributable to the owners of the Company:</b>			
Basic		<u>1.253</u>	<u>0.234</u>
Diluted		<u>1.222</u>	<u>0.204</u>
<b>Earnings per share for profit attributable to the owners of the Company:</b>			
Basic		<u>1.268</u>	<u>0.236</u>
Diluted		<u>1.237</u>	<u>0.206</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	2021 HK\$'000	2020 HK\$'000
<b>ASSETS</b>			
Investment properties and property, plant and equipment	F	265,648	388,537
Right-of-use assets	G	60,133	81,655
Intangible assets		25,812	11,231
Deferred income tax assets		–	17
Investments accounted for using the equity method	H	2,695,559	2,404,813
Financial assets at fair value through profit or loss	I	109,303	543,040
Financial asset at fair value through other comprehensive income	J	629,711	–
Inventories	K	18,427	121,445
Trade and bills receivables	L	168,409	273,894
Other financial assets at amortised cost and other current assets	L	158,821	183,240
Loan receivables	M	2,228,327	1,043,079
Amounts due from investments accounted for using the equity method	N	–	19,957
Current income tax recoverable		12,701	11,990
Bank deposits	O	6,832	6,181
Restricted bank balance	O	765,462	880,552
Cash and cash equivalents	O	3,254,558	3,747,468
Assets classified as held for sale	R	419,105	–
<b>Total assets</b>		<b>10,818,808</b>	<b>9,717,099</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		6,942	6,942
Reserves		6,416,362	5,535,124
		6,423,304	5,542,066
Non-controlling interests		1,067,690	825,438
<b>Total equity</b>		<b>7,490,994</b>	<b>6,367,504</b>
<b>LIABILITIES</b>			
Written put option liabilities	Q	902,581	831,207
Deferred income tax liabilities		2,969	371
Trade and bills payables	P	505,583	526,804
Payables for payment processing solutions business	P	624,296	828,619
Other payables and accruals	P	1,076,401	1,013,991
Amounts due to investments accounted for using the equity method	N	6,304	43,936
Current income tax liabilities		92,855	51,189
Lease liabilities	G	31,576	53,478
Borrowing		2,446	–
Liabilities directly associated with assets classified as held for sale	R	82,803	–
<b>Total liabilities</b>		<b>3,327,814</b>	<b>3,349,595</b>
<b>Total equity and liabilities</b>		<b>10,818,808</b>	<b>9,717,099</b>
		<b>HK\$ per share</b>	<b>HK\$ per share</b>
<b>Net assets per share</b>		<b>2.698</b>	<b>2.293</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the year ended	
	31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Net cash (used in)/generated from operating activities</b>	<b>(743,189)</b>	<b>100,932</b>
<b>Net cash generated from/(used in) investing activities</b>	<b>131,596</b>	<b>(277,704)</b>
<b>Net cash generated from financing activities</b>	<b>100,361</b>	<b>50,284</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(511,232)</b>	<b>(126,488)</b>
Cash and cash equivalents at beginning of the year	<b>3,747,468</b>	3,712,567
Exchange gain on cash and cash equivalents	<b>59,064</b>	161,389
<b>Cash and cash equivalents at end of the year</b>	<b><u>3,295,300</u></b>	<b><u>3,747,468</u></b>
<b>Analysis of cash and cash equivalents</b>		
Cash and cash equivalents	<b>3,254,558</b>	3,747,468
Cash and cash equivalents included in assets classified as held for sale	<b>40,742</b>	–
Cash and cash equivalents at end of the year	<b><u>3,295,300</u></b>	<b><u>3,747,468</u></b>
<b>Net cash flows of discontinued operation</b>	<b><u>(24,210)</u></b>	<b><u>40,365</u></b>

## FINANCIAL REVIEW

During the year ended 31 December 2021 (“YEAR 2021”), the consolidated turnover of the Group from continuing operations amounted to HK\$4,182.7 million, representing an increase of 9% when compared with the year ended 31 December 2020 (“YEAR 2020”). Profit for the year totaled HK\$3,685.0 million as compared to HK\$779.1 million in YEAR 2020.

With regard to the balance sheet, the total assets as at 31 December 2021 amounted to HK\$10,818.8 million, when compared with HK\$9,717.1 million as at 31 December 2020. As at 31 December 2021, net current assets amounted to HK\$3,816.8 million, when compared with HK\$3,778.5 million as at 31 December 2020.

## SEGMENT PERFORMANCE REVIEW

Due to continual development of the Group, management has changed its internal organisational structure to align more closely with the Group strategic decision and market dynamics to better serve customers. In particular, separate business units have been established for its payment processing solutions business and fintech solutions and services business, while electronic power meters and solutions is no longer separately disclosed in management reporting. The Group has adopted the new organisational structure as the reporting format effective from 1 January 2021. The comparative segment information has been revised to conform with the current organisational structure.

During the year ended 31 December 2021, 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”). Last year comparative segment information has been restated to conform with the current year presentation. Please also refer to note (R) below.

### (1) Payment processing solutions

#### *Key performance indicators*

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)	Change +/(–)
Turnover*	<b>3,342,837</b>	3,107,080	+8%
EBITDA <sup>#</sup>	<b>809,910</b>	822,237	–1%
Employees’ incentive programme of a subsidiary	–	40,191	N/A
Write off of property, plant and equipment	<b>2,257</b>	26,156	–91%
Operating profit	<b>579,396</b>	529,978	+9%

\* Turnover from external customers

<sup>#</sup> Represents earnings before interest expenses, taxes, depreciation and amortisation, excludes write off of property, plant and equipment and employees’ incentive programme of a subsidiary

Segmental turnover amounted to HK\$3,342.8 million, as compared to HK\$3,107.1 million in YEAR 2020. By end of YEAR 2021, monthly transaction volume in December 2021 was approximately RMB139 billion. Transaction volume being processed through this segment increased as a result of a gradual resumption of offline consumer consumption of goods and services in mainland China resulting from the considerable success in managing the COVID-19 pandemic and the epidemic prevention and control measures adopted across the country.

Segmental operating profit amounted to HK\$579.4 million, 9% up as compared to YEAR 2020. The increase in segmental operating profit is primarily attributable to the decline in write-off of property, plant and equipment as well as the share option expenses. During YEAR 2021, additional resources were placed in the development of new digital service products.

## (2) Fintech solutions and services

### *Key performance indicators*

	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i> (Restated)	Change +/(–)
Turnover*	<b>212,552</b>	159,127	+34%
EBITDA#	<b>18,966</b>	11	+172,318%
– including credit impairment loss	<b>113,034</b>	67,026	+69%
Operating profit/(loss)	<b>12,590</b>	(5,084)	N/A

\* Turnover from external customers

# Represents earnings before interest expenses, taxes, depreciation and amortisation

To promote better efficiency and effectiveness in management, during YEAR 2021, we split our “Fintech solutions and services” segment from the “Payment processing solutions” segment. In YEAR 2021, segmental turnover amounted to HK\$212.6 million as compared to HK\$159.1 million in YEAR 2020, representing an increase of approximately 34%. Micro-leading business was stable while supply chain financing services business increased drastically. Segmental operating profit amounted to HK\$12.6 million as compared to segmental operating loss of HK\$5.1 million in YEAR 2020. Increase in credit impairment loss was mainly due to additional impairment loss provision on long aged loan receivable.

## (3) Platform operation solutions

### *Key performance indicators*

	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>	Change +/(–)
Turnover*	<b>189,723</b>	168,635	+13%
EBITDA#	<b>(5,660)</b>	3,864	N/A
Net fair value gains on financial assets at fair value through profit or loss	<b>181,191</b>	245,866	–26%
Operating profit	<b>171,043</b>	244,711	–30%

\* Turnover from external customers

# Represents earnings before interest expenses, taxes, depreciation and amortisation, and excludes fair value gains on financial assets at fair value through profit or loss

In YEAR 2021, we continued to provide high-quality and efficient supporting services, such as product development, business operation and system maintenance, to China Mobile Fintech, the IVR Base of China Mobile and the Animation Base of China Mobile. During the year, segmental turnover amounted to HK\$189.7 million as compared to HK\$168.6 million in YEAR 2020. Segmental operating profit amounted to HK\$171.0 million as compared to HK\$244.7 million in YEAR 2020, which is mainly due to a decrease in net fair value gains on financial assets at fair value through profit or loss for the Convertible Series C Preference Shares and Convertible Series D Preference Shares of Cloopen Group Holding Limited held by the Group for YEAR 2021.

#### (4) Financial solutions

##### *Key performance indicators*

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>	Change + / (-)
Turnover*	<b>336,396</b>	271,487	+24%
EBITDA <sup>#</sup>	<b>(8,202)</b>	(33,494)	N/A
Operating loss	<b>(15,310)</b>	(38,533)	N/A

\* Turnover from external customers

<sup>#</sup> Represents earnings before interest expenses, taxes, depreciation and amortisation

In YEAR 2021, segmental turnover amounted to HK\$336.4 million, as compared to HK\$271.5 million in YEAR 2020. Segmental operating loss totaled HK\$15.3 million, as compared to HK\$38.5 million in YEAR 2020. The increase in segmental turnover and the decrease in segmental operating loss were mainly due to the more normalized operations given the gradual resumption of the Group's delivery of on-site services to customers.

#### (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 2.4% of the total consolidated turnover from continuing operations of the Group. The decline in turnover and an increase in EBITDA loss from other business operations were mainly due to the shrinkage in shipment volume of electronic power meters business during the year.

## OVERALL FINANCIAL RESULTS AND POSITION

### (A) Revenue

The consolidated turnover from continuing operations amounted to HK\$4,182.7 million, representing an increase of 9% over YEAR 2020. Such increase was mainly contributed by an increase in segmental turnover of our payment processing solutions segment. Please also refer to Notes (1) to (5) above on segmental performance.

### (B) Other income

Decrease in other income was due to decrease in interest income and government subsidies in YEAR 2021.

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

Despite an increase in turnover during YEAR 2021, cost of sales did not increase proportionally. In YEAR 2020, in an effort to ride out the peak of the pandemic, we offered additional incentives to merchant recruiting agents in the payment processing solutions segment. Such initiative was well rewarded in YEAR 2021 and business gradually recovered. Meanwhile, the increased proportion of turnover from our fintech solutions and services segment also increases the overall gross margin ratio.

Increase in operating expenses was mainly due to increase in staff cost of the Group during the year and additional selling expenses related to merchant digital transformation under the payment processing solutions segment.

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

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

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

As an ordinary shareholder of Cloopen Group Holding Limited (“Cloopen”), the then associated company of the Company, the Group’s share of loss exceeded its interest in the ordinary shares of Cloopen prior to the listing of its American depositary shares on the New York Stock Exchange on 9 February 2021 (New York time) through an initial public offering.

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

The Group’s then associated company, 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”).

Prior to the Cloopen Listing, the Group's interest in Cloopen was accounted for (i) using equity method in respect of ordinary shares held, the fair value of which as at 31 December 2020 was approximately HK\$1,900.5 million and the carrying value of which as at 31 December 2020 was zero, and (ii) as financial assets at fair value through profit or loss in respect of convertible preference shares held, both the fair value and thus carrying value of which as at 31 December 2020 were approximately HK\$418.5 million. Upon completion of Cloopen Listing, the Group held 55,677,341 Class A ordinary shares of Cloopen, entire interest 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 YEAR 2021 (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 YEAR 2021 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 YEAR 2021 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\$2.9 as at 31 December 2021 (New York time), equivalent to approximately HK\$22.62) and the market value of the shares of the Cloopen held by the Group (at US\$80.7 million, equivalent to approximately HK\$629.7 million) as at 31 December 2021, the Group has recognised an "other comprehensive loss" of approximately HK\$2,844.6 million in YEAR 2021 due to the change in fair value of its interest in Cloopen after the Cloopen Listing (i.e. by comparing the market price of the ADS as at 31 December 2021 against the offering price of the ADS).

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

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

Balance mainly represented fixed assets of payment processing solutions segment.

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

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

## **(H) Investments accounted for using the equity method**

Balance mainly represented the Group's interests in 364,000,000 ordinary shares of PAX Global. As at 31 December 2021, the fair value of the Group's approximately 33.3% effective interest in PAX Global was approximately HK\$2,009.3 million and was lower than its carrying value. An impairment test was performed to determine the recoverable amount of the investment. The recoverable amount, which was assessed by an independent valuer on a value-in-use basis using the discounted cash flow model, exceeds the carrying value as at 31 December 2021.

The Group is optimistic about the future prospects of PAX Global and will continue to demonstrate prudence and resilience in assessing its investment strategy towards the enhancement of shareholders' value. The interest in PAX Global of HK\$2,688.7 million represented approximately 24.9% of the Group's total assets as at 31 December 2021 and the cost of investment as at 31 December 2021 was HK\$259.8 million.

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

During YEAR 2021, PAX Global achieved record-high revenue and net profit. All regions recorded growth, especially in the United States of America and Canada (USCA) and Europe, the Middle East and Africa (EMEA). The growth was mainly driven by the increase in market penetration and sales of Android payment terminals. Looking forward, we are optimistic about the market demand of PAX Global's payment terminals, and we expect that PAX Global is very well prepared to embrace the vast opportunities in a post COVID-19 era.

For the impact on the deemed disposal of interest in Cloopen, the then associated company of the Group, upon the Cloopen Listing, please refer to note (E) above.

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

The balance represented the fair value of the trading securities listed in Hong Kong of HK\$1.1 million; and the fair value of interest in a venture capital fund of HK\$108.2 million.

Significant decrease in balance was due to the conversion of the Group's interest in the Convertible Series C Preferred Shares of Cloopen and the Convertible Series D Preferred Shares of Cloopen held prior to the Cloopen Listing to ordinary shares of Cloopen upon the Cloopen Listing. Please also refer to note (E) above.

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

The balance represented the fair value of the Group's interests in Cloopen. The interest in Cloopen of HK\$629.7 million represented approximately 5.8% of the Group's total assets as at 31 December 2021 and the cost of investment as at 31 December 2021 was HK\$127.8 million. Please also refer to note (E) and note (I) above.

**(K) Inventories**

Decline in balance was due to the classification of inventories of our information securities chips and solutions segment to assets classified as held for sale as at 31 December 2021.

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables ( <i>Note (i)(a)</i> )	<b>176,292</b>	236,974
Bills receivables ( <i>Note (i)(b)</i> )	<b>1,520</b>	51,291
Less: provision for impairment of receivables	<b>(9,403)</b>	(14,371)
	<b>168,409</b>	273,894
Other receivables, prepayments and deposits ( <i>Note (ii)</i> )	<b>158,821</b>	183,240
Total	<b>327,230</b>	457,134

Note (i):

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current to 90 days	128,311	194,298
91 to 180 days	10,947	7,955
181 to 365 days	17,934	11,185
Over 365 days	19,100	23,536
	<u>176,292</u>	<u>236,974</u>

Decrease in balances aged from current to 90 days was mainly due to decrease in account receivable balances from our electronic power meters business and classification of account receivable balances of our information securities chips and solutions segment to assets classified as held for sale.

- (b) Bills receivables as at 31 December 2020 mainly belonged to the information security chips and solutions segment.

Note (ii):

The decrease in balance was mainly due to the settlement of other receivables for special dividend receivable of HK\$36.4 million from PAX Global during the year.

## (M) Loan receivables

Loan receivables are amounts due from customers under the payment processing solutions segment in the ordinary course of business, unsecured and primarily denominated in RMB. Significant increase was due to the growth of fintech solutions and services segment.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current	2,219,046	1,038,283
1 to 3 months past due	16,449	10,658
Over 3 months past due	122,980	39,078
Loan receivables, gross	2,358,475	1,088,019
Less: provision for impairment of loan receivables	(130,148)	(44,940)
Loan receivables, net	<u>2,228,327</u>	<u>1,043,079</u>
Non current	–	54
Current	<u>2,228,327</u>	<u>1,043,025</u>
	<u>2,228,327</u>	<u>1,043,079</u>

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

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

**(O) Restricted bank balance and cash and cash equivalents**

	As at 31 December 2021 <i>HK\$'000</i>	As at 31 December 2020 <i>HK\$'000</i>
<b>Non-current assets</b>		
Bank deposits	—	6,105
<b>Current assets</b>		
Bank deposits	6,832	76
Restricted bank balance ( <i>Note</i> )	765,462	880,552
Cash and cash equivalents	3,254,558	3,747,468
Restricted bank balance and cash and cash equivalents	<b>4,020,020</b>	4,628,020

*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**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables ( <i>Note (i)</i> )	497,080	512,622
Bills payables	8,503	14,182
Payables for payment processing solutions business ( <i>Note (ii)</i> )	624,296	828,619
Other payables and accruals ( <i>Note (iii)</i> )	1,076,401	1,013,991
Total	<b>2,206,280</b>	2,369,414

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current to 90 days	468,595	462,757
91 to 180 days	11,272	30,489
181 to 365 days	7,089	9,898
Over 365 days	10,124	9,478
	<u>497,080</u>	<u>512,622</u>

- Changes in trade payables aged between 91 to 180 days were mainly due to the settlement of outstanding balances under the electronic power meters business.

Note (ii):

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

Note (iii):

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accrued staff costs and pension obligations*	266,720	302,642
Deposits	60,751	50,373
Receipt in advance from customers**	77,241	27,932
Advance from merchant recruitment agents**	435,842	415,261
Others***	235,847	217,783
	<u>1,076,401</u>	<u>1,013,991</u>

\* Balance represented accrued staff costs, pension obligations and year-end bonus.

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

\*\*\* Balance mainly represented accrued subcontracting costs and other accrued handling fees payable under the payment processing solution segment.

## (Q) Written put option liability

Balance represents written put options liabilities on written put options granted by VBill Limited (“VBill Cayman”) and Mega Hunt Microelectronics Limited (“Megahunt HK”).

The increase in balance was mainly due to finance cost of HK\$68.8 million incurred in relation to the put option liabilities during YEAR 2021.

## (R) Discontinued operation

Reference is made to the announcements of the Company dated 15 December 2021, 28 December 2021, 11 February 2022 and 28 February 2022 in relation to the Share Transfer Agreements entered into by Megahunt HK, the Purchasers and Megahunt in relation to the disposal of an aggregate of approximately 20% of the issued share capital of Megahunt (representing an aggregate of RMB11,960,002 registered capital) at an aggregate consideration of RMB208,727,200. Upon completion of the Disposal, the Group's interest in Megahunt will be decreased from approximately 65.73% to approximately 45.73% and Megahunt will cease to be a subsidiary of the Company and will be accounted for as an associate of the Company. As at 31 December 2021, completion of the Share Transfer Agreement II (first tranche), Share Transfer Agreement III and Share Transfer Agreement IV had taken place and the Group's interest in Megahunt decreased to approximately 54.10%. Megahunt remained a subsidiary of the Company as at 31 December 2021.

Megahunt is 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 corresponding business segment (i.e. the information security chips and solutions segment) was classified as discontinued operation for the YEAR 2020 and 2021.

### *Key Financial Performance*

	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i> (Restated)	Change +/(−)
Turnover*	<b>454,480</b>	298,753	+52%
EBITDA#	<b>79,255</b>	16,161	+390%
Operating profit	<b>68,025</b>	9,540	+613%

\* Turnover from external customers

# Represents earnings before interest expenses, taxes, depreciation and amortisation

### *Financial Position*

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

During the year, turnover from discontinued operation amounted to HK\$454.5 million as compared to HK\$298.8 million in YEAR 2020 representing an increase by more than 52%. Operating profit from discontinued operation amounted to HK\$68.0 million, as compared to HK\$9.5 million in YEAR 2020. The increase in turnover compared to last year was mainly due to the active stocking of downstream customers because of the tight semiconductor supply chain.

## KEY INVESTING AND FINANCING ACTIVITIES

### Listing of Cloopen

Cloopen, formerly an associated company, listed its ADS on the New York Stock Exchange on 9 February 2021 (New York time) through an initial public offering priced at US\$16.00 (equivalent to approximately HK\$124.8) per ADS (each of which represents two underlying Class A ordinary shares of Cloopen). Upon completion of the Cloopen Listing, the Group holds 55,677,341 Class A ordinary shares, classified as a financial asset at fair value through other comprehensive income (FVOCI), with subsequent fair value movement recognised in other comprehensive income. Please also refer to note (E) under the section titled “Overall Financial Results and Position” in this announcement. Further details are referred to in the Company’s announcements dated 20 January 2021, 4 February 2021, 1 July 2021 and 28 February 2022.

### Disposal of Megahunt

In December 2021, Megahunt HK entered into 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 RMB208,727,200 (approximately HK\$254,647,000). Upon completion of the disposal of the entire approximately 20% interest, the Company’s interest in Megahunt will be decreased from approximately 65.73% to 45.73% and Megahunt will cease to be a subsidiary of the Company and be accounted for as an associate of the Company.

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 RMB180,000,000 (approximately HK\$ 219,600,000) (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.

As at the date of this announcement, the disposal of an aggregate of approximately 11.63% Megahunt Interest completed. Megahunt is owed as to 54.10% by the Company.

Further details are referred to in the Company’s announcements dated 15 December 2021, 18 December 2021, 11 February 2022 and 28 February 2022.

## **BUSINESS OUTLOOK**

It is expected that the economic outlook and operating environment will remain challenging in 2022. At present, the COVID-19 control measures in China are successful to a substantial extent, managing to sufficiently quell the spread of the virus within the nation. While Mainland China's economy has stabilised in many areas, with the COVID-19 vaccination roll-out underway, we are cautiously optimistic about the direction and scope of the country's full recovery.

### **Payment processing solutions**

In 2021, due to the regional impact of the COVID-19 pandemic across China, the payment business gradually recovered compared with 2020, but such recovery were unable to catch up with the pre-pandemic level. The payment transaction volume increased by approximately 14% compared to last year to approximately RMB1,670 billion. In particular, the QR code payment transaction volume in 2021 more than tripled as compared to last year, and the number of daily transactions peaked at more than 16 million. The co-ordinated development of SaaS-based QR code payment service and digital services, through the offering of enhanced sophistication and more profound value, managed to improve merchant stickiness.

In the past 10 years, notwithstanding that we have provided payment services for more than 10 million offline merchants, we realise that the penetration rate of digital services, including O2O platforms and smart business terminals, among online and offline small, medium and micro merchants is still limited. On the basis of innovation and exploration in 2021, we have completed product development, market validation and commercial application for three scenarios, and achieved notable results in the market. Through providing personalised smart customer-locking marketing solutions to community stores, the best preferential policies can be recommended according to the consumption behaviour of store users, and the integration of the payment process can also shorten the decision-making time of consumers. We helped stores to enhance consumer stickiness, with the number of transactions per capita more than tripled, and achieving rapid sales growth. Such products have been promoted to 440,000 merchants. In addition, by virtue of the core of smart empowerment, we provided all-rounded smart solutions integrating management, marketing and user experience for the managers, merchants and consumers of the vegetable market, and strived to build a digital ecosystem therefor. At present, such products are serving nearly 100 vegetable markets. On the other hand, manual management was replaced by systematic data drive, providing retailers with digital and intelligent business decisions through data processing and intelligent analysis, and realising automatic replenishment and intelligent product selection, which allowed merchants to reduce the out-of-stock loss rate by 2/3 and the turnover days by 1/3, and improve business efficiency in an all-rounded way. Such products have been verified by 2,000 stores in the market. Looking forward to 2022, we will continue to develop new digital service products to cover more business scenarios. Our large payment customer base will continue to be the foundation of our long-term sustainable development.

### **Fintech solutions and services**

In order to improve management efficiency and effectiveness, we separated "fintech solutions and services" from the "payment processing solutions" segment in the first half of 2021. Fintech solutions and services mainly include: micro-lending, supply chain finance, factoring business, credit assessment services and related products and solutions. In particular, our supply chain finance sector also made great progress. Two major product service platforms were built under this sector, namely the Suixin Cloud Chain Financial Service Platform and the Commercial Bill Financing Service Platform.

As the Company's self-developed supply chain financial technology service platform, Suixin Cloud Chain Financial Service Platform mainly serves core enterprise suppliers. Relying on blockchain, big data, cloud computing and other financial technology, it has built an industrial financial ecosystem, running across credit barriers in the industrial chain, and to achieve business credit empowerment for core enterprises, solve the difficult, expensive and slow financing problems for small and medium-sized enterprises along the industrial chain, so as to facilitate the favourable and healthy development of the industrial ecology. The Commercial Bill Financing Service Platform mainly provides one-stop bill standardisation services and Sui Quick Bill Discounting services, supports commercial bill pledge financing and instant discounting of bank bills. Integrating with financial institutions such as banks, it can provide small and medium-sized enterprises with efficient, convenient, compliant and safe financing services. In 2021, we cooperated with more than 19 banks and 2 trust companies, serving more than 4,800 suppliers and helping suppliers at all levels to raise more than RMB12.5 billion in total.

In January 2022, 北京隨行付商業保理有限公司 (Unofficial English translation being Beijing VBill Commercial Factoring Co. Ltd) ("VBill Factoring") approved the VBill Supply Chain Finance (Phases 1-15) Asset-backed Securities Scheme\* (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, which are backed by loan receivables in the form of trust interests, in the PRC pursuant to the ABS Scheme. Pursuant to the no-objection letter from the Shanghai Stock Exchange, the maximum issue size of the ABS Scheme is RMB1,000,000,000 which can be issued in not more than 15 phases by 31 December 2023. The priority tranche of the ABS will be traded on the Shanghai Stock Exchange. On 27 January 2022, the first phase of the ABS Scheme with a total issue size of RMB309,000,000 (equivalent to approximately HK\$380,070,000) was established.

### **Platform operation solutions**

In 2021, we continued to provide stable product technical services and business operation support services for China Mobile Financial Technology Co., Ltd., the Company's major customer. The contract size also remained stable and we continued to gain recognition of the customers. In addition, during the year, we expanded our business beyond telecom operators to new customers, such as the securities industry. Looking forward, on the basis of deepening the scale of business cooperation with operators, we will increase investment in research and development, enhance product functionality and competence, and expand customers in more industries, in order to secure more contracts. Meanwhile, we will continue to expand innovation at business level, focus on technical services and payment solutions in emerging industries, and further expand our business scale.

### **Financial solutions**

In 2021, the new generation of decentralised micro-service core banking products developed by ABS for domestic banks were verified and launched in Mainland China. The product adopts a new distributed and micro-service architecture to meet the requirements of information technology application innovation. As the core business system of domestic banks is facing a new wave of technology upgrade and transformation, the focus of ABS's work in 2022 is to use the non-inductive down-moving process to help customers realise the technology upgrade of the core system, and inherit application assets and realise technology stack updates at the lowest cost. For Hong Kong and Macau, our focus is to solidly assist customers in the daily operation and maintenance services of relevant systems, while closely following local financial policies, focusing on innovation in financial products, and helping customers achieve rapid production of innovative businesses. At the same time, we export the popular and mature Internet financial technology framework in China to customers, helping customers to gradually complete the technology upgrade.

For overseas financial IT service opportunities, Hi Sun FinTech Global actively carried out market expansion and new product research and development on the basis of serving its existing customers. During the period, in addition to the daily operation and maintenance of projects, the core business system of Banque Pour Le Commerce Extérieur Lao Public (BCEL), the largest local commercial bank in Laos, was put into operation in April 2021. The system has been operating stably since it was put into operation. In terms of expanding into new markets, by virtue of close cooperation with pipelines, we successfully signed contracts with new customers such as a digital bank in Kazakhstan, a bank in Cambodia and a digital bank in Singapore in relation to IT system construction projects during the period. In terms of product research and development, we focused on a new generation of bank core business systems based on a decentralised, micro-service technology architecture, and managed to sign the procurement contract for new products during the period. The project is expected to be put into production in the first half of 2022. At the same time, in order to actively expand the overseas market and serve local customers, a Cambodia representative office was established during the year to localise the Group's service team.

### **Information security chips and solutions**

In 2021, due to 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 sales compared to the preceding year 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. It is expected that the information security chip market will develop steadily in 2022, which is 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.

In addition, following the completion of the disposal of Megahunt (the "Disposal") as provided in the section titled "Key Investing and Financing Activities" on page 21, the Group's interest in Megahunt will be reduced from approximately 65.73% to 45.73%, and Megahunt will cease to be a subsidiary of the Company and will be 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. Megahunt remained a subsidiary of the Company as at 31 December 2021.

## Consolidated Income Statement

		For the year ended 31 December	
	Note	2021 HK\$'000	2020 HK\$'000 (Restated)
<b>Continuing operations</b>			
Revenue	2, 3	4,182,684	3,844,618
Cost of sales	4	<u>(2,958,603)</u>	<u>(2,836,288)</u>
<b>Gross profit</b>		<b>1,224,081</b>	1,008,330
Other income	2	95,686	143,971
Other gains, net	2	181,265	245,300
Selling expenses	4	(119,086)	(81,224)
Administrative expenses	4	(649,028)	(570,415)
Employees' incentive programme of a subsidiary		–	(40,191)
Credit impairment loss	4	<u>(113,034)</u>	<u>(62,261)</u>
<b>Operating profit</b>		<b>619,884</b>	643,510
Finance costs		(70,588)	(63,360)
Share of results of investments accounted for using the equity method	11	352,333	301,512
Loss on deemed acquisition and dilution of interest of an investment accounted for using the equity method, net	11	(9,837)	(1,044)
Gains on deemed disposals of investments accounted for using the equity method	11	<u>2,861,475</u>	–
<b>Profit before income tax</b>		<b>3,753,267</b>	880,618
Income tax expense	5	<u>(129,531)</u>	<u>(108,987)</u>
<b>Profit from continuing operations</b>		<b>3,623,736</b>	771,631
Profit from discontinued operation	17	<u>61,300</u>	<u>7,510</u>
<b>Profit for the year</b>		<b><u>3,685,036</u></b>	<b><u>779,141</u></b>
<b>Profit attributable to:</b>			
– Owners of the Company		<u>3,521,526</u>	656,685
– Non-controlling interests		<u>163,510</u>	122,456
		<b><u>3,685,036</u></b>	<b><u>779,141</u></b>

		<b>For the year ended</b>	
		<b>31 December</b>	
		<b>2021</b>	2020
	<i>Note</i>	<i>HK\$ per</i>	<i>HK\$ per</i>
		<i>share</i>	<i>share</i>
<b>Earnings per share for profit from continuing operations attributable to the owners of the Company:</b>			
Basic	7	<u><u>1.253</u></u>	<u><u>0.234</u></u>
Diluted	7	<u><u>1.222</u></u>	<u><u>0.204</u></u>
<b>Earnings per share for profit attributable to the owners of the Company:</b>			
Basic	7	<u><u>1.268</u></u>	<u><u>0.236</u></u>
Diluted	7	<u><u>1.237</u></u>	<u><u>0.206</u></u>

## Consolidated Statement of Comprehensive Income

	For the year ended 31 December	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
<b>Profit for the year</b>	<b>3,685,036</b>	779,141
<b>Other comprehensive income/(loss), net of tax</b>		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences on translation of the financial statements of foreign subsidiaries	87,305	161,107
Exchange differences on translation of the financial statements of discontinued operation	7,957	18,775
Share of other comprehensive income of investments accounted for using the equity method	28,361	63,486
Release of reserve upon dilution of interest in an investment accounted for using the equity method	10	(409)
<i>Items that will not be reclassified to profit or loss</i>		
Change in value of a financial asset at fair value through other comprehensive income	(2,844,555)	–
Share of other comprehensive income/(loss) of an investment accounted for using the equity method	120	(2,669)
<b>Total comprehensive income for the year, net of tax</b>	<b>964,234</b>	<b>1,019,431</b>
<b>Total comprehensive income for the year attributable to:</b>		
– Owners of the Company	775,218	851,684
– Non-controlling interests	189,016	167,747
	<b>964,234</b>	<b>1,019,431</b>
<b>Total comprehensive income for the year attributable to the owners of the Company arising from:</b>		
– Continuing operations	729,695	834,520
– Discontinued operation	45,523	17,164
	<b>775,218</b>	<b>851,684</b>

## Consolidated Balance Sheet

		As at 31 December	
	Note	2021 HK\$'000	2020 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties		857	1,219
Property, plant and equipment		264,791	387,318
Right-of-use assets		60,133	81,655
Intangible assets		25,812	11,231
Deferred income tax assets		–	17
Investments accounted for using the equity method	11	2,695,559	2,404,813
Financial asset at fair value through other comprehensive income	8	629,711	–
Other financial assets at amortised cost		7,788	14,332
Loan receivables	10	–	54
Financial assets at fair value through profit or loss	9	108,200	542,004
Bank deposits		–	6,105
<b>Total non-current assets</b>		<b>3,792,851</b>	<b>3,448,748</b>
<b>Current assets</b>			
Inventories		18,427	121,445
Other current assets		65,088	80,006
Other financial assets at amortised cost		85,945	88,902
Amounts due from investments accounted for using the equity method		–	19,957
Loan receivables	10	2,228,327	1,043,025
Trade and bills receivables	12	168,409	273,894
Financial asset at fair value through profit or loss	9	1,103	1,036
Current income tax recoverable		12,701	11,990
Short-term bank deposits		6,832	76
Restricted bank balance		765,462	880,552
Cash and cash equivalents		3,254,558	3,747,468
Assets classified as held for sale	17	6,606,852 419,105	6,268,351 –
<b>Total current assets</b>		<b>7,025,957</b>	<b>6,268,351</b>
<b>Total assets</b>		<b>10,818,808</b>	<b>9,717,099</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		6,942	6,942
Reserves		6,416,362	5,535,124
Non-controlling interests		6,423,304 1,067,690	5,542,066 825,438
<b>Total equity</b>		<b>7,490,994</b>	<b>6,367,504</b>

		<b>As at 31 December</b>	
		<b>2021</b>	2020
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Written put option liabilities	<i>14</i>	<b>104,871</b>	831,207
Lease liabilities		<b>10,775</b>	28,143
Deferred income tax liabilities		<b>2,969</b>	371
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>118,615</b>	859,721
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current liabilities</b>			
Trade and bills payables	<i>13</i>	<b>505,583</b>	526,804
Payables for payment processing solutions business	<i>13</i>	<b>624,296</b>	828,619
Other payables and accruals	<i>13</i>	<b>1,076,401</b>	1,013,991
Amounts due to investments accounted for using the equity method		<b>6,304</b>	43,936
Current income tax liabilities		<b>92,855</b>	51,189
Borrowing		<b>2,446</b>	–
Written put option liability	<i>14</i>	<b>797,710</b>	–
Lease liabilities		<b>20,801</b>	25,335
		<hr/>	<hr/>
		<b>3,126,396</b>	2,489,874
Liabilities directly associated with assets classified as held for sale	<i>17</i>	<b>82,803</b>	–
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>3,209,199</b>	2,489,874
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total liabilities</b>		<b>3,327,814</b>	3,349,595
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total equity and liabilities</b>		<b>10,818,808</b>	9,717,099
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

## 1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, except for financial asset at fair value through other comprehensive income (“FVOCI”) and financial assets at fair value through profit or loss (“FVPL”), which are measured at fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Company and its subsidiaries (together the “Group”).

### Changes in accounting policy and disclosures

#### (a) *New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

The Group also elected to adopt the following amendments early:

- Annual Improvements to HKFRS Standards 2018-2020 Cycle;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to HKAS 12; and
- Covid-19-Related Rent Concessions beyond 30 June 2021

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

**(b) New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting period. The Group has not early adopted these new accounting standards and interpretations in current reporting period:

		<b>Effective for accounting year beginning on or after</b>
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contract – Costs of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments	1 January 2022
Accounting Guideline 5 (revised)	Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKFRS 17 (Amendments)	Amendments to Insurance Contracts	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 4 (Amendments)	Extension of the Temporary Exemption from Applying HKFRS 9	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of assessing the impact of adopting these new accounting standards, amendments to accounting standards and interpretation on its current or future reporting periods and on foreseeable future transactions.

## 2 REVENUE, OTHER INCOME AND OTHER GAINS, NET

Revenue, other income and other gains, net recognised during the year are as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
		(Restated)
<b>Continuing operations</b>		
<b>Revenue from contract with customers</b>		
<i>Recognised over time</i>		
Provision of services	<b>3,905,489</b>	3,547,202
<i>Recognised at a point in time</i>		
Sales of goods	<b>99,631</b>	138,289
	<b>4,005,120</b>	3,685,491
<b>Revenue from other source</b>		
Provision of fintech solutions and services ( <i>Note i</i> )	<b>177,564</b>	159,127
	<b>4,182,684</b>	3,844,618
<b>Other income</b>		
Interest income	<b>57,371</b>	70,875
Government subsidies ( <i>Note ii</i> )	<b>33,789</b>	67,820
Rental income	<b>3,388</b>	3,207
Others	<b>1,138</b>	2,069
	<b>95,686</b>	143,971
<b>Other gains, net</b>		
Fair values gains/(losses) on financial assets at FVPL		
– Unlisted convertible preference shares	<b>197,822</b>	252,411
– Unlisted investment fund	<b>(16,631)</b>	(6,545)
– Listed trading securities	<b>67</b>	(676)
Dividend income from a financial asset at FVPL	<b>7</b>	110
	<b>181,265</b>	245,300

*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 PRC. There were no unfulfilled condition and other contingencies attached to the receipts of those grants.

### 3 SEGMENT INFORMATION

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

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

Due to continual development of the Group, management has changed its internal organisational structure to align more closely with the Group's strategic decision and market dynamics to better serve customers. In particular, separate business units have been established for its payment processing solutions business and fintech solutions and services business, while electronic power meters and solutions is no longer separately disclosed in management reporting. The Group has adopted the new organisational structure as the reporting format effective from 1 January 2021. The comparative segment information has been revised to conform with the current organisational structure.

During the year ended 31 December 2021, 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 17. Last year's comparative segment information has been restated to conform with the current year's presentation.

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

#### **Continuing operations**

- (a) Payment processing solutions – principally engaged in provision of payment processing services, merchants recruiting and related products and solutions;
- (b) Fintech solutions and services – principally engaged in provision of micro-lending, supply chain financing, factoring business, credit assessment services and related products and solutions;
- (c) 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 an earnings/(losses) before interest expense, taxes, depreciation and amortisation ("EBITDA") and segmental operating profit/(loss). EBITDA excludes write off of property, plant and equipment, net fair value gain/(losses) on financial assets at fair value through profit and loss ("FVPL") and employees' incentive programme of a subsidiary.

An analysis of the Group's revenue and results for the year by operating segment is as follows:

	Continuing operations					Discontinued operation	
	Payment processing solutions <i>HK\$'000</i>	Fintech solutions and services <i>HK\$'000</i>	Platform operation solutions <i>HK\$'000</i>	Financial solutions <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total Group <i>HK\$'000</i>	Information security chips and solutions <i>HK\$'000</i>
<b>Year ended 31 December 2021</b>							
Segment turnover	3,346,991	213,843	191,697	336,396	101,176	4,190,103	454,480
Inter-segment turnover	(4,154)	(1,291)	(1,974)	-	-	(7,419)	-
Turnover from external customers	<u>3,342,837</u>	<u>212,552</u>	<u>189,723</u>	<u>336,396</u>	<u>101,176</u>	<u>4,182,684</u>	<u>454,480</u>
Segmental EBITDA (excluding write off of property, plant and equipment and net fair values gains on financial assets at FVPL)	<u>809,910</u>	<u>18,966</u>	<u>(5,660)</u>	<u>(8,202)</u>	<u>(26,821)</u>	<u>788,193</u>	<u>79,255</u>
Depreciation	(228,007)	(5,905)	(4,449)	(7,108)	(2,779)	(248,248)	(8,564)
Amortisation	(250)	(471)	(39)	-	(93)	(853)	(2,666)
Write off of property, plant and equipment	(2,257)	-	-	-	-	(2,257)	-
Net fair values gains on financial assets at FVPL	-	-	181,191	-	-	181,191	-
Segmental operating profit/(loss)	<u>579,396</u>	<u>12,590</u>	<u>171,043</u>	<u>(15,310)</u>	<u>(29,693)</u>	<u>718,026</u>	<u>68,025</u>
Unallocated other income						4,090	-
Unallocated corporate expenses						(102,232)	-
Finance costs						(70,588)	(385)
Share of results of investments accounted for using the equity method						352,333	-
Loss on deemed acquisition and dilution of interest of an investment accounted for using the equity method, net						(9,837)	-
Gain on deemed disposal of interests accounted for using the equity method						2,861,475	-
Profit before income tax						3,753,267	67,640
Income tax expense						(129,531)	(6,340)
Profit for the year						<u>3,623,736</u>	<u>61,300</u>

	Continuing operations					Discontinued operation	
	Payment processing solutions <i>HK\$'000</i>	Fintech solutions and services <i>HK\$'000</i>	Platform operation solutions <i>HK\$'000</i>	Financial solutions <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total Group <i>HK\$'000</i>	Information security chips and solutions <i>HK\$'000</i>
<b>Year ended 31 December 2020 (Restated)</b>							
Segment turnover	3,127,636	160,303	176,873	271,487	138,289	3,874,588	298,753
Inter-segment turnover	(20,556)	(1,176)	(8,238)	–	–	(29,970)	–
Turnover from external customers	<u>3,107,080</u>	<u>159,127</u>	<u>168,635</u>	<u>271,487</u>	<u>138,289</u>	<u>3,844,618</u>	<u>298,753</u>
Segmental EBITDA (excluding write off of property, plant and equipment, net fair values gains on financial assets at FVPL and employees' incentive programme of a subsidiary)	<u>822,237</u>	<u>11</u>	<u>3,864</u>	<u>(33,494)</u>	<u>(1,892)</u>	<u>790,726</u>	<u>16,161</u>
Depreciation	(225,912)	(5,095)	(4,983)	(5,039)	(2,858)	(243,887)	(4,818)
Amortisation	–	–	(36)	–	(86)	(122)	(1,803)
Write off of property, plant and equipment	(26,156)	–	–	–	–	(26,156)	–
Net fair values gains on financial assets at FVPL	–	–	245,866	–	–	245,866	–
Employees' incentive programme of a subsidiary	(40,191)	–	–	–	–	(40,191)	–
Segmental operating profit/(loss)	<u>529,978</u>	<u>(5,084)</u>	<u>244,711</u>	<u>(38,533)</u>	<u>(4,836)</u>	<u>726,236</u>	<u>9,540</u>
Unallocated other income						6,798	–
Unallocated corporate expenses						(89,524)	–
Finance costs						(63,360)	(362)
Share of results of investments accounted for using the equity method						301,512	–
Loss on deemed acquisition and dilution of interest of an investment accounted for using the equity method, net						(1,044)	–
Profit before income tax						880,618	9,178
Income tax expense						(108,987)	(1,668)
Profit for the year						<u>771,631</u>	<u>7,510</u>

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

	Continuing operations						Discontinued operation	Elimination	Total Group
	Payment processing solutions	Fintech solutions and services	Platform operation solutions	Financial solutions	Others	Unallocated	Information security chips and solutions		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
<b>As at 31 December 2021</b>									
Segment assets	<u>4,026,159</u>	<u>2,671,425</u>	<u>1,134,058</u>	<u>564,251</u>	<u>336,457</u>	<u>3,963,724</u>	<u>419,105</u>	<u>(2,296,371)</u>	<u>10,818,808</u>
Segment liabilities	<u>(2,838,304)</u>	<u>(1,200,975)</u>	<u>(354,254)</u>	<u>(638,289)</u>	<u>(296,449)</u>	<u>(213,111)</u>	<u>(82,803)</u>	<u>2,296,371</u>	<u>(3,327,814)</u>
<b>Year ended 31 December 2021</b>									
Additions to non-current assets (excluding deferred income tax assets, investments accounted for using the equity method, financial asset at FVOCI, other financial assets at amortised cost, loan receivables, financial assets at FVPL and bank deposits)	<u>121,484</u>	<u>25,174</u>	<u>3,526</u>	<u>6,950</u>	<u>735</u>	<u>197</u>	<u>38,229</u>	<u>-</u>	<u>196,295</u>

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

	Continuing operations						Discontinued operation	Elimination	Total Group
	Payment processing solutions	Fintech solutions and services	Platform operation solutions	Financial solutions	Others	Unallocated	Information security chips and solutions		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
<b>As at 31 December 2020 (Restated)</b>									
Segment assets	<u>4,189,618</u>	<u>1,829,530</u>	<u>905,870</u>	<u>385,722</u>	<u>264,126</u>	<u>3,605,038</u>	<u>336,366</u>	<u>(1,799,171)</u>	<u>9,717,099</u>
Segment liabilities	<u>(2,859,267)</u>	<u>(997,884)</u>	<u>(322,506)</u>	<u>(438,423)</u>	<u>(313,778)</u>	<u>(147,586)</u>	<u>(69,322)</u>	<u>1,799,171</u>	<u>(3,349,595)</u>
<b>Year ended 31 December 2020</b>									
Additions to non-current assets (excluding deferred income tax assets, investments accounted for using the equity method, other financial assets at amortised cost, loan receivables, financial assets at FVPL and bank deposits)	<u>209,961</u>	<u>1,443</u>	<u>5,818</u>	<u>14,082</u>	<u>1,136</u>	<u>169</u>	<u>38,983</u>	<u>-</u>	<u>271,592</u>

During the year, additions to non-current assets mainly comprise additions to property, plant and equipment, right-of-use assets and intangible assets (2020: same).

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

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

The Group is principally domiciled in Mainland China and Hong Kong (2020: same). The Group's turnover by geographical locations, which is determined by the locations in which the turnover are generated from, is as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing operations</b>		
Mainland China	4,021,961	3,747,510
Hong Kong	160,723	97,108
	<u>4,182,684</u>	<u>3,844,618</u>
<b>Discontinued operation</b>		
Mainland China	<u>454,480</u>	<u>298,753</u>

The Group's non-current assets (excluding deferred income tax assets, investments accounted for using the equity method, financial asset at FVOCI, other financial assets at amortised cost, loan receivables, financial assets at FVPL and bank deposits) and current assets by geographical locations, which is determined by the geographical locations in which the asset is located, is as follows:

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current assets</b>		
Mainland China	349,232	476,110
Hong Kong	2,361	5,313
	<u>351,593</u>	<u>481,423</u>
<b>Current assets</b>		
Mainland China	5,559,809	4,823,568
Hong Kong	1,466,148	1,442,222
Others	–	2,561
	<u>7,025,957</u>	<u>6,268,351</u>

#### 4 EXPENSES BY NATURE

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

	For the year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000 (Restated)
<b>Continuing operations</b>		
Auditor's remuneration		
– audit and audit related services	4,378	4,238
– non-audit services	3,091	4,387
Commission and incentives paid to merchant recruitment agents	2,149,981	2,081,720
Depreciation of property, plant and equipment	227,484	219,920
Depreciation of right-of-use assets	26,979	30,591
Depreciation of investment properties	173	205
Amortisation of intangible assets	853	122
Employee benefit expense (excluding employees' incentive programme of a subsidiary, including directors' emoluments)	731,407	664,946
Costs of inventories sold (including reversal of provision for inventories)	83,415	112,519
Operating lease rentals in respect of land and buildings	9,981	5,721
Research and development costs (including staff cost)	214,497	240,076
Gain on disposals of property, plant and equipment	(204)	(12)
Write off of property, plant and equipment	2,327	26,156
Credit impairment loss		
– trade and bills receivables (Note 12)	–	(4,765)
– loan receivables (Note 10)	113,034	67,026
	<u>113,034</u>	<u>67,026</u>

#### 5 INCOME TAX EXPENSE

	For the year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	–	–
– Overseas taxation	136,365	110,727
Deferred income tax	(494)	(72)
Income tax expense	<u>135,871</u>	<u>110,655</u>
<b>Income tax expenses is attributable to:</b>		
– Profit from continuing operations	129,531	108,987
– Profit from discontinued operation	6,340	1,668
	<u>135,871</u>	<u>110,655</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Subsidiaries in the People’s Republic of China (the “PRC”) are subject to corporate income tax (“CIT”) in accordance with the PRC CIT Law. According to the PRC CIT Law and the relevant regulations, the CIT tax rate applicable is 25% unless preferential rates are applicable in the cities where the subsidiaries are located. If a subsidiary is qualified as High and New Technology Enterprise (“HNTE”), the applicable CIT tax rate is 15%. If a subsidiary is qualified as Key Software Enterprise (“KSE”), the applicable CIT tax rate is 10%. If a subsidiary is engaged in Encouraged Industries in the Western Region (“EIWR”), the applicable CIT tax rate is 15%. If a subsidiary is qualified as Key Integrated Circuit Design Enterprises and Software Enterprises (“KIC”), the applicable CIT tax rate is 0% for the first five years commencing from the first profit-making year, and 10% for the subsequent years. If a subsidiary is qualified as Software and Integrated Circuit Enterprise (“SICE”), the applicable CIT tax rate is 0% for the first two years of being qualified and 12.5% for the next three years.

#### Applicable corporate income tax rates of principal subsidiaries

Subsidiaries	Applicable corporate income tax rate	
	For the year ended 31 December	
	2021	2020
Beijing Hi Sun Advanced Business Solutions Information Technology Limited (“ABS”) (Note i)	15%	15%
Hangzhou PAX Electronic Technology Limited (“Hangzhou Electronic Technology”) (Note ii)	15%	15%
隨行付支付有限公司 (“VBill OPCO”) 北京銀企融合技術開發有限公司 (“Beijing Bank and Enterprise”) (Note iii)	25%	25%
隨行付(北京)金融信息服務有限公司 (“VBill Finance”) (Note iv)	15%	12.5%
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%	10%
Hunan Hisun Mobile Pay IT Limited (“HN Mobile Pay”) (Note viii)	12.5%	25%

#### Notes:

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

## 6 DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 December 2021 (2020: Nil).

## 7 EARNINGS PER SHARE

### (a) Basic

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

	<b>For the year ended 31 December</b>	
	<b>2021</b>	2020
Profit attributable to the owners of the Company ( <i>HK\$'000</i> )		
– Continuing operations	<b>3,481,233</b>	651,451
– Discontinued operation	<b>40,293</b>	5,234
	<b><u>3,521,526</u></b>	<u>656,685</u>
Weighted average number of ordinary shares in issue ( <i>thousands shares</i> )	<b><u>2,776,834</u></b>	<u>2,776,834</u>
Basic earnings per share attributable to the owners of the Company ( <i>HK\$ per share</i> )		
– Continuing operations	<b>1.253</b>	0.234
– Discontinued operation	<b>0.015</b>	0.002
	<b><u>1.268</u></b>	<u>0.236</u>

### (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 year ended 31 December 2021, the Group has four categories (2020: six categories) of potentially dilutive shares: share options issued by an associated company – PAX Global Technology Limited (“PAX Global”), share options issued by a subsidiary – VBill OPCO and written put option liabilities issued by subsidiaries – VBill Limited (“VBill (Cayman)”) and Mega Hunt Microelectronics Limited (“Megahunt HK”) (2020: share options issued by PAX Global, share options and convertible preference shares issued by an associated company – Cloopen Group Holding Limited (“Clopen”), share options issued by VBill OPCO and written put option liabilities issued by VBill (Cayman) and Megahunt HK).

For the year ended 31 December 2021, the exercise of the outstanding share options in PAX Global would have a dilutive effect. The exercise of the share options in PAX Global would be dilutive if the net profit attributable to the owners of the Company will decrease. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual fair value of the associated company’s shares) based on the monetary value of the subscription rights attached to outstanding share options of PAX Global. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options of PAX Global (2020: same).

For the year ended 31 December 2021, 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 subsidiaries’ shares) based on the monetary value of the subscription rights attached to outstanding share options of VBill OPCO (2020: same). 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 (2020: same).

For the year ended 31 December 2021, the calculation of diluted earnings per share does not assume the exercise of the written put option liabilities of VBill (Cayman) and Megahunt HK as they would have an anti-dilutive impact to the basic earnings per share (2020: same).

For share options and convertible preference shares issued by Cloopen, as at 31 December 2020, the carrying amount of the interest in Cloopen was zero. As at 31 December 2020, the Group's share of loss exceeded its interest in the ordinary shares of Cloopen, the exercise of the abovementioned share options and convertible preference shares would not have any impact on the diluted earnings per share.

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	2020
Profit attributable to the owners of the Company ( <i>HK\$'000</i> )		
– Continuing operations	<b>3,481,233</b>	651,451
Assuming exercise of all outstanding dilutive share options issued by PAX Global ( <i>HK\$'000</i> )		
– Decrease in share of profit of the associated company	<b>(5,090)</b>	(3,073)
– Reduce in gain on dilution of the associated company	<b>(55,494)</b>	(59,218)
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	<b>(26,878)</b>	(22,635)
Adjusted profit attributable to the owners of the Company from continuing operations used to determine diluted earnings per share ( <i>HK\$'000</i> )	<b><u>3,393,771</u></b>	<b><u>566,525</u></b>
Profit attributable to owners of the Company ( <i>HK\$'000</i> )		
– Discontinued operation	<b>40,293</b>	5,234
Weighted average number of ordinary shares for diluted earnings per share ( <i>thousands shares</i> )	<b><u>2,776,834</u></b>	<b><u>2,776,834</u></b>
Diluted earnings per share attributable to the owners of the Company ( <i>HK\$ per share</i> )		
– Continuing operations	<b>1.222</b>	0.204
– Discontinued operation	<b>0.015</b>	0.002
	<b><u>1.237</u></b>	<b><u>0.206</u></b>

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

As at 31 December 2021, the Group's financial asset at fair value through other comprehensive income ("FVOCI") included listed equity security which is not held for trading. Such investment was reclassified from an investment accounted for using the equity method and financial asset at fair value through profit or loss ("FVTPL") as detailed in Note 11(b) and Note 9(b) respectively. The Group has irrevocably elected at initial recognition to classify such investment in this category. This is a strategic investment and the Group considers this classification to be more relevant.

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
<b>Non-current assets</b>		
Listed equity security outside Hong Kong – Cloopen ( <i>Note (a)</i> )	<b>629,711</b>	–
	<b>629,711</b>	–
	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	2020
Balance at 1 January	–	–
Reclassified from an investment accounted for using the equity method ( <i>Note 11(b)</i> )	<b>2,857,920</b>	–
Conversion of convertible preference shares ( <i>Note 9(b)</i> )	<b>616,346</b>	–
Fair value loss on revaluation recognised in other comprehensive income	<b>(2,844,555)</b>	–
Balance at 31 December	<b>629,711</b>	–

*Note:*

### (a) Listed equity security outside Hong Kong – Cloopen

Cloopen's American depositary shares ("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\$.

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

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>		
Unlisted investment fund outside Hong Kong ( <i>Note (a)</i> )	108,200	123,480
Unlisted convertible preference shares outside Hong Kong ( <i>Note (b)</i> )	—	418,524
	<u>108,200</u>	<u>542,004</u>
<b>Current assets</b>		
Listed equity securities in Hong Kong ( <i>Note (c)</i> )	1,103	1,036
	<u>109,303</u>	<u>543,040</u>
	<u><u>109,303</u></u>	<u><u>543,040</u></u>
	<b>For the year ended</b>	
	<b>31 December</b>	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 January	543,040	289,918
Net fair value gains on revaluation recognised in profit or loss	181,258	245,190
Conversion of convertible preference shares ( <i>Note (b)</i> )	(616,346)	—
Distribution	(1,666)	—
Exchange realignment	3,017	7,932
	<u>109,303</u>	<u>543,040</u>
Balance at 31 December	<u><u>109,303</u></u>	<u><u>543,040</u></u>

*Notes:*

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

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

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

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

The Group, as the holders of the CPS have:

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

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

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

The trading in the ADSs on NYSE commenced on 9 February 2021 (New York time). On the same day, the CPS held by the Group were converted into ordinary shares of Cloopen. The CPS which were previously classified as financial assets at FVPL were converted into the listed shares of Cloopen and accounted for at fair value with reference to the trading price. The fair value of the CPS at the time of conversion into ordinary shares of Cloopen amounted to HK\$616,346,000.

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

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

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

Changes in fair value of financial assets at FVPL are recorded in "other gains, net" in the consolidated income statement.

## 10 LOAN RECEIVABLES

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

### (a) Aging analysis of loan receivables

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

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000
Current	2,219,046	1,038,283
1 to 3 months past due	16,449	10,658
Over 3 months past due	122,980	39,078
Loan receivables, gross	2,358,475	1,088,019
Less: provision for impairment of loan receivables	(130,148)	(44,940)
	<u>2,228,327</u>	<u>1,043,079</u>
Non-current	–	54
Current	2,228,327	1,043,025
	<u>2,228,327</u>	<u>1,043,079</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:

	As at 31 December 2021			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Loan receivables	2,219,046	16,449	122,980	2,358,475
Less: Provision for impairment of loan receivables	(15,333)	(12,794)	(102,021)	(130,148)
Loan receivables, net	<u>2,203,713</u>	<u>3,655</u>	<u>20,959</u>	<u>2,228,327</u>
	As at 31 December 2020			
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
Loan receivables	1,038,181	10,760	39,078	1,088,019
Less: Provision for impairment of loan receivables	(2,607)	(3,255)	(39,078)	(44,940)
Loan receivables, net	<u>1,035,574</u>	<u>7,505</u>	<u>–</u>	<u>1,043,079</u>

During the year ended 31 December 2021, based on management's assessment, the Group recorded credit impairment loss of HK\$113,034,000 (2020: HK\$67,026,000) in the consolidated income statement. Loan receivables of HK\$32,268,000 (2020: HK\$68,203,000), which are still subject to enforcement activity, were determined as uncollectible and were written off against loan receivables during the year ended 31 December 2021.

The loan receivables are not collateralised.

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

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

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
Loans to borrowers	<b><u>6% to 36% p.a.</u></b>	<b><u>5% to 36% p.a.</u></b>

**11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

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

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Associated companies:		
– PAX Global ( <i>Note (a)</i> )	<b>2,688,668</b>	2,393,435
– Good Chain (Chongqing) Technology Co., Ltd. ("Good Chain") ( <i>Note 16(a)</i> )	–	4,108
– Beijing Suiyun Technology Co., Ltd ("Beijing Suiyun")	<b>3,242</b>	3,391
– Shenzhen Guofu Yunlian Technology Co., Ltd ("Shenzhen Guofu")	<b>3,649</b>	3,568
– Beijing Fangyun Technology Co., Ltd ("Beijing Fangyun")	–	311
	<b><u>2,695,559</u></b>	<b><u>2,404,813</u></b>

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

	<b>For the year ended 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Associated companies:		
– PAX Global ( <i>Note (a)</i> )	<b>353,505</b>	302,091
– Good Chain	<b>(608)</b>	656
– Beijing Suiyun	<b>(236)</b>	(173)
– Shenzhen Guofu	<b>(14)</b>	(6)
– Beijing Fangyun	<b>(314)</b>	(1,056)
	<u><b>352,333</b></u>	<u>301,512</u>

The amount of net loss on deemed acquisition and dilution of interest recognised in the consolidated income statement is as follows:

	<b>For the year ended 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Associated company:		
– PAX Global ( <i>Note (a)</i> )	<u><b>9,837</b></u>	<u>1,044</u>

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

	<b>For the year ended 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Associated companies:		
– Cloopen ( <i>Note (b)</i> )	<b>2,857,920</b>	–
– Good Chain ( <i>Note 16 (a)</i> )	<b>3,555</b>	–
	<u><b>2,861,475</b></u>	<u>–</u>

(a) **Investment in PAX Global**

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
At 1 January	<b>2,393,435</b>	2,103,541
Share of profit	<b>353,505</b>	302,091
Share of other comprehensive income	<b>28,261</b>	59,951
Share of other reserves	<b>3,374</b>	13,025
Loss on deemed acquisition and dilution of interest, net ( <i>Note ii</i> )	<b>(9,827)</b>	(1,453)
Dividend received/receivable	<b>(80,080)</b>	(83,720)
	<hr/> <b>2,688,668</b> <hr/>	<hr/> 2,393,435 <hr/>
At 31 December	<b>2,688,668</b>	2,393,435

***Impairment test for interest in PAX Global***

As at 31 December 2021, the fair value of the investment calculated based on the current bid price of PAX Global at the balance sheet date is less than its carrying value. An impairment test is performed to determine the recoverable amount of the investment. The recoverable amount, which was assessed by an independent valuer on a value-in-use basis calculated by a discounted cash flow model, exceeds the carrying value as at 31 December 2021.

As at 31 December 2020, the fair value of the investment calculated based on the current bid price of PAX Global at the balance sheet date is higher than its carrying value.

As at 31 December 2021, the Group's interest in PAX Global was 33.30% (2020: 33.31%).

There are no contingent liabilities and commitments to provide funding relating to the Group's interest in PAX Global (2020: same).

*Note i:* PAX Global is principally engaged in the development and sales of electronic funds transfer point-of-sales ("E-payment Terminals") products, provision of maintenance and installation services (collectively, the "E-payment Terminals solution business").

*Note ii:* During the year ended 31 December 2021, PAX Global repurchased a total of 13,232,000 ordinary shares (2020: 20,283,000) on the Stock Exchange, of which 9,561,000 (2020: 20,283,000) ordinary shares were subsequently cancelled during the year. Certain employees of PAX Global exercised their share options granted pursuant to a share option scheme set up on 2 May 2019. A net loss on deemed acquisition and dilution of interest in an associated company of HK\$9,837,000 (2020: HK\$1,044,000) was recognised in the consolidated income statement, including release of reserve credited (2020: debited) to the consolidated income statement of HK\$10,000 (2020: HK\$409,000). The Group's interest in PAX Global decrease from 33.31% to 33.30% accordingly.

**(b) Investment in Cloopen**

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

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

Saved as disclosed in Note 9(b), immediately upon completion of the offering of the ADSs on 9 February 2021 and the conversion of the CPS into the ordinary shares, the equity interest of the Company in Cloopen was diluted and reduced to 17.42%. 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. Upon completion of the offering of the ADSs on 9 February 2021, the Group's interest in Cloopen was classified as a financial asset at FVOCI, with subsequent fair value movement recognised in other comprehensive income. It was accounted for as a deemed disposal of the investment in Cloopen, with a resulting gain of approximately HK\$2,857,920,000 on deemed disposal of an investment accounted for using the equity method recognised in consolidated income statement during the year ended 31 December 2021.

**(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 nil due to losses, after the initial recognition. As at 31 December 2021, the Group's share of loss of Beijing Fangyun exceeded its interest in the ordinary shares of Beijing Fangyun. As at 31 December 2021, the unrecognised share of loss of the interests in Beijing Fangyun is HK\$1,746,000 (2020: Nil).

## 12 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current portion</b>		
Trade receivables ( <i>Note (a)</i> )	176,292	236,974
Bills receivables ( <i>Note (b)</i> )	1,520	51,291
Less: provision for impairment of receivables ( <i>Note (c)</i> )	<u>(9,403)</u>	<u>(14,371)</u>
	<b><u>168,409</u></b>	<b><u>273,894</u></b>

The carrying amounts approximate their fair values. The carrying amounts of the trade and bills receivables are denominated in the following currencies:

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	37,000	10,561
RMB	130,679	258,284
US\$	–	2,670
Macanese pataca (“MOP”)	<u>730</u>	<u>2,379</u>
	<b><u>168,409</u></b>	<b><u>273,894</u></b>

*Notes:*

### (a) Trade receivables

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 invoice date was as follows:

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	128,311	194,298
91 to 180 days	10,947	7,955
181 to 365 days	17,934	11,185
Over 365 days	<u>19,100</u>	<u>23,536</u>
	<b><u>176,292</u></b>	<b><u>236,974</u></b>

As at 31 December 2021, trade receivables included retention money receivables of HK\$13,186,000 (2020: HK\$11,174,000), which represents approximately 10% to 20% (2020: 10% to 20%) of the relevant contract sum granted to certain customers in the PRC that have a retention period of normally one year. As at 31 December 2021, the retention money receivables aged over 365 days primarily based on invoice date amounted to HK\$2,812,000 (2020: HK\$1,341,000).

(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:

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Falling within 90 days	–	51,291
Falling within 91 to 180 days	<u>1,520</u>	<u>–</u>
	<u><b>1,520</b></u>	<u><b>51,291</b></u>

(c) **Impairment and risk exposure**

The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics. Future cash flows for each group receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information.

Movement on the provision for impairment of trade receivables are as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1 January	14,371	14,851
Credit impairment loss	912	150
Written off	–	(1,560)
Classified as held for sale	(6,187)	–
Exchange realignment	<u>307</u>	<u>930</u>
At 31 December	<u><b>9,403</b></u>	<u><b>14,371</b></u>

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

**13 TRADE AND BILLS PAYABLES, PAYABLES FOR PAYMENT PROCESSING SOLUTIONS BUSINESS AND OTHER PAYABLES AND ACCRUALS**

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
<b>Current portion</b>		
Trade payables ( <i>Note (a)</i> )	<b>497,080</b>	512,622
Bills payables ( <i>Note (b)</i> )	<b>8,503</b>	14,182
	<u>505,583</u>	526,804
Payables for payment processing solutions business ( <i>Note (c)</i> )	<b>624,296</b>	828,619
Other payables and accruals ( <i>Note (d)</i> )	<b>1,076,401</b>	1,013,991
	<u>2,206,280</u>	2,369,414
	<b>2,206,280</b>	<b>2,369,414</b>

Trade and bills payables, payables for payment processing solutions business and other payables and accruals are denominated in the following currencies:

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
HK\$	<b>69,530</b>	55,004
RMB	<b>2,136,555</b>	2,313,024
USD	<b>195</b>	1,386
	<u>2,206,280</u>	2,369,414
	<b>2,206,280</b>	<b>2,369,414</b>

*Notes:*

**(a) Trade payables**

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

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Current to 90 days	<b>468,595</b>	462,757
91 to 180 days	<b>11,272</b>	30,489
181 to 365 days	<b>7,089</b>	9,898
Over 365 days	<b>10,124</b>	9,478
	<u>497,080</u>	512,622
	<b>497,080</b>	<b>512,622</b>

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

(b) **Bills payables**

The balance represents bank acceptance notes:

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Due within 90 days	5,993	4,878
Due within 91 to 180 days	2,510	9,304
	<u>8,503</u>	<u>14,182</u>

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

Payables for payment processing solutions 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 and is denominated in RMB.

(d) **Other payables and accruals**

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Accrued staff costs and pension obligations	266,720	302,642
Deposits	60,751	50,373
Receipt in advance from customers ( <i>Note i</i> )	77,241	27,932
Advance from merchant recruitment agents	435,842	415,261
Others	235,847	217,783
	<u>1,076,401</u>	<u>1,013,991</u>

*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 consolidated balance sheet.

Revenue recognised during the year ended 31 December 2021 that was included in the contract liability balance at the beginning of the year amounted to HK\$26,072,000 (2020: HK\$69,592,000).

The increase in receipt in advance from customers was mainly due to increase in advances from merchants under the payment processing solutions segment.

## 14 WRITTEN PUT OPTION LIABILITIES

	For the year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	831,207	683,908
Issuance of written put option	–	78,824
Unwinding of discount	68,779	61,001
Exchange realignment	2,595	7,474
	<u>902,581</u>	<u>831,207</u>
	<u>902,581</u>	<u>831,207</u>
	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current portion</b>		
– VBill (Cayman) ( <i>Note a</i> )	<u>797,710</u>	–
<b>Non-current portion</b>		
– VBill (Cayman) ( <i>Note a</i> )	–	738,620
– Megahunt HK ( <i>Note b</i> )	<u>104,871</u>	<u>92,587</u>
	<u>104,871</u>	<u>831,207</u>
Total	<u>902,581</u>	<u>831,207</u>

### Notes:

- (a) In 2019, the Company, certain shareholders of VBill OPCO, including Shen Zheng (also acts as the director of VBill (Cayman)), Li Huimin, Xue Guangyu and Ge Xiaoxia (collectively the “VBill Management Shareholders”), ELECTRUM B.V. (the “VBill Investor”), VBill (Cayman) and VBill OPCO entered into a subscription agreement (the “VBill Subscription”), pursuant to which, the VBill Investor had agreed to acquire approximately 11.21% effective shareholding in VBill OPCO through subscription of the issued shares of VBill (Cayman) at a subscription price of RMB588,000,000 (equivalent to HK\$676,494,000). The VBill Subscription was completed on 12 November 2019.

As a part of the VBill Subscription, VBill (Cayman) granted a put option, which the VBill Investor could request VBill (Cayman) to repurchase, redeem and/or cancel all the VBill (Cayman)’s shares held by 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 based on the present value of the exercise price of RMB588,000,000 (equivalent to HK\$676,494,000) plus 8.0% interest per annum, by applying a discount rate of 8%, and on the assumption that the put option will be redeemable on 12 November 2022. The written put option liability was denominated in US\$ and classified under current liabilities as at 31 December 2021 (2020: denominated in US\$ and classified under non-current liabilities).

- (b) In 2020, the Company, Megahunt, Megahunt HK, the management team members of Megahunt and certain investors entered into a subscription agreement (the “Megahunt Subscription”). The management team members of Megahunt 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) (“Wonder Pax”), 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, which the Megahunt Investors could request Megahunt HK to repurchase all the Megahunt’s shares held by 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 based on the present value of the exercise price of RMB80,000,000 (equivalent to HK\$87,441,000) plus 8.0% interest per annum, by applying a discount rate of 10.34%, and on the assumption that the put option will be redeemable on 31 December 2023. The written put option liability was denominated in RMB and classified under non-current liabilities as at 31 December 2021 (2020: same).

## 15 DEEMED DISPOSALS OF SHARES OF SUBSIDIARIES

### (a) Deemed disposal of shares of a subsidiary in 2021

#### (i) *Deemed disposal of Shenzhen Hi Sun FinTech Global Company Limited in 2021*

In August 2021, ABS, the management team members of Shenzhen Hi Sun FinTech Global Company Limited (“Shenzhen Hi Sun”) (a subsidiary of the Group) (“Shenzhen Hi Sun Management Team Members”), certain investors and Shenzhen Hi Sun entered into a subscription agreement (the “Shenzhen Hi Sun Investors Subscription”), pursuant to which, the investors had agreed to subscribe approximately 19.09% effective shareholding in Shenzhen Hi Sun through subscription of the issued shares of Shenzhen Hi Sun at a subscription price of RMB9,750,000 (equivalent to HK\$11,791,000).

The Shenzhen Hi Sun Investors Subscription was completed on 18 October 2021. Upon the completion of the Shenzhen Hi Sun Investors Subscription, Shenzhen Hi Sun remains as a subsidiary of the Group. The Group was deemed to have disposed of 19.09% of Shenzhen Hi Sun, resulting in a decrease in shareholding from 70% to 50.91%.

Gain on deemed disposal of shares of Shenzhen Hi Sun for the year ended 31 December 2021 is calculated as follows:

	<b>For the year ended 31 December 2021 HK\$’000</b>
Proceeds receivable from the Shenzhen Hi Sun Investor Subscription	11,791
Less: recognition of non-controlling interests	(11,611)
Add: proportionate share of accumulated currency translation differences re-attributed to non-controlling interests	394
	<hr/>
Gain on deemed disposal of shares of Shenzhen Hi Sun recognised in other reserves	<b>574</b>
	<hr/> <hr/>

(b) **Deemed disposal of shares of subsidiaries in 2020**

(i) ***Deemed disposal of Megahunt***

As disclosed in Note 14, the Megahunt Subscription was completed on 30 March 2020. Upon the completion of the Megahunt Subscription, Megahunt remains as a subsidiary of the Group. The Group was deemed to have disposed of approximately 11.19% of Megahunt, resulting in a decrease in shareholding from 76.92% to approximately 65.73%.

Gain on deemed disposals of shares of Megahunt for the year ended 31 December 2020 is calculated as follows:

	For the year ended 31 December 2020 <i>HK\$'000</i>
Proceeds received from the Megahunt Subscription	87,441
<i>Less:</i> recognition of non-controlling interests	(47,160)
<i>Less:</i> proportionate share of accumulated currency translation differences re-attributed to non-controlling interests	(1,697)
<i>Less:</i> directly attributable transaction costs	<u>(437)</u>
 Gain on deemed disposal of shares of Megahunt recognised in other reserves	 <u><u>38,147</u></u>

(ii) ***Deemed disposal of CodeOne Data Limited***

In March 2020, VBill (Cayman), VBill Management Shareholders and CodeOne Data Limited (“CodeOne”) (a subsidiary of the Group) entered into a subscription agreement (the “CodeOne Subscription”), pursuant to which, the VBill Management Shareholders had agreed to subscribe approximately 17.72% effective shareholding in CodeOne through subscription of the issued shares of CodeOne at a subscription price of HK\$1,772,000. The CodeOne Subscription was completed on 30 March 2020. Upon the completion of the CodeOne Subscription, CodeOne remains as a subsidiary of the Group. The Group was deemed to have disposed of approximately 17.72% of CodeOne, resulting in a decrease in shareholding from 100% to approximately 82.28%.

Gain on deemed disposals of shares of CodeOne for the year ended 31 December 2020 is calculated as follows:

	For the year ended 31 December 2020 <i>HK\$'000</i>
Proceeds received from the CodeOne Subscription	1,772
<i>Less:</i> recognition of non-controlling interests	(1,256)
<i>Less:</i> directly attributable transaction costs	<u>(150)</u>
 Gain on deemed disposal of shares of CodeOne recognised in other reserves	 <u><u>366</u></u>

**(iii) Deemed disposal of Shenzhen Hi Sun in 2020**

In April 2020, ABS, Shenzhen Hi Sun Management Team Members and Shenzhen Hi Sun entered into a subscription agreement (the “Shenzhen Hi Sun Management Team Members Subscription”), pursuant to which, the management team members had agreed to subscribe approximately 30% effective shareholding in Shenzhen Hi Sun through subscription of the issued shares of Shenzhen Hi Sun at a subscription price of RMB6,000,000 (equivalent to HK\$6,543,000).

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

Gain on deemed disposals of shares of Shenzhen Hi Sun for the year ended 31 December 2020 is calculated as follows:

	For the year ended 31 December 2020 HK\$'000
Proceeds received from the Shenzhen Hi Sun Management Team Members Subscription	6,543
Less: recognition of non-controlling interests	<u>(6,203)</u>
Gain on deemed disposal of shares of Shenzhen Hi Sun recognised in other reserves	<u><u>340</u></u>

**(iv) Deemed disposal of Hi Sun FinTech Global Limited**

In July 2020, Emerging Technology Limited (a wholly-owned subsidiary of the Group) and Shenzhen Hi Sun (a subsidiary owned as to 70% by the Group since 10 April 2020 (refer to Note (b)(ii) above)) entered into an agreement (the “Hi Sun FinTech Agreement”), pursuant to which, Shenzhen Hi Sun had agreed to purchase 100% equity interest of Hi Sun FinTech Global Limited (“Hi Sun FinTech”) from Emerging Technology Limited at nil consideration.

The Hi Sun FinTech Agreement was completed on 7 October 2020. Upon the completion of the Hi Sun FinTech Agreement, Hi Sun FinTech remains as a subsidiary of the Group. The Group’s interest in Hi Sun FinTech decreased from 100% to 70% accordingly.

Gain on deemed disposal of shares of Shenzhen Hi Sun for the year ended 31 December 2020 is calculated as follows:

	For the year ended 31 December 2020 HK\$'000
Consideration	–
Recognition of non-controlling interests	<u>921</u>
Gain on deemed disposal of shares of Hi Sun FinTech recognised in other reserves	<u><u>921</u></u>

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

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Gain on deemed disposals of shares of subsidiaries	574	39,774
Initial recognition of the written put option liability of Megahunt	—	(78,824)
	<u>574</u>	<u>(39,050)</u>

In the consolidated cash flow statement for the year ended 31 December 2021, net cash inflow for deemed disposal of HK\$1,666,000, represents proceeds receivable for Shenzhen Hi Sun Investors Subscription of HK\$11,791,000, less unsettled consideration of HK\$10,125,000 as at 31 December 2021 (2020: net cash inflow from deemed disposals of HK\$95,169,000 represents proceeds received from the Megahunt Subscription, CodeOne Subscription and Shenzhen Hi Sun Management Team Members Subscription of HK\$87,441,000, HK\$1,772,000 and HK\$6,543,000 respectively, less the directly attributable transaction costs of Megahunt Subscription of HK\$437,000 and CodeOne Subscription of HK\$150,000, respectively).

## 16 BUSINESS COMBINATIONS

### (a) Acquisition of Good Chain

#### (i) Summary of acquisition of Good Chain

On 8 June 2021, the Group acquired 70% of the issued share capital of Good Chain (an associated company before 8 June 2021 (refer to Note 11)), 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:

	<b>Year ended</b>
	<b>31 December</b>
	<b>2021</b>
	<b>HK\$'000</b>
Purchase consideration ( <i>Note (a)(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><b>19,101</b></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 investment accounted for using the equity method recognised in consolidated income statement during the year ended 31 December 2021.

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

	<b>Year ended 31 December 2021 Fair value HK\$'000</b>
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	(2,012)
	<hr/>
Net identifiable assets acquired	9,414
<i>Less:</i> Non-controlling interests	(2,165)
<i>Add:</i> Goodwill	11,852
	<hr/>
Net assets acquired	<b><u><u>19,101</u></u></b>

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 for the acquisition of Good Chain**

	<b>Year ended 31 December 2021 HK\$'000</b>
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	12,011
<i>Less:</i> Cash acquired	(1)
	<hr/>
Net outflow of cash – investing activities	<b><u><u>12,010</u></u></b>

(b) **Acquisition of Beijing Xuanjia Technology Co. Ltd (“Beijing Xuanjia”)**

(i) **Summary of acquisition of Beijing Xuanjia**

On 7 July 2021, the Group acquired 60% of the issued share capital of Beijing Xuanjia, which is principally engaged in the provision of payment processing solutions business.

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

	<b>HK\$’000</b>
Purchase consideration ( <i>Note (b)(ii)</i> )	
– Cash paid	<b>3,603</b>

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

	<b>Fair value HK\$’000</b>
Cash and cash equivalents	662
Other current assets	211
Intangible assets	4,136
Trade payables, other payables and accruals	(961)
Deferred income tax liabilities	(1,034)
Net identifiable assets acquired	3,014
<i>Less:</i> Non-controlling interests	(1,206)
<i>Add:</i> Goodwill	1,795
Net assets acquired	<b>3,603</b>

The goodwill is attributable to the expected synergies from combining operations of Beijing Xuanjia and the payment processing solutions 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 Beijing Xuanjia, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

(ii) **Purchase consideration – cash outflow for the acquisition of Beijing Xuanjia**

	<b>Year ended 31 December 2021 HK\$’000</b>
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	3,603
<i>Less:</i> Cash acquired	(662)
Net outflow of cash – investing activities	<b>2,941</b>

There were no acquisition in the year ended 31 December 2020.

## 17 PARTIAL DISPOSAL OF A SUBSIDIARY

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 RMB208,727,200 (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 will decrease from approximately 65.73% to approximately 45.73% and Megahunt will cease to be a subsidiary of the Company and will be accounted for as an associated company of the Company. Completion of each of the share transfer agreements is not inter-conditional to each other.

On 15 December 2021, Wonder Pax has also entered into a share transfer agreement with 天津韋豪, pursuant to which Wonder Pax has conditionally agreed to dispose of an aggregate of approximately 3.64% of the issued share capital of Megahunt. Upon completion of the relevant share transfer agreements entered into by Megahunt HK and Wonder Pax, Megahunt will be owned as to 8% by 天津韋豪. On the same day, 天津韋豪 and a limited partnership established by certain management team members of Megahunt to hold interest in Megahunt (the “Management Platform Company”) entered into certain side letters in connection to the share transfer, pursuant to which 天津韋豪 could request Management Platform Company to repurchase all or part of the Megahunt’s shares held by 天津韋豪 under certain conditions, with Megahunt acting as the guarantor for such potential share repurchase. The guarantee shall terminate on 31 December 2022. As at 31 December 2021, as the share transfer to 天津韋豪 were not yet complete, such side letters were not yet effective.

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) has been completed. The Group expected the transfer of the remaining of 8.37% of the issued share capital of Megahunt to be completed during the year ending 31 December 2022. Consequently, the associated assets and liabilities of Megahunt and its subsidiary (together the “Disposal Group”) were presented as held for sale in the 2021 consolidated financial statements as at 31 December 2021.

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.

### (a) Details of the partial disposal of Megahunt

	<b>For the year ended 31 December 2021 HK\$’000</b>
Proceeds received	142,324
Less: recognition of non-controlling interests	(39,197)
Add: proportionate share of accumulated currency translation differences re-attributed to non-controlling interests	926
	<hr/>
Gain on partial disposal of Megahunt recognised in other reserves	<b>104,053</b>
	<hr/> <hr/>

In the consolidated cash flow statement for the year ended 31 December 2021, net cash inflow for partial disposal of HK\$128,552,000 represents proceeds received of HK\$142,324,000, less capital gains tax of HK\$13,772,000.

(b) **Financial performance and cashflow information of discontinued operation**

The financial performance and cash flow presented are for the year ended 31 December 2021 and 2020.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	454,480	298,753
Cost of sales	<u>(271,030)</u>	<u>(201,453)</u>
Gross profit	183,450	97,300
Other income	14,137	9,788
Selling expenses	(13,000)	(11,430)
Administrative expenses	(115,650)	(81,203)
Credit impairment loss	<u>(912)</u>	<u>(4,915)</u>
<b>Operating profit</b>	<b>68,025</b>	<b>9,540</b>
Finance costs	<u>(385)</u>	<u>(362)</u>
<b>Profit before income tax</b>	<b>67,640</b>	<b>9,178</b>
Income tax expense	<u>(6,340)</u>	<u>(1,668)</u>
<b>Profit from discontinued operation</b>	<b>61,300</b>	<b>7,510</b>
Exchange difference on translation of the financial statements of discontinued operation	<u>7,957</u>	<u>18,775</u>
<b>Total other comprehensive income from discontinued operation</b>	<b><u>69,257</u></b>	<b><u>26,285</u></b>
Profit from discontinued operation attributable to:		
– Owners of the Company	40,293	5,234
– Non-controlling interests	<u>21,007</u>	<u>2,276</u>
	<b><u>61,300</u></b>	<b><u>7,510</u></b>
Total comprehensive income from discontinued operation attributable to:		
– Owners of the Company	45,523	17,164
– Non-controlling interests	<u>23,734</u>	<u>9,121</u>
	<b><u>69,257</u></b>	<b><u>26,285</u></b>
Net cash inflow/(outflow) from operating activities	15,955	(14,286)
Net cash (outflow)/inflow from investing activities	(38,108)	56,649
Net cash outflow from financing activities	<u>(2,057)</u>	<u>(1,998)</u>
<b>Net (decrease)/increase in cash generated by the Disposal Group</b>	<b><u>(24,210)</u></b>	<b><u>40,365</u></b>

(c) **Assets and liabilities of 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***

	<b>As at 31 December 2021 HK\$'000</b>
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 investment accounted for using the equity method	35,501
Trade and bills receivables	78,910
Cash and bank balance	40,742
	<hr/>
Total assets of the Disposal Group classified as held for sale	<b>419,105</b>

***Liabilities directly associated with assets classified as held-for-sale***

	<b>As at 31 December 2021 HK\$'000</b>
Lease liabilities	5,879
Trade payable	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	<b>82,803</b>

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

**18 EVENTS AFTER THE BALANCE SHEET DATE**

Subsequent to the balance sheet date, 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.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company during the year ended 31 December 2021.

## **DIVIDEND**

No dividend was paid or declared by the Company for the year ended 31 December 2021 (2020: Nil).

## **CORPORATE GOVERNANCE PRACTICES**

The Company's corporate governance practices are based on the principles (the "Principles") and code provisions (the "Code Provisions") in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to 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 year ended 31 December 2021.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Group has adopted a written code regulating directors' and senior management's securities transactions, on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry had been made to all directors of the Company and the directors have confirmed that they have complied with the required standard as set out in Model Code and the Group's code through the year and up to the date of this announcement.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

## **RETIREMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR**

The Board hereby announces that Mr. Chang Kai Tzung, Richard ("Mr. Chang"), being advanced in retirement age, has decided to retire as an independent non-executive director of the Company and a member of the Audit Committee of the Board with effect from the expiration of the current term of his service agreement on 19 April 2022.

Mr. Chang has confirmed that he has no disagreement with the Board and there is no other matter relating to his retirement that needs to be brought to the attention of the shareholders of the Company or the Stock Exchange.

The Board would like to take this opportunity to express its gratitude and appreciation to Mr. Chang for his valuable contributions during his term of office.

## SUBSEQUENT EVENTS

VBill Factoring, a wholly-owned subsidiary of 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”), which 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 RMB1,000,000,000 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 will be traded on the Shanghai Stock Exchange.

On 27 January 2022, the first phase of the ABS Scheme with an issue size of RMB309,000,000 was established. The priority tranche would be traded on the Shanghai Stock Exchange and were issued to qualified institutional investors in the PRC and the subordinated tranche were issued to VBill Factoring or its designated affiliates. The proceeds from the issuance of the ABS will be 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 announcement dated 27 January 2022.

Save as disclosed above, no other important event affecting the Group has occurred since the end of YEAR 2021.

## SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group’s consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The announcement will be published on the Company’s website at [www.hisun.com.hk](http://www.hisun.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The Annual Report 2021 will be despatched to all shareholders and available on the above websites in due course.

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

Hong Kong, 23 March 2022

*As at the date of this announcement, the Board consists of five Executive Directors, namely, Mr. Cheung Yuk Fung, Mr. Kui Man Chun, Mr. Xu Wensheng, Mr. Li Wenjin and Mr. Xu Changjun; and four Independent Non-Executive Directors, namely Mr. Tam Chun Fai, Mr. Leung Wai Man, Roger, Mr. Chang Kai-Tzung, Richard and Mr. Li Heguo.*