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HI SUN TECHNOLOGY (CHINA) LIMITED

高陽科技(中國)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 818)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

	2023 HK\$'000	2022 HK\$'000	Change + / (-)
RESULTS			
Continuing operations			
Revenue	2,709,164	3,432,728	-21%
Gross profit	992,177	1,283,582	-23%
Segmental EBITDA [#] (before unallocated items)	300,875	640,002	-53%
Operating profit	74,545	378,061	-80%
Share of results of associated companies	402,949	398,533	+1%
	<u>512,670</u>	<u>694,756</u>	-26%
Adjusted net profit ^{##}	512,670	694,756	-26%
Fair value losses on financial assets/liabilities at fair value through profit or loss ("FVPL"), net	(1,573)	(12,085)	N/A
Gains on disposals of subsidiaries	3,277	431,943	-99%
	<u>514,374</u>	<u>1,114,614</u>	-54%
Profit for the year	514,374	1,114,614	-54%
Profit from continuing operations	514,374	605,037	-15%
Profit from discontinued operation	-	509,577	N/A
	<u>514,374</u>	<u>1,114,614</u>	-54%
Profit for the year	514,374	1,114,614	-54%

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

^{##} Excluding fair value losses on financial assets at FVPL and gains on disposals of subsidiaries

* For identification purpose only

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	Change +/(–)
Profit attributable to:			
– Owners of the Company	463,432	939,416	–51%
– Non-controlling interests	50,942	175,198	–71%
	<u>514,374</u>	<u>1,114,614</u>	
	<i>HK\$ per share</i>	<i>HK\$ per share</i>	Change +/(–)
Earnings per share for profit attributable to the owners of the Company:			
Basic	0.169	0.340	–50%
Diluted	<u>0.133</u>	<u>0.313</u>	–58%
	As at 31 December		
	2023	2022	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	+/(–)
HIGHLIGHTS OF FINANCIAL POSITION			
Total equity	7,778,018	7,554,282	+3%
Net current assets	3,958,374	3,689,867	+7%
Total assets	<u>13,031,718</u>	<u>11,455,311</u>	+14%
	<i>HK\$ per share</i>	<i>HK\$ per share</i>	Change +/(–)
Net assets per share	<u>2.801</u>	<u>2.720</u>	+3%

The board of directors (the “Board”) of Hi Sun Technology (China) Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2023 together with the comparative figures for the year ended 31 December 2022. The annual results have been reviewed by the audit committee of the Company (the “Audit Committee”).

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group reported total assets of HK\$13,031.7 million (2022: HK\$11,455.3 million), which were financed by total liabilities of HK\$5,253.7 million (2022: HK\$3,901.0 million) and total equity of HK\$7,778.0 million (2022: HK\$7,554.3 million). The net asset value was HK\$7,778.0 million (2022: HK\$7,554.3 million). Net assets per share amounted to HK\$2.801 as compared to HK\$2.720 per share as at 31 December 2022.

As at 31 December 2023, the Group had restricted bank balances of HK\$3,542.3 million (2022: HK\$1,064.9 million), cash and cash equivalents of HK\$3,482.0 million (2022: HK\$3,537.5 million) and short-term bank borrowings of HK\$42.7 million (2022: HK\$55.7 million). The net cash position was HK\$3,439.3 million (2022: HK\$3,481.8 million). The gearing ratio is calculated as total debt divided by total capital, while total debt includes bank borrowings, lease liabilities, written put option liabilities and asset-backed securities of the Group. The gearing ratio was 1.1% (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 31 December 2023, the Group had bank borrowings of HK\$42.7 million (2022: HK\$55.7 million) carrying fixed interest rates (2022: same) and banking facilities of approximately HK\$277.0 million (2022: HK\$284.0 million). As at 31 December 2023, banking facility amounted to HK\$23.9 million was secured by leasehold land and buildings (2022: HK\$24.6 million), with a net carrying amount of HK\$2.6 million (2022: HK\$2.7 million) and HK\$2.6 million (2022: HK\$3.6 million) respectively.

The Group's restricted bank balances and cash and cash equivalents were principally denominated in Renminbi, Hong Kong dollar, US dollar, Euro, British Pound, Singapore dollar, Japanese Yen and Czech Koruna in the respective amount of approximately HK\$5,793.6 million, HK\$573.1 million, HK\$558.2 million, HK\$54.2 million, HK\$32.9 million, HK\$2.4 million, HK\$6.6 million and HK\$2.0 million as at 31 December 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 F under the section titled "Overall Financial Results and Position", the Group held no significant investment as at 31 December 2023.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in the section titled "Key Investing and Financing Activities", the Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 31 December 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 and Hong Kong dollar. Currently, the Group has not entered into any agreements or purchased any instruments to hedge the Group's exchange rate risks. Any material fluctuation in the exchange rates of Hong Kong dollar or Renminbi may have an impact on the operating results of the Group.

CONTINGENT LIABILITIES

(A) Performance Guarantee Agreement with a customer

In 2015, the Company entered into a performance guarantee agreement with a customer (the "Performance Guarantee Agreement"), pursuant to 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. Following the completion of the service project, the Performance Guarantee Agreement was accordingly terminated and there will be no obligation on the part of the Company in relation thereto. As at 31 December 2023, the Company did not recognise any liability in relation to the Performance Guarantee Agreement.

(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. As at 31 December 2023, the Company did not recognise any liability in relation to the 2021 Manufacturer Guarantee Agreement. The Directors considered the possibility of reimbursement not probable.

- (ii) In 2020, the Company entered into a guarantee agreement (the “2020 OEM Guarantee Agreement”) with a then subsidiary of the Company (an associate of the Company since May 2022) and an independent manufacturer (“OEM”), pursuant to which the Company shall guarantee to repay the said associate’s due and unsettled debts of up to US\$10 million (equivalent to approximately HK\$78 million) owed to the OEM incurred in relation to manufacturing orders placed against the OEM should the associate cease or fail to honour its payment obligations. As at 31 December 2023, the Company did not recognise any liability in relation to the 2020 OEM Guarantee Agreement. The Directors considered the possibility of reimbursement not probable.

Save as disclosed above, the Group had no material contingent liability as at 31 December 2023.

EMPLOYEES

The total number of employees of the Group as at 31 December 2023 was 2,638. The breakdown of employees by division is as follows:

Payment and digital services	1,002
Fintech services	126
Platform operation solutions	726
Financial solutions	544
Others	198
Corporate office	42
	2,638
	2,638

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

Disclaimer:

Non-GAAP measures

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

BUSINESS REVIEW

CONDENSED SEGMENT RESULTS ANALYSIS

	Note	Turnover		EBITDA [#]	
		2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Continuing operations					
Payment and digital services	1	1,994,129	2,655,820	297,203	695,166
Fintech services	2	200,473	229,917	47,748	22,099
Platform operation solutions	3	166,856	169,483	(5,492)	(12,250)
Financial solutions	4	325,437	346,068	(13,515)	(234)
Others	5	46,787	36,473	(25,069)	(64,779)
		<u>2,733,682</u>	<u>3,437,761</u>	<u>300,875</u>	<u>640,002</u>
Segmental results		2,733,682	3,437,761	300,875	640,002
Less: Inter-segment turnover		<u>(24,518)</u>	<u>(5,033)</u>	<u>-</u>	<u>-</u>
Total		<u><u>2,709,164</u></u>	<u><u>3,432,728</u></u>	<u><u>300,875</u></u>	<u><u>640,002</u></u>
Depreciation				(120,166)	(162,360)
Amortisation				(1,484)	(1,490)
Fair value losses on financial assets at FVPL, net				<u>(6,290)</u>	<u>(6,889)</u>
Segmental operating profit				172,935	469,263
Unallocated other income				24,696	5,647
Unallocated corporate expenses				<u>(123,086)</u>	<u>(96,849)</u>
Operating profit				<u><u>74,545</u></u>	<u><u>378,061</u></u>

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

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Continuing operations			
Revenue	<i>A</i>	2,709,164	3,432,728
Cost of sales	<i>C</i>	<u>(1,716,987)</u>	<u>(2,149,146)</u>
Gross profit		992,177	1,283,582
Other income	<i>B</i>	116,918	109,166
Other losses, net	<i>B</i>	(22,432)	(12,054)
Selling expenses	<i>C</i>	(134,484)	(154,260)
Administrative expenses	<i>C</i>	(821,129)	(744,275)
Credit impairment loss	<i>C</i>	<u>(56,505)</u>	<u>(104,098)</u>
Operating profit		74,545	378,061
Share of results of associated companies	<i>D</i>	402,949	398,533
Gain/(loss) on deemed acquisition and dilution of interest of an associated company		1,973	(1,077)
Gains on disposals of subsidiaries		3,277	2,604
Finance costs	<i>M</i>	<u>(3,757)</u>	<u>(59,862)</u>
Profit before income tax		478,987	718,259
Income tax credit/(expense)	<i>N</i>	<u>35,387</u>	<u>(113,222)</u>
Profit from continuing operations		514,374	605,037
Profit from discontinued operation	<i>O</i>	<u>–</u>	<u>509,577</u>
		<u>514,374</u>	<u>1,114,614</u>
Profit attributable to:			
– Owners of the Company		463,432	939,416
– Non-controlling interests		<u>50,942</u>	<u>175,198</u>
		<u>514,374</u>	<u>1,114,614</u>
Earnings per share for profit from continuing operations attributable to the owners of the Company:			
		<i>HK\$</i> <i>per share</i>	<i>HK\$</i> <i>per share</i>
Basic		<u>0.169</u>	<u>0.169</u>
Diluted		<u>0.133</u>	<u>0.142</u>
Earnings per share for profit attributable to the owners of the Company:			
Basic		<u>0.169</u>	<u>0.340</u>
Diluted		<u>0.133</u>	<u>0.313</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2023	2022
	Note	HK\$'000	HK\$'000
ASSETS			
Investment properties and property, plant and equipment	E	78,171	147,480
Right-of-use assets		69,560	55,690
Intangible assets		2,834	25,737
Investments in associated companies	F	3,606,250	3,399,895
Financial assets at fair value through profit or loss		309,206	94,057
Financial asset at fair value through other comprehensive income	G	–	152,868
Inventories		19,474	18,732
Trade and bills receivables	H	177,055	170,316
Other financial assets at amortised cost and other current assets		200,160	123,263
Loan receivables	I	1,536,634	2,647,625
Amount due from an associated company		5,000	5,306
Current income tax recoverable		3,040	10,431
Short-term bank deposits	J	–	1,468
Restricted bank balances	J	3,542,318	1,064,937
Cash and cash equivalents	J	3,482,016	3,537,506
Total assets		13,031,718	11,455,311
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		6,942	6,942
Reserves		7,183,993	6,611,653
		7,190,935	6,618,595
Non-controlling interests		587,083	935,687
Total equity		7,778,018	7,554,282
LIABILITIES			
Written put option liabilities	M	–	857,069
Deferred income tax liabilities		17	2,438
Trade payables	K	596,415	642,446
Payables for payment and digital services business	K	3,591,920	965,787
Other payables and accruals	K	932,745	967,734
Amounts due to associated companies		4,295	4,421
Current income tax liabilities		42,136	110,499
Lease liabilities		43,484	29,829
Bank borrowings		42,688	55,748
Asset-backed securities	L	–	265,058
Total liabilities		5,253,700	3,901,029
Total equity and liabilities		13,031,718	11,455,311
		HK\$ per share	HK\$ per share
Net assets per share		2.801	2.720

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the year ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Net cash generated from operating activities	1,205,842	79,610
Net cash (used in)/generated from investing activities	(38,571)	118,341
Net cash (used in)/generated from financing activities	(1,163,410)	233,544
Net increase in cash and cash equivalents	3,861	431,495
Cash and cash equivalents at beginning of the year (1 January 2022: HK\$40,742,000 is included in the assets classified as held for sale)	3,537,506	3,295,300
Exchange loss on cash and cash equivalents	(59,351)	(189,289)
Cash and cash equivalents at end of the year	<u>3,482,016</u>	<u>3,537,506</u>
Cash flows of discontinued operation (including proceed from disposal of a subsidiary)	<u>–</u>	<u>61,648</u>

FINANCIAL REVIEW

During the year ended 31 December 2023 (“YEAR 2023”), the consolidated turnover of the Group from continuing operations amounted to HK\$2,709.2 million, representing a decrease of 21% when compared with the year ended 31 December 2022 (“YEAR 2022”). Profit for the year totaled HK\$514.4 million as compared to HK\$1,114.6 million in YEAR 2022.

With regard to the balance sheet, the total assets as at 31 December 2023 amounted to HK\$13,031.7 million, when compared with HK\$11,455.3 million as at 31 December 2022. As at 31 December 2023, net current assets amounted to HK\$3,958.4 million, when compared with HK\$3,689.9 million as at 31 December 2022.

SEGMENT PERFORMANCE REVIEW

(1) Payment and digital services

Key performance indicators

	2023	2022	Change
	HK\$'000	HK\$'000	+ / (-)
Turnover*	1,993,439	2,652,007	-25%
EBITDA#	297,203	695,166	-57%
Operating profit	196,539	553,364	-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\$1,993.4 million as compared to HK\$2,652.0 million in YEAR 2022. Segmental operating profit amounted to HK\$196.5 million, 64% down as compared to YEAR 2022.

The decrease in segmental turnover and segmental operating profit is primarily attributable to the further replacement of the traditional payment market by digital payments. 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. At the same time, the Group is actively making strategic moves to expand its management service products and platforms as well as cross-border business. Despite the expected short-term pressure during the period of digital transformation, the Group firmly believes that this strategic adjustment will bring about the cornerstone of more stable development in the future.

(2) Fintech services

Key performance indicators

	2023 HK\$'000	2022 <i>HK\$'000</i>	Change +/(%)
Turnover*	198,306	228,704	-13%
EBITDA#	47,748	22,099	+116%
– including credit impairment loss	54,457	100,931	-46%
Operating profit	42,980	14,825	+190%

* Turnover from external customers

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

In YEAR 2023, segmental turnover amounted to HK\$198.3 million as compared to HK\$228.7 million in YEAR 2022, representing a decrease of 13%. Segmental operating profit amounted to HK\$43.0 million as compared to HK\$14.8 million in YEAR 2022. Increase in segmental operating profit mainly contributed by a decrease in credit impairment loss.

(3) Platform operation solutions

Key performance indicators

	2023 HK\$'000	2022 <i>HK\$'000</i>	Change +/(%)
Turnover*	166,011	169,476	-2%
EBITDA#	(5,492)	(12,250)	N/A
Fair value loss on a financial asset at fair value through profit or loss	(8,159)	(6,889)	N/A
Operating loss	(19,509)	(24,612)	N/A

* Turnover from external customers

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

In YEAR 2023, we continued to provide high-quality and efficient supporting services, such as product development, business operation and system maintenance, to China Mobile Fintech, the IVR Base of China Mobile and the Animation Base of China Mobile. During the year, segmental turnover amounted to HK\$166.0 million as compared to HK\$169.5 million in YEAR 2022. Segmental operating loss amounted to HK\$19.5 million as compared to HK\$24.6 million in YEAR 2022, which was primarily attributable to the fair value loss on financial assets through profit or loss amounted to HK\$8.2 million in YEAR 2023 as compared to fair value losses of HK\$6.9 million in YEAR 2022.

(4) Financial solutions

Key performance indicators

	2023 HK\$'000	2022 HK\$'000	Change + / (-)
Turnover*	304,621	346,068	-12%
EBITDA [#]	(13,515)	(234)	N/A
Operating loss	(19,867)	(7,362)	N/A

* Turnover from external customers

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

In YEAR 2023, segmental turnover amounted to HK\$304.6 million as compared to HK\$346.1 million in YEAR 2022. Segmental operating loss totalled HK\$19.9 million as compared to HK\$7.4 million in YEAR 2022. The segmental operating loss was mainly due to the upfront costs on various projects incurred during YEAR 2023.

(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 1.7% of the total consolidated turnover from continuing operations of the Group.

Segmental turnover amounted to HK\$46.8 million as compared to HK\$36.5 million in YEAR 2022. Segmental operating loss amounted to HK\$27.2 million as compared to HK\$67.0 million in YEAR 2022.

OVERALL FINANCIAL RESULTS AND POSITION

(A) Revenue

The consolidated turnover from continuing operations amounted to HK\$2,709.2 million, representing a decrease of 21% over YEAR 2022. Such decrease was mainly contributed by a decrease in segmental turnover of our 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 grants in YEAR 2023.

(C) Cost of sales and operating expenses

In YEAR 2023, cost of sales decreased significantly mainly due to decline in total turnover particularly in payment and digital services segment.

Increase in operating expenses was mainly due to increase in research and development costs and staff cost including share award scheme of approximately HK\$15.0 million, and partially net off by reduced depreciation expenses in YEAR 2023.

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

(D) Share of results of associated companies

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

(E) Investment properties and property, plant and equipment

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

(F) Investments in associated companies

Balance mainly represented the Group's interests in PAX Global and Megahunt Technologies Inc. ("Megahunt"). The Group is optimistic about their 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 31 December 2023, the Group held 364,000,000 ordinary shares of PAX Global and the fair value of the Group's approximately 34.0% effective interest in PAX Global was approximately HK\$2,202.2 million and was lower than its carrying value. An impairment test was performed to determine the recoverable amount of the investment. The recoverable amount, which was assessed by an independent valuer on a value-in-use basis using the discounted cash flow model, exceeds the carrying value as at 31 December 2023. The interest in PAX Global of HK\$3,046.1 million represented approximately 23.4% of the Group's audited total assets as at 31 December 2023 and the cost of investment as at 31 December 2023 was HK\$259.8 million.

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

PAX Global is one of the global leading suppliers of 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 YEAR 2023, the decrease in net profit of PAX Global was mainly due to the decline in revenue generated from certain markets, which is primarily attributed to the drop in purchase orders resulting from the slowdown in the economic growth in these markets. 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 31 December 2023, the Group held approximately 45.73% of the issued shares of Megahunt. The interest in Megahunt of HK\$529.8 million represented approximately 4.1% of the Group's audited total assets as at 31 December 2023.

During the year, due to the impact of the global economic conditions and the tightened global semiconductor supply chain, the growth of the information security chip industry tended to slow down and competition became more intense. The information security chip market is generally expected to develop steadily in 2024, subject to changes due to the policy impact on the payment market. At the same time, it is expected that the security chips used in the Internet of Things (IoT) will achieve preliminary sales in 2024. Other research and development projects are progressing smoothly and the cost reduction initiatives of various products are also rolling out in an orderly manner.

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

The YEAR 2022 amount represented interest in shares of Cloopen Group Holding Limited ("Cloopen") 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 31 December 2023 calculated 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 YEAR 2023 due to the change in fair value of its interest in Cloopen. The carrying amount of the balance is denominated in US\$.

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.

The balance was re-classified as investments in associated companies as at 31 December 2023.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables (<i>Note (i)(a)</i>)	187,243	181,963
Bills receivables (<i>Note (i)(b)</i>)	5,830	4,850
<i>Less: provision for impairment of receivables</i>	(16,018)	(16,497)
Total	<u>177,055</u>	<u>170,316</u>

Note (i):

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current to 90 days	145,541	143,537
91 to 180 days	13,989	4,844
181 to 365 days	3,463	8,748
Over 365 days	24,250	24,834
	<u>187,243</u>	<u>181,963</u>

- Changes in balances between aged 91 to 180 days and 181 to 365 days were mainly due to changes of outstanding balances under platform operation solutions segment.
- (b) Bills receivables as at 31 December 2023 mainly belonged to the platform operation solutions segment and electronic power meters and solutions business under other business operations.

(I) Loan receivables

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current	1,498,174	2,637,486
1 to 3 months past due	72,032	26,579
Over 3 months past due	112,255	143,806
Loan receivables, gross	1,682,461	2,807,871
<i>Less: provision for impairment of loan receivables</i>	(145,827)	(160,246)
Loan receivables, net	1,536,634	2,647,625

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current assets		
Short-term bank deposits	–	1,468
Restricted bank balances (<i>Note</i>)	3,542,318	1,064,937
Cash and cash equivalents	3,482,016	3,537,506
Restricted bank balances and cash and cash equivalents	7,024,334	4,602,443

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 31 December 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.

(K) Trade payables, payables for payment and digital services segment and other payables and accruals

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables (<i>Note (i)</i>)	596,415	642,446
Payables for payment and digital services segment (<i>Note (ii)</i>)	3,591,920	965,787
Other payables and accruals (<i>Note (iii)</i>)	932,745	967,734
Total	<u>5,121,080</u>	<u>2,575,967</u>

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current to 90 days	318,313	294,502
91 to 180 days	110,708	194,648
181 to 365 days	156,504	145,038
Over 365 days	10,890	8,258
	<u>596,415</u>	<u>642,446</u>

- Changes 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 segment. The increase in payables for payment and digital services segment is in line with the increase in restricted bank balances.

Note (iii):

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Accrued staff costs and pension obligations*	256,214	234,408
Deposits	35,154	42,546
Receipt in advance from customers**	24,023	43,678
Advance from business channel partners**	424,893	426,295
Others***	192,461	220,807
	<u>932,745</u>	<u>967,734</u>

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

** 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.

(L) 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.

(M) Written put option liabilities and finance costs

No written put option liability was recognised as of 31 December 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 (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.

(N) 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 YEAR 2023.

(O) Discontinued operation

Discontinued operation 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 YEAR 2022.

Key Financial Performance

	For the period from 1 January 2022 to 23 May 2022 <i>HK\$'000</i>
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 VBill 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.

BUSINESS OUTLOOK

In 2023, China successively introduced a number of measures to restore and expand consumption. China's economic operation generally continued to recover, and the effect of policies to stabilise growth, stabilise employment, and stabilise prices continued to emerge. However, the international environment is complex and severe, with increasing uncertainties and difficulties for business entities. Despite the pressure and challenges, under the premise of "withstanding external pressure and overcoming internal difficulties", China's economy rebounded. We are optimistic about the momentum of national economic recovery and expect the economic outlook and operating environment to remain challenging in 2024.

Payment and Digital Services

In 2023, we continued to push for the strategic transformation to accelerate the digital transformation. In 2023, the amount of digital payment increased by more than 100% year-on-year to reach approximately RMB640 billion. Our PaaS platform continued to attract new partners, with more than 300 new partners joining in 2023, covering retail, catering, hotels, gas stations, university canteens, tourist attractions, food markets, property management, campus bill payments and other scenarios. At the same time, our digital management product for the retail industry, Diansansan, has served a number of top retail customers, including supermarket chains, convenience store chains and fresh food store chains. With four types of products, namely "Smart Supply Chain", "Smart Category Management", "Smart Store Management" and "KPI Monitoring and Analysis", we have comprehensively helped merchants improve their operational efficiency and sales capabilities, and carried out smart management of the whole cycle of commodity circulation, helping customers to improve commodity inventory turnover rate, reduce capital occupation, and their rapid expansion.

During the year, we launched the new generation of automobile asset digital service platform "Jiexingchejia". We are committed to providing one-stop digital solutions integrating transaction, payment, management and finance for global automobile/second-hand car dealers through the combination of emerging digital technologies and financial technology, helping enterprises quickly achieve digital transformation and rapid growth. At present, it has been applied to more than 100 second-hand car dealers.

In addition, the cross-border business continued to grow steadily. We continued to adhere to the differentiation strategy. In addition to continuing our differentiation advantages in new regions and small currencies, we in turn continued to explore into cross-border payment scenarios in emerging industries and niche emerging platforms to provide safe and reliable fund entry and exit solutions for these emerging industries, gaining certain industry-leading advantages. At the same time, the Group increased efforts to expand the foreign trade collection business during the period, and the transaction scale achieved a nearly ten-fold increase. We have also made key breakthroughs in some core industries, especially in the field of second-hand cars export, where CoGoLinks one-stop capital solutions have become the primary choice in the market.

Fintech Services

Suixin Cloud Chain Technology Service Platform has continued to innovate and develop, and has built two major business systems, namely subject credit and digital credit, covering five major business segments in the upstream and downstream of the entire industry chain, providing enterprises with comprehensive one-stop supply chain financial services. By establishing comprehensive digital services and effectively connecting with various financial institutions, we provide more extensive, more convenient and more choices of financial service products, to meet the various financing needs of small and medium-sized enterprises in different scenarios throughout the entire upstream and downstream chain of industries, and assisted in the sustainable and high-quality development of small and medium-sized enterprises.

In 2023, domestic market interest rates continued to remain at a low levels. Suixin Cloud Chain Platform strengthened close cooperation with major financial institutions, continued to increase financial innovation and platform service optimisation, and provided credit support for small and medium-sized enterprises with higher efficiency and lower interest rates. We not only fully supported new-generation bills and supply chain bills, but also have strengthened the acceptance of bank acceptance bills, cooperating with nearly 10 acceptance banks. With the further improvement of the service acceptance capability of Suixin Cloud Chain Platform, the transaction scale exceeded RMB10 billion in 2023, and the business volume continued to grow rapidly, representing a year-on-year increase of 131% as compared to last year. In particular, the bills business recorded a 185% year-on-year increase.

Our newly launched digital inclusive financial services business this year also achieved phased results. We established two business systems of corporate credit loan and scenario-based credit loan, and successfully launched products of nine financial institutions, providing small and medium-sized enterprises with pure credit, unsecured, unguaranteed and fully online financing products, effectively meeting the financing needs of micro, small and medium-sized enterprises in across industries in production and operation.

Platform Operation Solutions

In 2023, we continued to cooperate with our major customer, China Mobile Financial Technology Co., Ltd., in the fields of product development, business operation and system maintenance, and the scale of our main business remained stable. Amid the general contractionary pressure in the macro environment this year, we continued to actively explore and made progress in enterprise marketing tools and agency operations. During the year, we cooperated with operators in some regions to provide customers with SaaS tools and overall business agency operation solutions. In addition, we continued to optimise and upgrade the basic platform and tool software in furtherance of our R&D path in the previous years, to keep in pace with the advanced technology in the industry. We have been successfully selected to join the Super SIM Sub-chain Industry Alliance, marking our industry-leading cooperation with the eight strategic products of the China Mobile Group. Looking ahead to 2024, we remain cautiously optimistic about the market, and will further consolidate our technology foundation, enhance our business capabilities, and strive to secure more opportunities with our high-quality services.

Financial Solutions

In 2023, BJ ABS remained focused on the delivery and maintenance of banking system products. In addition to regular maintenance projects, during the year, we focused on completing the commissioning of the core system project of Dah Sing Bank and the commissioning of the distributed core system of China Guangfa Bank. At the same time, we focused on the upgrading and transformation of the payment system, and assisted banking customers in Hong Kong and Macau to complete the upgrading and transformation of the CHATS and Swift systems in the context of the change in the interface standard of ISO20022. We built a wealth management system to enhance the service capabilities of banking customers in wealth management. Among them, with the commissioning of the distributed core system of China Guangfa Bank, our product technology capabilities and the “mainframe downshifting” related processes have reached a new level. Under the wave of IT application innovation in Mainland China, BJ ABS will continue to deepen the domestic alternative solutions based on the accumulation of relevant projects, and help financial institutions to realise the mainframe downshift at the lowest consideration.

For 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: we completed the establishment of overseas offices in Kuala Lumpur on the basis of overseas offices in Laos and Cambodia, which will provide customers with better local technical support services. In terms of market expansion: during the period, we signed contracts with eight new customers and achieved business breakthroughs in the local markets of Malaysia and Thailand during the period. At the same time, we completed the recruitment of local sales personnel in Myanmar, Thailand and other markets, and actively expanded new overseas markets. In terms of new product technology research and development: we made new breakthroughs in the new generation of distributed and micro-service core systems, and successfully signed a contract with a local customer in Malaysia during the period. In addition, we actively optimised and improved the new generation of e-wallet payment products based on customer needs. We also actively carried out technical research and development in response to the business opportunity of mainframe downshift, and signed a contract with a local customer in Thailand during the period.

Consolidated Income Statement

		For the year ended 31 December	
		2023	2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations			
Revenue	2, 3	2,709,164	3,432,728
Cost of sales	4	<u>(1,716,987)</u>	<u>(2,149,146)</u>
Gross profit		992,177	1,283,582
Other income	2	116,918	109,166
Other losses, net	2	(22,432)	(12,054)
Selling expenses	4	(134,484)	(154,260)
Administrative expenses	4	(821,129)	(744,275)
Credit impairment loss	4	(56,505)	(104,098)
Operating profit		74,545	378,061
Share of results of associated companies	10	402,949	398,533
Gain/(loss) on deemed acquisition and dilution of interest of an associated company	10	1,973	(1,077)
Gains on disposal of subsidiaries	15	3,277	2,604
Finance costs		<u>(3,757)</u>	<u>(59,862)</u>
Profit before income tax		478,987	718,259
Income tax credit/(expense)	5	35,387	(113,222)
Profit from continuing operations		514,374	605,037
Profit from discontinued operation		<u>–</u>	<u>509,577</u>
Profit for the year		<u>514,374</u>	<u>1,114,614</u>
Profit attributable to:			
– Owners of the Company		463,432	939,416
– Non-controlling interests		<u>50,942</u>	<u>175,198</u>
		<u>514,374</u>	<u>1,114,614</u>

		For the year ended	
		31 December	
		2023	2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from continuing operations attributable to:			
– Owners of the Company		463,432	466,676
– Non-controlling interests		50,942	138,361
		<u>514,374</u>	<u>605,037</u>
Profit from discontinued operation attributable to:			
– Owners of the Company		–	472,740
– Non-controlling interests		–	36,837
		<u>–</u>	<u>509,577</u>
		<i>HK\$ per share</i>	<i>HK\$ per share</i>
Earnings per share for profit from continuing operations attributable to the owners of the Company:			
Basic	7	<u>0.169</u>	<u>0.169</u>
Diluted	7	<u>0.133</u>	<u>0.142</u>
Earnings per share for profit attributable to the owners of the Company:			
Basic	7	<u>0.169</u>	<u>0.340</u>
Diluted	7	<u>0.133</u>	<u>0.313</u>

Consolidated Statement of Comprehensive Income

	For the year ended 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	514,374	1,114,614
Other comprehensive (loss)/income, net of tax		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences on translation of foreign subsidiaries	(89,383)	(256,950)
Exchange differences in relation to discontinued operation	–	(17,581)
Share of other comprehensive loss of associated companies	(49,913)	(144,958)
Release of reserve upon dilution of interest in an associated company	(2,981)	563
<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	(152,846)	(476,843)
Share of other comprehensive loss of an associated company	–	(815)
Total comprehensive income for the year, net of tax	219,251	218,030
Total comprehensive income for the year attributable to:		
– Owners of the Company	185,186	120,085
– Non-controlling interests	34,065	97,945
	219,251	218,030
Total comprehensive income/(loss) for the year attributable to the owners of the Company:		
– Continuing operations	185,186	(342,406)
– Discontinued operation	–	462,491
	185,186	120,085

Consolidated Balance Sheet

		As at 31 December	
		2023	2022
	Note	HK\$'000	HK\$'000
Assets			
Non-current assets			
Investment properties		511	684
Property, plant and equipment		77,660	146,796
Right-of-use assets		69,560	55,690
Intangible assets		2,834	25,737
Investments in associated companies	10	3,606,250	3,399,895
Financial asset at fair value through other comprehensive income	8	–	152,868
Financial assets at fair value through profit or loss		82,321	93,077
Other financial assets at amortised cost		2,070	4,064
Total non-current assets		3,841,206	3,878,811
Current assets			
Inventories		19,474	18,732
Other current assets		27,245	49,551
Other financial assets at amortised cost		170,845	69,648
Amount due from an associated company		5,000	5,306
Loan receivables	9	1,536,634	2,647,625
Trade and bills receivables	11	177,055	170,316
Financial assets at fair value through profit or loss		226,885	980
Current income tax recoverable		3,040	10,431
Short-term bank deposits		–	1,468
Restricted bank balances		3,542,318	1,064,937
Cash and cash equivalents		3,482,016	3,537,506
Total current assets		9,190,512	7,576,500
Total assets		13,031,718	11,455,311
Equity			
Capital and reserves attributable to owners of the Company			
Share capital		6,942	6,942
Reserves		7,183,993	6,611,653
		7,190,935	6,618,595
Non-controlling interests		587,083	935,687
Total equity		7,778,018	7,554,282

		As at 31 December	
		2023	2022
	<i>Note</i>	HK\$'000	HK\$'000
Liabilities			
Non-current liabilities			
Lease liabilities		21,545	11,958
Deferred income tax liabilities		17	2,438
		<hr/>	<hr/>
Total non-current liabilities		21,562	14,396
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade payables	<i>12</i>	596,415	642,446
Payables for payment and digital services business	<i>12</i>	3,591,920	965,787
Other payables and accruals	<i>12</i>	932,745	967,734
Amounts due to associated companies		4,295	4,421
Current income tax liabilities		42,136	110,499
Bank borrowings		42,688	55,748
Asset-backed securities	<i>13</i>	–	265,058
Written put option liabilities	<i>14</i>	–	857,069
Lease liabilities		21,939	17,871
		<hr/>	<hr/>
Total current liabilities		5,232,138	3,886,633
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		5,253,700	3,901,029
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total equity and liabilities		13,031,718	11,455,311
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1 BASIS OF PREPARATION

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”).

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated.

Reclassification in the Consolidated Cash Flow Statement

The Group previously recorded the increase in restricted bank balances of HK\$361,725,000 for the year ended 31 December 2022 under investing activities in the consolidated cash flow statement. In the current year, the Group has revisited the nature of certain of its restricted bank balances arising from customer reserve accounts and considered these restricted bank balances represent payments received on behalf of the merchants to settle related payment and digital services business. Accordingly, an adjustment is made to reclassify such increase from investing activities to operating activities in the Group’s consolidated cash flow statement to align with the current year presentation.

As a result, the net cash generated from operating activities of HK\$441,335,000 for the year ended 31 December 2022 as previously stated in the consolidated cash flow statement has been restated to HK\$79,610,000, and the net cash used in investing activities of HK\$243,384,000 for the year ended 31 December 2022 as previously stated in the consolidated cash flow statement has been restated to net cash generated from investing activities of HK\$118,341,000. The above reclassification has no impact on the consolidated balance sheet as at 31 December 2022 and the profit for the year ended 31 December 2022.

Changes in accounting policies

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2023:

- HKFRS 17 Insurance Contracts
- Definition of Accounting Estimates – Amendments to HKAS 8
- International Tax Reform – Pillar – Two Model Rules Amendments to HKAS 12
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to HKAS 12; and
- Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2

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

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

Certain amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group.

		Effective for accounting year beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

(c) Change in accounting policy on offsetting arrangement in long service payment scheme in Hong Kong

In June 2022, the Hong Kong Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) which will be effective from 1 May 2025 (the “Transition Date”). Under the Amendment Ordinance, any accrued benefits attributable to the employer’s mandatory contributions under mandatory provident fund scheme (“MPF Benefits”) of an entity would no longer be eligible to offset against its obligations on long service payment (“LSP”) for the portion of the LSP accrued on or after the Transition Date. There is also a change in the calculation basis of last monthly wages for the portion of the LSP accrued before the Transition Date.

Prior to 1 January 2023, the Group applied practical expedient in HKAS 19 paragraph 93(b) (the “practical expedient”) to account for the offsettable MPF Benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” (the “Guidance”) which provides clarified and detailed guidance on the accounting considerations relating to the abolition of the offsetting mechanism. The Guidance clarified that following the enactment of the Amendment Ordinance, LSP is no longer a ‘simple type of contributory plans’ to which the practical expedient had been intended to apply.

By following the Guidance, the Group has therefore changed its accounting policy and ceased to apply the practical expedient and reattribute the deemed employee contributions on a straight-line basis from the date when services by employees first lead to their benefits in terms of the LSP legislation in accordance with HKAS 19 paragraph 93(a).

The abovementioned change in accounting policy does not have material impact to the financial statements as at 31 December 2023 and 2022.

2 REVENUE, OTHER INCOME AND OTHER GAINS, NET

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

	For the year ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
Continuing operations		
Revenue from contracts with customers		
<i>Recognised over time</i>		
Provision of services	2,482,561	3,186,158
<i>Recognised at a point in time</i>		
Sales of goods	46,786	36,473
	<u>2,529,347</u>	3,222,631
Revenue from other source		
Provision of fintech services (<i>Note i</i>)	179,817	210,097
	<u>2,709,164</u>	<u>3,432,728</u>
Other income		
Interest income	73,758	56,630
Government grants (<i>Note ii</i>)	39,859	49,075
Rental income	2,886	2,566
Others	415	895
	<u>116,918</u>	109,166
Other losses, net		
Fair values (losses)/gains on financial assets at FVPL		
– Unlisted investment fund	(8,159)	(6,889)
– Listed equity securities	(146)	(123)
– Investments in FVPL	1,869	–
Fair value loss on financial liability at FVPL		
– Written put option liability	–	(5,073)
Derecognition of written put option liability at FVPL	4,863	–
Impairment of intangible assets	(20,837)	–
Impairment of investment in an associated company	(22)	–
Dividend income from a financial asset at FVPL	–	31
	<u>(22,432)</u>	<u>(12,054)</u>

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

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

3 SEGMENT INFORMATION

Description of segments and principal activities

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 operation

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

Discontinued operation *(Note 15(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 assets at FVPL from segmental operating profit/(loss).

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

	Continuing operations					Total Group HK\$'000
	Payment and digital services HK\$'000	Fintech services HK\$'000	Platform operation solutions HK\$'000	Financial solutions HK\$'000	Others HK\$'000	
Year ended 31 December 2023						
Segment turnover	1,994,129	200,473	166,856	325,437	46,787	2,733,682
Inter-segment turnover	(690)	(2,167)	(845)	(20,816)	-	(24,518)
Turnover from external customers	<u>1,993,439</u>	<u>198,306</u>	<u>166,011</u>	<u>304,621</u>	<u>46,787</u>	<u>2,709,164</u>
Segmental EBITDA (excluding fair value gain/(loss) on financial assets at FVPL)	<u>297,203</u>	<u>47,748</u>	<u>(5,492)</u>	<u>(13,515)</u>	<u>(25,069)</u>	<u>300,875</u>
Depreciation	(99,942)	(5,898)	(5,858)	(6,352)	(2,116)	(120,166)
Amortisation	(722)	(739)	-	-	(23)	(1,484)
Fair value gain/(loss) on financial assets at FVPL	-	1,869	(8,159)	-	-	(6,290)
Segmental operating profit/(loss)	<u>196,539</u>	<u>42,980</u>	<u>(19,509)</u>	<u>(19,867)</u>	<u>(27,208)</u>	<u>172,935</u>
Unallocated other income						24,696
Unallocated corporate expenses						(123,086)
Share of results of associated companies						402,949
Gain on deemed acquisition and dilution of interest of an associated company						1,973
Gain on disposal of a subsidiary						3,277
Finance costs						(3,757)
Profit before income tax						478,987
Income tax credit						35,387
Profit for the year						<u>514,374</u>

	Continuing operations					Discontinued operation	
	Payment and digital services HK\$'000	Fintech services HK\$'000	Platform operation solutions HK\$'000	Financial solutions HK\$'000	Others HK\$'000	Total Group HK\$'000	Information security chips and solutions HK\$'000
Year ended 31 December 2022							
Segment turnover	2,655,820	229,917	169,483	346,068	36,473	3,437,761	246,379
Inter-segment turnover	(3,813)	(1,213)	(7)	-	-	(5,033)	-
Turnover from external customers	<u>2,652,007</u>	<u>228,704</u>	<u>169,476</u>	<u>346,068</u>	<u>36,473</u>	<u>3,432,728</u>	<u>246,379</u>
Segmental EBITDA (excluding fair value gain/(loss) on financial asset at FVPL)	695,166	22,099	(12,250)	(234)	(64,779)	640,002	93,584
Depreciation	(141,160)	(6,497)	(5,473)	(7,128)	(2,102)	(162,360)	-
Amortisation	(642)	(777)	-	-	(71)	(1,490)	-
Fair value loss on financial asset at FVPL	-	-	(6,889)	-	-	(6,889)	-
Segmental operating profit/(loss)	<u>553,364</u>	<u>14,825</u>	<u>(24,612)</u>	<u>(7,362)</u>	<u>(66,952)</u>	<u>469,263</u>	<u>93,584</u>
Unallocated other income						5,647	-
Unallocated corporate expenses						(96,849)	-
Share of results of associated companies						398,533	-
Loss on deemed acquisition and dilution of interest of an associated company						(1,077)	-
Gains on disposals of subsidiaries						2,604	429,339
Finance costs						(59,862)	(143)
Profit before income tax						718,259	522,780
Income tax expense						(113,222)	(13,203)
Profit for the year						<u>605,037</u>	<u>509,577</u>

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

	Continuing operations							Total Group HK\$'000
	Payment and digital services HK\$'000	Fintech services HK\$'000	Platform operation solutions HK\$'000	Financial solutions HK\$'000	Others HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	
As at 31 December 2023								
Segment assets	<u>6,742,579</u>	<u>2,357,488</u>	<u>603,153</u>	<u>470,905</u>	<u>327,551</u>	<u>5,004,890</u>	<u>(2,474,848)</u>	<u>13,031,718</u>
Segment liabilities	<u>(5,195,717)</u>	<u>(944,593)</u>	<u>(340,573)</u>	<u>(594,618)</u>	<u>(174,194)</u>	<u>(478,853)</u>	<u>2,474,848</u>	<u>(5,253,700)</u>
Year ended 31 December 2023								
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>45,986</u>	<u>13,310</u>	<u>8,289</u>	<u>10,305</u>	<u>1,018</u>	<u>92</u>	<u>-</u>	<u>79,000</u>

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

	Continuing operations							Total Group HK\$'000
	Payment and digital services HK\$'000	Fintech services HK\$'000	Platform operation solutions HK\$'000	Financial solutions HK\$'000	Others HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	
As at 31 December 2022								
Segment assets	5,569,006	3,669,736	783,224	579,209	347,421	4,705,968	(4,199,253)	11,455,311
Segment liabilities	(3,719,058)	(2,915,726)	(337,000)	(689,540)	(172,093)	(266,865)	4,199,253	(3,901,029)
Year ended 31 December 2022								
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)	43,425	578	7,852	10,365	3,000	4,844	-	70,064

During the year, additions to non-current assets mainly comprise additions to property, plant and equipment, right-of-use assets and intangible assets (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 consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment.

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

The Group is principally domiciled in Mainland China and Hong Kong (2022: same). The Group's turnover by geographical locations, which is determined by the locations in which the turnover are generated from, is as follows:

	For the year ended 31 December	
	2023 HK\$'000	2022 HK\$'000
Continuing operations		
Mainland China	2,555,657	3,234,828
Hong Kong	150,804	197,376
Others	2,703	524
	<u>2,709,164</u>	<u>3,432,728</u>
Discontinued operation		
Mainland China	-	246,379
	<u>-</u>	<u>246,379</u>

The Group's non-current assets (excluding investments in associated companies, financial asset at FVOCI, other financial assets at amortised cost and financial assets at FVPL) and current assets by geographical locations, which is determined by the geographical locations in which the asset is located, is as follows:

	For the year ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Mainland China	148,415	223,765
Hong Kong	2,150	5,142
	<u>150,565</u>	<u>228,907</u>

4 EXPENSES BY NATURE

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

	For the year ended	
	31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Auditor's remuneration		
– audit and audit related services	3,880	4,943
– non-audit services	3,583	3,307
Commission and incentives paid/payable to business channel partners	1,121,088	1,516,954
Interest expenses on asset-backed securities	9,778	7,147
Depreciation of property, plant and equipment	97,457	140,394
Depreciation of right-of-use assets	28,908	27,094
Depreciation of investment properties	173	173
Amortisation of intangible assets	1,484	1,490
Employee benefit expenses (including directors' emoluments)	945,914	843,217
Costs of inventories sold (including provision for inventories)		
(2022: reversal of provision for inventories)	57,785	21,527
Operating lease rentals in respect of land and buildings	10,448	12,630
Research and development costs (including staff cost)	303,079	251,422
Gains on disposals of property, plant and equipment	(103)	(144)
Write off of property, plant and equipment	6	30
Credit impairment loss		
– trade and bills receivables	1,806	9,963
– loan receivables (<i>Note 9</i>)	54,699	94,135
Net foreign exchange loss	1,073	13,932

5 INCOME TAX CREDIT/(EXPENSE)

	For the year ended 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax (<i>Note (a)</i>)	–	(100)
– PRC Corporate Income Tax (<i>Note (a)</i>)	(51,635)	(126,633)
– Over-provision in prior year (<i>Note (b)</i>)	84,653	–
Deferred income tax	<u>2,369</u>	<u>308</u>
Income tax credit/(expense)	<u><u>35,387</u></u>	<u><u>(126,425)</u></u>
Income tax credit/(expense) is attributable to:		
– Profit from continuing operations	35,387	(113,222)
– Profit from discontinued operation	<u>–</u>	<u>(13,203)</u>
	<u><u>35,387</u></u>	<u><u>(126,425)</u></u>

Note (a)

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

Subsidiaries in the 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

Subsidiaries	Applicable corporate income tax rate	
	For the year ended 31 December 2023	2022
Beijing Hi Sun Advanced Business Solutions Information Technology Limited (“BJ ABS”)	15%	15%
隨行付支付有限公司 (“VBill OPCO”)	25%	25%
重慶鑫聯隨行科技有限公司 (“Chongqing Xinlian”)	15%	15%
北京結慧科技有限公司 (“Beijing Jiehui”)	15%	15%

Note (b)

For the year ended 31 December 2023, the over-provision of current income tax in prior year is mainly attributable to Beijing Jiehui. In May 2023, Beijing Jiehui was accredited as SICE. 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\$20,695,000 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\$71,322,000 in the consolidated income statement for the year ended 31 December 2023.

6 DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 December 2023 (2022: Nil).

7 EARNINGS PER SHARE

(a) Basic

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

	For the year ended	
	31 December	
	2023	2022
Profit attributable to the owners of the Company (<i>HK\$'000</i>)		
– Continuing operations	463,432	466,676
– Discontinued operation	–	472,740
	<u>463,432</u>	<u>939,416</u>
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (<i>thousands shares</i>)	<u>2,745,494</u>	<u>2,763,184</u>
Basic earnings per share attributable to the owners of the Company (<i>HK\$ per share</i>)		
– Continuing operations	0.169	0.169
– Discontinued operation	–	0.171
	<u>0.169</u>	<u>0.340</u>

(b) Diluted

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

For the year ended 31 December 2023, the Group has three categories (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)”) (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 year ended 31 December 2023, the exercise of the outstanding share options in PAX Global (2022: PAX Global and VBill OPCO) would have a dilutive effect. The exercise of the share options in PAX Global (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 (2022: the associated company's shares and the subsidiaries' shares) based on the monetary value of the subscription rights attached to outstanding share options of PAX Global (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 and VBill OPCO (2022: PAX Global and VBill OPCO).

For the year ended 31 December 2023, the calculation of diluted earnings per share does not assume the exercise of the written put option liabilities of VBill (Cayman) as it would have an antidilutive impact to the basic earnings per share (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).

	For the year ended	
	31 December	
	2023	2022
Profit attributable to the owners of the Company (<i>HK\$'000</i>)		
– Continuing operations	463,432	466,676
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	(7,837)	(9,320)
– Loss on dilution of an associated company	(86,790)	(61,204)
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	(2,664)	(4,229)
Adjusted profit attributable to the owners of the Company from continuing operations used to determine diluted earnings per share (<i>HK\$'000</i>)	<u>366,141</u>	<u>391,923</u>
Profit attributable to the owners of the Company (<i>HK\$'000</i>)		
– Discontinued operation	<u>–</u>	<u>472,740</u>
Weighted average number of ordinary shares for diluted earnings per share (<i>thousands shares</i>)	<u>2,745,494</u>	<u>2,763,184</u>
Diluted earnings per share attributable to the owners of the Company (<i>HK\$ per share</i>)		
– Continuing operations	0.133	0.142
– Discontinued operation	<u>–</u>	<u>0.171</u>
	<u>0.133</u>	<u>0.313</u>

8 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As of 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current asset		
Listed equity security outside Hong Kong (<i>Note</i>)	—	152,868

Note:

Listed equity security outside Hong Kong – Cloopen Group Holding Limited (“Clopen”)

The fair value of the American depositary shares (“ADSs”) is based on its quoted bid prices at New York Time in NYSE and its carrying amount is denominated in US\$.

9 LOAN RECEIVABLES

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

(a) Aging analysis of loan receivables

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

	As at 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	1,498,174	2,637,486
1 to 3 months past due	72,032	26,579
Over 3 months past due	112,255	143,806
Loan receivables, gross	1,682,461	2,807,871
<i>Less:</i> provision for impairment of loan receivables	(145,827)	(160,246)
	<u>1,536,634</u>	<u>2,647,625</u>

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

	As at 31 December 2023			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
Loan receivables	1,498,174	72,032	112,255	1,682,461
Less: Provision for impairment of loan receivables	<u>(11,751)</u>	<u>(30,754)</u>	<u>(103,322)</u>	<u>(145,827)</u>
Loan receivables, net	<u>1,486,423</u>	<u>41,278</u>	<u>8,933</u>	<u>1,536,634</u>
	As at 31 December 2022			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
Loan receivables	2,637,486	26,579	143,806	2,807,871
Less: Provision for impairment of loan receivables	<u>(21,985)</u>	<u>(20,005)</u>	<u>(118,256)</u>	<u>(160,246)</u>
Loan receivables, net	<u>2,615,501</u>	<u>6,574</u>	<u>25,550</u>	<u>2,647,625</u>

(b) Effective interest rates on loan receivables

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

	For the year ended 31 December	
	2023	2022
Loans to borrowers	<u>4% to 24% p.a.</u>	<u>4% to 24% p.a.</u>

10 INVESTMENTS IN ASSOCIATED COMPANIES

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

	As at 31 December	
	2023 HK\$'000	2022 HK\$'000
Associated companies:		
– PAX Global (<i>Note (a)</i>)	3,046,010	2,846,550
– Megahunt Technologies Inc (“Megahunt”) (<i>Note (b)</i>)	529,835	518,630
– Beijing Fangyun Technology Co., Ltd (“Beijing Fangyun”) (<i>Note (c)</i>)	–	–
– Beijing Zhongjin Yunchuang Software., Ltd (“Beijing Zhongjin”) (<i>Note (d)</i>)	24,489	28,565
– Beijing Suiyun Technology Co., Ltd (“Beijing Suiyun”) (<i>Note (e)</i>)	2,644	2,781
– Shenzhen Guofu Yunlian Technology Co., Ltd (“Shenzhen Guofu”) (<i>Note (e)</i>)	3,272	3,369
– Cloopen (<i>Note (e)</i>)	–	–
	<u>3,606,250</u>	<u>3,399,895</u>

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

	For the year ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
Associated companies:		
– PAX Global (<i>Note (a)</i>)	390,321	412,159
– Megahunt (<i>Note (b)</i>)	15,971	(12,635)
– Beijing Zhongjin (<i>Note (d)</i>)	(3,284)	(782)
– Beijing Suiyun	(58)	(213)
– Shenzhen Guofu	(1)	4
	402,949	398,533

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

	For the year ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
Associated company:		
– PAX Global (<i>Note (a)</i>)	1,973	(1,077)

(a) Investment in PAX Global

Set out below is an associated company of the Group as at 31 December 2022 and 2023, which, in the opinion of the directors, is material to the Group – PAX Global. PAX Global has share capital consisting solely of ordinary shares, which are held directly by the Group; its principal places of business are in the PRC, Hong Kong, the United States of America and Italy.

Name	Place of incorporation and kind of legal entity	Particular of issued share capital	Nature of relationship	Effective interest held	Measurement method
PAX Global (<i>Note i</i>)	Bermuda, limited liability company	1,070,214,000 (2022: 1,079,695,000) ordinary shares of HK\$0.1 each	Associated company	34.01% (2022: 33.71%)	Equity method

On 20 December 2010, as a result of the Group's spinoff of PAX Global to be separately listed on the Stock Exchange, PAX Global became an associated company of the Group. On the date when control ceased, the Group's retained interest in PAX Global was fair valued, and this give rise to the recognition of goodwill being the difference between the fair value of the investment in PAX Global and its share of net identifiable assets value of PAX Global. As at 31 December 2023, difference between the carrying value of the investment in PAX Global and its share of net assets value of PAX Global mainly included goodwill of HK\$530,420,000 (2022: HK\$530,420,000) and adjustments to eliminate unrealised profits and losses on transactions between the Group and PAX Global.

The movement on interest in PAX Global is as follows:

	For the year ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
At 1 January	2,846,550	2,688,668
Share of profit	390,321	412,159
Share of other comprehensive loss	(44,180)	(137,468)
Share of other reserves	(73)	185
Loss on deemed acquisition and dilution of interest, net (<i>Note ii</i>)	(1,008)	(514)
Dividend received	(145,600)	(116,480)
	<u>3,046,010</u>	<u>2,846,550</u>
At 31 December	3,046,010	2,846,550

Impairment test for interest in PAX Global

As at 31 December 2023, the fair value of the investment calculated based on the current bid price of PAX Global at the balance sheet date is less than its carrying value. An impairment test is performed to determine the recoverable amount of the investment. The recoverable amount, which was assessed by an independent valuer on a value-in-use basis calculated by a discounted cash flow model, exceeds the carrying value as at 31 December 2023.

There are no contingent liabilities and commitments to provide funding relating to the Group's interest in PAX Global (2022: same).

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

Note ii: During the year ended 31 December 2023, PAX Global repurchased a total of 13,759,000 ordinary shares (2022: 11,092,000) on the Stock Exchange, of which 13,355,000 (2022: 11,092,000) ordinary shares were subsequently cancelled during the year. Certain employees of PAX Global exercised their share options granted pursuant to a share option scheme set up on 2 May 2019. A gain on deemed acquisition and dilution of interest of an associated company of HK\$1,973,000 (2022: loss on deemed acquisition and dilution of interest of an associated company of HK\$1,077,000) which includes a release of reserve debited (2022: credited) to the consolidated income statement of HK\$2,981,000 (2022: HK\$563,000) were recognised in the consolidated income statement. The Group's interest in PAX Global increased from 33.71% to 34.01% accordingly.

(b) Investment in Megahunt

As disclosed in Note 15, upon the completion of the transfer of the remaining of 8.37% of the issued share capital of Megahunt on 23 May 2022, Megahunt ceased to be a subsidiary of the Company and was accounted for as an associated company of the Company. Consequently, the financial results of Megahunt will no longer be consolidated into the consolidated financial statements of the Group and its assets and liabilities will be deconsolidated from the Group's consolidated financial statements. The Group accounts for its interests in Megahunt as an investment in an associated company initially at fair value and will shares the results of Megahunt as an investment in an associated company using the equity method going forward.

The movement of interest in Megahunt is as follows:

	For the year ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
At 1 January	518,630	–
Recognition of investment in an associated company upon disposal of a subsidiary (<i>Note 15(b)(i)</i>)	–	536,584
Share of profit/(loss)	15,971	(12,635)
Share of other comprehensive loss	(4,766)	(5,319)
	<hr/> 529,835 <hr/>	<hr/> 518,630 <hr/>
At 31 December	529,835	518,630

(c) Investment in Beijing Fangyun

The interest in Beijing Fangyun was initially measured at fair value. The carrying amount was increased or decreased to recognise the Group's share of the profit or loss and movements in other comprehensive income or loss of the interest in Beijing Fangyun to the extent the carrying amount of the interest in Beijing Fangyun reduced to Nil due to losses, after the initial recognition. As at 31 December 2023, the Group's share of loss of Beijing Fangyun exceeded its interest in the ordinary shares of Beijing Fangyun. As at 31 December 2023, the unrecognised share of loss of the interests in Beijing Fangyun is HK\$3,086,000 (2022: HK\$2,947,000).

(d) Investment in Beijing Zhongjin

During the year ended 31 December 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.

(e) Investment in Cloopen

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

11 TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables (<i>Note (a)</i>)	187,243	181,963
Bills receivables (<i>Note (b)</i>)	5,830	4,850
Less: provision for impairment of receivables (<i>Note (c)</i>)	<u>(16,018)</u>	<u>(16,497)</u>
	<u>177,055</u>	<u>170,316</u>

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

	As at 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	12,880	25,759
RMB	139,285	120,884
US\$	22,946	17,878
Macanese pataca (“MOP”)	1,920	5,714
Singapore dollar (“SGD”)	<u>24</u>	<u>81</u>
	<u>177,055</u>	<u>170,316</u>

Notes:

(a) Trade receivables

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

	As at 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 90 days	145,541	143,537
91 to 180 days	13,989	4,844
181 to 365 days	3,463	8,748
Over 365 days	<u>24,250</u>	<u>24,834</u>
	<u>187,243</u>	<u>181,963</u>

As at 31 December 2023, trade receivables included retention money receivables of HK\$3,191,000 (2022: HK\$5,151,000), which represents approximately 10% to 20% (2022: 10% to 20%) of the relevant contract sum granted to certain customers in the PRC that have a retention period of normally one year. As at 31 December 2023, the retention money receivables aged over 365 days primarily based on invoice date amounted to HK\$1,337,000 (2022: HK\$1,257,000).

(b) **Bills receivables**

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

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Falling within 90 days	588	2,381
Falling within 91 to 180 days	5,242	2,469
	5,830	4,850

(c) **Impairment and risk exposure**

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

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

	For the year ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
At 1 January	16,497	9,403
Credit impairment loss, net	(300)	8,044
Exchange realignment	(179)	(950)
At 31 December	16,018	16,497

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

12 TRADE AND BILLS PAYABLES, PAYABLES FOR PAYMENT AND DIGITAL SERVICES BUSINESS AND OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Trade payables (<i>Note (a)</i>)	596,415	642,446
Payables for payment and digital services business (<i>Note (b)</i>)	3,591,920	965,787
Other payables and accruals (<i>Note (c)</i>)	932,745	967,734
	5,121,080	2,575,967

Trade payables, payables for payment and digital services business and other payables and accruals are denominated in the following currencies:

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
HK\$	75,176	67,290
RMB	4,808,511	2,219,194
US\$	179,087	206,780
JPY	10,337	3,741
EUR	28,692	70,575
GBP	13,823	8,363
SGD	1,341	24
Others	4,113	–
	5,121,080	2,575,967

Notes:

(a) Trade payables

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

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Current to 90 days	318,313	294,502
91 to 180 days	110,708	194,648
181 to 365 days	156,504	145,038
Over 365 days	10,890	8,258
	596,415	642,446

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

(b) **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.

(c) **Other payables and accruals**

	As at 31 December	
	2023 HK\$'000	2022 HK\$'000
Accrued staff costs and pension obligations	256,214	234,408
Deposits	35,154	42,546
Receipt in advance from customers (<i>Note i</i>)	24,023	43,678
Advance from business channel partners	424,893	426,295
Others	192,461	220,807
	<u>932,745</u>	<u>967,734</u>
Total	<u>932,745</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 consolidated balance sheet.

Revenue recognised during the year ended 31 December 2023 that was included in the contract liability balance at the beginning of the year amounted to HK\$40,177,000 (2022: HK\$68,939,000).

13 ASSET-BACKED SECURITIES

	As at 31 December	
	2023 HK\$'000	2022 HK\$'000
Current		
Asset-backed securities (<i>Note</i>)	<u>–</u>	<u>265,058</u>

Note:

During the year ended 31 December 2022, 北京隨行付商業保理有限公司 (Beijing VBill Commercial Factoring Co. Ltd.), a subsidiary of the Group, has obtained approval from the Shanghai Stock Exchange for issuance of asset-backed securities (the “ABS”) in the PRC under an asset-backed securities scheme (the “ABS Scheme”). The ABS are backed by the Group’s loan receivables and administrated under a trust. 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 receivable in its entirety and recognises a financial liability for the consideration received.

During the year ended 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 31 December 2022, the Group’s asset-backed securities with carrying amount of approximately HK\$265,058,000 were collateralised by the loans receivable of the Group with an aggregate carrying amount of approximately HK\$331,143,000 (Note 9).

During the year ended 31 December 2023, the principals of the priority tranche ABS under the third phase of the ABS Scheme have been repaid in full.

14 WRITTEN PUT OPTION LIABILITIES

	As at 31 December	
	2023 HK\$'000	2022 HK\$'000
Current portion		
– VBill (Cayman) (<i>Note (a)</i>)	–	852,188
– Megahunt HK (<i>Note (b)</i>)	–	4,881
	<u>–</u>	<u>857,069</u>
	<u><u>–</u></u>	<u><u>857,069</u></u>
	For the year ended 31 December	
	2023 HK\$'000	2022 HK\$'000
At 1 January	857,069	902,581
Unwinding of discount	–	58,385
Settlement (<i>Note (a)</i>)	(852,188)	–
Derecognition (<i>Note (b)</i>)	(4,863)	(104,249)
Fair value loss on revaluation recognised in profit or loss (<i>Note (b)</i>)	–	5,073
Exchange realignment	(18)	(4,721)
	<u>–</u>	<u>857,069</u>
At 31 December	<u><u>–</u></u>	<u><u>857,069</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, allowing 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 will be redeemable on 12 November 2022. The written put option liability was denominated in US\$ and classified under current liabilities as at 31 December 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 15, the carrying value of the written put option liabilities was approximately HK\$104,249,000.

As disclosed in Note 15, upon the completion of the transfer of the remaining of 8.37% of the issued share capital of Megahunt on 23 May 2022, Megahunt ceased to be a subsidiary of the Company was accounted for as an associated company of the Company. As a result, the relevant written put option liability originally measured at amortised costs 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 losses, net" in the interim condensed consolidated income statement.

15 DISPOSAL 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

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

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

In the consolidated cash flow statement for the year ended 31 December 2023, net cash outflow from disposal of Qumaimai of HK\$231,000 represents proceeds received of HK\$1, less cash and cash equivalent disposed of HK\$231,000.

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

(i) *Details of the disposal of Megahunt*

For the year ended 31 December 2022

	At date of disposal HK\$'000
Consideration	
Proceeds received	108,382
Fair value of retained interest	<u>536,584</u>
	644,966
<i>Less: Net assets disposed of:</i>	
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: Non-controlling interests disposed of</i>	184,102
<i>Add: Release of exchange reserve up on disposal</i>	1,611
<i>Less: Release of other reserves upon disposal</i>	<u>(772)</u>
Gain on disposal of Megahunt recognised in consolidated income statement	 <u><u>429,339</u></u>

In the consolidated cash flow statement for the year ended 31 December 2022, net cash inflow for disposal of Megahunt 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>
Revenue	246,379
Cost of sales	<u>(105,387)</u>
Gross profit	140,992
Other income	6,939
Selling expenses	(4,811)
Administrative expenses	<u>(49,536)</u>
Operating profit	93,584
Finance costs	<u>(143)</u>
Profit before income tax	93,441
Income tax expense	<u>(13,203)</u>
Profit after income tax of discontinued operation	80,238
Gain on disposal of a subsidiary	<u>429,339</u>
Profit from discontinued operation	509,577
Exchange difference in relation to discontinued operation	<u>(17,581)</u>
Total comprehensive income from discontinued operation	<u><u>491,996</u></u>
Profit from discontinued operation attributable to:	
– Owners of the Company	472,740
– Non-controlling interests	<u>36,837</u>
	<u><u>509,577</u></u>
Total comprehensive income from discontinued operation attributable to:	
– Owners of the Company	462,491
– Non-controlling interests	<u>29,505</u>
	<u><u>491,996</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>
Net increase in cash generated by the Disposal Group (Including proceed from disposal of a subsidiary)	<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 of 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

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

In the consolidated cash flow statement for the year ended 31 December 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company during the year ended 31 December 2023.

DIVIDEND

No dividend was paid or declared by the Company for the year ended 31 December 2023 (2022: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles (the "Principles") and code provisions (the "Code Provisions") in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

In formulating and implementing its corporate governance practices and standards, the Company has applied the Principles and complied with all applicable Code Provisions for the year ended 31 December 2023.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a written code regulating directors' and senior management's securities transactions, on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules.

Specific enquiry had been made to all directors of the Company and the directors have confirmed that they have complied with the in Model Code and the Group's code regarding securities transactions by Directors throughout the year and up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement will be published on the Company's website at www.hisun.com.hk and the website of the Stock Exchange at www.hkexnews.hk. The Annual Report 2023 will be available on the above websites in due course.

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

Hong Kong, 19 March 2024

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