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## HI SUN TECHNOLOGY (CHINA) LIMITED

高陽科技(中國)有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 818)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS	Unaudited		Change + / (-)
	1H2023 HK\$'000	1H2022 HK\$'000 (Restated)	
<b>RESULTS</b>			
<b>Continuing operations</b>			
Revenue	1,310,613	1,742,494	-25%
Gross profit	476,332	602,867	-21%
Segmental EBITDA# (before unallocated items)	168,465	329,177	-49%
Operating profit	69,735	201,163	-65%
Share of results of associated companies	220,380	228,450	-4%
<b>Adjusted net profit##</b>	<b>349,414</b>	<b>395,343</b>	<b>-12%</b>
Fair value gains/(losses) on financial assets at fair value through profit or loss ("FVPL")	4,316	(2,722)	N/A
Gains on disposals of subsidiaries	3,277	431,943	-99%
<b>Profit for the period</b>	<b>357,007</b>	<b>824,564</b>	<b>-57%</b>
<b>Profit from continuing operations</b>	<b>357,007</b>	<b>314,987</b>	<b>+13%</b>
<b>Profit from discontinued operation</b>	<b>-</b>	<b>509,577</b>	<b>N/A</b>
<b>Profit for the period</b>	<b>357,007</b>	<b>824,564</b>	<b>-57%</b>
<b>Profit attributable to:</b>			
- Owners of the Company	316,301	710,401	-55%
- Non-controlling interests	40,706	114,163	-64%
	<b>357,007</b>	<b>824,564</b>	

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

## Excluding fair value gains/(losses) on financial assets at fair value through profit or loss and gains on disposals of subsidiaries

\* For identification purpose only

	<b>1H2023</b> <i>HK\$</i> <i>per share</i>	1H2022 <i>HK\$</i> <i>per share</i>	Change +/(–)
<b>Earnings per share for profit attributable to the owners of the Company:</b>			
Basic	<b>0.115</b>	0.256	-55%
Diluted	<b>0.083</b>	0.229	-64%
	<b>As at</b> <b>30 June</b> <b>2023</b> <i>HK\$'000</i>	As at 31 December 2022 <i>HK\$'000</i>	Change +/(–)
<b>HIGHLIGHTS OF FINANCIAL POSITION</b>			
Total equity	<b>7,580,130</b>	7,554,282	+1%
Net current assets	<b>3,800,859</b>	3,689,867	+3%
Total assets	<b>10,389,172</b>	11,455,311	-9%
	<b>HK\$</b> <b>per share</b>	<b>HK\$</b> <b>per share</b>	Change +/(–)
Net assets per share	<b>2.730</b>	2.720	+1%

The Board of Directors (the “Board”) of Hi Sun Technology (China) Limited (the “Company”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2023 together with the unaudited comparative figures for the corresponding period in 2022 and, for the interim condensed consolidated balance sheet only, the audited comparative figures as at 31 December 2022 as follows:

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2023</b>	<b>2022</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
			(Restated)
			(Note 2)
<b>Continuing operations</b>			
Revenue	4, 5	<b>1,310,613</b>	1,742,494
Cost of sales	6	<b>(834,281)</b>	(1,139,627)
		<b>476,332</b>	602,867
<b>Gross profit</b>			
Other income	4	<b>51,779</b>	41,677
Other gains/(losses), net	4	<b>9,179</b>	(7,409)
Selling expenses	6	<b>(86,186)</b>	(68,465)
Administrative expenses	6	<b>(367,859)</b>	(320,027)
Credit impairment loss	6	<b>(13,510)</b>	(47,480)
		<b>69,735</b>	201,163
<b>Operating profit</b>			
Share of results of associated companies	13	<b>220,380</b>	228,450
(Loss)/gain on deemed acquisition and dilution of interest of an associated company	13	<b>(224)</b>	441
Gains on disposals of subsidiaries	19	<b>3,277</b>	2,604
Finance costs		<b>(2,179)</b>	(36,269)
		<b>290,989</b>	396,389
<b>Profit before income tax</b>			
Income tax credit/(expense)	7	<b>66,018</b>	(81,402)
		<b>357,007</b>	314,987
<b>Profit from continuing operations</b>			
Profit from discontinued operation	19	<b>–</b>	509,577
		<b>357,007</b>	824,564
<b>Profit for the period</b>			
<b>Profit attributable to:</b>			
– Owners of the Company		<b>316,301</b>	710,401
– Non-controlling interests		<b>40,706</b>	114,163
		<b>357,007</b>	824,564

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b> (Restated) <i>(Note 2)</i>
<b>Profit from continuing operations attributable to:</b>			
– Owners of the Company		<b>316,301</b>	237,661
– Non-controlling interests		<b>40,706</b>	77,326
		<u><b>357,007</b></u>	<u>314,987</u>
<b>Profit from discontinued operation attributable to:</b>			
– Owners of the Company		–	472,740
– Non-controlling interests		–	36,837
		<u>–</u>	<u>509,577</u>
		<b>HK\$</b> <b>per share</b>	<b>HK\$</b> <b>per share</b> (Restated)
<b>Earnings per share for profit from continuing operations attributable to the owners of the Company:</b>			
Basic	9	<u><b>0.115</b></u>	<u>0.085</u>
Diluted	9	<u><b>0.083</b></u>	<u>0.058</u>
<b>Earnings per share for profit attributable to the owners of the Company:</b>			
Basic	9	<u><b>0.115</b></u>	<u>0.256</u>
Diluted	9	<u><b>0.083</b></u>	<u>0.229</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
		(Note 2)
<b>Profit for the period</b>	<b>357,007</b>	824,564
<b>Other comprehensive (loss)/income, net of tax</b>		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences on translation of foreign subsidiaries	(139,016)	(143,629)
Exchange differences in relation to discontinued operation	–	(15,970)
Share of other comprehensive loss of associated companies	(36,167)	(65,680)
Release of reserve upon dilution of interest in an associated company	(2,460)	297
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Change in value of a financial asset at fair value through other comprehensive income	(152,832)	(401,712)
Share of other comprehensive (loss)/income of an associated company	(17)	650
<b>Total comprehensive income for the period, net of tax</b>	<b>26,515</b>	198,520
<b>Total comprehensive income for the period attributable to:</b>		
– Owners of the Company	12,794	131,561
– Non-controlling interests	13,721	66,959
	<b>26,515</b>	198,520
<b>Total comprehensive income/(loss) for the period attributable to the owners of the Company:</b>		
– Continuing operations	12,794	(332,541)
– Discontinued operation	–	464,102
	<b>12,794</b>	131,561

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at <b>30 June 2023</b> <i>HK\$'000</i>	Audited As at 31 December 2022 <i>HK\$'000</i>
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties		598	684
Property, plant and equipment		99,455	146,796
Right-of-use assets		71,374	55,690
Intangible assets		23,877	25,737
Investments in associated companies	13	3,512,246	3,399,895
Financial asset at fair value through other comprehensive income	10	36	152,868
Financial assets at fair value through profit or loss	11	93,145	93,077
Other financial assets at amortised cost		<u>3,885</u>	<u>4,064</u>
<b>Total non-current assets</b>		<u><u>3,804,616</u></u>	<u><u>3,878,811</u></u>
<b>Current assets</b>			
Inventories		19,069	18,732
Other current assets		36,522	49,551
Other financial assets at amortised cost		87,232	69,648
Amount due from an associated company		5,306	5,306
Loan receivables	12	1,900,485	2,647,625
Trade and bills receivables	14	189,502	170,316
Financial asset at fair value through profit or loss	11	957	980
Current income tax recoverable		6,878	10,431
Short-term bank deposits		273	1,468
Restricted bank balances		1,160,745	1,064,937
Cash and cash equivalents		<u>3,177,587</u>	<u>3,537,506</u>
<b>Total current assets</b>		<u><u>6,584,556</u></u>	<u><u>7,576,500</u></u>
<b>Total assets</b>		<u><u>10,389,172</u></u>	<u><u>11,455,311</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the owners of the Company</b>			
Share capital		6,942	6,942
Reserves		<u>7,007,988</u>	<u>6,611,653</u>
		<b>7,014,930</b>	<b>6,618,595</b>
Non-controlling interests		<u>565,200</u>	<u>935,687</u>
<b>Total equity</b>		<u><u>7,580,130</u></u>	<u><u>7,554,282</u></u>

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2023</b>	2022
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>23,157</b>	11,958
Deferred income tax liabilities		<b>2,188</b>	2,438
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>25,345</b>	14,396
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current liabilities</b>			
Trade payables	<i>15</i>	<b>618,525</b>	642,446
Payables for payment and digital services business	<i>16</i>	<b>1,105,865</b>	965,787
Other payables and accruals	<i>16</i>	<b>757,194</b>	967,734
Amounts due to associated companies		<b>4,227</b>	4,421
Current income tax liabilities		<b>34,265</b>	110,499
Bank borrowings		<b>1,078</b>	55,748
Asset-backed securities	<i>17</i>	<b>237,997</b>	265,058
Written put option liabilities	<i>18</i>	<b>–</b>	857,069
Lease liabilities		<b>24,546</b>	17,871
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>2,783,697</b>	3,886,633
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total liabilities</b>		<b>2,809,042</b>	3,901,029
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total equity and liabilities</b>		<b>10,389,172</b>	11,455,311
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*Note:*

## **1 GENERAL INFORMATION**

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

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

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

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

This interim condensed consolidated financial information was approved for issue on 17 August 2023.

This interim condensed consolidated financial information has not been audited.

## **2 BASIS OF PREPARATION**

This interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This interim condensed consolidated financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The Group recorded gains on disposals of subsidiaries of HK\$431,943,000 for the period ended 30 June 2022, which included (a) a gain on disposal of a subsidiary attributable to the Group’s continuing operations of HK\$2,604,000 (Note 19(c)) and (b) a gain on disposal of a subsidiary constituting the discontinued operation of HK\$429,339,000. An adjustment is made to reclassify the gain on disposal of a subsidiary constituting the discontinued operation of HK\$429,339,000 from continuing operations to discontinued operation to align with the presentation of the Group’s consolidated income statement previously issued for the year ended 31 December 2022. Hence, the gains on disposals of subsidiaries of HK\$431,943,000 and profit from discontinued operation of HK\$80,238,000 for the period ended 30 June 2022 as previously stated in the interim condensed consolidated income statement have been restated to HK\$2,604,000 and HK\$509,577,000, respectively. As a result, the profit from continuing operations of HK\$744,326,000 for the period ended 30 June 2022 as previously stated in the interim condensed consolidated income statement has been restated to HK\$314,987,000, and the profit from discontinued operation of HK\$80,238,000 for the period ended 30 June 2022 as previously stated in the interim condensed consolidated income statement has been restated to HK\$509,577,000.

The above reclassification has no impact on the interim condensed consolidated balance sheet as at 30 June 2022 and the profit for the period of HK\$824,564,000 on the interim condensed consolidated income statement for the period then ended. For the effect of the restatement to the earnings per share attributable to the owners of the Company on continuing operations and discontinued operation for the period ended 30 June 2022, please refer to Note 9 to interim condensed consolidated financial information.

### **3 ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those of the annual consolidated financial statements for the year ended 31 December 2022, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standards as set out below. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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

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

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

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

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

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing operations</b>		
<b>Revenue from contract with customers</b>		
<i>Recognised over time</i>		
Provision of services	<b>1,185,761</b>	1,630,104
<i>Recognised at a point in time</i>		
Sales of goods	<b>16,675</b>	7,477
	<b>1,202,436</b>	1,637,581
<b>Revenue from other source</b>		
Provision of fintech services ( <i>Note i</i> )	<b>108,177</b>	104,913
	<b>1,310,613</b>	1,742,494
<b>Other income</b>		
Interest income	<b>32,217</b>	20,336
Government subsidies ( <i>Note ii</i> )	<b>17,392</b>	19,385
Rental income	<b>1,499</b>	1,542
Others	<b>671</b>	414
	<b>51,779</b>	41,677
<b>Other gains/(losses), net</b>		
Fair value gains/(losses) on financial assets at FVPL		
– Unlisted investment fund	<b>4,339</b>	(2,509)
– Listed equity securities	<b>(23)</b>	(213)
Fair value loss on written put option liability at FVPL	<b>–</b>	(4,687)
Derecognition of written put option liability at FVPL	<b>4,863</b>	–
	<b>9,179</b>	(7,409)

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

*Note ii:* Government subsidies represented value-added tax refund from local tax bureau and grant from government in relation to sales and research and development of self-developed software products in the People's Republic of China (the "PRC") for the period ended 30 June 2023 (six months ended 30 June 2022: same). There were no unfulfilled condition and other contingencies attached to the receipts of those grants (six months ended 30 June 2022: same).

## 5 SEGMENT INFORMATION

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

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

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

### **Continuing operations**

- (a) Payment and digital services – principally engaged in the provision of payment processing services and related digital products and solutions;
- (b) Fintech services – principally engaged in the provision of microlending, supply chain financing, factoring business, credit assessment services and related products and solutions;
- (c) Platform operation solutions – principally engaged in the provision of telecommunication and mobile payment platform operation services and operation value-added services;
- (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 (Note 19(b))**

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

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

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

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

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

	Unaudited						Discontinued operation	
	Continuing operations					Total Group (Restated) (Note 2)		Information security chips and solutions (Restated) (Note 2)
	Payment and digital services <i>HK\$'000</i>	Fintech services <i>HK\$'000</i>	Platform operation solutions <i>HK\$'000</i>	Financial solutions <i>HK\$'000</i>	Others <i>HK\$'000</i>			
<b>Six months ended 30 June 2022</b>								
Segment turnover	1,451,052	118,178	62,040	101,040	13,078	1,745,388	246,379	
Inter-segment turnover	(2,263)	(629)	(2)	-	-	(2,894)	-	
Turnover from external customers	<u>1,448,789</u>	<u>117,549</u>	<u>62,038</u>	<u>101,040</u>	<u>13,078</u>	<u>1,742,494</u>	<u>246,379</u>	
Segmental EBITDA (excluding fair value loss on financial asset at FVPL)	<u>389,627</u>	<u>25,610</u>	<u>(19,639)</u>	<u>(37,716)</u>	<u>(28,705)</u>	<u>329,177</u>	<u>93,584</u>	
Depreciation	(77,364)	(3,440)	(2,535)	(3,930)	(1,342)	(88,611)	-	
Amortisation	(273)	(402)	-	-	(46)	(721)	-	
Fair value loss on financial asset at FVPL	-	-	(2,509)	-	-	(2,509)	-	
Segmental operating profit/(loss)	<u>311,990</u>	<u>21,768</u>	<u>(24,683)</u>	<u>(41,646)</u>	<u>(30,093)</u>	<u>237,336</u>	<u>93,584</u>	
Unallocated other income						1,783	-	
Unallocated corporate expenses						(37,956)	-	
Share of results of associated companies						228,450	-	
Gain on deemed acquisition and dilution of interest of an associated company						441	-	
Gains on disposals of subsidiaries						2,604	429,339	
Finance costs						(36,269)	(143)	
Profit before income tax						396,389	522,780	
Income tax expense						(81,402)	(13,203)	
Profit for the period						<u>314,987</u>	<u>509,577</u>	

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

	Unaudited							
	Payment and digital services <i>HK\$'000</i>	Fintech services <i>HK\$'000</i>	Platform operation solutions <i>HK\$'000</i>	Financial solutions <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total Group <i>HK\$'000</i>
<b>As at 30 June 2023</b>								
Segment assets	<u>4,873,233</u>	<u>3,074,628</u>	<u>579,727</u>	<u>382,759</u>	<u>313,294</u>	<u>4,842,136</u>	<u>(3,676,605)</u>	<u>10,389,172</u>
Segment liabilities	<u>(2,679,360)</u>	<u>(2,372,880)</u>	<u>(321,919)</u>	<u>(534,371)</u>	<u>(146,280)</u>	<u>(430,837)</u>	<u>3,676,605</u>	<u>(2,809,042)</u>
<b>Six months ended 30 June 2023</b>								
Additions to non-current assets (excluding investments in associated companies, financial asset at FVOCI, other financial assets at amortised cost and financial assets at FVPL)	<u>33,217</u>	<u>13,559</u>	<u>6,121</u>	<u>289</u>	<u>151</u>	<u>18</u>	<u>-</u>	<u>53,355</u>

The segment assets and liabilities as at 31 December 2022 and additions to non-current assets for the six months ended 30 June 2022 are as follows:

	Audited							
	Payment and digital services <i>HK\$'000</i>	Fintech services <i>HK\$'000</i>	Platform operation solutions <i>HK\$'000</i>	Financial solutions <i>HK\$'000</i>	Others <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total Group <i>HK\$'000</i>
<b>As at 31 December 2022</b>								
Segment assets	<u>5,569,006</u>	<u>3,669,736</u>	<u>783,224</u>	<u>579,209</u>	<u>347,421</u>	<u>4,705,968</u>	<u>(4,199,253)</u>	<u>11,455,311</u>
Segment liabilities	<u>(3,719,058)</u>	<u>(2,915,726)</u>	<u>(337,000)</u>	<u>(689,540)</u>	<u>(172,093)</u>	<u>(266,865)</u>	<u>4,199,253</u>	<u>(3,901,029)</u>
<b>Six months ended 30 June 2022</b>								
Additions to non-current assets (excluding investments in associated companies, financial asset at FVOCI, other financial assets at amortised cost and financial assets at FVPL)	<u>24,538</u>	<u>183</u>	<u>6,521</u>	<u>10,577</u>	<u>2,494</u>	<u>18</u>	<u>-</u>	<u>44,331</u>

During the period, additions to non-current assets mainly comprise additions to property, plant and equipment and right-of-use assets (six months ended 30 June 2022: property, plant and equipment, right-of-use assets and intangible assets).

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

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

The Group is principally domiciled in Mainland China and Hong Kong (six months ended 30 June 2022: same).

## 6 EXPENSES BY NATURE

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing operations</b>		
Auditor's remuneration	2,000	1,905
Commission and incentives paid/payable to business channel partners	576,590	862,383
Interest expenses on asset-backed securities	14,343	4,225
Depreciation of property, plant and equipment	60,233	77,414
Depreciation of right-of-use assets	14,808	13,864
Depreciation of investment properties	86	86
Amortisation of intangible assets	758	721
Employee benefit expenses	424,363	365,546
Costs of inventories sold (including reversal of provision for inventories)	12,129	13,096
Operating lease rentals in respect of land and buildings	4,989	7,676
Research and development costs (including staff cost)	133,553	112,816
Gains on disposals of property, plant and equipment	(17)	(131)
Credit impairment loss/(reversal of credit impairment loss), net		
– Trade and bills receivables	(6)	9,389
– Loan receivables	13,516	38,091
Net foreign exchange loss	665	4,541

## 7 INCOME TAX CREDIT/(EXPENSE)

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current income tax		
– Overseas taxation ( <i>Note (a)</i> )	<b>(20,373)</b>	(94,765)
– Over-provision in prior year ( <i>Note (b)</i> )	<b>86,242</b>	–
Deferred income tax	<b>149</b>	160
	<u>66,018</u>	<u>(94,605)</u>
Income tax credit/(expense)	<b>66,018</b>	(94,605)
	<u>66,018</u>	<u>(94,605)</u>
<b>Income tax credit/(expense) is attributable to:</b>		
– Profit from continuing operations	<b>66,018</b>	(81,402)
– Profit from discontinued operation	–	(13,203)
	<u>66,018</u>	<u>(94,605)</u>
	<b>66,018</b>	(94,605)

### *Note (a)*

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2022: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates (six months ended 30 June 2022: same).

Subsidiaries in the PRC are subject to corporate income tax (“CIT”) in accordance with the PRC CIT Law. According to the PRC CIT Law and the relevant regulations, the CIT tax rate applicable is 25% unless preferential rates are applicable in the cities where the subsidiaries are located. If a subsidiary is qualified as High and New Technology Enterprise (“HNTE”), the applicable CIT tax rate is 15%. If a subsidiary is engaged in Encouraged Industries in the Western Region (“EIWR”), the applicable CIT tax rate is 15%. If a subsidiary is qualified as Software and Integrated Circuit Enterprise (“SICE”), the applicable CIT tax rate is 0% for the first two years of being qualified and 12.5% for the next three years.

## Applicable corporate income tax rates of principal subsidiaries

	Applicable corporate income tax rate	
	Six months ended 30 June 2023	2022
<b>Subsidiaries</b>		
Beijing Hi Sun Advanced Business Solutions Information Technology Limited (“BJ ABS”) (Note (i))	15%	15%
隨行付支付有限公司 (“VBill OPCO”)	25%	25%
重慶鑫聯隨行科技有限公司 (“Chongqing Xinlian”) (Note (ii))	15%	15%
北京結慧科技有限公司 (“Beijing Jiehui”) (Note (iii))	0%	15%

### Notes:

- (i) BJ ABS was qualified as HNTE for the six months ended 30 June 2022 and 2023.
- (ii) Chongqing Xinlian was engaged in EIWR for the six months ended 30 June 2022 and 2023.
- (iii) Beijing Jiehui was qualified as HNTE for the six months ended 30 June 2022 and SICE for the six months ended 30 June 2023.

### Note (b)

The over-provision of current income tax in prior year during the period ended 30 June 2023 is mainly attributable to Beijing Jiehui. Pursuant to Caishui Circular 49 of 2016 jointly released by the Ministry of Finance, the State Administration of Taxation, the National Development and Reform Commission and the Ministry of Industry and Information Technology of the PRC and the amendments of the relevant tax rules and requirements of the eligibility for the tax incentives, management performed self-assessment for Beijing Jiehui on the eligibility of tax incentives. In May 2023, Beijing Jiehui was accredited as SICE with the first effective period being the year ended 31 December 2022 and is entitled to a preferential tax rate of 0% for the first two years of being qualified and 12.5% for the next three years. As a result of the accreditation, Beijing Jiehui received a tax refund in relation to income tax paid for the year ended 31 December 2022 of HK\$21,084,000 and recognised an over-provision for income tax expense for the year ended 31 December 2022 calculated at the applicable tax rate of 15% of HK\$72,660,000 in the interim condensed consolidated income statement for the period ended 30 June 2023.

## 8 DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

## 9 EARNINGS PER SHARE

### (a) Basic

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
		(Restated)
		(Note 2)
Profit attributable to the owners of the Company ( <i>HK\$'000</i> )		
– Continuing operations	<b>316,301</b>	237,661
– Discontinued operation	–	472,740
	<u><b>316,301</b></u>	<u>710,401</u>
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme ( <i>thousands shares</i> )	<u><b>2,744,839</b></u>	<u>2,776,834</u>
Basic earnings per share attributable to the owners of the Company ( <i>HK\$ per share</i> ) (Note)		
– Continuing operations	<b>0.115</b>	0.085
– Discontinued operation	–	0.171
	<u><b>0.115</b></u>	<u>0.256</u>

#### Note:

The basic earnings per share attributable to the owners of the Company from continuing operations and discontinued operation for the six months ended 30 June 2022 were previously stated at HK\$0.240 and HK\$0.016 respectively. As a result of the adjustment mentioned in Note 2 to the interim condensed consolidated financial information, the profit attributable to owners of the Company from continuing operations of HK\$667,000,000 and discontinued operation of HK\$43,401,000 as previously stated have been restated to HK\$237,661,000 and HK\$472,740,000 respectively. Accordingly, the basic earnings per share attributable to the owners of the Company from continuing operations and discontinued operation for the six months ended 30 June 2022 were restated to HK\$0.085 and HK\$0.171 respectively.

(b) **Diluted**

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

For the six months ended 30 June 2023, the Group has three categories (six months ended 30 June 2022: four) 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 a written put option liability issued by a subsidiary – VBill Limited (“VBill (Cayman)”) (six months ended 30 June 2022: 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 a subsidiary – VBill Limited (“VBill (Cayman)”) and a subsidiary before 23 May 2022 - Megahunt Microelectronics Limited (“Megahunt HK”).

For the six months ended 30 June 2023, the exercise of the outstanding share options in PAX Global (six months ended 30 June 2022: PAX Global and VBill OPCO) would have a dilutive effect. The exercise of the share options in PAX Global (six months ended 30 June 2022: PAX Global and VBill OPCO) would be dilutive if the net profit attributable to the owners of the Company will decrease. A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual fair value of the associated company’s shares (six months ended 30 June 2022: the associated company’s shares and the subsidiary’s shares)) based on the monetary value of the subscription rights attached to outstanding share options of PAX Global (six months ended 30 June 2022: PAX Global and VBill OPCO). The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options of PAX Global (six months ended 30 June 2022: PAX Global and VBill OPCO).

For the six months ended 30 June 2023, the calculation of diluted earnings per share does not assume the exercise of the written put option liability of VBill (Cayman) as it would have an anti-dilutive impact to the basic earnings per share (six months ended 30 June 2022: the calculation of diluted earnings per share does not assume the exercise of the written put option liabilities of VBill (Cayman) and Megahunt HK as they would have an anti-dilutive impact to the basic earnings per share).

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
		(Restated)
		(Note 2)
Profit attributable to the owners of the Company ( <i>HK\$’000</i> )		
– Continuing operations	<b>316,301</b>	237,661
Assuming exercise of all outstanding dilutive share options issued by PAX Global ( <i>HK\$’000</i> )		
– Decrease in share of profit of an associated company	<b>(5,167)</b>	(4,358)
– Loss on dilution of an associated company	<b>(84,593)</b>	(62,722)
Assuming exercise of all outstanding dilutive share options issued by VBill OPCO ( <i>HK\$’000</i> )		
– Decrease in profit attributable to the owners of the Company	–	(7,447)
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>226,541</u></b>	<b><u>163,134</u></b>



Note:

**Listed equity security outside Hong Kong – Cloopen Group Holding Limited**

The fair value of the American Depositary Shares (“ADSs”) as at 30 June 2023 is based on its quoted bid prices in over-the-counter markets (31 December 2022: New York Stock Exchange) and its carrying amount is denominated in US dollar (“US\$”).

**11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2023</b> <b>HK\$’000</b>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2022</b> <b>HK\$’000</b>
<b>Non-current asset</b>		
Unlisted investment fund outside Hong Kong ( <i>Note (a)</i> )	<u>93,145</u>	<u>93,077</u>
<b>Current asset</b>		
Listed equity securities in Hong Kong ( <i>Note (b)</i> )	<u>957</u>	<u>980</u>
	<b><u>94,102</u></b>	<b><u>94,057</u></b>
	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
Balance at 1 January	94,057	109,303
Fair value gains/(losses) on revaluation recognised in profit or loss	4,316	(2,722)
Exchange realignment	<u>(4,271)</u>	<u>(4,642)</u>
Balance at 30 June	<b><u>94,102</u></b>	<b><u>101,939</u></b>

Notes:

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

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

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

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

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

## 12 LOAN RECEIVABLES

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

### (i) Ageing analysis of loan receivables

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

	<b>Unaudited At 30 June 2023 HK\$'000</b>	Audited At 31 December 2022 HK\$'000
Current	<b>1,893,003</b>	2,637,486
1 to 3 months past due	<b>15,048</b>	26,579
Over 3 months past due	<b>159,583</b>	143,806
Loan receivables, gross	<b>2,067,634</b>	2,807,871
Less: provision for impairment of loan receivables	<b>(167,149)</b>	(160,246)
	<b><u>1,900,485</u></b>	<b><u>2,647,625</u></b>

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

	<b>Unaudited At 30 June 2023</b>			<b>Total HK\$'000</b>
	<b>Stage 1 HK\$'000</b>	<b>Stage 2 HK\$'000</b>	<b>Stage 3 HK\$'000</b>	
Loan receivables	<b>1,893,003</b>	<b>15,048</b>	<b>159,583</b>	<b>2,067,634</b>
Less: Provision for impairment of loan receivables	<b>(14,694)</b>	<b>(12,907)</b>	<b>(139,548)</b>	<b>(167,149)</b>
Loan receivables, net	<b><u>1,878,309</u></b>	<b><u>2,141</u></b>	<b><u>20,035</u></b>	<b><u>1,900,485</u></b>
	<b>Audited At 31 December 2022</b>			<b>Total HK\$'000</b>
	<b>Stage 1 HK\$'000</b>	<b>Stage 2 HK\$'000</b>	<b>Stage 3 HK\$'000</b>	
Loan receivables	2,637,486	26,579	143,806	2,807,871
Less: Provision for impairment of loan receivables	(21,985)	(20,005)	(118,256)	(160,246)
Loan receivables, net	<b><u>2,615,501</u></b>	<b><u>6,574</u></b>	<b><u>25,550</u></b>	<b><u>2,647,625</u></b>

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

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

	<b>For the period ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
Loans to borrowers	<b><u>4% to 24% p.a.</u></b>	<b><u>4% to 24% p.a.</u></b>

**13 INVESTMENTS IN ASSOCIATED COMPANIES**

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

	<b>Unaudited At 30 June 2023 HK\$'000</b>	<b>Audited At 31 December 2022 HK\$'000</b>
Associated companies:		
– PAX Global ( <i>Note (a)</i> )	<b>2,966,758</b>	2,846,550
– Megahunt ( <i>Note (b)</i> )	<b>515,151</b>	518,630
– Beijing Fangyun Technology Co., Ltd (“Beijing Fangyun”) ( <i>Note (c)</i> )	–	–
– Beijing Zhongjin Yunchuang Software., Ltd (“Beijing Zhongjin”) ( <i>Note (d)</i> )	<b>24,485</b>	28,565
– Beijing Suiyun Technology Co., Ltd (“Beijing Suiyun”)	<b>2,632</b>	2,781
– Shenzhen Guofu Yunlian Technology Co., Ltd (“Shenzhen Guofu”)	<b>3,220</b>	3,369
	<b><u>3,512,246</u></b>	<b><u>3,399,895</u></b>

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

	<b>Unaudited Six months ended 30 June</b>	
	<b>2023 HK\$'000</b>	<b>2022 HK\$'000</b>
Associated companies:		
– PAX Global ( <i>Note (a)</i> )	<b>219,398</b>	221,567
– Megahunt ( <i>Note (b)</i> )	<b>3,952</b>	7,735
– Beijing Zhongjin ( <i>Note (d)</i> )	<b>(2,942)</b>	(812)
– Beijing Suiyun	<b>(28)</b>	(40)
	<b><u>220,380</u></b>	<b><u>228,450</u></b>

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Associated company:		
– PAX Global ( <i>Note (a)</i> )	<b>(224)</b>	<b>441</b>

**(a) Investment in PAX Global**

The movement on interest in PAX Global is as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1 January	<b>2,846,550</b>	2,688,668
Share of profit	<b>219,398</b>	221,567
Share of other comprehensive loss	<b>(27,346)</b>	(62,519)
(Loss)/gain on deemed acquisition and dilution of interest, net ( <i>Note i</i> )	<b>(2,684)</b>	738
Dividend received	<b>(69,160)</b>	(54,600)
At 30 June	<b>2,966,758</b>	2,793,854

*Note:*

- (i) During the period, PAX Global repurchased a total of 6,800,000 ordinary shares (six months ended 30 June 2022: 11,092,000) on the Stock Exchange, of which 5,800,000 ordinary shares (six months ended 30 June 2022: 11,092,000) were subsequently cancelled during the period. Certain employees of PAX Global exercised share options granted to them pursuant to a share option scheme set up on 2 May 2019. A loss on deemed acquisition and dilution of interest of an associated company of HK\$224,000 (six months ended 30 June 2022: a gain of HK\$441,000) and a release of reserve credited (six months ended 30 June 2022: debited) to the interim condensed consolidated income statement of HK\$2,460,000 (six months ended 30 June 2022: HK\$297,000) were recognised in the interim condensed consolidated income statement. The Group's interest in PAX Global increased from 33.71% to 33.85% accordingly.

**(b) Investment in Megahunt**

As disclosed in Note 19(b), upon the completion of the transfer of the remaining of 8.37% of the issued share capital of Megahunt on 23 May 2022, Megahunt ceased to be a subsidiary of the Company and was accounted for as an associated company of the Company. Consequently, the financial results of Megahunt would no longer be consolidated into the interim condensed consolidated financial information of the Group and its assets and liabilities would be deconsolidated from the Group's interim condensed consolidated financial information. The Group accounts for its interests in Megahunt as an investment in an associated company initially at fair value and will share the results of Megahunt as an investment in an associated company using the equity method going forward.

The movement on interest in Megahunt is as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1 January	<b>518,630</b>	–
Recognition of investment in an associated company upon disposal of a subsidiary ( <i>Note 19(b)(i)</i> )	–	536,584
Share of profit	<b>3,952</b>	7,735
Share of other comprehensive income	<b>(7,431)</b>	(851)
	<hr/>	<hr/>
At 30 June	<b>515,151</b>	543,468
	<hr/> <hr/>	<hr/> <hr/>

**(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 30 June 2023, the Group's share of loss of Beijing Fangyun exceeded its interest in the ordinary shares of Beijing Fangyun (31 December 2022: same). As at 30 June 2023, the unrecognised share of loss of the interests in Beijing Fangyun is HK\$3,014,000 (31 December 2022: HK\$2,947,000).

**(d) Investment in Beijing Zhongjin**

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

**14 TRADE AND BILLS RECEIVABLES**

	<b>Unaudited</b>	<b>Audited</b>
	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade receivables ( <i>Note (a)</i> )	<b>202,492</b>	181,963
Bills receivables ( <i>Note (b)</i> )	<b>2,775</b>	4,850
Less: provision for impairment of receivables	<b>(15,765)</b>	(16,497)
	<hr/>	<hr/>
	<b>189,502</b>	170,316
	<hr/> <hr/>	<hr/> <hr/>

Notes:

(a) **Trade receivables**

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

	<b>Unaudited</b>	Audited
	At	At
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current to 90 days	<b>148,971</b>	143,537
91 to 180 days	<b>5,993</b>	4,844
181 to 365 days	<b>27,019</b>	8,748
Over 365 days	<b>20,509</b>	24,834
	<u><b>202,492</b></u>	<u>181,963</u>

(b) **Bills receivables**

The balance represents bank acceptance notes with maturity dates within six months. The maturity profile of the bills receivables of the Group is as follows:

	<b>Unaudited</b>	Audited
	At	At
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
Falling within 90 days	<b>501</b>	2,381
Falling within 91 to 180 days	<b>2,274</b>	2,469
	<u><b>2,775</b></u>	<u>4,850</u>

**15 TRADE PAYABLES**

	<b>Unaudited</b>	Audited
	At	At
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade payables	<u><b>618,525</b></u>	<u>642,446</u>

At 30 June 2023 and 31 December 2022, the ageing analysis of the trade payables primarily based on invoice date was as follows:

	<b>Unaudited</b>	Audited
	At	At
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current to 90 days	<b>349,264</b>	294,502
91 to 180 days	<b>110,770</b>	194,648
181 to 365 days	<b>150,087</b>	145,038
Over 365 days	<b>8,404</b>	8,258
	<u><b>618,525</b></u>	<u>642,446</u>

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

## 16 PAYABLES FOR PAYMENT AND DIGITAL SERVICES BUSINESS AND OTHER PAYABLES AND ACCRUALS

	<b>Unaudited</b>	Audited
	At	At
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
Payables for payment and digital services business ( <i>Note (a)</i> )	<b>1,105,865</b>	965,787
Other payables and accruals ( <i>Note (b)</i> )	<b>757,194</b>	967,734
	<u><b>1,863,059</b></u>	<u>1,933,521</u>

*Notes:*

### (a) Payables for payment and digital services business

Payables for payment and digital services business mainly represent payment received from the relevant banks and financial institutions on behalf of the merchants. The amounts are required to be settled with merchants upon the respective contractual settlement clearance dates.

(b) Other payables and accruals

	Unaudited At 30 June 2023 HK\$'000	Audited At 31 December 2022 HK\$'000
Accrued staff costs and pension obligations	127,384	234,408
Deposits	35,236	42,546
Receipt in advance from customers ( <i>Note i</i> )	17,720	43,678
Advance from business channel partners	405,006	426,295
Others	171,848	220,807
	<u>757,194</u>	<u>967,734</u>
Total	<u>757,194</u>	<u>967,734</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 interim condensed consolidated balance sheet.

Revenue recognised during the period ended 30 June 2023 that was included in the contract liability balance at the beginning of the period amounted to HK\$40,931,000 (six months ended 30 June 2022: HK\$71,634,000).

17 ASSET-BACKED SECURITIES

	Unaudited At 30 June 2023 HK\$'000	Audited At 31 December 2022 HK\$'000
<b>Current</b>		
Asset-backed securities ( <i>Note</i> )	<u>237,997</u>	<u>265,058</u>

*Note:*

During the period ended 30 June 2022, 北京隨行付商業保理有限公司 (Beijing VBill Commercial Factoring Co. Ltd.), a subsidiary of the Group, 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. The maximum issue size of the ABS Scheme is RMB1,000,000,000 (equivalent to approximately HK\$1,230,000,000) and the ABS can be issued in not more than 15 phases by 31 December 2023.

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

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

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

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

On 30 December 2022, the third phase of the ABS Scheme with an issue size of RMB303,000,000 (equivalent to approximately HK\$339,360,000) was established. The ABS are classified into (i) priority tranche with total principal of RMB265,000,000 (equivalent to HK\$296,800,000) which are listed and traded on the Shanghai Stock Exchange with expected maturity date on 30 November 2023 and with coupon rate of 5.00% per annum; and (ii) subordinated tranche with total principal of RMB38,000,000 (equivalent to HK\$42,560,000) with expected maturity date on 30 November 2023 and with no coupon rate.

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

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

As at 31 December 2022, the principals of the priority tranche ABS under the first and the second phase of the ABS Scheme have been repaid in full.

As at 30 June 2023, the Group’s asset-backed securities with carrying amount of approximately HK\$237,997,000 (31 December 2022: HK\$265,058,000) were collateralised by the loan receivables of the Group with an aggregate carrying amount of approximately HK\$239,345,000 (31 December 2022: HK\$331,143,000) (*Note 12*).

## 18 WRITTEN PUT OPTION LIABILITIES

	Unaudited At 30 June 2023 HK\$'000	Audited At 31 December 2022 HK\$'000
VBill (Cayman) (Note (a))	–	852,188
Megahunt HK (Note (b))	–	4,881
	<u>–</u>	<u>857,069</u>
	<u><u>–</u></u>	<u><u>857,069</u></u>
	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	2023	2022
	HK\$'000	HK\$'000
At 1 January	857,069	902,581
Unwinding of discount	–	35,355
Settlement (Note (a))	(852,188)	–
Derecognition (Note (b))	(4,863)	(104,249)
Fair value loss on revaluation recognised in profit or loss (Note (b))	–	4,687
Exchange realignment	(18)	(4,688)
	<u>–</u>	<u>(4,688)</u>
At 30 June	<u><u>–</u></u>	<u><u>833,686</u></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 or US\$86,730,000 (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, pursuant to which the VBill Investor could request VBill (Cayman) to repurchase, redeem and/or cancel all the VBill (Cayman)’s shares of the VBill Investor at its discretion within 3 to 5 years after the completion date of the subscription under certain conditions at an exercise price of RMB588,000,000 or US\$86,730,000 (equivalent to HK\$676,494,000) plus 8.0% interest per annum.

The fair value of the written put option liability was derived based on the present value of the exercise price of RMB588,000,000 or US\$86,730,000 (equivalent to HK\$676,494,000) plus 8.0% interest per annum, by applying a discount rate of 8%, with the assumption that the put option would be redeemable on 12 November 2022. The written put option liability was denominated in US\$ and classified under current liabilities as at 31 December 2022.

On 14 November 2022, VBill (Cayman) received from the VBill Investor a put notice in relation to the exercise of the put option. Pursuant to which, the VBill Investor requested VBill (Cayman) to repurchase, redeem and/or cancel all of the VBill Shares held by the VBill Investor within 60 business days after the date of the put notice at the consideration of approximately RMB755,550,000 or US\$109,255,000 (equivalent to HK\$852,188,000). The share repurchase was completed on 14 February 2023, and the written put option liability was settled.

Upon the settlement of the written put option liability, the Group's interest in VBill (Cayman) increased from 85.99% to 100%. Accordingly, the carrying amount of the non-controlling interest amounted to HK\$384,556,000 was derecognised and the accumulated currency translation differences of HK\$3,252,000 was re-attributed to the owners of the Company. Such adjustment resulted from the change in ownership interest between the controlling and non-controlling interest was recognised in the other reserve.

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

As a part of the Megahunt Subscription, Megahunt HK granted a put option, allowing the Megahunt Investors to request Megahunt HK to repurchase all the Megahunt's shares of the Megahunt Investor at its discretion from 31 December 2023 to 31 December 2025 under certain conditions at an exercise price of RMB80,000,000 (equivalent to HK\$87,441,000) plus 8.0% interest per annum.

Prior to the completion of the disposal as detailed in Note 19(b), the carrying value of the written put option liabilities was approximately HK\$104,249,000.

As disclosed in Note 19(b), upon the completion of the transfer of the remaining of 8.37% of the issued share capital of Megahunt on 23 May 2022, Megahunt ceased to be a subsidiary of the Company and was accounted for as an associated company of the Company. As a result, the relevant written put option liability originally measured at amortised costs and was derecognised with a corresponding adjustment to equity. The written put option liability was reclassified and recognised as a derivative financial liability at FVPL thereafter. Such written put option liability was denominated in RMB and classified under current liabilities as at 31 December 2022.

On 29 June 2023, upon the formal submission of the listing application of Megahunt on the Science and Technology Innovation Board of the Shanghai Stock Exchange, the written put option was extinguished as agreed between Megahunt HK and the Megahunt Investors. Such written put option liability of HK\$4,863,000 was derecognised and the gain on derecognition of the written put option liability was recorded in "other gains/(losses), net" in the interim condensed consolidated income statement.

## **19 DISPOSALS OF SUBSIDIARIES**

### **(a) Disposal of Qumaimai (Shenzhen) Network Technology Company Limited**

On 15 June 2023, the Group disposed of its 100% equity interests in Qumaimai (Shenzhen) Network Technology Company Limited ("Qumaimai") to a third party at the consideration of RMB1 (equivalent to HK\$1) upon which the Group lost its control over Qumaimai.

### *Details of the disposal of Qumaimai*

	<b>At date of disposal HK\$'000</b>
Consideration	
Proceeds received	—*
<i>Less: Net liabilities disposed of</i>	2,262
<i>Less: Release of exchange reserve upon disposal</i>	<u>1,015</u>
Gain on disposal of Qumaimai recognised in interim condensed consolidated income statement	<u><u>3,277</u></u>

\* *The balance represents an amount less than HK\$1,000.*

#### **(b) Disposal of Megahunt**

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

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

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

Previously, the Group’s sales of information security chips and solutions business was 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 were reported in the prior period as a discontinued operation.

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

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

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

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

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

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

	For the period from 1 January 2022 to 23 May 2022 <i>HK\$'000</i> (Restated) (Note 2)
<b>Revenue</b>	246,379
Cost of sales	<u>(105,387)</u>
<b>Gross profit</b>	140,992
Other income	6,939
Selling expenses	(4,811)
Administrative expenses	<u>(49,536)</u>
<b>Operating profit</b>	93,584
Finance costs	<u>(143)</u>
<b>Profit before income tax</b>	93,441
Income tax expense	<u>(13,203)</u>
<b>Profit after income tax of discontinued operation</b>	80,238
Gain on disposal of a subsidiary	<u>429,339</u>
<b>Profit from discontinued operation</b>	509,577
Exchange difference in relation to discontinued operation	<u>(15,970)</u>
<b>Total comprehensive income from discontinued operation</b>	<u><u>493,607</u></u>
<b>Profit from discontinued operation attributable to:</b>	
– Owners of the Company	472,740
– Non-controlling interests	<u>36,837</u>
	<u><u>509,577</u></u>
<b>Total comprehensive income from discontinued operation attributable to:</b>	
– Owners of the Company	464,102
– Non-controlling interests	<u>29,505</u>
	<u><u>493,607</u></u>
Net cash inflow from operating activities	34,766
Net cash inflow from investing activities	16,717
Net cash inflow from financing activities	<u>10,165</u>
<b>Net increase in cash generated by the Disposal Group (including proceed from disposal of a subsidiary)</b>	<u><u>61,648</u></u>

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

On 18 January 2022, the Group also disposed of its entire equity interests in Jiehang Yunchuang (Beijing) Shuzi Technology Ltd. (“Jiehang Yunchuang”) to a third party at a consideration of RMB15,300,000 (equivalent to HK\$18,096,000).

***Details of the disposal of Jiehang Yunchuang***

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

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

## INTERIM CONDENSED SEGMENT RESULT ANALYSIS

	Notes	Turnover Unaudited		EBITDA <sup>#</sup> Unaudited	
		1H2023 HK\$'000	1H2022 HK\$'000	1H2023 HK\$'000	1H2022 HK\$'000
<b>Continuing operations</b>					
Payment and digital services	1	1,023,799	1,451,052	175,405	389,627
Fintech services	2	115,660	118,178	58,887	25,610
Platform operation solutions	3	59,918	62,040	(17,433)	(19,639)
Financial solutions	4	94,858	101,040	(35,716)	(37,716)
Others	5	16,675	13,078	(12,678)	(28,705)
		<u>1,310,910</u>	<u>1,745,388</u>	<u>168,465</u>	<u>329,177</u>
Segmental results					
Less: Inter-segment turnover		(297)	(2,894)	-	-
		<u>1,310,613</u>	<u>1,742,494</u>	<u>168,465</u>	<u>329,177</u>
Depreciation				(71,521)	(88,611)
Amortisation				(758)	(721)
Fair value gains/(losses) on financial assets at fair value through profit or loss				4,339	(2,509)
Segmental operating profit				100,525	237,336
Unallocated other income				9,815	1,783
Unallocated corporate expenses				(40,605)	(37,956)
Operating profit				<u>69,735</u>	<u>201,163</u>

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

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Unaudited</b>	
	<i>Notes</i>	<b>1H2023</b> <i>HK\$'000</i>	1H2022 <i>HK\$'000</i> (Restated)
<b>Continuing operations</b>			
Revenue	<i>A</i>	<b>1,310,613</b>	1,742,494
Cost of sales	<i>C</i>	<b>(834,281)</b>	(1,139,627)
Gross profit		<b>476,332</b>	602,867
Other income	<i>B</i>	<b>51,779</b>	41,677
Other gains/(losses), net		<b>9,179</b>	(7,409)
Selling expenses	<i>C</i>	<b>(86,186)</b>	(68,465)
Administrative expenses	<i>C</i>	<b>(367,859)</b>	(320,027)
Credit impairment loss	<i>C</i>	<b>(13,510)</b>	(47,480)
Operating profit		<b>69,735</b>	201,163
Share of results of associated companies	<i>D</i>	<b>220,380</b>	228,450
(Loss)/gain on deemed acquisition and dilution of interest of an associated company		<b>(224)</b>	441
Gains on disposals of subsidiaries		<b>3,277</b>	2,604
Finance costs	<i>R</i>	<b>(2,179)</b>	(36,269)
Profit before income tax		<b>290,989</b>	396,389
Income tax credit/(expense)	<i>S</i>	<b>66,018</b>	(81,402)
<b>Profit from continuing operations</b>		<b>357,007</b>	314,987
<b>Profit from discontinued operation</b>	<i>T</i>	<b>–</b>	509,577
<b>Profit for the period</b>		<b>357,007</b>	824,564
Profit attributable to:			
– Owners of the Company		<b>316,301</b>	710,401
– Non-controlling interests		<b>40,706</b>	114,163
		<b>357,007</b>	824,564
 <b>Earnings per share for profit from continuing operations attributable to the owners of the Company:</b>			
		<i>HK\$</i> <i>per share</i>	<i>HK\$</i> <i>per share</i> (Restated)
Basic		<b>0.115</b>	0.085
Diluted		<b>0.083</b>	0.058
 <b>Earnings per share for profit attributable to the owners of the Company:</b>			
		<i>HK\$</i> <i>per share</i>	<i>HK\$</i> <i>per share</i>
Basic		<b>0.115</b>	0.256
Diluted		<b>0.083</b>	0.229

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited As at 30 June 2023 <i>HK\$'000</i>	Audited As at 31 December 2022 <i>HK\$'000</i>
	<i>Notes</i>		
<b>ASSETS</b>			
Investment properties and property, plant and equipment	<i>F</i>	<b>100,053</b>	147,480
Right-of-use assets	<i>G</i>	<b>71,374</b>	55,690
Intangible assets		<b>23,877</b>	25,737
Investments in associated companies	<i>H</i>	<b>3,512,246</b>	3,399,895
Financial assets at fair value through profit or loss	<i>I</i>	<b>94,102</b>	94,057
Financial asset at fair value through other comprehensive income	<i>J</i>	<b>36</b>	152,868
Inventories	<i>K</i>	<b>19,069</b>	18,732
Trade and bills receivables	<i>L</i>	<b>189,502</b>	170,316
Other financial assets at amortised cost and other current assets	<i>L</i>	<b>127,639</b>	123,263
Loan receivables	<i>M</i>	<b>1,900,485</b>	2,647,625
Amounts due from an associated company	<i>N</i>	<b>5,306</b>	5,306
Current income tax recoverable		<b>6,878</b>	10,431
Short-term bank deposits	<i>O</i>	<b>273</b>	1,468
Restricted bank balances	<i>O</i>	<b>1,160,745</b>	1,064,937
Cash and cash equivalents	<i>O</i>	<b>3,177,587</b>	3,537,506
<b>Total assets</b>		<b><u>10,389,172</u></b>	<b><u>11,455,311</u></b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		<b>6,942</b>	6,942
Reserves		<b>7,007,988</b>	6,611,653
		<b>7,014,930</b>	6,618,595
<b>Non-controlling interests</b>		<b>565,200</b>	935,687
<b>Total equity</b>		<b><u>7,580,130</u></b>	<b><u>7,554,282</u></b>

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2023</b>	2022
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
Deferred income tax liabilities		<b>2,188</b>	2,438
Trade payables	<i>P</i>	<b>618,525</b>	642,446
Payables for payment and digital services business	<i>P</i>	<b>1,105,865</b>	965,787
Other payables and accruals	<i>P</i>	<b>757,194</b>	967,734
Amounts due to associated companies	<i>N</i>	<b>4,227</b>	4,421
Current income tax liabilities		<b>34,265</b>	110,499
Lease liabilities	<i>G</i>	<b>47,703</b>	29,829
Bank borrowings		<b>1,078</b>	55,748
Asset-backed securities	<i>Q</i>	<b>237,997</b>	265,058
Written put option liabilities	<i>R</i>	<b>–</b>	857,069
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>2,809,042</b>	3,901,029
		<hr/> <hr/>	<hr/> <hr/>
<b>Total equity and liabilities</b>		<b>10,389,172</b>	11,455,311
		<hr/> <hr/>	<hr/> <hr/>
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2023</b>	2022
		<b>HK\$</b>	<b>HK\$</b>
		<b>per share</b>	<b>per share</b>
Net assets per share		<b>2.730</b>	2.720
		<hr/> <hr/>	<hr/> <hr/>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
<i>Note</i>	<b>1H2023</b>	<b>1H2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
		(Restated)
<b>Profit for the period</b>	<b>357,007</b>	824,564
Other comprehensive (loss)/income, net of tax		
<u>Items that may be subsequently reclassified to profit or loss</u>		
Exchange differences arising on translation of foreign subsidiaries	(139,016)	(143,629)
Exchange differences in relation to discontinued operation	–	(15,970)
Share of other comprehensive loss of associated companies	(36,167)	(65,680)
Release of reserve upon dilution of interest in an associated company	(2,460)	297
<u>Items that will not be subsequently reclassified to profit or loss</u>		
Change in value of a financial asset at fair value through other comprehensive income	<i>E</i> (152,832)	(401,712)
Share of other comprehensive (loss)/income of an associated company	(17)	650
<b>Total comprehensive income for the period, net of tax</b>	<b>26,515</b>	<b>198,520</b>
<b>Total comprehensive income for the period attributable to:</b>		
– Owners of the Company	12,794	131,561
– Non-controlling interests	13,721	66,959
	<b>26,515</b>	<b>198,520</b>

## INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Unaudited</b>	
	<b>1H2023</b>	1H2022
	<b>HK\$'000</b>	<b>HK\$'000</b>
		(Restated)
<b>Net cash generated from operating activities</b>	<b>736,522</b>	304,376
<b>Net cash (used in)/generated from investing activities</b>	<b>(58,650)</b>	114,308
<b>Net cash (used in)/generated from financing activities</b>	<b>(936,886)</b>	222,228
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(259,014)</b>	640,912
Cash and cash equivalents at beginning of the period (1 January 2022: HK\$40,742,000 is included in the assets classified as held for sale)	<b>3,537,506</b>	3,295,300
Exchange loss on cash and cash equivalents	<b>(100,905)</b>	(98,256)
<b>Cash and cash equivalents at the end of the period</b>	<b><u>3,177,587</u></b>	<b><u>3,837,956</u></b>
<b>Cash flows of discontinued operation (including proceed from disposal of a subsidiary)</b>	<b><u>–</u></b>	<b><u>61,648</u></b>

During the six months ended 30 June 2023 (“1H2023”), the consolidated turnover of Hi Sun Technology (China) Limited (the “Company”) and its subsidiaries (collectively, the “Group”) amounted to HK\$1,310.6 million, representing a decrease of 25% when compared with the six months ended 30 June 2022 (“1H2022”). Profit for the period totalled HK\$357.0 million as compared to HK\$824.6 million in 1H2022.

With regard to the balance sheet, the total assets as at 30 June 2023 amounted to HK\$10,389.2 million as compared to HK\$11,455.3 million as at 31 December 2022. As at 30 June 2023, net current assets amounted to HK\$3,800.9 million, as compared to HK\$3,689.9 million as at 31 December 2022.

## SEGMENT PERFORMANCE REVIEW

### (1) Payment and digital services

#### *Key performance indicators*

	Unaudited		Change + / (-)
	1H2023 <i>HK\$'000</i>	1H2022 <i>HK\$'000</i>	
Turnover*	<b>1,023,502</b>	1,448,789	-29%
EBITDA#	<b>175,405</b>	389,627	-55%
Operating profit	<b>113,741</b>	311,990	-64%

\* Turnover from external customers

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

Segmental turnover amounted to HK\$1,023.5 million as compared to HK\$1,448.8 million in 1H2022. Segmental operating profit amounted to HK\$113.7 million, 64% down as compared to 1H2022.

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

## (2) Fintech services

### Key performance indicators

	Unaudited		Change + / (-)
	1H2023 HK\$'000	1H2022 HK\$'000	
Turnover*	115,660	117,549	-2%
EBITDA#	58,887	25,610	+130%
– including credit impairment loss	(13,567)	(45,561)	N/A
Operating profit	55,574	21,768	+155%

\* Turnover from external customers

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

During 1H2023, segmental turnover amounted to HK\$115.7 million as compared to HK\$117.5 million in 1H2022. Segmental operating profit amounted to HK\$55.6 million as compared to HK\$21.8 million in 1H2022. Increase in segmental operating profit mainly contributed by a decrease in credit impairment loss.

## (3) Platform operation solutions

### Key performance indicators

	Unaudited		Change + / (-)
	1H2023 HK\$'000	1H2022 HK\$'000	
Turnover*	59,918	62,038	-3%
EBITDA#	(17,433)	(19,639)	N/A
Fair value gains/(loss) on financial assets at fair value through profit or loss	4,339	(2,509)	N/A
Operating loss	(16,071)	(24,683)	N/A

\* Turnover from external customers

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

In 1H2023, we continued to provide high-quality and efficient supporting services, such as product development, business operation and system maintenance, to China Mobile Fintech, the IVR Base of China Mobile and the Animation Base of China Mobile. Segmental turnover amounted to HK\$60.0 million as compared to HK\$62.0 million in 1H2022. Segmental operating loss amounted to HK\$16.1 million as compared to HK\$24.7 million in 1H2022, which was primarily attributable to the fair value gains on financial assets through profit or loss amounted to HK\$4.3 million in 1H2023 as compared to fair value losses of HK\$2.5 million in 1H2022. Please refer to note I for details.

#### (4) Financial solutions

##### *Key performance indicators*

	Unaudited		Change + / (-)
	1H2023 HK\$'000	1H2022 HK\$'000	
Turnover*	94,858	101,040	-6%
EBITDA <sup>#</sup>	(35,716)	(37,716)	N/A
Operating loss	(38,955)	(41,646)	N/A

\* Turnover from external customers

<sup>#</sup> EBITDA is calculated by excluding interest expense, taxes, depreciation and amortisation from segmental operating loss

During 1H2023, segmental turnover amounted to HK\$94.9 million as compared to HK\$101.0 million in 1H2022. Segmental operating loss totalled HK\$39.0 million as compared to HK\$41.6 million in 1H2022. The segmental operating loss was mainly due to the upfront costs on various projects incurred during the period.

#### (5) Others

Other business operations mainly included our electronic power meters and solutions business and various new business projects in development stage. Turnover from these businesses contributed approximately 1.3% of the total consolidated turnover from continuing operations of the Group.

Segmental turnover amounted to HK\$16.7 million as compared to HK\$13.1 million in 1H2022. Segmental operating loss amounted to HK\$13.8 million as compared to HK\$30.1 million in 1H2022.

### OVERALL FINANCIAL RESULTS AND POSITION

#### (A) Revenue

The consolidated turnover amounted to HK\$1,310.6 million in 1H2023, representing a decrease of 25% over 1H2022. Such decrease was mainly contributed by decrease in segmental turnover of the payment and digital services segment. Please also refer to Notes 1 to 5 above on segmental performance.

#### (B) Other income

Other income mainly consisted of interest income and government subsidies.

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

During 1H2023, cost of sales decreased significantly mainly due to decline in total turnover particularly in the payment and digital services segment.

Increase in operating expenses was mainly due to increase in staff cost during 1H2023.

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

#### (D) Share of results of associated companies

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

**(E) Other comprehensive loss on financial asset at FVOCI**

Amount represented interest in shares of Cloopen Group Holding Limited (“Clopen”) whose American depositary shares (the “ADSs”) had been traded on the New York Stock Exchange up to suspension of its trading from 17 May 2023 (New York time), following which the ADSs has become eligible for trading in the over-the-counter market in the United States.

Based on the fair value of the ADS as at 30 June 2023 is based on its quoted bid prices in over-the-counter market (31 December 2022: New York Stock Exchange), the Group recognised an “other comprehensive loss” of approximately HK\$152.8 million in 1H2023 due to the change in fair value of its interest in Cloopen.

Cloopen is a multi-capability cloud-based communications solution provider in China offering a full suite of cloud-based communications solutions, covering communications platform as a service (CPaaS), cloud-based contact centers (cloud-based CC), and cloud-based unified communications and collaborations (cloud-based UC&C).

Further details are set out in the Company’s announcements dated 20 January 2021, 4 February 2021, 10 February 2021, 1 July 2021, 28 February 2022, 4 May 2022 and 18 May 2023.

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

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

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

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

**(H) Investments in associated companies**

Balance mainly represented the Group’s interests in PAX Global and Megahunt Technologies Inc.(“Megahunt”). The Group is optimistic about the future prospects of its associated companies and will continue to demonstrate prudence and resilience in assessing its investment strategy towards the enhancement of shareholders’ value.

**(i) Pax Global**

As at 30 June 2023, the Group held 364,000,000 ordinary shares of PAX Global and the fair value of the Group’s approximately 33.85% effective interest in PAX Global was approximately HK\$2,162.2 million and the fair value of the investment was lower than its carrying value. The recoverable amount, based on discounted cashflow model, exceeded the carrying value as at 30 June 2023. The interest in PAX Global of HK\$2,966.8 million represented approximately 28.6% of the Group’s unaudited total assets as at 30 June 2023 and the cost of investment as at 30 June 2023 was HK\$259.8 million.

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

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

In 1H2023, the decrease in unaudited net profit of PAX Global was mainly due to the decline in revenue generated from certain regions, which is primarily attributed to the drop in purchase orders resulting from the slowdown in the economic growth in these regions. Looking forward, we are optimistic about PAX Global maintaining a positive outlook on the market demand for its payment terminals and being well-prepared to capitalise on the vast opportunities within the global payments industry.

**(ii) Megahunt**

As at 30 June 2023, the Group held approximately 45.73% of the issued shares of Megahunt. The interest in Megahunt of HK\$515.2 million represented approximately 5.0% of the Group's unaudited total assets as at 30 June 2023. Megahunt is principally engaged in the sale of information security chips and solutions, computer hardware and software, system integration and the development of SOC.

In 1H2023, due to the impact of the global economic conditions and the tightened global semiconductor supply chain, the growth of the information security chip industry tended to slow down and competition became more intense. The information security chip market is generally expected to develop steadily in 2023, subject to changes due to the policy impact on the payment market. At the same time, it is expected that the security chips used in the Internet of Things (IoT) will achieve preliminary sales in 2023. Other research and development projects are progressing smoothly and the cost reduction initiatives of various products are also rolling out in an orderly manner.

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

The balance represented the fair value of equity securities listed in Hong Kong of HK\$1.0 million; and the fair value of interests in a venture capital fund of HK\$93.1 million.

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

The balance represented the fair value of the ADS as at 30 June 2023, based on its quoted bid prices in over-the-counter market (31 December 2022: New York Stock Exchange) and its carrying amount is denominated in US\$. The cost of investment as at 30 June 2023 was HK\$127.8 million.

Please also refer to note E above for details.

## (K) Inventories

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

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

	Unaudited As at 30 June 2023 <i>HK\$'000</i>	Audited As at 31 December 2022 <i>HK\$'000</i>
Trade receivables ( <i>Note (i)</i> )	202,492	181,963
Bills receivables	2,775	4,850
<i>Less:</i> provision for impairment of receivables	<u>(15,765)</u>	<u>(16,497)</u>
	189,502	170,316
Other receivables, deposits and prepayments	<u>127,639</u>	<u>123,263</u>
Total	<u><u>317,141</u></u>	<u><u>293,579</u></u>

*Note (i):*

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

	Unaudited As at 30 June 2023 <i>HK\$'000</i>	Audited As at 31 December 2022 <i>HK\$'000</i>
Current to 90 days	148,971	143,537
91 to 180 days	5,993	4,844
181 to 365 days	27,019	8,748
Over 365 days	<u>20,509</u>	<u>24,834</u>
	<u><u>202,492</u></u>	<u><u>181,963</u></u>

- Changes in trade receivables aged from current to 90 days was mainly due to increase in account receivables balances under payment and digital services segment, as partially net off by decrease in outstanding balance under financial solutions segment.
- Increase in trade receivables aged from 181 to 365 days was mainly due to increase in account receivables under financial solutions segment.

**(M) Loan receivables**

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

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

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2023</b> <b>HK\$'000</b>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2022</b> <b>HK\$'000</b>
Current	<b>1,893,003</b>	2,637,486
1 to 3 months past due	<b>15,048</b>	26,579
Over 3 months past due	<b>159,583</b>	143,806
Loan receivables, gross	<b>2,067,634</b>	2,807,871
Less: provision for impairment of loan receivables	<b>(167,149)</b>	(160,246)
Loan receivables, net	<b><u>1,900,485</u></b>	<b><u>2,647,625</u></b>

**(N) Amounts due from/to associated companies**

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

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

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2023</b> <b>HK\$'000</b>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2022</b> <b>HK\$'000</b>
<b>Current assets</b>		
Short-term bank deposits	<b>273</b>	1,468
Restricted bank balances ( <i>Note</i> )	<b>1,160,745</b>	1,064,937
Cash and cash equivalents	<b>3,177,587</b>	3,537,506
Restricted bank balances and cash and cash equivalents	<b><u>4,338,332</u></b>	<b><u>4,602,443</u></b>

*Note:*

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

As at 30 June 2023, the amount comprised (i) the customer reserves deposited in the abovesaid dedicated deposit account which was denominated in RMB; and (ii) the funds deposited in designated bank accounts for the operation of the Group's cross-border payment business.

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

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2023</b> <b>HK\$'000</b>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2022</b> <b>HK\$'000</b>
Trade payables ( <i>Note (i)</i> )	<b>618,525</b>	642,446
Payables for payment and digital services business ( <i>Note (ii)</i> )	<b>1,105,865</b>	965,787
Other payables and accruals ( <i>Note (iii)</i> )	<b>757,194</b>	967,734
	<hr/>	<hr/>
Total	<b><u>2,481,584</u></b>	<b><u>2,575,967</u></b>

*Note (i):*

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

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2023</b> <b>HK\$'000</b>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2022</b> <b>HK\$'000</b>
Current to 90 days	<b>349,264</b>	294,502
91 to 180 days	<b>110,770</b>	194,648
181 to 365 days	<b>150,087</b>	145,038
Over 365 days	<b>8,404</b>	8,258
	<hr/>	<hr/>
	<b><u>618,525</u></b>	<b><u>642,446</u></b>

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

*Note (ii):*

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

Note (iii):

	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Accrued staff costs and pension obligations*	127,384	234,408
Deposits	35,236	42,546
Receipt in advance from customers**	17,720	43,678
Advance from business channel partners**	405,006	426,295
Others***	171,848	220,807
	<u>757,194</u>	<u>967,734</u>

\* The decrease in accrued staff costs and pension obligations was mainly due to the payment of year 2022 year-end bonus during 1H2023.

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

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

## (Q) Asset-backed securities

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

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

The first phase of the ABS Scheme with an issue size of RMB309 million (equivalent to approximately HK\$380.1 million) was established on 27 January 2022, the second phase with an issue size of RMB362 million (equivalent to approximately HK\$419.9 million) was established on 20 May 2022 and the third phase with an issue size of RMB303 million (equivalent to approximately HK\$339.4 million) was established on 30 December 2022. The priority tranche is issued to qualified institutional investors in the PRC and the subordinated tranche is issued to 北京隨信雲鏈科技有限公司 (Beijing Suixin Yunlian Technology Ltd.) (“Beijing Suixin Yunlian”). The proceeds from the issuance are principally used as general working capital of the fintech services segment. The issuance of the ABS widens the fund-raising channels of the Group to access low-cost capital, which in turn will be used to improve the financing structure of the Company and promote its operating activities and investments. Further details are set out in the Company’s announcements dated 27 January 2022, 20 May 2022 and 30 December 2022.

**(R) Written put option liabilities and finance costs**

No written put option liability was recognised as of 30 June 2023, as compared to a balance of approximately HK\$857.1 million as of 31 December 2022, representing the written put options liabilities on written put options granted by VBill Limited (“VBill (Cayman)”) and Mega Hunt Microelectronics Limited (“Megahunt HK”).

*Put options granted by VBill (Cayman)*

In 2019, the Company, VBill (Cayman), an investor (the “VBill Investor”) and certain other parties entered into the transaction agreements, pursuant to which the VBill Investor subscribed for approximately 14.01% interest in VBill (Cayman) and was granted a put option to require VBill (Cayman) to repurchase, redeem and/or cancel all of the shares of VBill (Cayman) held by the VBill Investor subject to conditions prescribed under the transaction agreements.

In November 2022, VBill (Cayman) received a notice from the VBill Investor to exercise the put option. The repurchase, redemption and/or cancellation of the relevant shares of VBill (Cayman) completed on 14 February 2023, immediately before which the written put option liability was recognised at its fair value in the consolidated balance sheet and correspondingly as ‘other reserves’ within equity.

*Put options granted by Megahunt HK*

On 29 June 2023, the put options granted by Megahunt HK under the subscription agreement entered into between the Company, Megahunt HK, Megahunt and certain of its management and certain investors dated 4 December 2019 ceased to have effect upon Megahunt’s formal submission to the Shanghai Stock Exchange of the application for listing of its shares on the Science and Technology Innovation Board of the Shanghai Stock Exchange, immediately before which the written put option liability was reclassified and recognised as a derivative financial liability at fair value through profit or loss.

Finance costs represented the finance charges for the repurchase/redemption amount payable upon the put options becoming exercisable.

**(S) Income tax credit**

The income tax credit was mainly due to a subsidiary under payment and digital services segment being qualified as a Software and Integrated Circuit Enterprise (“SICE”) in 1H2023, where the applicable corporate income tax rate is 0% for two years from its qualification and 12.5% for the following three years.

**(T) Discontinued operation**

Discontinued operation for the six months ended 30 June 2022 refers to the information security chips and solutions operations of Megahunt.

The corresponding business segment (i.e. the information security chips and solutions segment) was classified as discontinued operation for 1H2022.

*Key Financial Performance*

	For the period from 1 January 2022 to 23 May 2022 <i>HK\$'000</i> (Restated)
Profit after income tax of discontinued operation	80,238
Gain on disposal of a subsidiary	<u>429,339</u>
Profit from discontinued operation	<u><u>509,577</u></u>

Megahunt is owned as to 45.73% by the Group and is accounted for as an associated company of the Company following completion of the Group's disposal of the entire approximately 20% interest in May 2022. Further details may be referred to the Company's announcement dated 15 December 2021, 28 December 2021, 11 February 2022, 28 February 2022, 14 April 2022 and 23 May 2022.

## **KEY INVESTING AND FINANCING ACTIVITIES**

In February 2023, completion of the exercise of the put option granted in 2019 to the relevant investor under the relevant transaction agreements entered into between VBill (Cayman), the VBill Investor and certain other parties took place. Upon completion of the exercise, VBill (Cayman) has become wholly-owned by the Company and certain transaction agreements were terminated and/or amended with immediate effect, such that the said investor's rights and obligations thereunder accordingly ceased and terminated.

In June 2023, Megahunt formally submitted and the Shanghai Stock Exchange formally accepted the application for listing of its shares on the Science and Technology Innovation Board of the Shanghai Stock Exchange (SSE STAR Market). Upon the formal submission of the listing application, the put option granted in 2019 under the relevant transaction agreements ceased to have effect and Megahunt HK will no longer have obligations in relation thereto.

## **OUTLOOK**

China's economic operation in 1H2023 generally continued its recovery trend, while the effects of the growth, employment and price stabilising policies continued to emerge, demand for production gradually recovered, and employment and consumer prices maintained generally stable. However, the current international environment is complex and severe, and the recovery of the world economy is weak. The spillover effects of contractionary policies in major developed economies also added further uncertainties to economy recovery. Due to the still insufficient demand in the domestic market, business entities are facing further difficulties. Despite the pressure and challenges, China's economic recovery as a whole remained on track, and we are optimistic about the momentum of the country's economic recovery, whereas we also expect the economic outlook and business environment would remain challenging throughout the year.

### **Payment and Digital Services**

In 1H2023, with the end of the epidemic control measures, we made proactive strategic adjustments to pace up our digital transformation. In the first half of the year, digital payments grew by 127% year-on-year. Our PaaS platform continued to provide digital solutions to various subsectors through continuous introduction of new partners. On top of our existing business scenarios such as retail, catering, hotel, gas station, university canteen, tourist attraction, food market, etc., we also launched our digital service product for second-hand car trading, "Jiexingchejia", to help second-hand car dealers realize closed-loop management of digitized automobile assets. We are confident that, despite short term pressure on digital services during the digitization transition period, such strategic adjustment will lay a more solid foundation for future growth.

Meanwhile, we continue to improve our intelligent decision making products catering for the retail industry. In addition to our existing digital management products for normal temperature commodities, we have launched more advanced digital management products for fresh food, short shelf-life goods and non-standardized fresh commodities, assisting merchants to realize fully intelligent management. Besides, we have also introduced intelligent visualization display to help merchants quickly adjust their shelves to adapt to changes in the consumer market. Currently, we have formulated a digital solution for the retail industry that includes the four functional modules, namely “Smart Supply Chain”, “Smart Category Management”, “Smart Store Management” and “KPI Monitoring and Analysis”, and 29 other products. The solution comprehensively improves the operational efficiency and sales capacity of merchants, and carries out intelligent management of the whole cycle of commodity circulation.

On the other hand, in the first half of the year, based on the steady customer growth on mainstream e-commerce platforms in Europe and the United States, the cross-border business made breakthroughs in new regional markets such as South America, Korea and the Czech Republic and gradually built up the ability to differentiate regional markets in its operation. In terms of overseas fund collection and payment and foreign exchange operation, we launched foreign exchange conversion products, providing more flexible and favorable service experience for a huge number of Chinese sellers operating overseas. During the period, in order to better serve our foreign trade customers, we newly launched B2B foreign trade collection business, with a transaction scale exceeding US\$10 million.

As the PBOC strengthens its supervision of the payment industry, the payment industry has become more regulated, favouring a healthy and sustainable development of the industry as a whole. We will continue to adopt stringent risk control strategies, operate steadily and continue to create more value for our shareholders.

## **Fintech Services**

Suixin Cloud Chain FinTech Service Platform continued to enhance its comprehensive service capabilities, and launched digital inclusive financial services to the existing platform. Such services are digitally driven, targeting to offer micro, small and medium-sized enterprises (MSMEs) along the supply chain channels to connect with high-quality financial resources to meet their financing needs at different stages of production and operation.

In addition, in 1H2023, we completed our support for the systems for the acceptance of new generation bills and supply chain bills business. The New Generation Bills System and the Supply Chain Bills System were launched by the Shanghai Commercial Paper Exchange. Compared with traditional bills, these bills systems realize the splitting of bills as desired to further suit the payment and financing needs of small and medium-sized enterprises. The systems will leverage the advantages of bills application in supply chain finance and promote the scale of development of supply chain finance. Up to now, there are more than 40 financial institutions cooperating with Suixin Cloud Chain Platform. MSMEs can make real-time comparison of multiple financial institutions on the Suixin Cloud Chain Platform to choose the most suitable and high-quality financial products. In the first half of this year, the scale of financing for MSMEs on the Suixin Cloud Chain Platform continued to grow rapidly, with a year-on-year increase of 39% compared to the first half of last year. In particular, the bills business recorded a year-on-year increase of 59%.

We will continue to strengthen our cooperation with financial institutions and enrich the financial products for accepting Suixin, bank bills, commercial bills and digital inclusion, etc.. We will continue to improve the comprehensive service capability of the Suixin Cloud Chain Platform, to provide MSMEs on the platform with convenient and low-cost intelligent financing matching services.

### **Platform Operation Solutions**

In 1H2023, we continued to provide product development, business operation and other related technical services and business operation support services to our major customer, China Mobile Financial Technology Co., Ltd., and our business scale remained stable. Carrying on our R&D track as in last year, we continued to optimize and upgrade our infrastructure platform and software tools to keep pace with the industry's advancing technologies. Looking ahead, alongside the gradual market recovery, we will actively expand into more markets while stabilizing our existing business. In addition to strengthening our underlying platform structure and enhancing our technical capabilities, we will strive for more opportunities with our high quality service standards. In addition, we also plan to top up our investment in areas such as artificial intelligence and marketing.

### **Financial Solutions**

In 1H2023, BJ ABS has been focusing on the delivery and maintenance of banking system products to principally ensure the core business systems of two major customers were put into production, in order to achieve two key breakthroughs. Firstly, the core business system of a local bank Hong Kong was upgraded. As the bank's business is widely diversified and international, a high degree of product flexibility is required. Significant system enhancements were accordingly made to the product model and parameter model. Secondly, we put into production the upgrade of the distributed core system of an IT application innovation enterprise in Mainland China. The enterprise is the first national joint-stock commercial bank in Mainland China to implement a distributed micro-service design. In such project, we successfully restructured the original IBS product to achieve the technical goal of migrating from a centralized architecture to a distributed architecture, and concluded the nine senseless downshifting techniques, creating an industrial precedent. Leveraging on these experience, we will continue to cultivate the market and facilitate the industry's digital transformation in the second half of the year.

Facing the overseas financial IT service opportunities, Hi Sun FinTech Global actively carried out market expansion and research and development of new products and new technologies on the basis of continuously improving overseas service capabilities. In terms of improving overseas service capabilities, apart from setting up overseas representative offices in Laos and Cambodia, we also plan to set up an overseas representative office in Kuala Lumpur to improve the services to overseas customers. In terms of market expansion, we signed service contracts with three new customers during the period and achieved business breakthroughs in the Malaysian market. Meanwhile, in order to actively expand into new overseas market, we completed the recruitment of local sales staff in Myanmar, Vietnam and other markets. In terms of research and development of new products and technologies, we made new breakthroughs in the new generation of decentralized and micro-service core systems and successfully signed service contracts with new customers during the period. In addition, we and our partners have successfully put into production the technology for the new generation electronic wallet payment products in Thailand and an African country, and it is expected that the technology would be put into use at social level within this year. Meanwhile, we will focus on the business opportunity of overseas IBM mainframe migration, and carry out further technological research and development.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2023, the Group reported total assets of HK\$10,389.2 million (31 December 2022: HK\$11,455.3 million), which were financed by total liabilities of HK\$2,809.0 million (31 December 2022: HK\$3,901.0 million) and equity of HK\$7,580.1 million (31 December 2022: HK\$7,554.3 million). The net asset value was HK\$7,580.1 million (31 December 2022: HK\$7,554.3 million). Net assets per share amounted to HK\$2.730 per share as compared to HK\$2.720 per share as at 31 December 2022.

As at 30 June 2023, the Group had restricted bank balances of HK\$1,160.7 million (31 December 2022: HK\$1,064.9 million), cash and cash equivalents of HK\$3,177.6 million (31 December 2022: HK\$3,537.5 million) and short-term borrowings of HK\$1.1 million (31 December 2022: HK\$55.7 million). The net cash position as at 30 June 2023 was HK\$3,176.5 million (31 December 2022: HK\$3,481.8 million). As at 30 June 2023, the gearing ratio is calculated as total debt divided by total capital, while total debt includes bank borrowings, lease liabilities and asset-backed securities of the Group. The gearing ratio was 3.6% (31 December 2022: 13.8%). The gearing ratio is considered healthy and suitable for the continuing growth of the Group's business.

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

As at 30 June 2023, the Group had bank borrowings of HK\$1.1 million (31 December 2022: HK\$55.7 million) carrying fixed interest rates (31 December 2022: same) and banking facilities of approximately HK\$185.2 million (31 December 2022: HK\$284.0 million). As at 30 June 2023, banking facility amounted to HK\$23.5 million was secured by the leasehold land and buildings with net carrying amount of HK\$2.6 million (31 December 2022: HK\$2.7 million) and HK\$3.1 million (31 December 2022: HK\$3.6 million) respectively.

Approximately HK\$3,289.5 million, HK\$492.3 million, HK\$441.9 million, HK\$54.0 million, HK\$6.5 million, HK\$50.0 million, HK\$2.8 million, HK\$1.2 million and HK\$0.1 million of the Group's restricted bank balances and cash and cash equivalents were denominated in Renminbi, Hong Kong dollar, US dollar, Euro, Japanese Yen, British Pound, Singapore dollar, Czech Koruna and Brazilian Real respectively as at 30 June 2023.

Approximately HK\$2,693.6 million, HK\$681.7 million, HK\$1,125.4 million, HK\$71.5 million, HK\$18.5 million, HK\$5.3 million, and HK\$6.4 million of the Group's restricted bank balances and cash and cash equivalents were denominated in Renminbi, Hong Kong dollar, US dollar, Euro, British Pound, Singapore dollar and Japanese Yen respectively as at 31 December 2022.

## **SIGNIFICANT INVESTMENT**

Save as disclosed in note H and note J under the section titled "Overall Financial Results and Position" on pages 45 to 46, the Group held no significant investment as at 30 June 2023.

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

Save as disclosed in the section titled "Key Investing and Financing Activities" on page 53, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2023.

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

There was no specific plan for material investments or capital assets as at 30 June 2023.

## **EXCHANGE RATES EXPOSURE**

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

## **CONTINGENT LIABILITIES**

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

In 2015, the Company entered into a performance guarantee agreement with a customer (the "Performance Guarantee Agreement"), pursuant to which the Company agreed to provide the customer with a guarantee in relation to the due and punctual performance of a service project of a subsidiary of the Company with a surety of not more than HK\$60 million and to indemnify the customer against any third-party claim of intellectual property right infringement resulting from the acts of the said subsidiary. The Performance Guarantee Agreement remained in full force and effect during the six months ended 30 June 2023.

### **(B) Guarantee Agreements with associates of the Company**

- (i) In 2019, the Company entered into a guarantee agreement (the "2019 Manufacturer Guarantee Agreement") with 3 then subsidiaries of the Company (two of which have become associates of the Company since May 2022), pursuant to which the Company shall guarantee to repay the due and unsettled debts of the said associates individually and/or collectively of up to US\$10 million (equivalent to approximately HK\$78 million) incurred in relation to manufacturing orders placed against a named manufacturer, should any of the said subsidiary/associates individually and/or collectively cease or fail to honour its payment obligations.

In respect of the further expansion of order scale, the Company entered into another guarantee agreement in 2021 (the "2021 Manufacturer Guarantee Agreement") with the same counterparties, pursuant to which the amount of guarantee was increased to up to US\$20 million (equivalent to approximately HK\$156 million) and the 2019 Manufacturer Guarantee Agreement was terminated and the entirety of the Company's obligations and liability thereunder, if any, was effectively transferred to the 2021 Manufacturer Guarantee Agreement.

- (ii) In 2020, the Company entered into a guarantee agreement (the “2020 OEM Guarantee Agreement”) with a then subsidiary of the Company (an associate of the Company since May 2022) and an independent manufacturer (“OEM”), pursuant to which the Company shall guarantee to repay the said associate’s due and unsettled debts of up to US\$10 million (equivalent to approximately HK\$78 million) owed to the OEM incurred in relation to manufacturing orders placed against the OEM should it cease or fail to honour its payment obligations.

As at 30 June 2023, the Company did not recognise any liability in relation to the Performance Guarantee Agreement, the 2021 Manufacturer Guarantee Agreement and the 2020 OEM Guarantee Agreement and the Directors considered the possibility of reimbursement thereunder not probable.

Save as disclosed above, the Group had no material contingent liability as at 30 June 2023.

Disclaimer:

#### *Non-GAAP measures*

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

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

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

### **CORPORATE GOVERNANCE**

The Company’s corporate governance practices are based on the principles of good corporate governance (the “Principles”) and code provisions (the “Code Provisions”) of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

In formulating and implementing its corporate governance practices and standards, the Company has applied the Principles and complied with all applicable Code Provisions for the six months ended 30 June 2023.

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

## **REVIEW OF 2023 INTERIM RESULTS BY THE AUDIT COMMITTEE**

The audit committee of the Company has reviewed the unaudited interim condensed consolidated results for the six months ended 30 June 2023.

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

This 2023 interim results announcement is published on the Company's website at [www.hisun.com.hk](http://www.hisun.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The Company's 2023 interim report will be available on the aforesaid websites and despatched to the shareholders of the Company in due course.

The 2023 interim financial information set out above does not constitute the Group's statutory financial statements for the six months ended 30 June 2023. Instead, it has been derived from the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2023, which will be included in the Company's 2023 interim report.

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

Hong Kong, 17 August 2023

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