SY HOLDINGS GROUP LIMITED

盛 業 控 股 集 團 有 限 公 司

(formerly known as Sheng Ye Capital Limited)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6069)

2021

Annual Report

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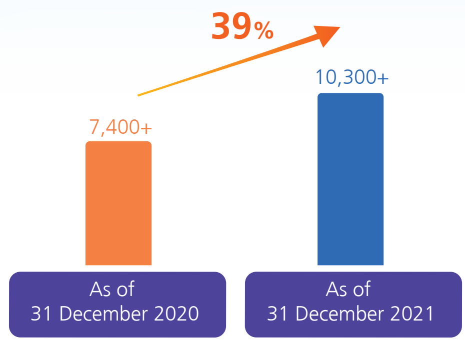
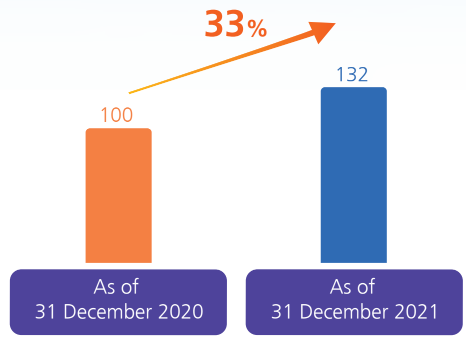
PERFORMANCE HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2021

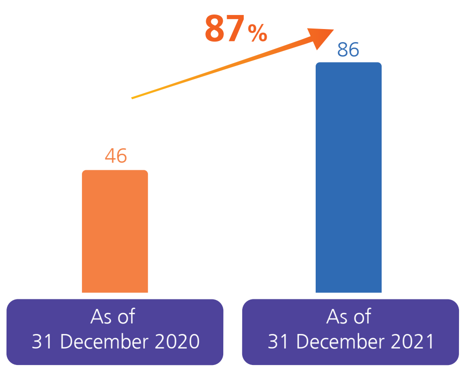
Total cumulative platform users



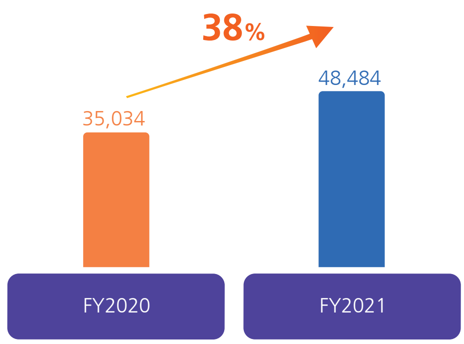
Total cumulative supply chain assets processed (RMB in billions)

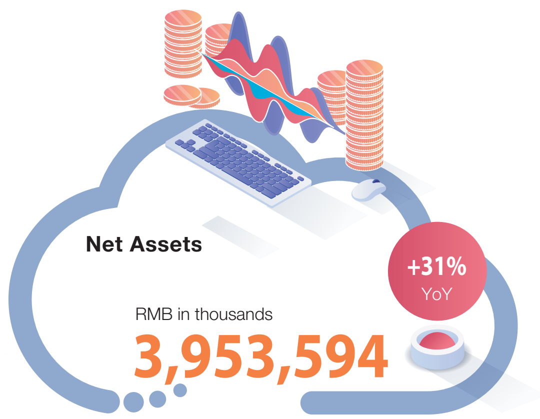


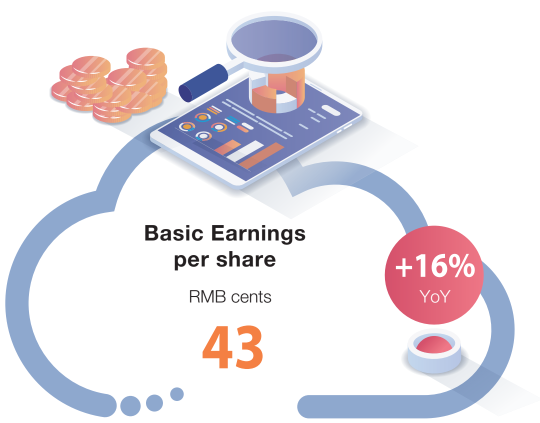
Total funding partners

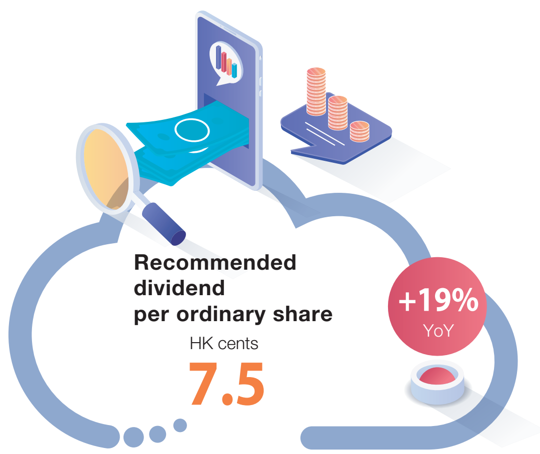


Revenue from platform-based services (RMB in thousands)









SUMMARY OF FINANCIAL INFORMATION

	FOR THE YEAR ENDED 31 December 2021 RMB'000	FOR THE YEAR ENDED 31 December 2020 RMB'000	FOR THE YEAR ENDED 31 December 2019 RMB'000	FOR THE YEAR ENDED 31 December 2018 RMB'000	FOR THE YEAR ENDED 31 December 2017 RMB'000
OPERATING RESULTS					
Revenue and income from principal activities *(note)*	**575,333**	634,120	606,663	470,444	215,284
Profit before tax	**462,149**	387,088	362,492	295,654	133,016
Profit for the year	**421,473**	337,396	295,125	211,874	88,807
Earnings per share					
– Basic (RMB cents)	**43**	37	32	26	14
– Diluted (RMB cents)	**43**	37	32	26	14

	AS AT 31 December 2021 RMB'000	AS AT 31 December 2020 RMB'000	AS AT 31 December 2019 RMB'000	AS AT 31 December 2018 RMB'000	AS AT 31 December 2017 RMB'000
FINANCIAL POSITION					
Total assets	**8,802,773**	4,786,498	4,479,174	3,192,581	1,718,821
Net assets	**3,953,594**	3,027,344	2,418,060	2,116,062	1,105,278

Note: Please refer to the section headed "Management Discussion and Analysis" for the details of the re-classification of the Group's business segments.

LETTER TO SHAREHOLDERS

Dear Shareholders:

Thank you for your continued support and trust in SY Holdings Group Limited.

2021 was another extraordinary year as the economy experienced the overhanging impact of the COVID-19 pandemic. While many small, medium, and micro enterprises ("SMEs") continue to face business and financing headwinds during the year, our customers have continued to show great resilience amidst these challenging times. Aside from the pandemic, we also witnessed a tectonic change across the globe at the beginning of 2022, resulting in volatile capital markets and an increasingly uncertain business environment.

Under these circumstances, we are compelled to reflect on the relationships between people, nature, and society, and in the process, realize the importance of offering help to those in need. The fabric of society itself is built upon the foundations of mutual help and cooperation, affecting everyone within the vast supply chain ecosystem. We therefore sincerely hope that by providing assistance and differentiated services to SMEs, we enable them to overcome these difficult times and create value for society as part of adhering to our mission: "Driving supply chain efficiency and making finance more inclusive".

We would like to express our gratitude to our customers, partners, shareholders and all our employees who have placed their trust in us during the year. It is through close collaboration that we are able to forge ahead despite the challenging macroeconomic environment. On the digital finance front, we maintained steady growth thanks to the further implementation of our platformisation strategy. Cumulative customers served by SY Cloud Platform exceeded 10,000, an increase of 39% over that as of 31 December 2020. Our platform continues to be recognized by our funding partners and customers, with a total of 86 funding partners as of 31 December 2021. Correspondingly, revenue from the platform-based services exceeded 48 million, 38% over the previous year. On the industrial technology front, we achieved a significant milestone, winning the bid for the "Peng Cheng Laboratory", a national-level smart construction site project. We are also currently working together with a leading pharmaceutical supply chain group in China to jointly deploy supply, processing and distribution ("SPD") solutions to hospitals. We have taken a huge step forward for the development of our industrial technology business as part of generating more technology services revenue for the Group.

Our unwavering commitment towards technology investment and industrial upgrading led to a breakthrough in being able to deploy smart construction and hospital SPD solutions. By continuing our development and integration into the supply chain ecosystem and empowerment of industries with technologies, we deepen our industry knowledge and connections. SY's Dual-Engine, One-Platform (2+1) growth strategy further allows us to leverage our technology leadership and innovative capabilities, providing comprehensive digital solutions for the supply chain ecosystem by combining Internet-of-Things ("IoT")-powered hardware and software. In doing so, we serve the core enterprises and supply chains across various sectors including infrastructure and healthcare, thereby promoting the digital transformation of industries as part of building a "Digital China".

Within the infrastructure segment, we utilize IoT-driven technologies to provide smart construction solutions such as the comprehensive monitoring of construction sites from access control, construction pits, tower cranes, materials down to the helmets of workers. These solutions not only allow the infrastructure sector to focus on the safety of workers but also allow mitigate the construction risks and improve the construction management systems of core enterprises. By harnessing real-time data in our smart construction solutions, we have been able to monitor construction progress and the acceptance of raw material on a timely basis, and also verify the authenticity of the underlying transactions. These multi-dimensional data acquisition points create detailed transaction profiles, enabling us to provide highly tailored and inclusive supply chain financing solutions.

Within the healthcare segment, we deploy SPD solutions for hospitals, enabling them to have more accurate inventory management, better oversight of their consumables and reduced operating costs. These alleviate the manpower constraints faced by hospitals, allowing them to reallocate more resources towards serving their patients. At the same time, the purchase, sales and inventory data acquired from these SPD solutions drives the optimization of our digital financing products, enabling us to provide more efficient services to our customers.

Our advancements in technology are a result of continuous investment in research and development ("R&D"). Since going public in 2017, we have invested a cumulative total of RMB100 million in technology R&D. Going forward, we remain committed to furthering our R&D efforts, investing in new technology applications and talents, overcoming challenges so as to create the most value.

On the strategic cooperation front, we are pleased to welcome Wuxi Communications Industry Group Co Ltd as a new strategic shareholder, and the additional subscription of shares by existing shareholder, Temasek Holdings, as part of our HKD550.8 million placement last year. Proceeds from the placement exercise will be used towards technology investment as well as advancing our business to better serve our customers. In addition, we had also acquired a further stake in Wuxi Guojin Factoring Limited and signed a strategic cooperation agreement with the Wuxi Economic Development Zone, accelerating our development and implementation of financial technology, deepening our ties with the local industries, and facilitating the integration of industrial technologies as part of expanding our supply chain ecosystem.

With regards to strategic investments and external collaborations, we entered into a strategic partnership with Tencent Cloud Computing (Beijing) Co., Ltd. in the smart construction field. Together with Tencent, we co-led an equity investment into Mengcheng Technology Co Ltd, a SaaS platform provider for infrastructure construction, to accelerate the digital upgrade of the infrastructure industry.

Aside from our business and R&D investments, we also hope to help more people. As aforementioned, mutual help between people is the cornerstone of society. In the midst of the pandemic, selflessness and the ability to establish trust have proven to be invaluable. During the most severe period of the pandemic, we provided timely medical support to our SME customers as well as our employees both at home and abroad. These initiatives were fully recognised by our customers, employees, and their families, creating an incredibly people-oriented and service-based corporate culture. In addition, we have also consistently engaged our stakeholders in the ecosystem, including regulators, industry associations, customers, employees, suppliers, funding partners, investors and the communities they reside in, through various surveys and on-site visits to better understand their concerns and needs. These efforts enabled us to identify and incorporate the most important ESG themes into our strategy and business practices.

In August 2021, SY received an "A" rating by MSCI ESG Research, ranking among the top fintech companies. During the same month, SY was selected as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index. In October, SY's ESG rating was also upgraded to an "A" by the Hang Seng Indexes. These achievements not only encourage our efforts in this area but also reflect the market's recognition of our ESG practices. "Integrity, people-oriented, service-oriented and innovative" are the core values of every SY employee. We will continue to live up to our philosophy, fulfil our social responsibility and embrace these core values into our business development, integrating environmental, social and governance factors into our strategy and businesses to achieve sustainable development.

As the Group further elevates its strategies and brand positioning, we had also officially rebranded the Group's name and renamed from "Sheng Ye Capital" to "SY Holdings". The change in name embraces our thoughtful and intricate strategic vision. "SY Holdings" remains committed to pursuing its platformisation development, and will no longer be bound by any labels, becoming Asia's most reliable supply chain technology platform through technology leadership.

Finally, I would like to thank again all our employees and Members of the Board of Directors for their efforts, and our shareholders, customers and partners for their support. Let us work together in this new year to create a prosperous future!

SY Holdings Group Limited
Tung Chi Fung
Chairman and Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. About SY Holdings Group

SY Holdings Group (the "**Group**", "**Company**" or "**SY**") is a leading supply chain technology platform providing data-driven efficient and inclusive industrial technology and digital financing solutions for companies across the Asia-Pacific. Amidst the surge in connectivity and digitalization shaping the future of economies and businesses, the Group strategically positions itself as the one-stop supply chain technology and digital financing solution for enterprises and financial institutions, driving supply chain efficiency and making finance more inclusive.

The Dual-Engine, One-Platform strategy unveiled by the Group in January 2021 created the foundation for a more efficient and sustainable growth over the next three years. The Dual Engine refers to (i) the deepening of the Group's technology leadership and integration into the supply chain ecosystem; and (ii) the enhancement of its digital financing capabilities. These two engines work synergistically to fully harness the Group's technology platform that will more effectively connect and pool various resources within the supply chain ecosystem.

The Group's business segments comprise (i) digital financing solutions, (ii) platform-based services, (iii) supply chain technology services and (iv) sale of supply chain assets which reflects the distinctive nature of each segment. Through these key verticals, the Group aims to align its resources and competencies to better serve the needs of various stakeholders in the supply chain ecosystem while ensuring competitiveness within the marketplace.

Digital Financing Solutions

SY leverages its technology platform to offer a range of flexible supply chain financing solutions which include accounts receivable ("**AR**")-based lending as well as loan guarantee services to meet the vast financing needs of the underserved small, medium, and micro enterprises ("**SMEs**") in the Asia Pacific region. As of 31 December 2021, the Group processed over RMB132 billion of supply chain assets[1]. Through its technology platform, the Group analyzes and reviews multidimensional data to validate the creditworthiness of the underlying transactions relating to the supply chain financing, the collection of AR on behalf of customers, including periodic customer reporting relating to their supply chain financing.

The Group's proprietary fintech platform, known as "SY Cloud Platform" incorporates a comprehensive suite of technologies such as electronic signatures, optical character recognition ("**OCR**"), natural language processing ("**NLP**"), big data analytics, video authentication and facial recognition, to automate and facilitate the Group's risk management system, as well as to ensure a seamless customer experience for online application and the approval process.

Platform-based Services

In recent years, the Group's technological capabilities has also been instrumental in driving its platform-based businesses. Under this category, the Group provides AR management and asset origination services as part of its loan facilitation business, enabling banks and other financial institutions to tap on additional customer acquisition channels. This approach also enables the Group to capitalize on the rapid digitalization of the economy and its operating track record, allowing it to effectively connect quality assets to funding providers within the supply chain ecosystem. As of 31 December 2021, the Group's total number of funding partners stood at 86.

As part of its platform-based offering, the Group also facilitates the issuance of asset-backed financial products which include asset-backed securities ("**ABS**") and asset-backed notes ("**ABN**") issued by large corporations through providing related services.

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[1] Supply chain assets refers to accounts receivables and accounts payables arising from transactions in the supply chain ecosystem

SY Cloud Platform (mobile version)

Supply Chain Technology Services

As part of expanding its technological offerings and efforts to further solidify its position as a one-stop service platform within the supply chain ecosystem, SY provides customers with supply chain technology solutions such as smart enterprise solutions and supply chain procurement systems. Since inception, this strategy has enabled the Group to access real-time transaction data, enhance supply chain finance offerings and deepen relationships with various stakeholders including core enterprises, SMEs and financial institutions within the supply chain service ecosystem.

As an extension of these technological solutions, coupled with deep industry knowledge in the core sectors of infrastructure, medical and energy, the Group also provides smart industrial Internet-of-Things ("**IoT**") and efficient Software-as-a-Service ("**SaaS**") solutions to enterprises, enabling greater visibility on their operations and better cost-to-performance management. The pioneering sectors targeted by the Group under this category include smart construction and hospital supply, processing, and distribution ("**SPD**") solutions.

These supply chain technology services help to increase the operating efficiency of the enterprises and allow the Group to improve its big data and customer acquisition capabilities. By harnessing transaction data to create more accurate and comprehensive user profiles, the Group's risk management process will be reinforced. The provision of supply chain technology services further broadens the Group's product and service offerings with core enterprises, SMEs and financial institutions, effectively positioning the Group as the go-to-partner within the supply chain ecosystem.

Over the year, the Group has proactively engaged in strategic discussions with various parties. Within the healthcare segment, the Group is currently collaborating with one of the largest healthcare distribution groups in China to deploy SPD services to hospitals. Within the infrastructure segment, the Group is currently providing smart construction solutions to one of the largest construction groups in China.

Sale of supply chain assets

From time to time, the Group sells supply chain assets to various financial institutions including asset managers and trust companies based on their risk appetites for fixed income products. The sale of these assets allows the Group to optimize its capital structure, improving its cash flow, thereby enabling it to advance its platform business. The gains from the sale of these assets are recognized based on the difference between the consideration received and the carrying amount of the supply chain assets. As at 31 December 2021, none of the supply chain assets that were previously sold to independent third parties were non-performing assets.

2. Full Year 2021 Highlights

A pivotal year of strategic growth and transformation

- SY launched its Dual-Engine One-Platform strategy in January 2021 as part of a major strategic pivot towards deepening its technological capabilities and integration into the supply chain ecosystem. By leveraging its track record and embracing the two verticals of industrial technology and digital finance, SY is well positioned for expanding into the industrial technology segment, propelling it into the next phase of growth.

- The Group continued to see resilient and sustainable growth in the supply chain industry with total cumulative supply chain assets processed as of 31 December 2021 amounting to RMB132 billion, an increase of 33% over that as of 31 December 2020.

- The Group has successfully secured smart construction projects in Shenzhen's Peng Cheng Laboratory and entered into a cooperation agreement with a leading pharmaceutical supply chain group in China to deploy SPD solutions to hospitals in Henan Province. These milestones pave the way for the strategic development of the Group's supply chain technology segment.

- In terms of funding and capital markets, SY completed the offshore syndicated loan for AR-based supply chain assets, raising RMB525 million in the first quarter of 2021. In October 2021, the Group also successfully completed a HKD550.8 million placement, roping in blue-chip state-owned Wuxi Communications Industry Group Co Ltd* (無錫市交通產業集團有限公司) ("**WXCIG**") as a strategic shareholder and Pavilion Capital, a current shareholder which is a wholly owned subsidiary of Singapore sovereign fund Temasek Holdings. These exercises further increased the Group's war chest for future expansion and also represent an important endorsement of the Group's platform-based growth strategy.

- In line with these various initiatives and its transformation over the past year, the Group had also rebranded its company name to "SY Holdings Group", removing the word "Capital" with effect from December 2021. The new name better reflects the corporate image, strategic development plans as well as future direction of the Group, which echoes with its platformisation strategy and business expansion in supply chain technology segments.

Platform growth remains robust

- SY continues to experience significant growth across its supply chain technology platform. In addition to increasing its total cumulative processed supply chain assets, the Group's daily average loan facilitation balance[2] increased to RMB1,624 million as of 31 December 2021, an increase of 83% over the previous year. The number of cumulative funding partners increased to 86 compared to 46 as of 31 December 2020.

- Robust platform growth experienced over the previous year demonstrates the Group's successful roll-out of its platform-based strategy and consistent efforts in strengthening its position within the supply chain ecosystem.

  The Group is confident that its overall platform growth will remain resilient, underpinned by robust SME financing demand coupled with encouraging government policies, particularly towards supporting the development and growth of the SME segment in China.

Paving the way for future expansion into the industrial technology space

- Following the Group's continued efforts in the industrial technology space, in September 2021, SY successfully secured smart construction projects in Shenzhen's Peng Cheng Laboratory, a national-level research lab championed by the Guangdong Provincial Government and co-funded, co-managed by the Shenzhen Municipal Government. This landmark win underscores the Group's operational credibility as well as its ongoing efforts in developing a smart and technology-enabled ecosystem for the supply chain system.

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[2] The daily average loan facilitation balance has been adjusted to be in line with the Group's reclassification of its business segments.

Peng Cheng Laboratory in Shenzhen (Exhibition Hall)

Smart Construction Control Centre

- Within the healthcare segment, the Group's cooperation with a leading pharmaceutical supply chain group in China to provide SPD solutions to hospitals in Henan Province, enables hospitals to optimize supply chain operation and information management processes. By integrating software, IoT and data analytics into its SPD service offering, SY enables the hospital to gain better visibility on its supplies' demand and coordinate the processing and distribution of medical consumables across its supply chain, thereby allowing the Group to penetrate the hospital supply chain ecosystem further.

Undertaking strategic investments and collaborations within the industrial ecosystem

In line with the Group's "Dual-Engine, One-Platform" strategy to foster supply chain digitalization and the Group's business expansion, SY has proactively engaged in strategic investments to strengthen its technology leadership and solidify its position within the supply chain ecosystem. These investments allowed SY to acquire technological capabilities, and to have more comprehensive data insights and opened new markets as part of expanding the Group's supply chain ecosystem.

As part of boosting the two growth engines, namely industrial technology and digital finance. SY has made various investments within the industrial technology space based on creating a digitalized supply chain ecosystem for the infrastructure and healthcare sectors; as well as penetrating new industries powered by digitalization.

In terms of creating a digitalized supply chain ecosystem, SY targeted the infrastructure and healthcare sectors, providing smart construction solutions, consumer healthcare SaaS solutions and SPD services to strengthen the Group's IoT and SaaS capabilities. Each investment is typically executed alongside a collaborative agreement, with the purpose of driving data analytics, product innovation, and improving customer acquisition for the digital financing sector among others.

In July 2021, SY joined forces with Tencent Cloud for the co-development of a "Smart Construction + Digital Supply Chain" platform, and to accelerate the creation of an industrial IoT ecosystem in the infrastructure sector. In August 2021, SY, jointly with Tencent Cloud Computing (Beijing) Co., Ltd.* ("**Tencent Cloud**") co-led an equity investment into Mengcheng Technology Co Ltd, a leading SaaS provider of engineering management solutions for the infrastructure sector. The Group also completed an investment into a Shanghai-based leading medical SaaS provider, Shanghai LinkedCare Information Technology Co Ltd.* ("**LinkedCare**"), alongside other investors. In addition to this investment, SY also signed a strategic collaboration agreement with LinkedCare which relate to the joint development of initiatives in healthcare big data analytics and supply chain digital financing for the consumer healthcare sector.

As part of a strategic push into the industrial technology segment and consolidation of resources, the Group acquired a further 40% stake in Wuxi Guojin Factoring Limited* (無錫國金商業保理有限公司) ("**WXGJ**") in December 2021, increasing its effective equity interest to 80%. This transaction enabled SY to capture new growth opportunities in Wuxi, which is reputed globally as the "IoT capital" of China due to its industrial technology innovation as well as its rich ecosystem of IoT companies.

WXCIG remaining as a shareholder of WXGJ, SY is also well positioned to leverage WXCIG's strong position in the industrial ecosystem to acquire more customers and obtain more business opportunities in the transport and infrastructure sectors. The local network and financial support brought by the state-owned group will also enable the Group to pursue its regional expansion plans more efficiently.

In September 2021, SY also signed a strategic partnership agreement with the Administrative Commission of the Jiangsu Wuxi Economic Development Zone, deepening the Group's collaboration with the local municipal government and establishing the Group's East China regional headquarters and Supply chain technology R&D hub. This also underscores the Group's advancement of inclusive digital financial services, scientific and technological talent development, as well as furthering research and development initiatives within the industrial technology segment.

Embracing ESG as an important pillar of sustainable growth

SY has been actively fulfilling its corporate social responsibility and considers environmental, social and governance ("**ESG**") as a core component of its business decisions. ESG has always been embedded into the Group's DNA through fulfilling its mission of making supply chain more efficient and finance more inclusive. Leveraging its industrial insights and marketing position in the ecosystem, SY is committed to delivering reliable, tailored and comprehensive supply chain solutions to the customers, especially to underserved SMEs and the projects that serve the public interest. SY also considers the good governance framework and practice a crucial factor for sustainable development and the overall supply chain ecosystem. Responding to stakeholders' expectations on ESG, the Group has been working on several projects, amongst others, data governance and anti-corruption to further improve its governance and operations.

The Group's performance in ESG have also been recognized by the market on the back of its continued efforts in enhancing its ESG management standards, integrating ESG into the Company's long-term development strategy.

In August 2021, SY received an inaugural "A" rating by MSCI ESG Research, outperforming other technology and fintech companies. Based on MSCI's report, SY's ESG management practices outperforms most of its peers, particularly in corporate governance, ranking the Group among the top 20% of companies globally and top 5% within China. In addition, SY was also included as a constituent of the Hang Seng Corporate Sustainability Benchmark Index effective from 6 September 2021. The Company's ESG rating was subsequently upgraded in October 2021 by Hang Seng Indexes Company Limited ("**HSIL**") from the "A-" in 2020 to "A". The report published by HSIL also ranked the Group's overall ESG performance in the top 20% among its industry peers and top 10% in terms of corporate governance. These collective achievements further highlight the Group's outstanding ESG strategy and initiatives.

Notable accolades and industry-wide recognition reaffirms the Group's platform-based strategy

The Group continues to adhere to the highest standards in information security and compliance management. SY's proprietary cloud-based fintech platform, SY Cloud Platform officially received the Level 3 certification of China's National Information Security Level Protection Certification in December 2021.

In addition, Sheng Ye Information Technology Service (Shenzhen) Co., Limited, a wholly owned subsidiary of the Group, was officially awarded the ISO/IEC 27001: 2013 International Information Security Certification in October 2021 by CEPREI, an authoritative body specializing in third-party certification accredited by the China's Certification and Accreditation Administration. These milestones mark another important step forward for SY Holdings in terms of compliance, system security development and client information protection.

The Group's commitment to innovation and industrial technology was also widely credited by the industry with The "China Commercial Factoring Industry Innovation Case" Award at the 9th China Commercial Factoring Industry Summit for outstanding performance in supply chain fintech innovation; and the "2021 Annual Factoring Industry Contribution" Award at the 3rd International Factoring and Supply Chain Finance Conference among others.

For its efforts in technological innovation, SY was awarded the "Best SaaS Company" at the 6th Golden Hong Kong Stocks Awards, demonstrating the recognition of the Company's contribution to the supply chain SaaS development by the industry and investors.

Award for outstanding contribution to the commercial factoring industry

"Best SaaS Company" at the 6th Golden Hong Kong Stocks Awards

2021 Fintech Influential Brand" Award at the 10th China Finance Summit

Roadshow China Best ESG Award

FINANCIAL REVIEW

Revenue and income from principal activities

The principal activities of the Group include the provision of digital financing solutions, platform-based services, supply chain technology services and sale of supply chain assets.

The Group's total revenue and income from principal activities decreased by 9.3% year-on-year to RMB575.3 million for the year ended 31 December 2021, compared to RMB634.1 million for the last year, mainly due to the fact that the Group is focusing more on its platform-based services under the strategic transformation. In particular, the interest income from the digital financing solutions decreased, which was offset, however, to a certain extent by the rapid growth of income from platform-based services.

The following table sets forth the comparative figures and as a percentage of total revenue and income from principal activities for the year ended 31 December 2021 and 2020.

	Year ended 31 December				
	2021			2020	
	RMB'000	% of total	Year-on-year	RMB'000	% of total
Revenue from contracts with customers					
– Platform-based services					
– Loan facilitation services	40,029	7.0%	234.1%	11,981	1.9%
– Technology service for asset–backed securitisation products	3,525	0.6%	-73.5%	13,305	2.1%
– Other services	4,930	0.9%	-49.4%	9,748	1.5%
Subtotal	48,484	8.5%	38.4%	35,034	5.5%
– Supply chain technology services	1,671	0.3%	N/A	–	–
Income from digital financing solutions					
– Interest income	410,505	71.3%	-7.4%	443,529	70.0%
– Guarantee income	19,509	3.4%	12.6%	17,324	2.7%
Subtotal	430,014	74.7%	-6.7%	460,853	72.7%
Gain on sales of supply chain assets	95,164	16.5%	-31.2%	138,233	21.8%
Revenue and income from principal activities	575,333	100.0%	-9.3%	634,120	100.0%

Platform-based services

Revenue from platform-based services comprises (i) services fees received from customers by providing loan facilitation services through SY Cloud platform, (ii) technology service fees that the Group charged for facilitating the issuance of ABS/ABN by large core enterprises, and (iii) services fees received from customers by providing AR management services. Revenue from platform-based services significantly increased by 38.4% year-on-year to approximately RMB48.5 million for the year ended 31 December 2021, compared to approximately RMB35.0 million for the last year, mainly driven by the expansion of its loan facilitation business, due to the Group's push towards a platform-based transformation, providing SMEs, core enterprises and funding partners with convenient one-stop supply chain financing services.

Supply chain technology services

Revenue from supply chain technology services comprises technology services fees received from customers by providing supply chain technology solutions such as smart enterprise solutions and supply chain procurement systems. Revenue from supply chain technology services amounted to RMB1.7 million for the year ended 31 December 2021.

Digital financing solutions

Income from digital financing solutions comprises interest income received from providing flexible supply chain financing solutions and guarantee services fees arising mainly from the Group's loan facilitation business. Income from digital financing solutions decreased by 6.7% year-on-year to RMB430.0 million for the year ended 31 December 2021, compared to RMB460.9 million for the last year, mainly due to (i) the shift in focus towards platform-based services as part of its strategic expansion; (ii) higher allocation to low risk products with lower-yield; and (iii) the lower interest yields on supply chain assets in line with the national policies of facilitating inclusive financing to support the SME community.

Gain on sales of supply chain assets

The Group may sell rights of supply chain assets as a way to improve cash flow and manage its supply chain assets portfolio. Gain from this business segment is equal to the excess of the consideration received and receivable over the carrying amount of the supply chain assets. The gain on sales of supply chain assets decreased by 31.2% year-on-year to RMB95.2 million for the year ended 31 December 2021, compared to RMB138.2 million for the last year. The decrease was mainly attributable to the decrease in both interest yields on supply chain assets and the total amounts of supply chain assets sold during the year.

Other gains and losses

The Group booked other gains of RMB225.7 million in the year of 2021, an increase of RMB179.9 million or 393.1% year-on-year, which was mainly resulted from (i) the gain of RMB204.8 million arising from the acquisition of 40% equity interest in WXGJ during the year; and (ii) the decrease in exchange gain, net of RMB24.9 million as the rate of RMB appreciation has slowed down during the year.

Expenses

The following table sets forth the comparative figures of the principal components of the operational expenses for the year ended 31 December 2021 and 2020.

	Year ended 31 December		
	2021	2020	
	RMB'000	RMB'000	Year-on-year
Staff costs	153,512	117,772	30.3%
Depreciation and amortisation	22,886	17,718	29.2%
Consumables used	1,503	–	N/A
Other operating expenses	54,738	53,105	3.1%
Total	**232,639**	**188,595**	**23.4%**

The Group's total operational expenses increased by 23.4% year-on-year to RMB232.6 million for the year ended 31 December 2021, compared to RMB188.6 million for the last year, mainly due to (i) the increase in staff costs of RMB35.7 million, and the increase in depreciation of property, equipment and right-of-use assets and amortisation of intangible assets of RMB5.2 million as a result of business expansion; and (ii) consumables used of RMB1.5 million arisen from supply chain technology services.

The operational cost-to-income ratio for the year of 2021 was 40.0% as compared with 29.2% in 2020, excluding one-time expenses. The increase in cost-to-income ratio was mainly due to (i) the decrease in total revenue and income from principal activities; and (ii) the increase in operating costs as a result of the continuous input to research and development as well as people resources in order to implement and execute our platformasation strategy.

Net profit

Net profit in the year of 2021 was RMB421.5 million, an increase of RMB84.1 million or 24.9% year-on-year.

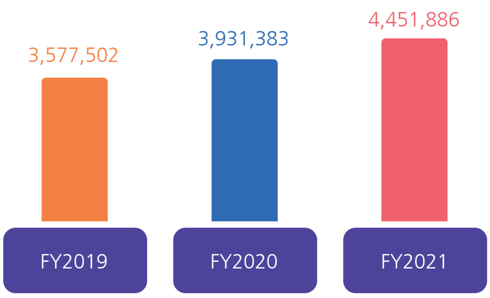
Supply chain assets at fair value through other comprehensive income ("FVTOCI")

Supply chain assets at FVTOCI as of 31 December 2021 were RMB6,678.4 million, a 75.6% increase year-on-year. The increase in balance was mainly attributable to the acquisition of a subsidiary in December 2021. Daily average balance of self-funded supply chain assets over the year of 2021 were RMB4,451.9 million, a 13.2% increase over the year of 2020. Based on daily average balance of self-funded supply chain assets, interest yield on supply chain assets in the year of 2021 was 9.2%, which was 2.1 percentage points lower year-on-year, mainly due to (i) the lower market interest rates as part of the national policies for promoting financial inclusion and supporting the real economy; (ii) higher allocation to the low risk products with lower-yield; and (iii) encourage inclusive financing for the SME segment.

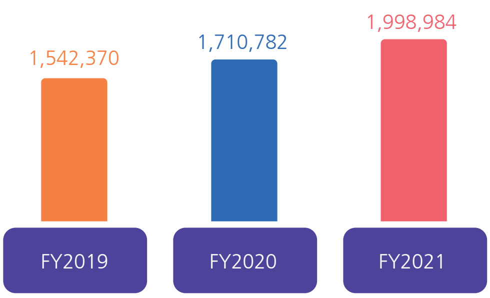
Borrowings

Borrowings, including loans from related parties and bank overdraft, as of 31 December 2021 was RMB4,340.9 million, a 192.0% increase year-on-year. The increase in balance was mainly attributable to the acquisition of a subsidiary in December 2021. Daily average balance of borrowings over the year of 2021 were RMB1,999.0 million, a 16.8% increase year-on-year. The increase in finance costs of RMB2.5 million year-on-year was mainly due to the net effect of the increase in daily average balance of borrowings and the decrease in average borrowings interest rate.

Daily Average Balance of Self-funded Supply Chain Assets (RMB'000)



Daily Average Balance of Borrowings (RMB'000)



Taxation

Income tax expenses represent the tax expense arising from the assessable profit generated by the Group in the PRC, withholding tax levied on interest income of Hong Kong subsidiaries, withholding tax levied on dividend declared of PRC subsidiaries and deferred tax. Except for certain PRC subsidiaries that enjoy preferential tax rates, PRC enterprise income tax is calculated at 25% of the estimated assessable profits for both years ended 31 December 2021 and 2020. The decrease in effective tax rate from 12.8% for the year ended 31 December 2020 to 8.8% for the year ended 31 December 2021 was mainly due to the effect of gain from acquisition of 40% equity interest in WXGJ during the year is not taxable for tax purpose.

For the year ended 31 December 2021, income tax expenses amounted to approximately RMB40.7 million (for the year ended 31 December 2020: RMB49.7 million).

BUSINESS OUTLOOK AND PROSPECTS

By continuing on its mission of "Driving Supply Chain Efficiency, Making Finance More Inclusive", SY completed its strategic upgrade and consolidation of its business structure last year, forming the dual business engines which comprised industrial technology and digital finance. The Group will also continue investing in these two growth engines as part of its vision "to become Asia's most reliable supply chain technology platform".

Pursuing consistent execution of a platform-based strategy enabled by digitalisation

Demand for SME financing remains resilient and continues to demonstrate huge growth potential on the back of an improving macroeconomic environment, supportive Chinese government policies towards industrial digitalization as well as the push for more innovation and inclusive financial support for the SME community.

In line with these policies, SY will continue to invest heavily in research and development to build its digital technologies and competencies around the supply chain ecosystem. The Group believes that further integration of funding providers and key stakeholders within the supply chain ecosystem will continue to generate significant opportunities and synergies for SY's platform-driven strategy.

Supply chain technology as a new driver of growth

China continues to nurture the development of strategic industries with a focus on technology and new digital industries under its annual work report and 14th Five-Year Plan. The Group believes that this policy will support the Government's push towards digitalizing and upgrading the industrial landscape, driving demand for supply chain technology, smart construction solution and hospital SPD solutions across the supply chain ecosystem.

Consolidation of the Group's resources and the establishment of the Group's East China regional headquarters in Wuxi will create a solid foundation for strengthening the Group's technological leadership especially in the industrial IoT segment. Against this backdrop, the Group remains well positioned to capitalize on this digitalization trend to provide enhanced industrial technology and digital finance solutions for the development of large enterprises, SMEs and other stakeholders within the supply chain ecosystem.

Leveraging the Group's industrial technology competencies not only strengthens its operating track record in the core industries but also helps in increasing customer stickiness, entrenching within their ecosystems, so as to allow SY to better serve the supply chain financing needs of customers and solidify its position as a one-stop comprehensive supply chain solution provider.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

During the year ended 31 December 2021, the Group's main source of funds was the cash generated from daily operations, proceeds from new borrowings and the placement of shares. As at 31 December 2021, the Group had bank balances of RMB800.4 million (31 December 2020: RMB348.7 million), of which 96.4% and 2.0% were denominated in RMB and HKD respectively.

As at 31 December 2021, the Group had interest-bearing borrowings and loans from related parties which amounted to RMB4,340.9 million (31 December 2020: RMB1,486.7 million). Its gearing ratio, expressed as total liabilities over total equity was 1.23 as at 31 December 2021 (at 31 December 2020: 0.58).

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK7.5 cents per ordinary share of the Company for the year ended 31 December 2021 (for the year ended 31 December 2020: HK6.3 cents per ordinary share).

USE OF PROCEEDS

The Placement in 2020

On 11 September 2020 (before the trading hours), the Company, Wisdom Cosmos, Macquarie, DBS Asia Capital Limited ("**DBS**") and BOCI Asia Limited ("**BOCI**") (Macquarie, DBS and BOCI collectively referred to as the "**Joint Placement Agents A**") entered into a placement agreement pursuant to which the Wisdom Cosmos agreed to place, through the Joint Placement Agents A on a best effort basis, a maximum of 55,500,000 existing ordinary shares at a price of HKD7.00 per share ("**Placement A**").

On the same date, Wisdom Cosmos and the Company entered into a subscription agreement under which Wisdom Cosmos conditionally agreed to subscribe for, and the Company conditionally agreed to issue, the ordinary subscription shares ("**Subscription A**").

The Placement A and the Subscription A were completed on 15 September and 21 September 2020 respectively. An aggregate of 55,500,000 new shares (equals to the number of the shares successfully placed under Placement A) were subscribed by Wisdom Cosmos at a price of HKD7.00 for each new share. The new shares from Placement A and Subscription A represent approximately 5.93% of the issued share capital of the Company translating to total net proceeds of approximately HKD382.7 million (equivalent to approximately RMB334.1 million).

The placing price of HKD7.00 per share represents: (i) a discount of approximately 15.15% to the closing price of HKD8.25 per share as quoted on the Stock Exchange on 10 September 2020; and (ii) a discount of approximately 13.26% to the average of the closing price of approximately HKD8.07 per share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including 10 September 2020.

The Placement in 2021

On 24 September 2021 (after the trading hours), the Company and China International Capital Corporation Hong Kong Securities Limited (the "**Placement Agent B**") entered into a placement agreement pursuant to which the Company conditionally agreed to place, through the Placement Agent B on a best effort basis, a maximum of 63,068,000 ordinary shares at a price of HKD8.80 per share ("**Placement B**"). The placing shares were allotted and issued pursuant to the general mandate for the Company.

The Placement B was completed on 5 October 2021. An aggregate of 63,068,000 new shares were successfully issued by the Company and placed by the Placing Agent B to two placees, namely Xitong International Holdings (HK) Limited and Pavilion Capital Fund Holdings Pte. Ltd., at a price of HKD8.80 for each new share. The new shares from Placement B represent approximately 6.29% of the issued share capital of the Company translating to total net proceeds of approximately HKD550.8 million (equivalent to approximately RMB456.2 million).

The placing price of HKD8.80 per share represents: (i) a discount of approximately 7.95% to the closing price of HK$9.56 per share as quoted on the Stock Exchange on 24 September 2021; (ii) a discount of approximately 9.45% to the average closing price of the shares of approximately HK$9.718 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding but excluding 24 September 2021; and iii) a discount of approximately 9.44% to the average closing price of the shares of approximately HK$9.717 per share as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding but excluding 24 September 2021.

Use of proceeds from the Placements

During the year ended 31 December 2020 and 31 December 2021, details of the use of proceeds of the placement were as follows:

Use of proceeds	Net proceeds raised (Approximately HK$ million)	Actual use of net proceeds during the year ended 31 December 2020 (Approximately HK$ million)	Actual use of net proceeds during the year ended 31 December 2021 (Approximately HK$ million)	Intended use and expected timeline of the remaining amount of net proceeds
Expansion of the supply chain financing operation of the Group	363.6	363.6	–	The amount of the net proceeds for expansion of the supply chain financing operation of the Group had been fully utilised.
Enhancing the online factoring platform, SasS capabilities and data-driven risk control system of the Group	19.1	18.0	1.1	The amount of the net proceeds for enhancing the online factoring platform, SaaS capabilities and data-driven risk control system of the Group had been fully utilised.
Strategic acquisition of and /or investment in business(es) in the industrial technology and digital financing	275.4	–	275.4	The amount of strategic acquisition of and /or investment in business(es) in the industrial technology and digital financing had been fully utilised.
Expansion and development of the Group's supply chain technology services segment	165.2	–	2.3	The remaining unutilised amount of approximately HK$162.9 million will be used for expansion and development of the Group's supply chain technology services segment and is expected to be fully utilised by 31 December 2023.
General working capital of the Group's platformisation	110.2	–	7.1	The remaining unutilised amount of approximately HK$103.1 million will be used for general working capital of the Group's platformisation and is expected to be fully utilised by 31 December 2022.

CAPITAL COMMITMENTS

As at 31 December 2021, the capital commitments of the Group comprised purchase of equipment of approximately RMB0.5 million, purchase of intangible assets of approximately RMB0.4 million and investment in an associate of approximately RMB0.2 million (31 December 2020: investment in an associate of approximately RMB 3.2 million and purchase of intangible assets of approximately RMB 0.1 million).

CONTINGENT LIABILITIES

Save as disclosed in note 28 of the "Notes to the consolidated financial statements", the Group did not have any other guarantees or other material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2021, the Group had pledged bank deposits of RMB429.3 million, security deposits of RMB0.2 million, and certain supply chain assets with an aggregate carrying amount of RMB2,160.8 million to banks and third parties for facilities, loan facilitation platform in partnership with banks and derivative financial instruments (31 December 2020: pledged bank deposits of RMB255.5 million, security deposits of RMB9.2 million, and certain supply chain assets with an aggregate carrying amount of RMB678.7 million to banks and third parties for facilities, loan facilitation platform in partnership with a bank and derivative financial instruments).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

In January 2021, May 2021 and July 2021, the Group de-registered its investment in Tianjin Sheng Peng Enterprise Management Consulting Co., Ltd* (天津盛鵬企業管理咨詢有限公司) ("**SP**"), Tianjin Zhuguang Shengye Enterprise Management Consulting Co., Ltd* (天津珠光盛業企業管理咨詢有限公司) ("**ZGSY**") and Yi Lian Shu Ke (Shenzhen) Co., Limited* (易聯數科(深圳)有限責任公司) ("**YLSK**"), subsidiaries of the Company. There were no profit or loss and cash flows of SP, ZGSY and YLSK recognised on the consolidated financial statements for the reporting period

In December 2021, the Group completed an acquisition of 40% equity interest in WXGJ, an associate which was owned as to 40% by the Group at 31 December 2020, for a consideration of RMB360,000,000. Subsequently, WXGJ became a non-wholly owned subsidiary of the Group.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 31 December 2021 and up to the date this announcement, the Group did not make any significant investments.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group aims to become the most reliable supply chain technology platform in Asia under the "Dual-Engine, One-Platform" strategy announced in January 2021. To achieve the goal, the Group will continue to explore initiatives to acquire technological capabilities, more comprehensive data insights and open new markets to capitalize on the burgeoning demand for supply chain financial services. Meanwhile, the Group will continue its investment in in the key strategic areas, inter alia, industrial technology and digital finance, to further strengthen the Group's platform-based technology services and market position within the supply chain ecosystem.

FOREIGN EXCHANGE RISKS

The Group's exposure to foreign currency risk related primarily to bank balances, pledged bank deposits, other receivables, borrowings, bank overdraft and lease liabilities that are denominated in HK$, US$ and S$. The Group entered into foreign exchange swap contracts, cross currency swap contracts , foreign currency option contracts and foreign currency forward contracts during the year to manage its foreign currency risk exposures arising from certain variable-rate bank borrowings denominated in HK$ and US$. The management manages and monitors this exposure to ensure appropriate measures are implemented on a timely and effective manner.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had a total of 347 staff (31 December 2020: 287 staff). Total staff costs (including Directors' emoluments) were approximately RMB172.4 million (for the year ended 31 December 2020: RMB123.4 million) including total share option benefits for employees were RMB12.9 million for the year ended 31 December 2021 (for the year ended 31 December 2020: RMB5.5 million). Remuneration is determined by reference to market conditions and the performance, qualifications and experience of individual employees. In light of the Group's continuous strive to maintain its market position, recruitment and retention of talent is of paramount importance to the future development of the Group. Therefore, the Group is committed to continuously enhancing and optimizing its remuneration and benefits policies to remain competitive. A comprehensive incentive plan is adopted to reward existing and retain new senior management members and employees. Year-end bonuses are based on individual performance and are paid to employees as recognition of and reward for their contributions. Other benefits include contributions to the statutory mandatory provident fund scheme and social insurance together with housing provident funds for employees in Hong Kong, Singapore and the PRC, respectively.

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible directors, employees and contractors of the Group, who contribute to the success of the Group's operations.

In Hong Kong, the Group participates in the Mandatory Provident Fund Scheme (the "**MPF Scheme**") established under the Mandatory Provident Fund Schemes Ordinance (Cap 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group and administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the MPF Scheme at 5% of the employees' relevant monthly income subject to a cap, which is currently set at HK$1,500.

In Singapore, the Group participates in a defined contribution scheme which is administered by the Central Provident Fund ("**CPF**") Board in Singapore. Under the CPF, the employer and its employees are each required to make contributions to the fund at the applicable rates of the eligible employees' salaries.

PRC employees are covered by the mandatory social security schemes operated by the PRC Government. The Group is required by the PRC laws to contribute a certain percentage of payroll cost to the retirement benefits scheme to fund the benefits.

RECENT DEVELOPMENT OF REGULATORY FRAMEWORK

Following the Data Security Law of the People's Republic of China (the "**Data Security Law**") which came into force on 1 September 2021, the Personal Information Protection Law of the People's Republic of China (the "**Personal Information Protection Law**") was effective from 1 November 2021. The Personal Information Protection Law establishes individuals' consents as the principal legal basis for processing personal information. It requires that the processing of personal information shall abide by the principles of legality, fairness, good faith, minimum necessity, openness and transparency. There shall also be specific and reasonable purposes of processing.

On 29 December 2021, the Tianjin Local Financial Supervision Bureau promulgated the Interim Measures for the Supervision and Administration of Tianjin Commercial Factoring Companies《天津市商業保理公司監督管理暫行辦法》in substitute of the previous Administrative Measures for Pilot Tianjin Commercial Factoring Companies (Trial Implementation)《天津市商業保理試點管理辦法(試行)》published in April 2019. Other than expanding the applicable criteria of the policy from a district in Tianjin to the whole city as well as making clarifications on the previous provisions, inter alia, to expressly reconfirm the legality of the transactions and funding activities in relation to the factoring business, there is no other significant changes between the two policies.

The Directors confirm that the Group will be able to comply with the above-mentioned legal requirements. The Group has established a professional and comprehensive data security working group to continuously optimize the management and protection mechanism for the data security life cycle. The Group has established relevant policies and standards to ensure sufficient consents are obtained in advance and to protect the security of personal information it collected and processed. The Group is committed to building a data security system that is in line with its strategic development, protect the interests of users, and fulfil the necessary regulatory requirements to ensure the sustainable development of its platform-based strategy. Obtaining the Level 3 certification of China's National Information Security Level Protection Certification and ISO/IEC 27001: 2013 International Information and Security Certification in 2021 demonstrated the Group's effort and capacity to comply with the national data protection framework.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Mr. Tung Chi Fung, aged 35, is the founder of the Group. He was appointed as an Executive Director and the Chairman of the Board on 4 March 2017. Mr. Tung is the Compliance Officer and Authorised Representative of the Group. He is also the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Group. Further, Mr. Tung is one of the members of the Risk Management Committee of the Group.

Mr. Tung is responsible for the overall strategic planning, business development and maintaining relations with customers and monitoring the implementation of human resources policies.

Mr. Tung is an honorary director of Raleigh China (a non-profit making organisation in the People's Republic of China), the vice president of Handpicked Love Foundation (a non-profit making organisation in the People's Republic of China), a director of The Lok Sin Tong Benevolent Society, Kowloon (a non-profit making organisation in Hong Kong), the sponsoring body manager of Lok Sin Tong Leung Kau Kui College, as well as a Committee Member of the Singapore Management University ("**SMU**") Enterprise Board, a member of the SMU International Advisory Council and a donor of the SMU P.A.K Entrepreneurship Fund.

Mr. Chen Jen-Tse, aged 50, was appointed as an Executive Director on 4 March 2017 and has been appointed as the Deputy General Manager of SY Factoring Limited since July 2014. Mr. Chen is one of the members of the Risk Management Committee of the Group.

Mr. Chen has over 20 years of experience in the factoring industry. Prior to joining the Group, Mr. Chen worked in various positions in financial institutions. From January 1998 to May 2007, he served in the Accounts Receivable Operations Department (帳款處理作業科) in Chailease Finance Co., Ltd. (中租迪和股份有限公司) (previously known as CITC Company (迪和股份有限公司). From May 2007 to June 2008, he worked as an Assistant Vice President Receivable Finance) of the Commercial Banking Department in the Hongkong and Shanghai Banking Corporation Limited Taipei branch. From June 2008 to June 2014, he worked as a manager of the Trade Finance Department (SBU) in China Minsheng Banking Group.

NON-EXECUTIVE DIRECTOR

Mr. Lo Wai Hung, aged 62, joined the Group in January 2016 as the Chief Financial Officer of the Group where he was responsible for the Group's overall financial accounting and reporting corporate finance and company secretarial matters. He was also a member of the Risk Management Committee of the Group from September 2014 to March 2020. From March 2017 to November 2019, he also served as the company secretary of the Group. Mr. Lo ceased to be the Chief Financial Officer with effect from 10 December 2021 and was appointed as a non-executive director of the Group on the same date.

Mr. Lo obtained a Bachelor of Commerce Degree from the James Cook University of North Queensland in Australia in May 1985. He became an associate member of the Institute of Chartered Accountants in Australia and New Zealand in April 1991 and became a member and a fellow member of the Hong Kong Institute of Certified Public Accountants in February 1992 and November 1999, respectively. Mr. Lo has over 25 years of experience in auditing, finance and management.

Mr. Lo is an independent non-executive director of 1) Shandong Weigao Group Medical Polymer Company Ltd (stock code: 1066) since 10 August 2009, 2) Talent Property Group Limited (stock code: 760) since1 February 2011, 3) C Cheng Holdings Limited (stock code: 1486) since 5 December 2013, 4) Tibet Water Resources Ltd. (stock code: 1115) since 28 September 2021 and 5) China New Town Development Company Limited (stock code: 1278) since 30 December 2021. Mr. Lo was an independent non-executive director of Lerthai Group Limited (formerly known as LT Commercial Real Estate Limited) (stock code: 112) from March 2017 to November 2018. All the aforementioned companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Lo was also an independent director of 招商局地產控股股份有限公司 (China Merchants Property Development Co. Ltd.*) since 2011 and the shares of which were ceased from listing on the Shenzhen Stock Exchange in December 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Ka Hai Clement, aged 66, Mr. Hung was appointed as an Independent Non-executive Director in June 2017. He is the Chairman of the Audit Committee, a member of the Nomination Committee and a member of the Remuneration Committee. He obtained a Bachelor of Arts Degree from the University of Huddersfield (now known as University of Lincoln), United Kingdom in 1980. Mr. Hung had served Deloitte China for 31 years where he had assumed various leadership roles, including serving as the Managing Partner of Deloitte Shenzhen office and Guangzhou office, before he took up the chairman role of Deloitte China from 2014 to 2016. He was also a member of the China management team of Deloitte China. Mr. Hung was head of audit of South China and the Deputy Managing Partner of South China (including Hong Kong, Macau, Shenzhen, Guangzhou, Xiamen and Changsha). He was also a board member of Deloitte Global. In June 2016, he retired from Deloitte China.

Mr. Hung served as a consultant of the Guangzhou Institute of Certified Public Accountants from 2004 to 2014. During the period between 2006 and 2011, he also served as a member of the Political Consultative Committee of Luohu District, Shenzhen. After his retirement as the Chairman of Deloitte China, he was appointed as an Expert Consultant of the Ministry of Finance in the People's Republic of China. Mr. Hung is a life member of The Institute of Chartered Accountants in England and Wales.

Mr. Hung is also serving as a director of each of the following 7 listed companies whose issued shares are listed on the Stock Exchange:

- an independent non-executive director of Gome Finance Technology Co., Ltd.(stock code: 628) since 31 October 2016;
- a non-executive director of High Fashion International Limited (stock code: 608) since 1 December 2017;
- an independent non-executive director of China East Education Holdings Limited (stock code: 667) since 25 November 2018;
- an independent non-executive director of Aoyuan Healthy Life Group Company Limited (stock code: 3662) since 22 February 2019;
- an independent non-executive director of Huarong International Financial Holdings Limited (stock code: 993) since 13 December 2019;
- an independent non-executive director of Skyworth Group Ltd. (stock code:0751) since 18 March 2020; and
- an independent non-executive director of Hong Kong Aerospace Technology Group Limited (stock code: 1725) since 16 July 2021.

Mr. Hung was an independent non-executive director of Lerthai Group Limited (stock code: 112) from 24 February 2017 to 3 March 2017 and a non-executive director of the said company from 3 March 2017 to 30 June 2017. He was re-designated as an independent non-executive director of the said company on 30 June 2017 and subsequently resigned with effect from 30 September 2018. He was also an independent non-executive director of SMI Holdings Group Limited (stock code: 198) from 16 January 2017 to 15 March 2017 and re-designated as a non-executive director of the said company on 15 March 2017. He subsequently resigned with effect from 28 February 2019. He was an independent non-executive director of Zhongchang International Holdings Group Limited (stock code: 859) since 12 January 2018 and subsequently resigned with effect from 15 June 2020. In addition, he was an independent non-executive director of Tibet Water Resources Ltd. (stock code: 1115) since 31 December 2019 and subsequently resigned with effect from 30 June 2021.

As stated above, apart from the appointment by the Company, Mr. Hung is also a non-executive director or independent non-executive director of 7 listed companies in Hong Kong. The Board has made enquiries with Mr. Hung and noted his good attendance record for board meetings and general meetings among these 7 listed companies. The Board is confident that Mr. Hung would still be able to devote sufficient time to the Board given that he has substantial knowledge and experience in discharging directors' duties through his past work experience and his services as an independent non-executive director or as a non-executive director in different listed companies. He has good understanding of his role as the independent non-executive director or non-executive director of listed companies and has sufficient experience in estimating the time required for attending to the affairs of each listed company.

Mr. Loo Yau Soon, aged 49, was appointed as an Independent Non-executive Director in June 2017. He is the chairman of the Remuneration Committee and a member of the Audit Committee. From November 2007 to August 2014, he had served as an independent director and the chairman of the audit committee for Indiabulls Property Investment Trust, a company listed on the Singapore Exchange in Singapore. Since February 2014, he has served as a director of Seri Venture Capital Management Sdn Bhd in Brunei. From March 2016 to March 2017, he was the Chief Executive Officer and the managing director of Darussalam Enterprise in Brunei.

Mr. Loo has extensive teaching experience in universities and has taken advisory roles in various organisations. Since 2008, he has served as an adjunct faculty and visiting professor in entrepreneurship and new venture creation in universities across Singapore and Brunei. From March 2016 to December 2017, he was a state representative of Brunei in the APEC Business Advisory Council. From March 2017 to April 2020, he was the chief executive officer of the Brunei Economic Development Board.

Mr. Fong Heng Boo, aged 72, was appointed as an Independent Non-executive Director in September 2018. He is a member of the Audit Committee and a member of the Nomination Committee. He obtained a Bachelor of Accountancy (Honours) from the University of Singapore in August 1973. Mr Fong has over 45 years of experience in auditing, finance, risk management, business development and corporate governance. He was with the Auditor-General's Office (AGO), Singapore between 1975 and 1993. He held the position of Assistant Auditor-General when he left the AGO. Prior to his retirement in 2014, Mr Fong was the Director (Special Duties) at the Singapore Totalisator Board as the Head of Finance and Investment functions. Mr. Fong has been admitted as a fellow chartered accountant of Singapore of the Institute of Singapore Chartered Accountants since August 2004.

As at the date of this annual report, Mr. Fong is also serving as 1) an independent director of TA Corporation Ltd, a company listed on the Singapore Exchange (stock code: PA3), since December 2017; 2) an independent director of Livingstone Health Holdings Limited, a company listed on the Singapore Exchange (stock code: 5FH), since July 2018; 3) an independent director of Bonvest Holdings Limited, a company listed on the Singapore Exchange (stock code: B28), since July 2021; 4) an independent director of Keong Hong Holdings Limited, a company listed on the Singapore Exchange (stock code: 5TT), since January 2022; 5) an independent director of Kwan Yong Holdings Limited, a company listed on the Stock Exchange (stock code: 9998), since April 2020; and 6) an independent director of UOA Development BHD, a company listed on Bursa Malaysia (stock code:5200), since October 2021.

As stated above, Mr. Fong is holding directorship of seven listed companies currently. The Board has made enquiries with Mr. Fong and noted his good attendance record for board meetings and general meetings among these listed companies. The Board is confident that Mr. Fong would still be able to devote sufficient time to the Board given that he has substantial knowledge and experience in discharging directors' duties through his past work experience and his services as an independent non-executive director in different listed companies. He has good understanding of his role as the independent non-executive director of listed companies and has sufficient experience in estimating the time required for attending to the affairs of each listed company.

Mr. Tang King San Terence, aged 49, was appointed as an Independent Non-executive Director on 10 December 2021. He obtained a Honor Bachelor's Degree in Mathematics with a double major in Actuarial Science and Statistics from the University of Waterloo, Canada in 1996 and a Master of Accounting from the Curtin University of Technology, Australia in April 2000. Mr. Tang is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. He is also a certified information system auditor (CISA), certified information security manager (CISM), certified information systems security professional (CISSP) and certified internal auditor (CIA). He also served as a director of the Information Systems Audit and Control Association, China Hong Kong Chapter from 2008 to 2018.

Mr. Tang has over 20 years of experience in financial audit, data governance, operations improvement, and information system implementations. Prior to joining the Group, since July 1998, he worked as an accountant at Deloitte Touche Tohmatsu ("**Deloitte**") and had advanced to the position of senior manager in June 2004. He left Deloitte briefly and re-joined Deloitte in May 2006 where he was thereafter admitted to partnership in June 2008 and retired as partner in October 2018. He has led and served numerous advisory and attest projects for global conglomerates in financial services, technology and consumer business sectors in the PRC.

SENIOR MANAGEMENT

Mr. Yuan Ye, aged 34, is the Chief Strategy Officer of the Group. Mr. Yuan joined the Group in April 2020 and is responsible for corporate strategic planning, strategic investments, investor relations and branding activities.

Mr. Yuan has extensive capital market and managerial experience. Prior to joining the Group, he was an Executive Director of Olympus Capital Asia, which is a Pan-Asia Private Equity firm with AUM over USD2 billion. Mr. Yuan had led the firm's investment activities in China and Southeast Asia, with a focus on fin-tech, logistics, e-commerce and corporate services. He had led several stellar investments cross the region, including SY, Scommerce which is the largest private logistics platform in Vietnam, and Bukalapak which is a leading e-commerce player in Indonesia.

Before that, he was a partner at an investment advisory firm, focusing on special situations investments and state-owned assets privatization in China. Mr. Yuan is also a Chartered Accountant in Singapore, and holds a BBA Hons (Accountancy) from the National University of Singapore.

Mr. Zhang Lei, aged 43, is the Chief Human Resource Officer of the Group. Mr. Zhang joined the Group in May 2020 and is responsible for human resource management and administration matters.

He has extensive experience in human resource management. Prior to joining the Company, Mr. Zhang worked in China Resources Group, serving in human resource department and board office in Hong Kong headquarters and held executive positions in several listed companies and profit centers under China Resources Group. He has participated in mergers and acquisitions, system construction, business development, and group management and has a wealth of cross-industry, cross-function, cross-regional experience.

Mr. Zhang holds a Bachelor Degree of Management from the Shandong University, and a Master Degree of Business Administration in Finance from the Chinese University of Hong Kong and Master Degree of Business Administration from the University of Northern Iowa U.S.

Mr. Chung Chi Shing, aged 37, is the General Manager of Financial Management Department of the Group. Mr. Chung joined the Group in June 2019, and is responsible for the Company's overall financial accounting and corporate finance reporting. Mr. Chung is also a member of the Risk Management Committee.

Mr. Chung has extensive experience in financial management. Prior to joining the Company, Mr. Chung worked for KPMG, an international accounting firm in Hong Kong between 2008 to 2014. From 2014 to 2019, he was a Deputy Financial Controller in China Huarong international Holdings Limited and Sfund International Investment Fund Management Limited, responsible for Company's financial management.

Mr. Chung obtained his Bachelor of Accountancy Degree in 2008 from the Hong Kong Polytechnic University, and became a member of the Hong Kong Institute of Certified Public Accountants in 2012.

COMPANY SECRETARY

Mr. Wang Zheng, aged 32, was appointed as the Company Secretary of the Group in November 2019. Mr. Wang joined the Group in November 2018 and is responsible for company secretarial and corporate governance matters.

Mr. Wang has solid experience in legal, regulatory and compliance, and obtained the Bachelor of Laws degree in International Law and Legal Studies from Shanghai University of Political Science and Law in 2012, the National Legal Professional Qualification in the People's Republic of China in 2012, the Master of Laws degree in International Economic Law from the School of Oriental and African Studies, University of London in 2013 and the Master of Corporate Governance degree awarded by the Open University of Hong Kong (now known as Hong Kong Metropolitan University) in 2018. Mr. Wang has also been an associate of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries (now known as the Hong Kong Chartered Governance Institute) since 2018.

The Board of directors of the Company (the "**Board**") understands that sound corporate governance practices is fundamental to maintaining and promoting the confidence of shareholders. Throughout the financial year ended 31 December 2021, the Group had complied with the code provisions in the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 of The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The Board is committed to maintaining and ensuring a high standard of corporate governance. The Board will review the corporate governance practices of the Group from time to time to ensure that they reflect the latest development and meet the expectations of the Shareholders.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with provisions set out in Appendix 10 of the Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the year ended 31 December 2021.

BOARD OF DIRECTORS

Responsibilities

The Company aims to establish and maintain a competent and independent Board to supervise the Group's business. The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's missions and standards and ensures that the requisite financial and human resources support are in place for the Group to achieve its objectives.

The Board has established Board committees and has delegated to these committees various responsibilities as set out in their respective terms of reference. The Board may from time to time delegate certain functions to senior management of the Group if and when considered appropriate. The management of day-to-day operation of the Group's businesses and implementation of the business plans, strategies and policies adopted by the Board has been delegated to the senior management of the Group.

The main functions performed by the Board include but are not limited to the following matters:

- Formulate the Group's strategy and direction and monitor the implementation thereof;
- Decide all material contracts, acquisitions, investments, divestments, disposals of assets or any significant capital expenditure;
- Review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- Develop, monitor and review the Group's corporate governance practices and the effectiveness of the Group's financial controls, internal control and risk management systems;
- Approve the Group's annual and interim financial statements, reports, announcements and other disclosures required under the Listing Rules;
- Review and monitor the training and continuous professional development of Directors and senior management;
- Appoint or removal of Directors and senior management; and
- Monitor the performance of the management.

COMPOSITION

As at 31 December 2021 and up to the date of this annual report, the Board comprises of two Executive Directors, one Non-executive Director ("**NED**") and four Independent Non-executive Directors ("**INEDs**"), details are as follows:

Executive Directors

Mr. Tung Chi Fung (Chairman)
Mr. Chen Jen-Tse

Non-executive Director

Mr. Lo Wai Hung

Independent Non-executive Directors

Mr. Hung Ka Hai Clement
Mr. Loo Yau Soon
Mr. Fong Heng Boo
Mr. Tang King San Terence

Biographical information of each of the Directors are set out in the section headed "Biographies of the Directors and Senior Management" of this Annual Report.

To the best knowledge of the Company, there is no other relationship (including financial, business, family or other material/relevant relationship(s)) among the members of the Board.

In compliance with Rule 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed four INEDs, representing at least one-third of the Board and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise.

The INEDs are responsible for making independent judgment on the issues relating to the strategy, performance, conflict of interest and management process of the Group to ensure that the interest of the shareholders as whole have been duly considered. Furthermore, in accordance with the requirement of the Listing Rules, the Audit Committee was chaired by an INED with the appropriate accounting qualification and professional experience.

The Company has received from each INED an annual confirmation of his independence, and the Company has assessed and considered such Directors to be independent in accordance with each and the various guidelines set out in Rule 3.13 of the Listing Rules.

BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy which sets out the approach to achieve a sustainable and balanced development of the Company and to enhance the quality of performance of the Company.

Measurable Objectives and Selection

In designing the Board's composition, a number of perspectives which include race, gender, age, cultural and educational background, industry experience, technical and professional experience, knowledge, skills, length of service, personal integrity and time commitments of the proposed candidates will be taken into consideration. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the candidates will bring to the Board.

The Board will take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity. The Board also aspires to having an appropriate proportion of Directors who have direct experience in the Group's core markets, with different ethnic backgrounds, and reflecting the Group's strategy.

Implementation and Monitoring

The Nomination Committee will monitor the implementation of the Board Diversity Policy and report to the Board annually. As at the date of this annual report, the Board's composition under diversified perspectives is summarised as follows:

	Age Group		
Name of Director	30 to 45	46 to 59	Above 60
Mr. Tung Chi Fung	✔		
Mr. Chen Jen-Tse		✔	
Mr. Lo Wai Hung			✔
Mr. Hung Ka Hai Clement			✔
Mr. Loo Yau Soon		✔	
Mr. Fong Heng Boo			✔
Mr. Tang King San Terence		✔	

	Professional Experience				
Name of Director	Supply chain industry	Capital market	Accounting and finance/ auditing	Regulatory and compliance/risk management	Technology and data
Mr. Tung Chi Fung	✔	✔			
Mr. Chen Jen-Tse	✔			✔	
Mr. Lo Wai Hung	✔	✔	✔		
Mr. Hung Ka Hai Clement		✔	✔		
Mr. Loo Yau Soon				✔	
Mr. Fong Heng Boo			✔	✔	
Mr. Tang King San Terence			✔	✔	✔

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal action against its Directors and officers arising out of corporate activities of the Group.

TRAINING AND SUPPORT FOR DIRECTORS

Each newly appointed Director will receive a formal, comprehensive and tailored-made induction on the first occasion of his/her appointment to ensure that he/she has a thorough understanding of the Company's operations and business and is fully aware of a director's duties and responsibilities under the Company's articles of association, the Listing Rules, legal and other regulatory requirements and the Company's business policies and governance policies.

Pursuant to Code Provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2021, due to the continuing outbreak of the pandemic, all Directors have participated in appropriate online continuous professional development including, amongst others, attending the training session of amendments to Corporate Governance Code, attending the webinar in relation to the climate change disclosure, reading regulatory updates in relation to the Group's business and the Listing Rules, attending internal briefing sessions and reading materials relevant to directors' duties and responsibilities.

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

The Board has been scheduled to meet at least four times a year at approximately quarterly intervals with at least 14 days' notice given to the Directors. For all other Board meetings, Directors were given reasonable notice.

All Directors are provided with adequate information before the meetings. To enable the Directors to have a good understanding on the issues which will be discussed at the Board meeting and to make informed decisions, an agenda and the accompanying Board papers together with all relevant information will be sent to all the Directors at least three days before the intended date of each regular Board meeting. The Directors are allowed to include any other matters in the agenda that is required for discussion and decision at the meeting. The initial draft of the minutes of Board meeting are sent to the Directors for review and comment; and the final draft of the minutes will be sent to the Directors for signature and for the Company's records.

The Directors may participate in Board meetings either in person or through electronic means of communication. The Directors have separate and independent access to the Company Secretary and the management from time to time. The minutes of Board meetings are kept by the Company Secretary, and such minutes are opened for inspection at any reasonable time on reasonable notice by the Directors.

During the year ended 31 December 2021, nine Board meetings were held at which the Directors discussed and approved, amongst other matters, the Group's annual report of 2020, interim report of 2021, results announcements, placement of new shares, proposed change of company name and Articles of Association of the Company and proposed acquisition of equity interest of an associate.

The attendance of each Director at General Meetings and Board meetings during the year is set out below:

Name of Directors	Number of Attendance/ Number of General Meetings	Number of Attendance/ Number of Board Meeting
Executive Directors		
Mr. Tung Chi Fung (Chairman)	2/2	9/9
Mr. Chen Jen-Tse	2/2	9/9
Non-executive Directors		
Mr. Lo Wai Hung (appointed on 10 December 2021)	0/0	2/2
Independent Non-executive Directors		
Mr. Hung Ka Hai Clement	2/2	9/9
Mr. Loo Yau Soon	2/2	9/9
Mr. Twoon Wai Mun, Benjamin (resigned on 10 December 2021)	2/2	7/7
Mr. Fong Heng Boo	2/2	9/9
Mr. Tang King San Terence (appointed on 10 December 2021)	0/0	2/2

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All Directors are appointed for a specific term under their service contracts and every Director is subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the articles of association of the Company.

Article 108 of the articles of association of the Company provides that at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Each of Mr. Tung Chi Fung, the Chairman and an Executive Director, and Mr. Chen Jen-Tse, an Executive Director has entered into a service contract with the Company for an initial fixed term of three years commencing from 6 July 2017 (the "**Listing Date**") on subject to termination in accordance with the terms of the service contract, by not less than three months' notice in writing served by either party. Each of the service contracts was renewed for an initial fixed term of three years commencing from 6 July 2021.

Mr. Lo Wai Hung, the Non-executive Director, was appointed by way of a formal appointment letter for a term of three years unless terminated by either party giving not less than one month's notice in writing on the other. The appointment letter of Mr. Lo Wai Hung was for a term of three years commencing from 10 December 2021.

Each of the INEDs, Mr. Hung Ka Hai Clement, Mr. Loo Yau Soon, Mr. Twoon Wai Mun, Benjamin, Mr. Fong Heng Boo and Mr. Tang King San Terence were all appointed by way of a formal appointment letter for a term of three years unless terminated by either party giving not less than one month's notice in writing on the other. Each of the appointment letters of Mr. Hung Ka Hai Clement, Mr. Loo Yau Soon and Mr. Twoon Wai Mun, Benjamin was renewed for a term of three years commencing from 6 July 2021. The appointment letter of Mr. Tang King San Terence was for a term of three years commencing from 10 December 2021 and Mr. Twoon Wai Mun, Benjamin had resigned on the same date.

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

NOMINATION POLICY

The Company has adopted a Nomination Policy for the Nomination Committee to consider and make recommendations to Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies.

Selection Criteria

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

(1) reputation for integrity;

(2) accomplishment and experience in the business in which the Group is engaged in;

(3) commitment in respect of available time and relevant interest;

(4) diversity in all its aspects, including but not limited to race, gender, age (18 years or above), educational background, professional experience, skills and length of service;

(5) qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

(6) the number of existing directorships and other commitments that may demand the attention of the candidate;

(7) requirement for the Board to have Independent Non-executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules;

(8) board diversity policy of the Company and any measurable objectives adopted by the Committee for achieving diversity on the Board; and

(9) such other perspectives appropriate to the Company's business.

Director Nomination Procedure

Subject to the provisions in the Articles of Association of the Company and the Listing Rules, if the Board recognises the need for an additional Director or member of senior management:

(1) the Nomination Committee and/or Board identifies potential candidates based on the criteria as set out in the selection criteria, possibly with assistance from external agencies and/or advisors;

(2) the Nomination Committee and/or the Company Secretary of the Company provides the Board with the biographical details and details of the relationship between the candidate and the Company and/or Directors, directorships held, skills and experience, other positions which involve significant time commitment and any other particulars required by the Listing Rules, the Companies Law of the Cayman Islands and other regulatory requirements for any candidate for appointment to the Board;

(3) the Nomination Committee would make recommendation on the proposed candidate(s) and the terms and conditions of the appointment to the Board;

(4) the Nomination Committee should ensure the proposed candidate(s) will enhance the diversity of the Board, being particularly mindful of gender balance;

(5) in the case of the appointment of an Independent Non-executive Director, the Nomination Committee and/or the Board obtains all information in relation to the proposed Director to allow the Board to adequately assess the independence of the Director in accordance with the factors set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time; and

(6) the Board deliberates and decides on the appointment based upon the recommendation of the Committee.

Re-Election of Director at General Meeting

The Nomination Committee shall review the overall contribution and service to the Company of the retiring Director including his/her attendance of Board meetings and, where applicable, general meetings of the Company, and the level of participation and performance on the Board. The Nomination Committee shall also review and determine whether the retiring Director continues to meet the criteria as set out in the selection criteria. The Nomination Committee and/or the Board shall then make recommendation to shareholders of the Company in respect of the proposed re-election of Director at the general meeting of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

According to the Code Provision C.2.1 of the CG Code, the roles of the Chairman and the Chief Executive Officer (the "**CEO**") should be separate and performed by different individuals to ensure a balance of power and authority so that power is not concentrated in any one individual. Mr. Tung was the chairman of the Board throughout the year ended 31 December 2021. During the year ended 31 December 2021, the responsibilities of the CEO were shared amongst the Executive Directors.

BOARD COMMITTEES

The Board has established three board committees (the "**Board Committees**"), namely the Audit Committee, the Remuneration Committee and the Nomination Committee, with defined terms of reference explaining their respective roles and the authority delegated by the Board. These defined terms of reference are available on the websites of the Company and the Stock Exchange.

The Board Committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice, at the Company's expenses.

AUDIT COMMITTEE

The Company established an Audit Committee on 19 June 2017 with written terms of reference in compliance with Rules 3.21 to 3.24 of the Listing Rules and paragraph D.3.3 of the CG Code as set out in Appendix 14 of the Listing Rules. The written terms of reference of the Audit Committee (amended and approved by the Board on 23 October 2020) are available on the website of the Company and the Stock Exchange.

The Audit Committee comprises of three INEDs, namely Mr. Hung Ka Hai Clement, Mr. Loo Yau Soon and Mr. Fong Heng Boo (appointed on 10 December 2021). Mr. Twoon Wai Mun, Benjamin resigned from the Audit Committee on 10 December 2021. Mr. Hung Ka Hai Clement is the chairman of the Audit Committee who has appropriate professional qualifications and experience in accounting and auditing matters. Other members of the Audit Committee are also experts with audit and financial experience.

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of the external auditors, review financial statements and oversee the internal control and risk management procedures and systems of the Group.

During the year ended 31 December 2021, three meetings have been held by the Audit Committee, at which the Audit Committee reviewed, amongst other matters, the Group's annual report for the year ended 31 December 2020, the interim period ended 30 June 2021, periodic risk management report of the Group and the audit approach for the year ended 31 December 2021.

The attendance record of each member at the Audit Committee Meetings held during the year is set out below:

Name of Directors	Number of Attendance/ Number of Audit Committee Meeting
Mr. Hung Ka Hai Clement	3/3
Mr. Loo Yau Soon	3/3
Mr. Twoon Wai Mun, Benjamin (resigned on 10 December 2021)	2/2
Mr. Fong Heng Boo (appointed on 10 December 2021)	1/1

There was no disagreement between the Board and the Audit Committee during the year.

As the engagement partner of Deloitte Touche Tohmatsu as the Company's independent external auditors for the 2021 audit has served on the audit of the Group since 2015, a new engagement partner will be assigned to the Company in 2022.

At the Audit Committee Meeting held on 24 March 2022, all the members of the Audit Committee reviewed the Company's audited consolidated financial statements for the year ended 31 December 2021, including the accounting principles and practice adopted by the Group, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, the effectiveness of the Group's internal control and risk management systems and recommended to the Board for consideration the reappointment of Deloitte Touche Tohmatsu as the Company's independent external auditors at the forthcoming Annual General Meeting. The Board is not aware of any material uncertainties relating to events or conditions which may cost significant doubt upon the ability of the Company to continue as a going concern basis.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 19 June 2017 with written terms of reference in compliance with Rules 3.25 to 3.27 of the Listing Rules and paragraph E.1.2 of the CG Code as set out in Appendix 14 of the Listing Rules. The written terms of reference of the Remuneration Committee (amended and approved by the Board on 23 October 2020) are available on the website of the Company and the Stock Exchange.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance-based remuneration and ensure none of the Directors determine their own remuneration.

The Remuneration Committee currently consists of three members, namely Mr. Loo Yau Soon (Chairman), Mr. Hung Ka Hai Clement and Mr. Tung Chi Fung.

During the year ended 31 December 2021, five meetings have been held by the Remuneration Committee, which amongst other matters, reviewed the remuneration of Directors and senior management for the year ended 31 December 2020, adjustments of the remunerations of the Executive Directors and the remunerations of directors appointed in 2021, and discussed the proposals to modify the current incentive plan applied to the senior management and employees of the Company.

The attendance record of each member at the Remuneration Committee Meeting held during the year is set out below:

Name of Directors	Number of Attendance/ Number of Remuneration Committee Meeting
Mr. Loo Yau Soon	5/5
Mr. Tung Chi Fung	5/5
Mr. Hung Ka Hai Clement	5/5

Apart from the meeting mentioned above, the Company did not hold any Remuneration Committee Meeting during the year.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 19 June 2017 with written terms of reference in compliance with paragraph B.3.1 of the CG Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The written terms of reference of the Nomination Committee (amended and approved by the Board on 23 October 2020) are available on the website of the Company and the Stock Exchange.

The Nomination Committee currently consists of three members, namely Mr. Tung Chi Fung (Chairman), Mr. Hung Ka Hai, Clement and Mr. Fong Heng Boo (appointed on 10 December 2021). Mr. Twoon Wai Mun, Benjamin, a previous member of the Nomination Committee, had resigned on 10 December 2021.

The primary duties of the Nomination Committee are to (i) review the structure, size and composition of the Board on a regular basis; (ii) identify individuals suitably qualified to become Board members; (iii) assess the independence of INEDs; (iv) make recommendations to the Board on relevant matters relation to the appointment or re-appointment of Directors; and (v) review the board diversity policy, as appropriate, review the measurable objectives that the Board has set for implementing the board diversity policy, and progress on achieving the objectives, and make recommendations to the Board on any of the aforesaid matters, and make disclosure of its review results in the Corporate Governance Report of the Company annually.

During the year ended 31 December 2021, two meetings have been held by the Nomination Committee to review the structure, size and composition of the Board, to assess the independence of the Independent Non-executive Directors to determine their eligibility and review the diversity policy of the Board and to nominate the candidates of the Non-executive Director and the Independent Non-executive Director.

The attendance record of each member at the Nomination Committee Meeting held during the year is set out below:

Name of Directors	Number of Attendance/ Number of Nomination Committee Meeting
Mr. Tung Chi Fung	2/2
Mr. Hung Ka Hai Clement	2/2
Mr. Twoon Wai Mun, Benjamin (resigned on 10 December 2021)	2/2
Mr. Fong Heng Boo (appointed on 10 December 2021)	0/0

Save as the above, the Company did not hold any other Nomination Committee Meeting during the year.

DIVIDEND POLICY

The Company has adopted a dividend policy that aims to provide the guidelines for the Board to determine whether dividends are to be declared and paid to the Shareholders and the level of dividend to be paid. Under the dividend policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others,

(1) the Group's actual and expected financial performance;

(2) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(3) retained earnings and distributable reserves of the Company and each of the members of the Group;

(4) the Group's liquidity position;

(5) interest of shareholders;

(6) taxation consideration;

(7) potential effect on creditworthiness;

(8) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(9) any other factors that the Board deems appropriate.

The declaration and payment of dividends by the Company shall remain to be determined at the sole discretion of the Board and is also subject to any restrictions under the Companies Law of the Cayman Islands, the Listing Rules, the laws of Hong Kong and the Company's Memorandum and Articles of Association and any other applicable laws and regulations. The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The Company will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the dividend policy at any time, and the dividend policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration and the 5 highest paid employees for the Financial Year are set out in Note 13 to the consolidated financial statements.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) for the financial year ended 31 December 2021 by band is set out below:

Remuneration band	Number of individuals
Nil to HK$1,500,000	8
HK$1,500,001 to HK$3,000,000	2
HK$3,000,001 to and above	5

AUDITORS' REMUNERATION

The Company has appointed Deloitte Touche Tohmatsu as its external auditors for the year ended 31 December 2021. Details of the fees paid/payable to Deloitte Touche Tohmatsu during the year are as follows:

	RMB'000
Audit services	3,080
Review of interim financial information	550
Subtotal	3,630
Others	2,145
Total	5,775

FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of financial statements for the relevant accounting period which give a true and fair view of the Group's financial position, results of operations and cash flows. In preparing the financial statements for the year ended 31 December 2021, the Directors have applied all the applicable accounting policies, adopted the appropriate accounting standards and prepared the accounts on a going concern basis.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The responsibilities of the Group's external auditors, Deloitte Touche Tohmatsu, on the Company's consolidated financial statements are set out in the Independent Auditor's Report on pages 55 to 60 of this Annual Report.

COMPANY SECRETARY

Mr. Wang Zheng was appointed as the Company Secretary of the Company on 29 November 2020. Mr. Wang had been informed of the requirement of Rule 3.29 of the Listing Rules and he confirmed that he had attained no less than 15 hours of relevant professional training during the year ended 31 December 2021.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting ("EGM")

Pursuant to article 64 of the articles of association of the Company, an EGM shall be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for shareholders to send enquiries to the Board

Shareholders can direct their questions to Tricor Investor Services Limited, the Company's branch registrar and transfer office in Hong Kong at "Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong", about their shareholdings.

Shareholders may also raise quests, request for publicly available information provide comments and suggestions to the Directors and management of the Company. Such questions, requests, comments and suggestions can be addressed to the Company by post to the Company's office in Hong Kong at "Room 4202, 42/F, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong"or via email to ir@syholdings.com for the attention of the Company Secretary.

Procedures for shareholders to put forward proposals at shareholders' meetings

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the articles of association of the Company, shareholders who wish to move a resolution may by means of requisition convene an EGM following the procedures set out above.

CONSTITUTIONAL DOCUMENTS

With effect from 14 December 2021, the Company adopted the second amended and restated memorandum and articles of association of the Company to reflect the change of company name and update of the address of the registered office of the Company. Save as above, there was no change in the Company's constitutional documents during the year ended 31 December 2021. A copy of the second amended and restated memorandum and articles of association has been posted on the websites of the Stock Exchange and the Company.

INVESTOR RELATION

To ensure timely, transparent and accurate communications between the shareholders of the Company (the "**Shareholders**") and the Company, information is communicated to the Shareholders mainly through the Company's interim reports and annual reports, annual and extraordinary general meetings, as well as circulars and announcements published on the website of the Stock Exchange (www.hkexnews.hk) and on the Company's website (www.syholdings.com).

The annual general meetings and other general meetings of the Company are the primary communication forum between the Company and the Shareholders. Shareholders are encouraged to participate in general meetings physically or to appoint proxies to attend vote at such meetings for and on their behalf it they are unable to attend.

Board meetings, in particular, the chairman of the Board Committees or their delegates, appropriate senior executives and the external auditors will attend the general meetings to answer the Shareholders' questions.

The chairman of the general meetings will propose to vote the resolutions (except resolutions which relate purely to procedural or administrative matters) by poll in accordance with the articles of association of the Company. Scrutineer will be appointed for the vote-taking at the general meetings and the voting results will be published on the website of the Stock Exchange (www.hkexnews.hk) and on the Company's website (www.syholdings.com) subsequent to the close of the general meetings.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises its responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group conducts periodic review on the overall adequacy and effectiveness of the Group's risk management and internal control systems, which cover financial, operational and compliance controls, to safeguard the Shareholders' investment and the Group's assets. A system of risk management and internal control procedures are designed to manage, but not eliminate, the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against the risk of material misstatement, fraud or loss.

The Board has delegated to the Audit Committee its responsibility (with relevant authorities) of risk management and internal control. Consequently, the Audit Committee is responsible for the design, implementation and monitoring of the risk management and internal control systems. The management would report to the Audit Committee any identified deficiencies from time to time.

The Corporate Governance Department (the "**CG Department**") has been taking over the roles in relation to the internal control and compliance issues. To manage and mitigate the risk exposures on the group level and improve the effectiveness of internal control system, the CG Department works with other business units to optimize the operational procedures and workflow as well as reviews the policies and standards of the Group. In terms of governance, the CG Department leads several projects of, inter alia, audit of IT security, financial management, operational management as well as training sessions of anti-corruption and whistleblowing policies to supervise and encourage good governance in the Group. The CG Department reports the implementation and effectiveness of the internal control system and relevant projects to the Audit Committee from time to time.

The Risk Management Department (the "**RM Department**") is responsible for achieving the risk targets set by the Board or the Risk Management Committee and managing the risks arising from the principle business of the Group. In line with the strategic transformation of the Group, the RM Department works on the improvement of the online risk management platform to enhance the risk management capacity of the Group. To achieve the Group's risk management targets, the RM Department reviews and amends the risk management policies and standards on a continuous basis, assesses and monitors the risk of the transactions, customers and industries, and reports to the Risk Management Committee and the Audit Committee from time to time.

The Board, through the Audit Committee, reviews the risk management and internal controls annually. The Audit Committee has conducted a review of, and is satisfied with the effectiveness and adequacy of the risk management and internal control systems for the year ended 31 December 2021.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has established and maintained procedures and internal controls for the handling and dissemination of inside information. The Company has adopted a code of conduct for dealing in the securities of the Company by the Directors in accordance with provisions set out in Appendix 10 of the Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the Listing Rules will be announced on the respective websites of the Stock Exchange and the Company in due course.

The directors of the Company (the "**Directors**") are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the "**Reporting Period**").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in providing data-driven efficient and inclusive supply chain technology and digital financing solutions for companies across the Asia-Pacific. The Group is a leading supply chain technology platform in the region. Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a review of the Group's business, a description of the principal risks and uncertainties facing the Group as well as an indication of likely future development in the Group's business, can be found in the "Letter to Shareholders" and the "Management Discussion and Analysis" of this annual report. The discussion forms part of this report of the Directors. There were no significant changes in the nature of the principal activities of the Group during the year.

FINANCIAL SUMMARY

A summary of the Group's financial performance for the last five financial years are set out on page 3 of this annual report. This summary does not form part of the audited consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2021 are set out on pages 61 to 189 of this annual report.

DIVIDENDS

The Directors recommend the payment of a final dividend of HK7.5 cents per ordinary share for the year ended 31 December 2021.

Details of the dividends paid or proposed to be paid by the Company are set out in note 14 to the financial statements.

SUBSIDIARIES

Details of our Company's principal subsidiaries as at 31 December 2021 are set out in note 38 to the financial statements.

SHARE CAPITAL AND SHARE OPTION

Details of movements in the share capital and share options of the Company during the year are set out in notes 31 and 33, respectively, to the financial statements.

RESERVES

Details of movements in the reserves of the Company during the year ended 31 December 2021 are set out in note 42 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company has distributable reserves of RMB2,361 million in total available for distribution.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the percentage of revenue and income attributable to the Group's major customers is set out below:

Revenue and income from principal activities	
– The largest customer	13.4%
– The total of five largest customers	41.7%

As far as the Directors aware, neither the Directors nor their associates nor any shareholders (which to the knowledge of Directors own more than 5% of the Company's issued share capital) had any interest in the five largest customers of the Group.

The Group is principally engaged in the provision of supply chain financial services powered by fintech, the Group does not have any major suppliers.

USE OF PROCEEDS

The Company completed three placements of shares on 11 July 2018, 21 September 2020 and 5 October 2021 respectively. The net proceeds raised from the placement in 2018 had been fully utilized before 1 January 2021. Please refer to the "Management Discussion and Analysis" section in this annual report for more details of the use of proceeds as at 31 December 2021.

DIRECTORS AND SERVICE CONTRACTS

As at 31 December 2021 and up to the date of this annual report, the Board comprises of two Executive Directors, one Non-executive Director and four INEDs, details are as follows:

Executive Directors

Mr. Tung Chi Fung (Chairman)
Mr. Chen Jen-Tse

Non-executive Directors

Mr. Lo Wai Hung

Independent Non-executive Directors

Mr. Hung Ka Hai Clement
Mr. Loo Yau Soon
Mr. Fong Heng Boo
Mr. Tang King San Terence

Biographical information of each of the Directors is set out in the section headed "Biographies of the Directors and Senior Management" of this annual report.

All Directors are appointed for a specific term under their service contracts and every Director is subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the articles of association.

Each of the Directors has been appointed for a fixed term of three years and shall be subject to retirement, re-election and removal in accordance with the articles of association of the Company.

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Related Party Transaction – Exempted Continuing Connected Transactions" on pages 52 to 53 of this annual report and note 35 to the consolidated financial statements, there were no transaction, arrangement, or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which any Director or any entities connected with a Director, the controlling Shareholder, the substantial Shareholders had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance between the Company or any of its subsidiaries and any controlling shareholder of the Company or any of its subsidiaries during the year.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, to the best knowledge of the Directors, the Group has complied with all the relevant laws and regulations that have a significant impact on the Group.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, INVESTORS AND SUPPLIERS

To maintain continuous growth of the business operation, the Group recognises that employees, customers, investors and suppliers are the keys to its sustainable development.

The Group maintains good relationship with these stakeholders.

Employees are the assets of the Group. The Group provides competitive remuneration package and a pleasant workplace environment to attract and motivate the employees. An annual performance evaluation will be conducted annually based on individual's contributions and achievements throughout the year and the Group will make necessary adjustments based on the result of the performance evaluation. The Group provides periodical trainings for staff to keep them abreast of the latest developments in the market and industry, in the form of both internal trainings and trainings provided by experts from external organisations.

The Group understands the importance of maintaining a good relationship with its business partners which include the suppliers, customers, banks and other financial institutions. The Group believes that a healthy relationship can be built up by providing enhanced services to the customers, maintaining an effective communication channel to the employees and its business partners.

The Group engaged professional services on investor relationship from service provider for advising and promoting professional communication with existing and potential investors.

PROPERTY AND EQUIPMENT

The movements in the Group's property and equipment for the year are set out in note 16 to the financial statements.

GOODWILL AND INTANGIBLE ASSETS

The movements in the Group's goodwill and intangible assets for the year are set out in note 18 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

CHARITABLE DONATIONS

The Group's external charitable donations for the year amounted to RMB3.3 million (2020: RMB1.1 million).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2021, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to provisions set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Interest in the Company

Name of Director	Capacity/nature of interest	Number and class of securities interested	Percentage of shareholding
Mr. Tung Chi Fung ("**Mr. Tung**") *(Note 1)*	Beneficiary of a trust and settlor of a discretionary trust	559,415,960 (L) *(Note 2)*	55.70%
	Share option	3,000,000 *(Note 3)*	0.30%
Mr. Chen Jen-Tse	Beneficial owner	65,000 (L) *(Note 2)*	0.01%
	Share option	3,300,000 *(Note 3)*	0.33%
Mr. Lo Wai Hung	Beneficial owner	160,000 (L) *(Note 2)*	0.02%
	Share option	1,200,000 *(Note 3)*	0.12%
Mr. Hung Ka Hai Clement	Share option	500,000 *(Note 3)*	0.05%
Mr. Loo Yau Soon	Share option	500,000 *(Note 3)*	0.05%
Mr. Fong Heng Boo	Share option	300,000 *(Note 3)*	0.03%
Mr. Tang King San Terence	N/A	N/A	N/A

Notes:

1. Wisdom Cosmos Limited ("**Wisdom Cosmos**"), a company incorporated in the British Virgin Islands ("**BVI**"), is the beneficial owner of 559,415,960 shares of the Company, representing approximately 55.70% shareholding interests in the Company. The entire issued share capital of Wisdom Cosmos is owned by Eander Limited ("**Eander**"), a company incorporated in the BVI, which is in turn wholly owned by TMF (Cayman) Ltd ("**TMF Trust**"), trustee of the Pak Jeff Trust ("**PJ Trust**"), an irrevocable reserved power trust established by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, TMF Trust and Eander are deemed to be interested in all the shares of the Company registered in the name of Wisdom Cosmos.

   In addition, Mr. Tung is the beneficial owner of 3,000,000 of underlying Shares under the share option scheme.

2. The letter "L" denotes long position of the shares of the Company.

3. This refers to the number of underlying Shares covered by its share option scheme.

Save as disclosed herein, as at 31 December 2021, none of the Directors or chief executive of the Company or their associates (as defined in the Listing Rules) had any interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to provisions set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2021, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity/nature of interest	Number and class of securities interested *(Note 1)*	Percentage of shareholding
TMF Trust *(Note 2)*	Trustee	559,415,960 (L)	55.70%
Eander *(Note 2)*	Interest in a controlled corporation	559,415,960 (L)	55.70%
Wisdom Cosmos *(Note 2)*	Beneficial owner	559,415,960 (L)	55.70%
WXCIG *(Note 3)*	Interest in a controlled corporation	61,363,500 (L)	6.11%
Xitong International Holdings (HK) Limited ("**Xitong**") *(Note 3)*	Beneficial owner	61,363,500 (L)	6.11%

Notes:

1. The letter "L" denotes long position of the shares of the Company.

2. Wisdom Cosmos, a company incorporated in the BVI, is the beneficial owner of 559,415,960 shares of the Company, representing approximately 55.70% shareholding interests in the Company. The entire issued share capital of Wisdom Cosmos is owned by Eander, a company incorporated in the BVI, which is in turn wholly owned by TMF Trust, trustee of the PJ Trust, an irrevocable reserved power trust established by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, TMF Trust and Eander are deemed to be interested in all the shares of the Company registered in the name of Wisdom Cosmos.

3. Xitong, a company incorporated in Hong Kong, is the beneficial owner of 61,363,500 shares of the Company, representing approximately 6.11% shareholding interests in the Company. The entire issued share capital of Xitong is owned by WXCIG, a company incorporated in the PRC, which is in turn wholly owned by State-owned Assets Supervision and Administration Commission of Wuxi Municipal People's Government. Under the SFO, WXCIG and Xitong are deemed to be interested in all the shares of the Company registered in the name of Xitong.

Save as disclosed above, as at 31 December 2021, the Directors are not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

SHARE OPTION SCHEME

The share option scheme was adopted by the shareholders of the Company and was effective on 6 July 2017 (the "**Share Option Scheme**").

(a) Purpose of the Share Option Scheme

The Share Option Scheme enables the Company to grant options to subscribe for Shares granted pursuant to the Share Option Scheme (the "**Options**") to any full-time or part-time employee of the Company or any member of the Group, including any Executive, Non-executive Directors and Independent Non-executive Directors, advisors, consultants, professionals, customers, suppliers, agents or partners of the Company or any of the subsidiaries ("**Eligible Persons**") as incentives or rewards for their contributions to the Group.

(b) Who may join and basis of eligibility

The Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of not less than 28 days from the date on which the Option is granted. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the Independent Non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(c) Grant of Option

Any grant of Options must not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year period or any other interim period (whether or not required under the Listing Rules), and (b) the deadline for the Company to publish an report of its results for any year, half-year period or any interim period (whether or not required under the Listing Rules), and ending on the date of the results report, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of results report. The Directors may not grant any Option to an Eligible Person during the periods or times in which Directors of the Company are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 prescribed by the Listing Rules) or any corresponding code or securities dealing restrictions adopted by the Company.

The total number of Shares issued and to be issued upon exercise of the Options granted to an Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant (the "**Participant**") under the Share Option Scheme and any other share option schemes adopted by the Group from time to time pursuant to which options to subscribe for Shares may be granted ("**Other Schemes**") (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if the participant is a connected person) abstaining from voting, the Company may make a further grant of Options to such Participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, the Company must send a circular to the Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders' meeting and the date of meeting of the Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the relevant subscription price.

(d) Price of Shares

The subscription price for the Shares subject to Options will be a price determined by the Board and notified to each Participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a day on which trading of Shares take place on the Stock Exchange ("**Trading Day**"); (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share. For the purpose of calculating the subscription price, in the event that on the date of grant, the Company has been listed for less than five Trading Days, the Offer Price shall be used as the closing price for any Trading Day falling within the period before the Listing Date.

(e) Maximum number of Shares

(i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") provided that Options lapsed in accordance with the terms of the Shares Option Scheme or Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 740,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 74,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date and approximately 7.37% of the Shares in issue as at the date of this report.

(ii) Subject to the approval of Shareholders in general meeting, the Company may renew the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the Shareholders' approval referred to in this paragraph (ii), the Company shall send a circular to the Shareholders containing the information required by the Listing Rules.

(iii) Subject to the approval of Shareholders in general meeting, the Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by the Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), the Company shall send a circular to the Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the Listing Rules.

(iv) Notwithstanding the foregoing, the Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and Other Schemes exceeds 30% of the Shares in issue from time to time.

(f) Time of exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Board to each Participant provided that the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by the Board to each Participant, which the Board may in its absolute discretion determine.

On 11 September 2017, the Company granted 12,620,000 share options to a director and the employees of the Group to subscribe for the ordinary shares of the Company with an exercise price of HK$4.20 per share and for a validity period of 5 years. Among the share options granted, 2,000,000 granted options were granted to Mr. Chen Jen-Tse, an Executive Director of the Company.

On 14 November 2018, the Company granted 8,970,000 share options to the directors, employees and other eligible persons of the Group to subscribe for the ordinary shares of the Company with an exercise price of HK$6.90 per share and for a validity period of 5 years. Among the share options granted, 1,000,000 share options were granted to Mr. Chen Jen-Tse, an Executive Director of the Company. Mr. Hung Ka Hai Clement, Mr. Loo Yau Soon and Mr. Twoon Wai Mun, Benjamin, the INEDs of the Company, were granted 200,000 share options each (600,000 share options in total).

On 15 July 2020, the Company granted 17,400,000 share options to the directors, employees and other eligible persons of the Group to subscribe for the ordinary shares of the Company with an exercise price of HK$6.68 per share and for a validity period of 5 years. Among the share options granted, 3,000,000 and 400,000 share options were granted to Mr. Tung Chi Fung and Mr. Chen Jen-Tse respectively, the Executive Directors of the Company. Mr. Hung Ka Hai Clement, Mr. Loo Yau Soon, Mr. Twoon Wai Mun, Benjamin and Mr. Fong Heng Boo, the INEDs of the Company, were granted 300,000 share options each (1,200,000 share options in total).

The grant of granted options to the above Director has been approved by the INEDs pursuant to the Listing Rules. Save as disclosed above, none of the other grantees is a Director, chief executive or substantial shareholder (as defined under the Listing Rules) of the Company or any of their respective associate(s) (as defined under the Listing Rules) as at the date of grant. All options granted to Mr. Lo Wai Hung were granted on 11 September 2017 and 14 November 2018 respectively, before he was appointed as a Non-executive Director of the Company on 10 December 2021.

The following shows the outstanding position as at 31 December 2021 with respect to their granted options granted under the Share Option Scheme:

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2021	Transferred during the year	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2021
Mr. Chen Jen-Tse	11 September 2017	HK$4.20	11/9/2018-10/9/2022	500,000	–	–	–	–	500,000
			11/9/2019-10/9/2022	500,000	–	–	–	–	500,000
			11/9/2020-10/9/2022	1,000,000	–	–	–	–	1,000,000
				2,000,000	–	–	–	–	2,000,000
Mr. Lo Wai Hung	11 September 2017	HK$4.20	11/9/2018-10/9/2022	–	–	–	–	–	–
			11/9/2019-10/9/2022	–	200,000	–	–	–	200,000
			11/9/2020-10/9/2022	–	500,000	–	–	–	500,000
				–	700,000	–	–	–	700,000
Employees	11 September 2017	HK$4.20	11/9/2018-10/9/2022	852,500	–	–	(845,000)	–	7,500
			11/9/2019-10/9/2022	1,085,500	(200,000)	–	(848,000)	–	37,500
			11/9/2020-10/9/2022	2,295,000	(500,000)	–	(1,387,000)	–	408,000
				4,233,000	(700,000)	–	(3,080,000)	–	453,000
Mr. Chen Jen-Tse	14 November 2018	HK$6.90	14/11/2019-13/11/2023	250,000	–	–	–	–	250,000
			14/11/2020-13/11/2023	250,000	–	–	–	–	250,000
			14/11/2021-13/11/2023	500,000	–	–	–	–	500,000
				1,000,000	–	–	–	–	1,000,000
Mr. Lo Wai Hung	14 November 2018	HK$6.90	14/11/2019-13/11/2023	–	–	–	–	–	–
			14/11/2020-13/11/2023	–	–	–	–	–	–
			14/11/2021-13/11/2023	–	500,000	–	–	–	500,000
				–	500,000	–	–	–	500,000
Mr. Hung Ka Hai Clement	14 November 2018	HK$6.90	14/11/2019-13/11/2023	50,000	–	–	–	–	50,000
			14/11/2020-13/11/2023	50,000	–	–	–	–	50,000
			14/11/2021-13/11/2023	100,000	–	–	–	–	100,000
				200,000	–	–	–	–	200,000

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2021	Transferred during the year	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2021
Mr. Loo Yau Soon	14 November 2018	HK$6.90	14/11/2019-13/11/2023	50,000	–	–	–	–	50,000
			14/11/2020-13/11/2023	50,000	–	–	–	–	50,000
			14/11/2021-13/11/2023	100,000	–	–	–	–	100,000
				200,000	–	–	–	–	200,000
Mr. Twoon Wai Mun, Benjamin	14 November 2018	HK$6.90	14/11/2019-13/11/2023	50,000	–	–	–	–	50,000
			14/11/2020-13/11/2023	50,000	–	–	–	–	50,000
			14/11/2021-13/11/2023	100,000	–	–	–	–	100,000
				200,000	–	–	–	–	200,000
Employees	14 November 2018	HK$6.90	14/11/2019-13/11/2023	1,055,000	–	–	(663,750)	(37,500)	353,750
			14/11/2020-13/11/2023	1,005,000	–	–	(663,750)	(37,500)	303,750
			14/11/2021-13/11/2023	2,110,000	(500,000)	–	–	(722,500)	887,500
				4,170,000	(500,000)	–	(1,327,500)	(797,500)	1,545,000
Mr. Tung Chi Fung	15 July 2020	HK$6.68	15/7/2021-14/7/2025	750,000	–	–	–	–	750,000
			15/7/2022-14/7/2025	750,000	–	–	–	–	750,000
			15/7/2023-14/7/2025	1,500,000	–	–	–	–	1,500,000
				3,000,000	–	–	–	–	3,000,000
Mr. Chen Jen-Tse	15 July 2020	HK$6.68	15/7/2021-14/7/2025	100,000	–	–	–	(100,000)	–
			15/7/2022-14/7/2025	100,000	–	–	–	–	100,000
			15/7/2023-14/7/2025	200,000	–	–	–	–	200,000
				400,000	–	–	–	(100,000)	300,000
Mr. Hung Ka Hai Clement	15 July 2020	HK$6.68	15/7/2021-14/7/2025	75,000	–	–	–	–	75,000
			15/7/2022-14/7/2025	75,000	–	–	–	–	75,000
			15/7/2023-14/7/2025	150,000	–	–	–	–	150,000
				300,000	–	–	–	–	300,000

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2021	Transferred during the year	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2021
Mr. Loo Yau Soon	15 July 2020	HK$6.68	15/7/2021-14/7/2025	75,000	–	–	–	–	75,000
			15/7/2022-14/7/2025	75,000	–	–	–	–	75,000
			15/7/2023-14/7/2025	150,000	–	–	–	–	150,000
				300,000	–	–	–	–	300,000
Mr. Fong Heng Boo	15 July 2020	HK$6.68	15/7/2021-14/7/2025	75,000	–	–	–	–	75,000
			15/7/2022-14/7/2025	75,000	–	–	–	–	75,000
			15/7/2023-14/7/2025	150,000	–	–	–	–	150,000
				300,000	–	–	–	–	300,000
Mr. Twoon Wai Mun, Benjamin	15 July 2020	HK$6.68	15/7/2021-14/7/2025	75,000	–	–	–	–	75,000
			15/7/2022-14/7/2025	75,000	–	–	–	(75,000)	–
			15/7/2023-14/7/2025	150,000	–	–	–	(150,000)	–
				300,000	–	–	–	(225,000)	75,000
Employees	15 July 2020	HK$6.68	15/7/2021-14/7/2025	3,150,000	–	–	(225,000)	(537,500)	2,387,500
			15/7/2022-14/7/2025	3,150,000	–	–	–	(512,500)	2,637,500
			15/7/2023-14/7/2025	6,300,000	–	–	–	(1,025,000)	5,275,000
				12,600,000	–	–	(225,000)	(2,075,000)	10,300,000

Note: The weighted average closing price of the shares immediately before the date on which the options were exercised during the period was HK$7.98 per share.

During the year ended 31 December 2021, i) 21,373,000 granted options were outstanding under the share option scheme; ii) 4,632,500 granted options were exercised; iii) 3,197,500 granted options were lapsed; and iv) no granted options were cancelled.

Pursuant to Rule 17.07(2) of the Listing Rules, the closing prices of the Shares immediately before 11 September 2017, 14 November 2018 and 15 July 2020, being the dates on which the Options were granted, were HK$4.14, HK$6.50 and HK$6.60 respectively.

Pursuant to Rule 17.09(9) of the Listing Rules, as at 31 December 2021, the remaining life of the Share Option Scheme is about 5 years and 4 months old.

PERMITTED INDEMNITY

Pursuant to the articles of association of the Company, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all liabilities (to the fullest extent permitted by the Companies Ordinance) which he may incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has taken out insurance against all liabilities associated with defending any proceedings which may be brought against Directors and other officers of the Company.

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during 2021.

COMPLIANCE OF NON-COMPETITION UNDERTAKINGS

Mr. Tung, TMF Trust, Eander and Wisdom Cosmos, the controlling shareholders of the Company (the "**Covenantors**", each a "**Covenantor**") executed the deed of non-competition undertaking dated 19 June 2017 in favour of the Company (for itself and as trustee for the subsidiaries of the Company (the "**Subsidiaries**")) (the "**Deed of Non-Competition**").

In accordance with the Deed of Non-Competition, the Covenantors irrevocably and unconditionally undertake to the Company, for itself and as trustee for and on behalf of the Subsidiaries, that they will not, and will use their best endeavours to procure any Covenantor, their respective close associates (collectively, the "**Controlled Persons**") and any company directly or indirectly controlled by the respective Covenantor (the "**Controlled Company**") not to, either on its own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of the Group) to conduct any business which, directly or indirectly, competes or is likely to compete with the business of the Company or any of the Subsidiaries in Hong Kong, the PRC and such other places as the Company or any of the Subsidiaries may conduct or carry on business from time to time, including but not limited to providing commercial factoring, credit guarantee and accounts receivable management services (the "**Restricted Business**").

Further, the Covenantors irrevocably and unconditionally undertake to the Company, for itself and as trustee for and on behalf of the Subsidiaries, that if any Covenantor and/or any Controlled Company is offered or becomes aware of any business opportunity directly or indirectly to engage in or own a Restricted Business (the "**New Business Opportunity**"): (a) it shall within 10 days notify the Company of such New Business Opportunity in writing and refer the same to the Company for consideration, and shall provide the relevant information to the Company in order to enable us to make an informed assessment of such opportunity; and (b) it shall not, and shall procure that its Controlled Persons or Controlled Companies not to, invest or participate in any project and New Business Opportunity, unless such project and New Business Opportunity shall have been rejected by the Company and the principal terms of which the Covenantor or his Controlled Persons or Controlled Companies invest or participate in are no more favourable than those made available to the Company.

For further details of the Deed of Non-Competition, please refer to the section headed "Relationship with our Controlling Shareholders – Non-Competition Undertakings" in the prospectus of the Company dated 26 June 2017.

The Covenantors had continued to uphold, among others, their undertaking by allowing the Company and its representatives to have access to such information, financial and/or corporate records to facilitate the Company to determine the compliance of the undertakings contained in the Deed of Non-Competition from the Listing Date up to the date of the Annual Report.

Each of the Covenantors has confirmed to the Company of his/her/its compliance with the Deed of Non-Competition from the Listing Date up to the date of this report. The Independent Non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied by each of the Covenantors from the Listing Date to the date of this report.

RELATED PARTY TRANSACTION

Exempted Continuing Connected Transactions

The Directors confirmed that the tenancy agreements (the "**Tenancy Agreements**", collectively, the Tenancy Agreement I and the Tenancy Agreement II) entered into by the Group with Bondlink Investment Limited ("**Bondlink**") which is a connected person, constituted continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

On 12 April 2018, Bondlink as lessor and one of the wholly owned subsidiary of the Company as lessee (the "**Lessee**") entered into a tenancy agreement (the "**Tenancy Agreement I**") for the leasing of the property located at "Room 4202, 42th Floor, Tower 1, Lippo Centre, No.89 Queensway, Hong Kong" for a term of two years commencing from 16 April 2018 to 15 April 2020 (both days inclusive) at a monthly rent of HKD166,320 exclusive of building management fee, Government rates and government rent. The aggregate of the management fee, Government rates and government rent is currently HKD18,939 in total per month and subject to review from time to time.

On 7 April 2020, Bondlink and the Lessee entered into a tenancy agreement (the "**Tenancy Agreement II**") for the leasing of the property with the same location for a term of two years commencing from 16 April 2020 to 15 April 2022 (both days inclusive) at a monthly rent of HKD144,000 exclusive of building management fee, Government rates and Government rent. The aggregate of the management fee, Government rates and Government rent is currently HKD19,066 in total per month and subject to review from time to time.

As the applicable percentage ratios under Chapter 14A of the Listing Rules (other than the profit ratio) for the Tenancy Agreements on an annual basis exceed 0.1% but are less than 5% and the annual amount payable by the Group under the Tenancy Agreements will be less than HK$3 million, the continuing connected transactions contemplated thereunder are fully exempt from all annual review, reporting, announcement and independent shareholders' approval (including independent financial advisor) requirements under Chapter 14A of the Listing Rules.

Save for the transactions disclosed under "Exempted Continuing Connected Transactions" section of this annual report, details of the related party transactions entered into by the Group are set out in note 35 to the consolidated financial statements, which do not constitute notifiable connected transactions under the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, at least 25% of the Company's total issued Shares was held by the public throughout the financial year ended 31 December 2021 and thereafter up to the date of this report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the relevant laws of the Cayman Islands and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

TAX RELIEF

The Directors are not aware of any tax relief available to the Shareholders of the Company by reason of their holding of the Company's securities.

ENVIRONMENTAL POLICY AND SOCIAL RESPONSIBILITY

The Group is committed to sustainable development of the environment and our society. The Group works to advance environmental and social progress and conduct business in a way that creates value for its clients and employees. The Group complies with all relevant environmental regulations and practice "Reduce, Reuse and Recycle" with the following initiatives:

- Promotes the knowledge of environmental protection to staff and advocates to sort their trash into separate bins.
- Implement paperless documentation by application of electronic documents and encourage double-sided printing and recycling paper. Reduce printing of paper materials and paper consumption.
- Maintain suitable indoor temperature and clean regularly the air conditioners and the ventilation system to reduce electricity usage.

The Group proactively promote the spirit of corporate social responsibility within the Company by sponsoring charitable events, making donation and participating in community activities. The Group through this kind of events, aspires to giving back from its employees, foster positive relationships between its employees and the communities by caring for and helping the needy.

The Group strives to reshape the supply chain financing landscape through innovative application of information technology. The Group continues to provide diversified supply chain fintech solutions to help small, medium, and micro enterprises ("**SMEs**") to ease their business pressures and fully empower the industry ecosystem. By providing convenient and flexible solutions directly to the SMEs, the Group contributes to the stable development of the real economy. With the Group mission of "making finance more inclusive", the Group will share the development results with more stakeholders, improve the sustainability of markets, workplaces, communities and the environment, and create values that can be shared with society.

In terms of environment, the Group puts great effort in promoting low-carbon operations. Internally, the Company encourages employees to take small steps in saving resources and energy; externally, a comprehensive online platform is provided for business operation, thereby effectively reducing the amount of paper used in the operation and the volume of carbon emissions caused by the business travel of our customers.

REVIEW OF THE FINAL RESULTS BY AUDIT COMMITTEE

The Audit Committee comprises three members, namely Mr. Hung Ka Hai Clement (Chairman), Mr. Loo Yau Soon and Mr. Fong Heng Boo, all of them being INEDs.

The Group's audited consolidated financial statements for the year ended 31 December 2021 and this annual report have been reviewed by the Audit Committee. The Board is of the opinion that such financial information has been prepared in compliance with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

By order of the Board of
SY Holdings Group Limited
Tung Chi Fung
Chairman

Hong Kong, 30 March 2022

Deloitte. 德勤

TO THE SHAREHOLDERS OF SY HOLDINGS GROUP LIMITED
盛業控股集團有限公司

(FORMERLY KNOWN AS SHENG YE CAPITAL LIMITED 盛業資本有限公司)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of SY Holdings Group Limited (formerly known as Sheng Ye Capital Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 61 to 189, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of supply chain assets at fair value through other comprehensive income ("FVTOCI") and provisions for financial guarantee contracts	
We identified the impairment of supply chain assets at FVTOCI and provisions for financial guarantee contracts as a key audit matter due to its significance to the consolidated financial statements, and the use of judgement by the management in evaluating the expected credit losses ("ECL"). As set out in notes 22 and 28 to the consolidated financial statements, the carrying amount of supply chain assets at FVTOCI is RMB6,678,376,000 and the maximum exposure of financial guarantee contracts is RMB1,334,663,000 as at 31 December 2021. The impairment allowance in respect of supply chain assets at FVTOCI is RMB97,155,000 and the provision for financial guarantee contracts is RMB19,669,000. At each reporting date, the management assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. In determining the impairment of supply chain assets at FVTOCI and provisions for financial guarantee contracts, the management considers shared credit risk characteristics for grouping, and assesses credit losses based on external or internal credit rating, and on a forward-looking basis with the use of appropriate models and assumptions related to the future macroeconomic conditions and creditworthiness. In assessing the lifetime ECL on credit-impaired supply chain assets at FVTOCI and financial guarantee contracts classified as loss, the Group performs an assessment based on the borrowers' historical credit loss experience, internal credit rating adjustment, general economic conditions, the current conditions at the reporting date and forward-looking analysis. The Group also reviews the amount and timing of future cash flows in measuring impairment. The methodology and assumptions used for estimating the impairment amount are reviewed regularly to reduce any differences between loss estimates and actual loss experience.	Our procedures in relation to the impairment of supply chain assets at FVTOCI and provisions for financial guarantee contracts included: • Understanding key controls over the way in which the management estimates impairment for supply chain assets at FVTOCI and provisions for financial guarantee contracts; • Obtaining an understanding of management's methodology for determining the ECL impairment allowance on supply chain assets at FVTOCI and provisions for financial guarantee contracts and assessing the appropriateness of the methodology used by management; • On a sample basis, evaluating management's assessment of the credit quality of the supply chain assets at FVTOCI and financial guarantee contracts by examining the credit files, including financial condition of the borrower, past collection history, subsequent settlement, relevant deposits received, pledge and guarantees, as applicable; • Assessing the reasonableness of key inputs and assumptions applied, including the Group's past experience of collecting payments, historical loss ratio, macroeconomic factors, external or internal credit rating and forward-looking information; and • Testing the data inputs and the mathematical accuracy of the impairment allowance calculation.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Derecognition of supply chain assets at FVTOCI	
We identified derecognition of supply chain assets at FVTOCI as a key audit matter due to its significance to the consolidated financial statements and the assessment relating to derecognition of supply chain assets at FVTOCI involving significant judgment from the management. As set out in notes 4 and 6 to the consolidated financial statements, the Group generated a gain on sales of supply chain assets at FVTOCI of RMB95,164,000 which contributed approximately 16.54% of revenue and income from principal activities for the year ended 31 December 2021. In determining derecognition of supply chain assets at FVTOCI, the management analysed the contractual rights and obligations in connection with such transfers, and assessed the extent to which the associated risks and rewards of ownership were transferred to determine whether the derecognition criteria were met. Where necessary, the Group assessed whether it had relinquished its control over the transferred supply chain assets at FVTOCI to determine whether the derecognition criteria were met.	Our procedures in relation to derecognition of supply chain assets at FVTOCI included: • Obtaining an understanding of the process and relevant controls over the transfers of supply chain assets at FVTOCI, including the contractual terms of the transactions, authorisation, asset selection, and approval processes, as well as the review and approval of management's assessment on derecognition of supply chain assets at FVTOCI; • Obtaining from management the agreements for all transfers during the year and evaluating whether the transfers of the supply chain assets at FVTOCI meet the derecognition criteria; and • On a sample basis, checking transaction documents and testing the cash received from sales of the supply chain assets.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chong Kwok Shing.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers	6		
– Platform-based services		**48,484**	35,034
– Supply chain technology services		**1,671**	–
Income from digital financing solutions	6		
– Interest income		**410,505**	443,529
– Guarantee income		**19,509**	17,324
Gain on sales of supply chain assets	6	**95,164**	138,233
Revenue and income from principal activities		**575,333**	634,120
Other income	7	**26,686**	24,067
Other gains and losses	8	**225,716**	45,771
Staff costs	12(a)	**(153,512)**	(117,772)
Depreciation and amortisation	12(a)	**(22,886)**	(17,718)
Consumables used	12(a)	**(1,503)**	–
Other operating expenses		**(54,738)**	(53,105)
Impairment losses under expected credit loss ("ECL") model, net of reversal	9	**(17,184)**	(15,200)
Finance costs	10	**(129,228)**	(126,721)
Donation		**(3,349)**	(1,060)
Share of profit of associates		**16,814**	14,706
Profit before taxation		**462,149**	387,088
Taxation	11	**(40,676)**	(49,692)
Profit for the year	12(a)	**421,473**	337,396
Attributable to:			
– Owners of the Company		**411,043**	329,252
– Non-controlling interests		**10,430**	8,144
		421,473	337,396
Earnings per share	15		
– Basic (RMB cents)		**43**	37
– Diluted (RMB cents)		**43**	37

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	2021 RMB'000	2020 RMB'000
Profit for the year	12(a)	**421,473**	337,396
Other comprehensive income (expense) ("OCI"):	12(b)		
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**33**	–
Fair value gain (loss), net of ECL and reclassification of fair value through OCI ("FVTOCI") reserves upon derecognition on:	12(b)		
– supply chain assets at FVTOCI		**4,843**	(1,735)
Income tax relating to items that may be reclassified subsequently		**(67)**	(91)
Share of other comprehensive expense of associates, net of related income tax		**(1,297)**	(721)
Other comprehensive income (expense) for the year, net of income tax		**3,512**	(2,547)
Total comprehensive income for the year		**424,985**	334,849
Attributable to:			
– Owners of the Company		**415,112**	327,098
– Non-controlling interests		**9,873**	7,751
		424,985	334,849

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	NOTES	31/12/2021 RMB'000	31/12/2020 RMB'000
NON-CURRENT ASSETS			
Property and equipment	16	**7,687**	8,042
Right-of-use assets	17	**15,372**	24,680
Goodwill	18(a)	**316,028**	–
Intangible assets	18(b)	**148,435**	22,218
Investments in associates	20	**11,380**	150,911
Deferred tax assets	21	**28,289**	25,210
Supply chain assets at FVTOCI	22	**115,974**	14,278
Other financial assets at fair value through profit or loss ("FVTPL")	23	**93,165**	74,263
Prepayments for non-current assets		**11,066**	637
Refundable rental deposits		**3,924**	3,839
		751,320	324,078
CURRENT ASSETS			
Supply chain assets at FVTOCI	22	**6,562,402**	3,789,922
Derivative financial instruments	24	**–**	790
Other financial assets at FVTPL	23	**190,233**	30,878
Receivables from guarantee customers	25(a)	**6,253**	17,052
Trade receivables	25(b)	**19,968**	2,733
Other receivables, prepayments and others	25(c)	**41,183**	16,841
Contract costs		**1,747**	–
Pledged bank deposits	26	**429,257**	255,489
Bank balances	26	**800,410**	348,715
		8,051,453	4,462,420
CURRENT LIABILITIES			
Loans from related parties	35	**399,866**	–
Other payables and accrued charges	27	**345,607**	105,552
Derivative financial instruments	24	**13,205**	17,616
Contract liabilities		**5,978**	1,125
Income tax payable		**36,835**	36,679
Liabilities arising from guarantee contracts	28	**20,116**	29,742
Borrowings	29(a)	**3,000,013**	1,475,913
Bank overdraft	29(b)	**–**	10,828
Lease liabilities	30	**12,051**	11,913
		3,833,671	1,689,368
NET CURRENT ASSETS		**4,217,782**	2,773,052

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	NOTES	31/12/2021 RMB'000	31/12/2020 RMB'000
NON-CURRENT LIABILITIES			
Borrowings	29(a)	**941,000**	–
Lease liabilities	30	**3,804**	13,337
Deferred tax liabilities	21	**70,704**	56,449
		1,015,508	69,786
NET ASSETS		**3,953,594**	3,027,344
CAPITAL AND RESERVES			
Share capital	31	**8,687**	8,127
Reserves		**3,762,158**	2,907,920
Equity attributable to owners of the Company		**3,770,845**	2,916,047
Non-controlling interests		**182,749**	111,297
TOTAL EQUITY		**3,953,594**	3,027,344

The consolidated financial statements on pages 61 to 189 were approved and authorised for issue by the board of directors on 30 March 2022 and are signed on its behalf by:

Mr. Tung Chi Fung
Director

Mr. Chen Jen-Tse
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	FVTOCI reserves RMB'000 (note i)	Translation reserves RMB'000	Share-based payments reserves RMB'000	Statutory reserves RMB'000 (note ii)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020	7,636	1,592,105	1,547	2,125	–	17,659	80,002	587,925	2,288,999	129,061	2,418,060
Profit for the year	–	–	–	–	–	–	–	329,252	329,252	8,144	337,396
Other comprehensive expense for the year	–	–	–	(2,154)	–	–	–	–	(2,154)	(393)	(2,547)
Total comprehensive (expense) income for the year	–	–	–	(2,154)	–	–	–	329,252	327,098	7,751	334,849
Issue of new shares from placing (note 31)	484	338,361	–	–	–	–	–	–	338,845	–	338,845
Transaction costs attributable to issue of new shares from placing (note 31)	–	(4,770)	–	–	–	–	–	–	(4,770)	–	(4,770)
Deregistration of subsidiaries (note 40)	–	–	–	–	–	–	–	–	–	(19,984)	(19,984)
Transfer to PRC statutory reserves (note ii)	–	–	–	–	–	–	4,619	(4,619)	–	–	–
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	–	–	(5,531)	(5,531)
Recognition of equity-settled share-based payments	–	–	–	–	–	5,509	–	–	5,509	–	5,509
Dividends recognised as distribution (note 14)	–	(42,652)	–	–	–	–	–	–	(42,652)	–	(42,652)
Exercise of share options	7	3,908	–	–	–	(897)	–	–	3,018	–	3,018
Lapse of share options	–	–	–	–	–	(805)	–	805	–	–	–
At 31 December 2020	8,127	1,886,952	1,547	(29)	–	21,466	84,621	913,363	2,916,047	111,297	3,027,344
Profit for the year	–	–	–	–	–	–	–	411,043	411,043	10,430	421,473
Other comprehensive income (expense) for the year	–	–	–	4,036	33	–	–	–	4,069	(557)	3,512
Total comprehensive income for the year	–	–	–	4,036	33	–	–	411,043	415,112	9,873	424,985
Issue of new shares from placing (note 31)	522	459,161	–	–	–	–	–	–	459,683	–	459,683
Transaction costs attributable to issue of new shares from placing (note 31)	–	(3,260)	–	–	–	–	–	–	(3,260)	–	(3,260)
Acquisition of a subsidiary (note 39)	–	–	–	–	–	–	–	–	–	100,993	100,993
Deregistration of subsidiaries (note 40)	–	–	–	–	–	–	–	–	–	(23,020)	(23,020)
Transfer to PRC statutory reserves (note ii)	–	–	–	–	–	–	8,552	(8,552)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(16,394)	(16,394)
Recognition of equity-settled share-based payments	–	–	–	–	–	12,882	–	–	12,882	–	12,882
Dividends recognised as distribution (note 14)	–	(49,146)	–	–	–	–	–	–	(49,146)	–	(49,146)
Exercise of share options	38	26,140	–	–	–	(6,651)	–	–	19,527	–	19,527
Lapse of share options	–	–	–	–	–	(316)	–	316	–	–	–
At 31 December 2021	8,687	2,319,847	1,547	4,007	33	27,381	93,173	1,316,170	3,770,845	182,749	3,953,594

Notes:

(i) FVTOCI reserves attributable to owners of the Company represent (i) net effect of fair value changes on FVTOCI after tax; (ii) share of FVTOCI reserves of associates.

(ii) Pursuant to the articles of association of the subsidiaries established in the People's Republic of China ("PRC"), they are required to appropriate 10% of their profit after taxation in accordance with the relevant accounting rules and financial regulations of the PRC before any distribution of dividends to owners each year to the statutory reserves until the balance reaches 50% of their registered capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
Profit for the year	**421,473**	337,396
Adjustment for:		
Taxation	**40,676**	49,692
Share of profit of associates	**(16,814)**	(14,706)
Depreciation of property and equipment	**3,264**	2,254
Depreciation of right-of-use assets	**12,129**	9,970
Amortisation of intangible assets	**7,493**	5,494
Impairment losses under ECL model, net of reversal	**17,184**	15,200
Net loss arising from changes in fair value of derivative financial instruments	**13,286**	16,127
Loss on deregistration of subsidiaries	**1,480**	–
Loss on disposal of equipment	**22**	24
Loss (gain) from termination of a lease contract	**1**	(26)
Loss on disposal of investments in associates	**–**	48
Rent concessions	**–**	(224)
Gain from modification of a borrowing	**–**	(859)
Net gain from changes in fair value of other financial assets at FVTPL	**(32,810)**	(33,251)
Gains arising from acquisition of a subsidiary	**(204,752)**	–
Equity-settled share-based payments expense	**12,882**	5,509
Finance costs	**129,228**	126,721
Bank interest income	**(5,304)**	(2,890)
Interest income from a loan receivable	**(1,151)**	(1,190)
Exchange gain, net	**(2,964)**	(27,836)
Operating cash flows before movements in working capital	**395,323**	487,453
(Increase) decrease in supply chain assets at FVTOCI	**(540,334)**	19,583
Decrease (increase) in other financial assets at FVTPL – distressed debt assets	**3,653**	(32,366)
Increase in pledged bank deposits for guarantee contracts	**(18,276)**	–
Decrease (increase) in receivables from guarantee customers	**11,006**	(9,548)
Increase in trade receivables	**(17,235)**	(2,330)
Increase in contract costs	**(1,747)**	–
Increase in other receivables, prepayments and others	**(32,618)**	(3,540)
Increase in other payables and accrued charges	**139,445**	25,539
Increase in contract liabilities	**4,853**	453
(Decrease) increase in liabilities arising from guarantee contracts	**(12,195)**	10,540
Cash (used in) from operations	**(68,125)**	495,784
Enterprise Income Tax paid	**(27,388)**	(35,615)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(95,513)**	460,169

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES			
Proceeds from disposal of other financial assets at FVTPL		**207,312**	41,423
Repayment of a loan receivable		**120,794**	1,325
Repayment of security deposits for derivative financial instruments		**9,187**	3,550
Withdrawal of pledged bank deposits for derivative financial instruments		**8,853**	4,700
Bank interest income received		**5,304**	2,890
Interest received from a loan receivable		**1,151**	1,410
Dividends received from an associate		**20**	4,383
Refundable rental deposits received		**14**	2,295
Proceeds from disposal of equipment		**57**	86
Proceeds on disposal of a loan receivable		**–**	11,499
Repayment of pledged structured deposits		**–**	9,000
Proceeds on disposal of investments in associates		**–**	5,603
Payments for refundable rental deposits		**(99)**	(1,173)
Payments for right-of-use assets		**(144)**	(233)
Investment in an associate		**(200)**	(80,000)
Security deposits paid for derivative financial instruments		**(201)**	(9,187)
Placement of pledged bank deposits for derivative financial instruments		**(2,000)**	(173,839)
Net cash outflow on acquisition of a subsidiary	39	**(12,509)**	–
Payment for purchase of equipment and prepayments of a property		**(13,450)**	(4,339)
Payment for development costs and purchase of other intangible assets		**(20,207)**	(7,291)
Settlement of derivative financial instruments		**(22,539)**	(909)
Net cash outflow arising on deregistration of subsidiaries	40	**(24,500)**	(19,984)
Advances of a loan receivable		**(120,794)**	–
Purchases of other financial assets at FVTPL		**(356,412)**	(76,450)
NET CASH USED IN INVESTING ACTIVITIES		**(220,363)**	(285,241)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTE	2021 RMB'000	2020 RMB'000
FINANCING ACTIVITIES	41		
New borrowings raised		**2,714,806**	2,090,249
Loans raised from related parties		**1,177,563**	449,359
Issue of placing shares		**456,423**	334,075
Repayment of pledged bank deposits for borrowings		**100,966**	–
Proceeds received on exercise of equity-settled share options		**19,527**	3,018
Repayment of pledged bank deposits for bank overdraft		**8,419**	–
Repayment of security deposits for borrowings		**–**	6,296
Interest paid for bank overdraft		**(79)**	(494)
Interest paid for lease liabilities		**(1,330)**	(1,487)
Repayment of lease liabilities		**(12,042)**	(8,831)
Interest paid for loans from related parties		**(16,632)**	(8,559)
Dividends paid to non-controlling shareholders of subsidiaries		**(21,925)**	–
Dividends paid to the shareholders of the Company		**(48,615)**	(41,650)
Interest paid for borrowings		**(127,159)**	(123,392)
Pledged bank deposits paid for borrowings		**(271,730)**	–
Repayment of loans from related parties		**(1,307,563)**	(449,359)
Repayment of borrowings		**(1,895,227)**	(2,473,565)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**775,402**	(224,340)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**459,526**	(49,412)
Effect of foreign exchange rate changes		**2,997**	27,836
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**337,887**	359,463
CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by		**800,410**	337,887
Bank balances		**800,410**	348,715
Bank overdraft		**–**	(10,828)
		800,410	337,887

1. GENERAL INFORMATION

SY Holdings Group Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's immediate holding company is Wisdom Cosmos Limited. Its ultimate shareholder is Mr. Tung Chi Fung, who is also the Chairman and Executive Director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are provision of digital financing solutions, platform-based services, supply chain technology services and sales of supply chain assets in the PRC. Details of the Company's subsidiaries are set out in note 38.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 *Leases* ("HKFRS 16") by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application of this amendment has had no material impact on the Group's financial positions and performance for the current and prior years.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.2 Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* ("HKFRS 7").

As at 1 January 2021, the Group has several financial liabilities and derivatives, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts. The amounts of financial liabilities and derivatives are shown at their carrying amounts and derivatives are shown at their notional amounts.

	HKD Hong Kong Interbank Offered Rate ("HIBOR") RMB'000	USD London Interbank Offered Rate ("LIBOR") RMB'000
Financial liabilities		
– Borrowings	292,335	114,923
– Bank overdraft	10,828	–
	303,163	114,923
Derivative financial instruments		
– Cross currency swap contracts	42,165	122,276

During the year, the Group's LIBOR bank borrowings with carrying amounts of RMB117,999,000 have been transitioned to the relevant alternative benchmark rates. Such transitions have had no material impact on the consolidated financial statements as the Group has applied the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans measured at amortised cost. Additional disclosures as required by HKFRS 7 are set out in note 37.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.

2 Effective for annual periods beginning on or after 1 January 2023.

3 Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)* (continued)

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2021, and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Group is still in the process of assessing the full impact of the application of the amendments. The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation of consolidated financial statements (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS *36 Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its investment with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Profit or loss and each item of OCI are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in OCI in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Business combinations or asset acquisitions (continued)

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or OCI, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in OCI and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and OCI of the associate. Changes in net assets of the associate other than profit or loss and OCI are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Investments in associates (continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in OCI in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in OCI by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Income recognised in accordance with HKFRS 9

Digital financing solutions

Interest income from digital financing solutions consists of interest income which is recognised in accordance with HKFRS 9.

Guarantee income from digital financing solutions provided to customers in relation to the transactions with their suppliers and customers is recognised in accordance with HKFRS 9 under the accounting policy of financial guarantee contracts.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

The Group's revenue from contracts with customers recognition policies are as follows:

Platform-based services

Platform-based services primarily include loan facilitation services, technology service for asset-backed securitisation products and other services.

Revenue from loan facilitation services is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation when the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Revenue from technology service for asset-backed securitisation products is recognised at a point in time when services are rendered in accordance with contract terms.

Revenue from other services is recognised over time or a point in time when services are rendered in accordance with contract terms.

Supply Chain Technology Services

Revenue from supply chain technology services is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation when the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Contract costs

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its supply chain technology services contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of land and building that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and
- any lease payments made at or before the commencement date, less any lease incentives received;

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in OCI and accumulated in equity under the heading of translation reserves (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs, other than those directly attributable to the acquisition, construction or production of qualifying assets, are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Employees in the PRC are members of a state-managed employee pension scheme operated by the relevant municipal government in the PRC which undertakes to assume the retirement benefit obligations of all existing and future retired employees. The Group's obligation is to make the required contributions under the scheme. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payment

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained profits.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share premium.

Modification to the terms and conditions of the share-based payment arrangements

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognises, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period.

The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Share-based payment (continued)

Equity-settled share-based payment transactions (continued)

Modification to the terms and conditions of the share-based payment arrangements (continued)

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in OCI or directly in equity, in which case, the current and deferred tax are also recognised in OCI or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property and equipment

Property and equipment are tangible assets that are held for use in the supply of services, or for administrative purposes. Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property and equipment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Property and equipment (continued)

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Intangible assets (continued)

Internally-generated intangible assets – research and development expenditure (continued)

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property and equipment, right-of-use assets, contract costs and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash generating unit or group of CGUs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment on property and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (continued)

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the CGU to which they belong for the purpose of evaluating impairment of that CGU.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income arising from digital financing solutions which is derived from the Group's ordinary course of business is presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and supply chain assets subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Supply chain assets classified as at FVTOCI

Subsequent changes in the carrying amounts for supply chain assets classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these supply chain assets are recognised in OCI and accumulated under the heading of FVTOCI reserves. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these supply chain assets. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these supply chain assets had been measured at amortised cost. When these supply chain assets are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and financial guarantee contracts

The Group performs impairment assessment under ECL model on financial assets (including supply chain assets at FVTOCI, refundable rental deposits, receivables from guarantee customers, trade receivables, other receivables, pledged bank deposits, and bank balances) and financial guarantee contracts which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, and factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and financial guarantee contracts (continued)

(i) Significant increase in credit risk (continued)

- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group classifies credit risk into three grades. The internal credit risk ratings are based on qualitative (such as debtors' operating conditions, financial positions, external rating of digital financing solutions customers, etc.) and quantitative factors (mainly includes past due information of the supply chain assets at FVTOCI).

The Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and financial guarantee contracts (continued)

(ii) Definition of default (continued)

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default ("PD"), loss given default ("LGD") (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the PD and LGD is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and financial guarantee contracts (continued)

(v) Measurement and recognition of ECL (continued)

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for supply chain assets that are measured at FVTOCI and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account. For supply chain assets that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserves without reducing the carrying amounts of these supply chain assets. Such amount represents the changes in the FVTOCI reserves in relation to accumulated loss allowance.

Derecognition/modification of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in supply chain assets classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserves is reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition/modification of financial assets (continued)

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Group applies the practical expedient, when the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in OCI. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Financial liabilities at amortised cost

The Group's financial liabilities including loans from related parties, other payables, borrowings and bank overdraft are subsequently measured at amortised cost, using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition/modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Group applies the practical expedient, when the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 on modification of a financial asset or a financial liability (see accounting policy above) to the additional changes to which the practical expedient does not apply.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Derecognition of financial assets

In its normal course of business, the Group transfers financial assets through various types of transactions including regular way sales and transfers. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial derecognition.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether the derecognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the "pass through" of those cash flows to independent third parties; and
- where the Group neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether the Group has relinquished its control over these financial assets, and if the Group has continuing involvement in these transferred financial assets. Where the Group has not retained control, it derecognises these financial assets and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer. Otherwise, the Group continues to recognise these financial assets to the extent of its continuing involvement in the financial assets.

During the year ended 31 December 2021, gain on sales of supply chain assets at FVTOCI which met the derecognition criteria were RMB95,164,000 (2020: RMB138,233,000). Details of derecognition of supply chain assets are disclosed in note 6.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Measurement of ECL for supply chain assets at FVTOCI and financial guarantee contracts

For supply chain assets at FVTOCI and financial guarantee contracts that are assessed for impairment on ECL model, to measure the ECL, supply chain assets at FVTOCI and financial guarantee contracts of various debtors have been grouped considering shared credit risk characteristics. The credit losses expectations are based on external or internal credit rating and on a forward-looking basis and assumptions relate to the future macroeconomic conditions and creditworthiness. A considerable amount of judgement is required in estimating the ultimate realisation of supply chain assets and guaranteed loans, including the creditworthiness, the Group's past experience of collecting payments, historical loss ratio, industry practice, relevant deposits received, pledge or guarantee information, if any, and forward-looking information.

The measurement of ECL is sensitive to changes in estimates. The information about the Group's supply chain assets at FVTOCI, financial guarantee contracts, and the ECL are disclosed in notes 22, 28 and 37.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgement in applying accounting policies (continued)

Key sources of estimation uncertainty (continued)

Impairment assessment of goodwill and intangible assets with indefinite useful life

Determining whether goodwill and intangible assets with indefinite useful life are impaired requires an estimation of the recoverable amount of the CGU (or group of CGUs) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU (or a CGUs) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties due to uncertainty on how the Covid-19 pandemic may progress and evolve.

As at 31 December 2021, the carrying amounts of goodwill and brand name were RMB316,028,000 and RMB113,000,000 (2020: nil), respectively. Details of the calculation of recoverable amounts are disclosed in note 19.

Recognition of deferred taxation

As at 31 December 2021, a deferred tax asset of RMB28,289,000 (31 December 2020: RMB25,210,000) in relation to the deferred income, ECL provision and fair value adjustment have been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than or more than expected, a material reversal or recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or recognition takes place. Details of the deferred tax are disclosed in note 21.

Fair value measurement of other financial assets at FVTPL classified as level 3

As at 31 December 2021, certain of the Group's other financial assets at FVTPL classified as level 3, equity tranche, distressed debt assets and trust fund, amounting to RMB109,474,000 (31 December 2020: RMB103,136,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Whilst the Group considers these valuations are the best estimates, the ongoing Covid-19 pandemic has resulted in greater market volatility and may cause further disruptions to the investees'/issuer' businesses, which have led to higher degree of uncertainties in respect of the valuations in the current year. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 37(c) for further disclosures.

5. SEGMENT INFORMATION

The chief operating decision maker ("CODM"), being the executive directors of the Company, have determined that no segment information is presented other than entity wide disclosures throughout the reporting period, as the Group is principally engaged in providing platform-based services, digital financing solutions, supply chain technology services and sales of supply chain assets services mainly in the PRC, and the CODM, reviews the consolidated financial position and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group.

The Company is an investment holding company and the principal place of the Group's operation is mainly in the PRC. Most of the Group's revenue, income and major non-current assets are principally derived from or located in the PRC.

Information about major customers

Revenue and income from principal activities of the corresponding years contributing over 10% of the total revenue and income from principal activities of the Group are as follows:

	2021 RMB'000	2020 RMB'000
Customer A (note 35(b))	76,848	61,928

6. REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES

Revenue and income from principal activities for the year represents income received and receivable mainly from the provision of platform-based services, digital financing solutions, supply chain technology services and sales of supply chain assets in the PRC.

In the current year, the names of "factoring and guarantee services" and "information technology service" were changed to "digital financing solutions" and "platform-based services" respectively. Prior year disclosures have been re-presented to conform with the current year's presentation.

(i) Disaggregation of revenue from contracts with customers

	2021 RMB'000	2020 RMB'000
Platform-based services		
– Loan facilitation services	40,029	11,981
– Technology service for asset-backed securitisation products	3,525	13,305
– Other services (note)	4,930	9,748
	48,484	35,034
Supply chain technology services	1,671	–
	50,155	35,034

Note: Other services primarily include income from providing accounts receivable management services without financing, including review and verification of documentation relating to the accounts receivable and collection of the accounts receivable on behalf of customers.

6. REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES (continued)

(i) Disaggregation of revenue from contracts with customers (continued)

	2021 RMB'000	2020 RMB'000
Timing of revenue recognition		
Over time		
– Loan facilitation services	40,029	11,981
– Supply chain technology services	1,671	–
– Other services	3,959	8,299
	45,659	20,280
A point in time		
– Technology service for asset-backed securitisation products	3,525	13,305
– Other services	971	1,449
	4,496	14,754
	50,155	35,034

All the Group's platform-based services and supply chain technology services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and 2020 is not disclosed.

(ii) Income from digital financing solutions

	2021 RMB'000	2020 RMB'000
Digital financing solutions		
– Interest income	410,505	443,529
– Guarantee income	19,509	17,324
	430,014	460,853

6. REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES (continued)

(iii) Gain on sales of supply chain assets

For the years ended 2021 and 2020, the Group sold part of supply chain assets to certain financial institutions mainly in the PRC. Sales of supply chain assets gave rise to full derecognition of the supply chain assets pursuant to the terms of sale agreements signed between the Group and relevant financial institutions.

	2021 **RMB'000**	2020 RMB'000
Gain on sales of supply chain assets	**95,164**	138,233

7. OTHER INCOME

	2021 **RMB'000**	2020 RMB'000
Government subsidies (note)	**19,834**	19,942
Bank interest income	**5,304**	2,890
Interest income from a loan receivable	**1,151**	1,190
Others	**397**	45
	26,686	24,067

Note: The government subsidies were mainly received unconditionally by the Company's subsidiaries in the PRC from local government in relation to the incentive policy and based on certain taxes paid or payable by the Company's PRC subsidiaries.

8. OTHER GAINS AND LOSSES

	2021 RMB'000	2020 RMB'000
Gains arising from acquisition of a subsidiary (note 39)	204,752	–
Net gain from changes in fair value of other financial assets at FVTPL	32,810	33,251
Exchange gain, net	2,964	27,836
Gain from modification of a borrowing	–	859
Loss on disposal of investments in an associate	–	(48)
(Loss) gain from termination of a lease contract	(1)	26
Loss on disposal of equipment	(22)	(24)
Loss on deregistration of subsidiaries (note 40)	(1,480)	–
Net loss arising from changes in fair value of derivative financial instruments	(13,286)	(16,127)
Others	(21)	(2)
	225,716	45,771

9. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2021 RMB'000	2020 RMB'000
Impairment losses recognised (reversed) on:		
– Supply chain assets at FVTOCI	14,822	11,830
– Financial guarantee contracts	2,569	7,152
– Loan receivable	–	(3,978)
– Receivables from guarantee customers	(207)	196
	17,184	15,200

Details of impairment assessment are set out in note 37(b).

10. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on borrowings	**116,839**	116,181
Interest on loans from related parties (note 35)	**10,980**	8,559
Interest on lease liabilities (note)	**1,330**	1,487
Interest on bank overdraft	**79**	494
	129,228	126,721

Note: Details of the interest on lease liabilities in relation to related parties included in the amounts are set out in note 35.

11. TAXATION

	2021 RMB'000	2020 RMB'000
The charge comprises:		
Current tax		
– PRC Enterprise Income Tax ("EIT")	**18,578**	38,040
– Withholding tax levied on interest income of Hong Kong subsidiaries	**3,172**	4,572
– Withholding tax levied on dividend declared of PRC subsidiaries	**1,592**	–
	23,342	42,612
Deferred tax (note 21)	**17,334**	7,080
	40,676	49,692

11. TAXATION (continued)

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's operation in Hong Kong had no assessable profit during both years.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. Certain PRC subsidiaries enjoy preferential tax rate according to approval from local tax bureau, including (i) a PRC subsidiary which enjoys preferential tax rate of 15% for the current year and applies a further preferential tax rate of 12.5% for the year 2020; (ii) a PRC subsidiary, located in Khorgos city in the PRC, was exempted from EIT in the first 5 years since set up in year 2018, according to "關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知" (Caishui [2011] 112) issued by the State Administration of Taxation and the Ministry of Finance of the PRC.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2021 RMB'000	2020 RMB'000
Profit before taxation	**462,149**	387,088
Tax at the domestic EIT rate of 25%	**115,537**	96,772
Tax effect of share of profit of associates	**(4,203)**	(3,676)
Tax effect of expenses not deductible for tax purposes	**4,973**	10,731
Effect of different tax rates of the subsidiaries	**(9,970)**	(23,527)
Effect of tax exemption granted to a PRC subsidiary	**(44,996)**	(50,229)
Tax effect of gain from acquisition not taxable for tax purpose	**(51,188)**	–
Tax effect of tax losses not recognised	**17,879**	4,618
Utilisation of tax losses previously not recognised	**(312)**	–
Tax benefit on research and development expenses	**(2,592)**	(2,660)
Withholding tax on distributable earnings of the PRC subsidiaries	**15,548**	17,663
Tax charge for the year	**40,676**	49,692

12. PROFIT FOR THE YEAR/OTHER COMPREHENSIVE INCOME (EXPENSE)

(a) Profit for the year

Profit for the year has been arrived at after charging (crediting):

	2021 RMB'000	2020 RMB'000
Directors' emoluments (note 13)	**8,149**	6,503
Other staffs costs (excluding directors' emoluments)		
– Salaries, allowances and other staff benefits, including share option expenses	**156,547**	116,194
– Staffs' retirement benefit scheme contributions	**7,685**	656
Total staff costs	**172,381**	123,353
Less: amount capitalised in intangible assets	**(18,869)**	(5,581)
Staff costs recognised in profit or loss	**153,512**	117,772
Depreciation of property and equipment	**3,294**	2,310
Depreciation of right-of-use assets	**12,129**	9,970
Amortisation of intangible assets	**7,493**	5,494
Total depreciation and amortisation	**22,916**	17,774
Less: amount capitalised in intangible assets	**(30)**	(56)
	22,886	17,718
Research and development costs (note)	**15,598**	23,466
Auditor's remuneration	**3,080**	2,900
Covid-19-related rent concessions (note 17)	**–**	(224)
Cost of consumables recognised as an expense	**1,503**	–
Donation	**3,349**	1,060

Note: During the year ended 31 December 2021, research and development costs were mainly consists of staff costs amounted to RMB15,062,000 (2020: RMB22,577,000).

12. PROFIT FOR THE YEAR/OTHER COMPREHENSIVE INCOME (EXPENSE) (continued)

(b) Other comprehensive income (expense)

Income tax effect relating to other comprehensive income (expense)

	Year ended 31/12/2021			Year ended 31/12/2020		
	Before tax amount RMB'000	Tax (expense) benefit RMB'000	Net of income tax RMB'000	Before tax amount RMB'000	Tax (expense) benefit RMB'000	Net of income tax RMB'000
Items that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of financial statements of foreign operations	33	–	33	–	–	–
Supply chain assets measured at FVTOCI:						
– Fair value changes during the year, net	85,185	(2,878)	82,307	124,668	(3,285)	121,383
– Reclassification adjustment to profit or loss on derecognition	(95,164)	–	(95,164)	(138,233)	–	(138,233)
Impairment losses for supply chain assets at FVTOCI included in profit or loss	14,822	2,811	17,633	11,830	3,194	15,024
Fair value change, net of ECL and reclassification of derecognition	4,843	(67)	4,776	(1,735)	(91)	(1,826)
Share of other comprehensive expense of associates	(1,297)	–	(1,297)	(721)	–	(721)
	3,579	(67)	3,512	(2,456)	(91)	(2,547)

13. DIRECTORS' EMOLUMENTS AND TOP FIVE HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

Name of director	Director's fee RMB'000	Retirement benefit scheme contributions RMB'000	Other emoluments mainly salaries and other benefits RMB'000	Performance related bonuses RMB'000	Share-based payment RMB'000	Total RMB'000
For the year ended 31 December 2021						
Executive directors						
Mr. Tung Chi Fung	1,493	–	–	–	2,973	4,466
Mr. Chen Jen-Tse	100	55	882	237	551	1,825
Non-executive director						
Mr. Lo Wai Hung (note i)	17	–	–	–	–	17
Independent non-executive directors						
Mr. Hung Ka Hai Clement	299	–	–	–	369	668
Mr. Loo Yau Soon	149	–	–	–	369	518
Mr. Fong Heng Boo	149	–	–	–	297	446
Mr. Tang King San Terence (note ii)	9	–	–	–	–	9
Mr. Twoon Wai Mun, Benjamin (note iii)	94	–	–	–	106	200
	2,310	55	882	237	4,665	8,149
For the year ended 31 December 2020						
Executive directors						
Mr. Tung Chi Fung	1,511	–	–	–	1,193	2,704
Mr. Chen Jen-Tse	107	3	828	252	1,035	2,225
Independent non-executive directors						
Mr. Hung Ka Hai Clement	320	–	–	–	236	556
Mr. Loo Yau Soon	160	–	–	–	236	396
Mr. Twoon Wai Mun, Benjamin (note iii)	107	–	–	–	236	343
Mr. Fong Heng Boo	160	–	–	–	119	279
	2,365	3	828	252	3,055	6,503

Notes:

(i) Mr. Lo Wai Hung was appointed as a non-executive director of the Company with effect from 10 December 2021.

(ii) Mr. Tang King San Terence was appointed as an independent non-executive director of the Company with effect from 10 December 2021.

(iii) Mr. Twoon Wai Mun, Benjamin resigned from the position as independent non-executive director of the Company with effect from 10 December 2021.

13. DIRECTORS' EMOLUMENTS AND TOP FIVE HIGHEST PAID EMPLOYEES (continued)

(a) Directors' emoluments (continued)

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The performance related bonus is determined with reference to the operating results and the individual's performance in each year.

The non-executive director's emoluments shown above were for his services as directors of the Company or its subsidiaries, if applicable.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The Group has been providing accommodation, which is leased from third party, to Mr. Chen Jen-Tse for use by him and his family members at no charge. The estimated money value of the benefit in kind is approximately RMB107,000 (2020: RMB110,000).

(b) Five highest paid employees

The five highest paid employees of the Group during the year included one director (2020: one director), details of whose remuneration are set out in note 13(a) above. Details of the remuneration for the year of the remaining four (2020: four) highest paid employees who are not a director of the Company are as follows:

	2021 **RMB'000**	2020 RMB'000
Salaries, allowances and other benefits	**10,768**	7,162
Performance related bonuses	**3,961**	6,754
Share-based payment	**5,791**	1,843
Staffs' retirement benefit scheme contributions	**132**	29
	20,652	15,788

13. DIRECTORS' EMOLUMENTS AND TOP FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Five highest paid employees (continued)

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2021 No. of employees	2020 No. of employees
Hong Kong Dollars ("HK$") 2,000,001 to HK$3,000,000	–	1
HK$3,000,001 to HK$4,000,000	2	–
HK$4,000,001 to HK$5,000,000	–	2
HK$5,000,001 to HK$6,000,000	1	–
HK$6,000,001 to HK$7,000,000	–	1
HK$12,000,001 to HK$13,000,000	1	–
	4	4

14. DIVIDENDS

Dividends for ordinary shareholders of the Company recognised as distribution during the year:

	2021 HK$'000	2020 HK$'000
2020 final – HK6.3 cents (2020: 2019 final dividend HK5.3 cents) per share	59,064	46,694

	2021 RMB'000	2020 RMB'000
Shown in the consolidated financial statements	49,146	42,652

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of HK7.5 cents (2020: HK6.3 cents) per ordinary share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting of the Company.

15. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2021 RMB'000	2020 RMB'000
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**411,043**	329,252

	2021 '000	2020 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**953,753**	896,397
Effect of dilutive potential ordinary shares:		
Share options	**3,161**	2,327
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**956,914**	898,724

16. PROPERTY AND EQUIPMENT

	Leasehold improvement RMB'000	Electronic equipment RMB'000	Furniture and office equipment RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Total RMB'000
COST						
At 1 January 2020	4,295	6,121	654	603	1,854	13,527
Additions	1,202	3,064	339	17	–	4,622
Disposals	(178)	(314)	(54)	–	–	(546)
At 31 December 2020	5,319	8,871	939	620	1,854	17,603
Additions	247	1,513	799	–	30	2,589
Acquired on acquisition of a subsidiary	–	137	102	–	190	429
Disposals	–	(71)	(135)	–	–	(206)
At 31 December 2021	**5,566**	**10,450**	**1,705**	**620**	**2,074**	**20,415**
DEPRECIATION						
At 1 January 2020	3,859	3,169	449	17	193	7,687
Charge for the year	342	1,480	103	29	356	2,310
Eliminated on disposals	(178)	(220)	(38)	–	–	(436)
At 31 December 2020	4,023	4,429	514	46	549	9,561
Charge for the year	627	2,056	210	29	372	3,294
Eliminated on disposals	–	(66)	(61)	–	–	(127)
At 31 December 2021	**4,650**	**6,419**	**663**	**75**	**921**	**12,728**
CARRYING VALUES						
At 31 December 2021	**916**	**4,031**	**1,042**	**545**	**1,153**	**7,687**
At 31 December 2020	1,296	4,442	425	574	1,305	8,042

The above items of property and equipment are depreciated on a straight-line basis at the following estimated useful lives:

Leasehold improvement	3 years or over the term of the relevant lease
Electronic equipment	3 years
Furniture and office equipment	5 years
Buildings	20 years
Motor vehicles	4 to 8 years

17. RIGHT-OF-USE ASSETS

	Leased properties RMB'000
As at 31 December 2021	
Carrying amount	**15,372**
As at 31 December 2020	
Carrying amount	24,680
For the year ended 31 December 2021	
Depreciation charge	**12,129**
For the year ended 31 December 2020	
Depreciation charge	9,970

	2021 RMB'000	2020 RMB'000
Expense relating to short-term leases	**53**	50
Total cash outflow for leases	**13,569**	10,601
Additions to right-of-use assets		
– acquisition of a subsidiary	**2,274**	–
– lease modification	**(7)**	(841)
– new leases of properties	**554**	13,344

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 1 to 5 years (2020: 2 to 3.5 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year, the Group entered into new lease agreements for the use of certain leased properties. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of RMB554,000 (2020: RMB13,344,000) and RMB410,000 (2020: RMB13,111,000), respectively.

During the year, the Group and a lessor agreed to early terminate a lease contract, at the effective date of the termination, the Group derecognised the right-of-use assets and lease liabilities of RMB7,000 (2020: RMB841,000) and RMB6,000 (2020: RMB867,000), respectively, which resulted in the Group recognised a loss from lease termination as disclosed in note 8.

The Group regularly entered into short-term leases for leased properties. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in above.

17. RIGHT-OF-USE ASSETS (continued)

In addition, as at 31 December 2021, lease liabilities of RMB15,855,000 (31 December 2020: RMB25,250,000) are recognised with related right-of-use assets of RMB15,372,000 (31 December 2020: RMB24,680,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

During the year ended 31 December 2020, a lessor provided office premises rent concession to the Group through rent reductions of 100% from February 2020 to April 2020 and 50% from May 2020 to August 2020.

The office premises rent concession occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the year ended 31 December 2020, the effects on changes in lease payments due to forgiveness or waiver by a lessor for the relevant lease of RMB224,000 was recognised as negative variable lease payments.

18. GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

	Acquisition of Wuxi Guojin Factoring Limited (無錫國金商業保理有限公司) ("WXGJ") RMB'000
COST	
As at 1 January 2021	–
Arising on acquisition of a subsidiary	316,028
As at 31 December 2021	316,028
IMPAIRMENT	
As at 1 January 2021	–
Impairment loss recognised in the year	–
As at 31 December 2021	–
CARRYING VALUES	
At 31 December 2021	316,028
At 31 December 2020	–

Particulars regarding impairment testing on goodwill are disclosed in note 19.

18. GOODWILL AND INTANGIBLE ASSETS (continued)

(b) Intangible assets

	Development costs RMB'000 (note i)	Software system RMB'000	Brand name RMB'000 (note ii)	Total RMB'000
COST				
At 1 January 2020	22,852	1,834	–	24,686
Additions	7,160	592	–	7,752
At 31 December 2020	30,012	2,426	–	32,438
Additions	19,237	1,432	–	20,669
Acquired on acquisition of a subsidiary	–	41	113,000	113,041
At 31 December 2021	**49,249**	**3,899**	**113,000**	**166,148**
AMORTISATION AND IMPAIRMENT				
At 1 January 2020	3,857	869	–	4,726
Charge for the year	4,959	535	–	5,494
At 31 December 2020	8,816	1,404	–	10,220
Charge for the year	6,900	593	–	7,493
At 31 December 2021	**15,716**	**1,997**	**–**	**17,713**
CARRYING VALUES				
At 31 December 2021	**33,533**	**1,902**	**113,000**	**148,435**
At 31 December 2020	21,196	1,022	–	22,218

Notes:

(i) Development costs represent expenditure, mainly included staff costs, capitalised during development phase of internal projects for development of online platform.

(ii) Brand name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The brand name will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in note 19.

18. GOODWILL AND INTANGIBLE ASSETS (continued)

(b) Intangible assets (continued)

The above items of intangible assets other than brand name with indefinite useful life are amortised on a straight-line basis at the following estimated useful lives:

Development costs	3 – 5 years
Software system	3 – 5 years

19. IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

For the purposes of impairment testing, goodwill and brand name with indefinite useful life set out in note 18 have been allocated to one CGU, comprising one subsidiary. The carrying amounts of goodwill and brand name with indefinite useful life allocated to the unit are as follows:

	Goodwill 31/12/2021 RMB'000	Brand name 31/12/2021 RMB'000
WXGJ	316,028	113,000

In addition to goodwill and brand name with indefinite useful life above, equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill and brand name with indefinite useful life are also included in the respective CGU for the purpose of impairment assessment.

The recoverable amount of a CGU is determined based on the higher of fair value less costs of disposal and value in use calculations. The value in use calculation uses pre-tax cash flow projections based on financial budgets approved by management covering a five-year period, and pre-tax discount rate of 12.39%. WXGJ's cash flows beyond the five-year period are extrapolated using a steady 3.00% growth rate. This growth rate is based on the overall economy growth rate, industry growth rate, inflation rate and other related factors. Management determines the financial budgets based on past performance and its expectations for market development, including the expected economic growth, prospective GDP and CPI growth rates, future developments of the industry, among others. The cash flow projections, growth rates and discount rate as at 31 December 2021 have been assessed taking into consideration higher degree of estimation uncertainties due to how the Covid-19 pandemic may progress and evolve.

The Group engages an independent qualified valuer, China Enterprise Appraisals Consultation Co., Ltd., to determine the future growth rates and discount rates used in the value in use calculations prepared by the management of the Group.

As at 31 December 2021, no impairment of the CGU containing goodwill and brand name with indefinite useful life has been identified. Management believes that any reasonably possible change in any of the above assumptions would not cause the aggregate carrying amount of the above CGU to exceed the respective aggregate recoverable amounts.

20. INVESTMENTS IN ASSOCIATES

Details of the Group's investments in associates are as follows:

	31/12/2021 RMB'000	31/12/2020 RMB'000
Cost of investments in associates, unlisted	**10,200**	130,000
Share of post-acquisition profit, net of dividends declared	**940**	19,374
Share of post-acquisition OCI	**240**	1,537
	11,380	150,911

Details of the Group's associates at the end of the reporting period are as follows:

Name of entity	Place of incorporation/ establishment	Particulars of authorised and paid up capital	Proportion of ownership interest/ voting rights held by the Group as at 31/12/2021	Proportion of ownership interest/ voting rights held by the Group as at 31/12/2020	Principal activity
Hong Ji Factoring (Shenzhen) Limited # (弘基商業保理(深圳)有限公司) ("HJ") (note i)	PRC	RMB100,000,000 RMB100,000,000	**10%**	10%	Provision of supply chain service
Guangxi Maojing Trading Co., Ltd# (廣西茂景商貿有限公司) ("GXMJ")	PRC	RMB2,000,000 RMB1,000,000	**20%**	N/A	Provision of trade service
WXGJ	PRC	RMB300,000,000 RMB300,000,000	**N/A (note ii)**	40%	Provision of supply chain service
Shoujin Digital Information Technology (Beijing) Co., Ltd # (首金數科信息科技(北京)有限公司)	PRC	RMB8,000,000 –	**N/A (note iii)**	40%	Provision of IT service

\# English translated name is for identification purpose only.

Notes:

(i) The Group is able to exercise significant influence over the entity because it has the power to appoint two out of three directors of the entity under the articles of association of the entity.

(ii) On 6 December 2021, the Group obtained control over WXGJ and has accounted for such transaction using acquisition method in accordance with HKFRS 3. The financial results of WXGJ have been consolidated in the Group's consolidated financial statements since the date the Group obtained control. Details are disclosed in note 39.

(iii) In June 2021, Shoujin Digital Information Technology (Beijing) Co., Ltd, an associate of the Group, was de-registered.

20. INVESTMENTS IN ASSOCIATES (continued)

Summarised financial information of the material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in the Group's consolidated financial statements.

WXGJ	31/12/2020 RMB'000
Current assets	1,180,198
Non-current assets	201,474
Current liabilities	1,036,306

	2020 RMB'000
Revenue	103,556
Profit before taxation	45,504
Profit for the year	34,111
OCI for the year	(1,425)
Total comprehensive income for the year	32,686
Dividends received from the associate during the year	–

Reconciliation of the above summarised financial information to the carrying amount of the investment in WXGJ recognised in the consolidated financial statements:

	31/12/2020 RMB'000
Net assets of WXGJ	345,366
Proportion of the Group's ownership investment in WXGJ	40%
Carrying amount of the Group's investment in WXGJ	138,146

20. INVESTMENTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material

	2021 RMB'000	2020 RMB'000
The Group's share of (loss) profit from continuing operations	**(1,528)**	1,062
The Group's share of OCI	**(57)**	(151)
The Group's share of total comprehensive (expense) income	**(1,585)**	911
Aggregate carrying amount of the Group's investments in these associates	**11,380**	12,765

21. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	31/12/2021 RMB'000	31/12/2020 RMB'000
Deferred tax assets	**28,289**	25,210
Deferred tax liabilities	**(70,704)**	(56,449)
	(42,415)	(31,239)

21. DEFERRED TAXATION (continued)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the year:

	Undistributed earnings of PRC subsidiaries RMB'000	Deferred income RMB'000	ECL provision RMB'000 (note)	Fair value adjustments RMB'000	Total RMB'000
At 1 January 2020	(35,387)	3,935	7,317	67	(24,068)
(Charge) credit to profit or loss	(17,663)	1,301	5,031	4,251	(7,080)
Charge to OCI	–	–	–	(91)	(91)
At 31 December 2020	(53,050)	5,236	12,348	4,227	(31,239)
(Charge) credit to profit or loss	(13,956)	(5,108)	1,406	324	(17,334)
Charge to OCI	–	–	–	(67)	(67)
Acquisition of a subsidiary	–	(341)	6,440	126	6,225
At 31 December 2021	**(67,006)**	**(213)**	**20,194**	**4,610**	**(42,415)**

Note: At 31 December 2021, deferred tax assets of RMB20,194,000 (31 December 2020: RMB12,348,000) was recognised based on the deductible temporary differences associated with ECL provision. As a PRC subsidiary of the Group was exempted from EIT, the deferred tax asset of the ECL provision of RMB26,982,000 (31 December 2020: RMB17,012,000) out of RMB107,758,000 (31 December 2020: RMB66,405,000) has not been recognised.

Pursuant to the EIT Law and its detailed implementation rules, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% and withheld by the PRC entities. By the Tax Arrangement for Avoidance of Double Taxation between China and Hong Kong, a Hong Kong resident company should be entitled to preferential tax rate of 5% when receiving dividend from its PRC subsidiaries. The Hong Kong subsidiaries of the Group enjoyed the preferential tax rate aforementioned. Accordingly, deferred tax liability has been provided for in the consolidated financial statements in respect of the expected dividend stream from the PRC subsidiaries with the applicable tax rate of 5%.

At 31 December 2021, the Company and Hong Kong subsidiaries had cumulative unutilised tax losses of RMB119,776,000 (31 December 2020: RMB35,501,000). No deferred tax asset has been recognised due to the unpredictability of future profit stream. Some of the unused tax losses can be carried forward indefinitely from the years in which the loss was originated to offset future taxable profits.

At 31 December 2021, the PRC subsidiaries had cumulative unutilised tax losses of RMB19,901,000 (31 December 2020: RMB5,254,000). No deferred tax asset has been recognised due to the unpredictability of future profit stream. Some of the unused tax losses can be carried forward up to five years from the years in which the loss was originated to offset future taxable profits.

21. DEFERRED TAXATION (continued)

The expiry terms of the unused tax losses that no deferred tax assets have been provided are as follows:

	31/12/2021 RMB'000	31/12/2020 RMB'000
2024	–	1
2025	4,005	5,253
2026	15,896	–
	19,901	5,254

22. SUPPLY CHAIN ASSETS AT FVTOCI

In the current year, the name of "factoring assets at FVTOCI" was changed to "supply chain assets at FVTOCI". Prior year disclosures have been re-presented to conform with the current year's presentation.

	31/12/2021 RMB'000	31/12/2020 RMB'000
Supply chain assets at FVTOCI	6,678,376	3,804,200
Analysed for reporting purposes as:		
Current assets	6,562,402	3,789,922
Non-current assets	115,974	14,278
	6,678,376	3,804,200

As at 31 December 2021, the effective interest rates of the supply chain assets range mainly from 3.00% to 16.00% (31 December 2020: 5.80% to 17.50%) per annum.

As at 31 December 2021, certain commercial acceptance bills are received from customers with fair value amounting of RMB995,377,000 (31 December 2020: RMB571,106,000) as pledged bills to the supply chain assets. The bills can also be applied and used to settle any outstanding receivables of supply chain assets for the corresponding contract if default occurs, otherwise the Company needs to return the bills if the outstanding supply chain assets are settled. Until such time as default occurs and they are used to settle the supply chain assets, the commercial acceptance bills are not recognised as an asset in the financial statements.

Details of deposits from customers are set out in note 27.

As at 31 December 2021, the gross carrying amount of supply chain assets of RMB19,500,000 is past due (31 December 2020: RMB21,411,000). When analysing the credit quality of supply chain assets at FVTOCI, the entire outstanding of balance of the supply chain assets is classified as past due in the event that instalments repayment of a supply chain asset at FVTOCI is past due.

22. SUPPLY CHAIN ASSETS AT FVTOCI (continued)

The following is an aging analysis based on due dates of the supply chain assets at FVTOCI instalments which are past due (instalments which are not yet due at the end of the reporting period are excluded):

	31/12/2021 RMB'000	31/12/2020 RMB'000
Past due by:		
0 – 30 days	**2,295**	–
31 – 60 days	**–**	1,381
61 – 90 days	**–**	8,090
Over 90 days	**17,205**	11,940
	19,500	21,411

Details of impairment assessment are set out in note 37(b).

23. OTHER FINANCIAL ASSETS AT FVTPL

	31/12/2021 RMB'000	31/12/2020 RMB'000
Equity tranche (note)	**107,545**	91,980
Structured deposit	**108,374**	2,005
Unlisted equity investment (note)	**65,550**	–
Trust fund	**1,929**	3,374
Distressed debt assets (note)	**–**	7,782
	283,398	105,141
Analysed for reporting purposes as:		
Current assets	**190,233**	30,878
Non-current assets	**93,165**	74,263
	283,398	105,141

The financial assets were recognised as FVTPL due to the contractual cash flows did not pass through solely payments of principal and interest on the principal amount outstanding.

Note: Their fair values are determined by China Enterprise Appraisals Consultation Co., Ltd. or Fairdex Valuation Advisory Limited, independent valuers, based on appropriate valuation techniques as detailed in note 37(c).

24. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets		Liabilities	
	31/12/2021 RMB'000	31/12/2020 RMB'000	31/12/2021 RMB'000	31/12/2020 RMB'000
Foreign exchange swap contracts	–	–	7,421	–
Cross currency swap contracts	–	–	5,784	8,397
Foreign currency option contracts	–	790	–	–
Foreign currency forward contracts	–	–	–	9,219
	–	790	13,205	17,616

Analysed for financial reporting purpose based on maturity dates:

	Assets		Liabilities	
	31/12/2021 RMB'000	31/12/2020 RMB'000	31/12/2021 RMB'000	31/12/2020 RMB'000
Current	–	790	13,205	17,616

The above derivatives are measured at fair values at the end of the reporting period and changes in fair value are recognised in the profit or loss. Their fair values are determined by China Enterprise Appraisals Consultation Co., Ltd. or Fairdex Valuation Advisory Limited, independent valuers, based on appropriate valuation techniques as detailed in note 37(c).

At 31 December 2021, the security deposits of RMB201,000 (31 December 2020: RMB9,187,000) and bank deposits of RMB2,000,000 (31 December 2020: RMB8,853,000) were pledged as security for the derivative financial instruments. The balance of the security deposits and bank deposits can be applied and used to settle any outstanding payments for the corresponding contracts if default occurs.

24. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Foreign exchange swap contracts

The major terms of the outstanding foreign exchange swap contracts at the end of the reporting period are as follows:

At 31 December 2021

Notional amounts	Commencement dates	Maturity dates	Contracted swap rates
United States Dollars ("US$") 17,800,000	31/05/2021	18/04/2022	US$:RMB 1:6.3600 US$ against RMB swap rates
US$17,000,000	19/02/2021	25/01/2022	US$:RMB 1:6.4620 US$ against RMB swap rates
US$3,900,000	10/08/2021	28/07/2022	Commencement date: US$:RMB 1:6.4645 Settlement date: US$:RMB 1:6.6253 US$ against RMB swap rates

24. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cross currency swap contracts

The major terms of the outstanding cross currency swap contracts at the end of the reporting period are as follows:

At 31 December 2021

Notional amounts	Commencement dates	Maturity dates	Contracted swap rates	Interest rates
US$8,800,000	28/04/2021	01/04/2022	US$:RMB 1:6.4860 US$ against RMB swap rates	From 4.93% per annum to 6 months LIBOR plus 2.0%
US$7,000,000	23/07/2021	28/04/2022	US$:RMB 1:6.4720 US$ against RMB swap rates	From 4.40% per annum to 3 months LIBOR plus 1.5%
US$2,000,000	23/07/2021	28/04/2022	US$:RMB 1:6.4750 US$ against RMB swap rates	From 4.40% per annum to 3 months LIBOR plus 1.5%
US$2,300,000	26/07/2021	01/04/2022	US$:RMB 1:6.4820 US$ against RMB swap rates	From 5.00% per annum to 6 months LIBOR plus 2.0%
US$4,000,000	10/09/2021	12/08/2022	US$:RMB 1:6.447 US$ against RMB swap rates	From 4.92% per annum to 6 months LIBOR plus 2.0%
US$3,300,000	14/09/2021	12/08/2022	US$:RMB 1:6.4485 US$ against RMB swap rates	From 5.15% per annum to 6 months Libor plus 2.0%

At 31 December 2020

Notional amounts	Commencement dates	Maturity dates	Contracted swap rates	Interest rates
US$10,200,000	20/04/2020	23/03/2021	US$:RMB 1:7.0800 US$ against RMB swap rates	From 3.31% per annum to 3 months LIBOR plus 2.0%
US$6,550,000	28/09/2020	24/08/2021	US$:RMB 1:6.8250 US$ against RMB swap rates	From 4.78% per annum to 6 months LIBOR plus 2.0%
US$800,000	02/11/2020	24/08/2021	US$:RMB 1:6.6950 US$ against RMB swap rates	From 4.97% per annum to 6 months Libor plus 2.0%
HK$50,000,000	11/12/2020	08/11/2021	HK$: RMB1:0.8433 HK$ against RMB swap rates	From 5.35% per annum to 3 months HIBOR plus 2.4%

24. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Foreign currency option contracts

The major terms of the outstanding foreign currency option contracts at the end of the reporting period are as follows:

At 31 December 2020

Notional amount	Maturity date	Contracted exchange rate
Sell US$3,000,000	**01/03/2021**	**US$:RMB 1:6.8059**
Buy US$3,000,000	**01/03/2021**	**US$:RMB 1:6.8060**
Sell US$80,000	**01/03/2021**	**US$:RMB 1:6.8008**
Buy US$80,000	**01/03/2021**	**US$:RMB 1:6.8009**

Foreign currency forward contracts

The major terms of the outstanding foreign currency forward contracts at the end of the reporting period are as follows:

At 31 December 2020

Notional amounts	Maturity date	Contracted exchange rate
Buy US$17,975,000	30/06/2021	US$:RMB 1:7.0390
Buy US$10,690,000	24/08/2021	US$:RMB 1:6.8480

The Group entered into foreign exchange swap contracts, foreign currency option contracts and foreign currency forward contracts to manage its foreign currency risk exposures arising from certain of its bank borrowings denominated in US$.

The Group entered into cross currency swap contracts to manage its foreign currency risk exposures and interest risk exposures arising from certain of its variable-rate bank borrowings denominated in HK$ and US$.

The Group did not formally designate or document the hedging transactions with respect to the foreign currency option contracts, cross currency swap contracts and foreign currency forward contracts. Therefore, those transactions were not designated for hedge accounting.

25. RECEIVABLES FROM GUARANTEE CUSTOMERS/TRADE RECEIVABLES/ OTHER RECEIVABLES, PREPAYMENTS AND OTHERS

(a) Receivables from guarantee customers

For provision of guarantee service which is in the scope of HKFRS 9, the Group recognises receivables from guarantee customers equal to the guarantee fees less amounts that the Group received from the customer.

The following is an aged analysis of receivables from guarantee customers presented based on the date of payment.

	31/12/2021 RMB'000	31/12/2020 RMB'000
0 – 30 days	6,253	17,052

(b) Trade receivables

	31/12/2021 RMB'000	31/12/2020 RMB'000
Contracts with customers of platform-based services	18,079	2,733
Contracts with customers of supply chain technology services	1,889	–
	19,968	2,733

The following is an aged analysis of trade receivables presented based on the date of rendering of services.

	31/12/2021 RMB'000	31/12/2020 RMB'000
0 – 30 days	17,556	2,733
31 – 90 days	1,356	–
91 – 180 days	492	–
Over 180 days	564	–
	19,968	2,733

25. RECEIVABLES FROM GUARANTEE CUSTOMERS/TRADE RECEIVABLES/ OTHER RECEIVABLES, PREPAYMENTS AND OTHERS (continued)

(c) Other receivables, prepayments and others

	31/12/2021 RMB'000	31/12/2020 RMB'000
Temporary advance	32,599	–
Prepayments	3,536	3,016
Value-added tax recoverable	1,901	433
Security deposits for derivative financial instruments (note 24)	201	9,187
Refundable rental deposits	10	198
Dividend receivable from an associate (note 35)	–	20
Other receivables	2,936	3,987
	41,183	16,841

26. PLEDGED BANK DEPOSITS/BANK BALANCES

The ranges of effective interest rates/market rates on the Group's pledged bank deposits/bank balances are as follows:

	Range of interest rates (per annum)	
	31/12/2021 %	31/12/2020 %
Fixed-rate pledged bank deposits	0~2.20	0~1.28
Market rate bank balances	0~1.82	0~1.73

An analysis of the Group's pledged bank deposits for the reporting period is as follows:

	31/12/2021 RMB'000	31/12/2020 RMB'000
The bank deposits pledged for:		
– bank borrowings (note 29(a))	330,937	160,173
– loan guarantee contracts in relation to third parties (note 28)	96,320	78,044
– derivative financial instruments (note 24)	2,000	8,853
– bank overdraft (note 29(b))	–	8,419
	429,257	255,489

Details of impairment assessment of pledged bank deposit and bank balances are set out in note 37(b).

26. PLEDGED BANK DEPOSITS/BANK BALANCES (continued)

The pledged bank deposits and bank balances that are denominated in currencies other than the functional currencies of each entity are set out below:

	31/12/2021 RMB'000	31/12/2020 RMB'000
HK$	99,975	98,868
US$	11,920	9,429
Singapore Dollar ("S$")	475	409
	112,370	108,706

27. OTHER PAYABLES AND ACCRUED CHARGES

	31/12/2021 RMB'000	31/12/2020 RMB'000
Deposits from customers	155,101	6,440
Settlement payables to customers and funding providers	92,024	18,481
Accrued charges	57,484	43,017
Other tax payables	38,881	30,089
Dividend payable to shareholders of the Company	1,533	1,002
Dividend payable to a non-controlling shareholder of a PRC subsidiary	–	5,531
Other payables	584	992
	345,607	105,552

28. LIABILITIES ARISING FROM GUARANTEE CONTRACTS

	31/12/2021			31/12/2020		
	Premium less accumulated amortisation RMB'000	ECL provision RMB'000	Carrying amount RMB'000	Premium less accumulated amortisation RMB'000	ECL provision RMB'000	Carrying amount RMB'000
Guarantee contracts in relation to:						
– third parties (note i)	9,603	19,669	20,116	16,861	21,883	24,805
– an associate (note ii)	–	–	–	4,937	959	4,937
	9,603	19,669	20,116	21,798	22,842	29,742

28. LIABILITIES ARISING FROM GUARANTEE CONTRACTS (continued)

At the end of the reporting period, the directors of the Company have assessed the past due status of the debts under guarantee, the financial position of the debtors as well as the economic outlook of the industries in which the debtors operate.

The following is the maximum amount of the Group has guaranteed under the contracts and details of liabilities arising from guarantee contracts.

	31/12/2021 RMB'000	31/12/2020 RMB'000
Guarantee contracts in relation to:		
– third parties (note i)	**1,334,663**	1,382,907
– an associate (note ii)	**–**	385,600
	1,334,663	1,768,507

Notes:

(i) As at 31 December 2021, the Group provided guarantee services for guarantee customers which are third parties of the maximum amount of RMB1,334,663,000 (31 December 2020: RMB1,382,907,000) and placed deposits to funding providers, including bank deposits of RMB96,320,000 (31 December 2020: RMB78,044,000). The Group has to pay on behalf of guarantee customers to funding providers when the customers defaulted in settlement of their outstanding liabilities with funding providers when due, after deduction of the bank deposits placed to funding providers.

As at 31 December 2021, an amount of RMB19,669,000 (31 December 2020: RMB21,883,000) has been estimated as a loss allowance, and an amount of RMB2,569,000 (2020: RMB7,329,000) loss allowance was recognised in the profit or loss because the premium received less cumulative amount of certain contracts were lower than the amount of loss allowance.

(ii) As at 31 December 2020, the Group provided guarantees to loans amounting to RMB964,000,000, raised by an associate of the Group from the controlling shareholder, its related party of the associate and its funding providers. The guaranteed amounts were approximately 40% of all sums payable by the associate.

For the loan guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was RMB385,600,000. Fair value initially recognised in relation to the loan guarantees by the Group amounted to RMB21,314,000. Their fair values are determined by Fairdex Valuation Advisory Limited, an independent valuer.

As at 31 December 2020, the directors of the Company have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. An amount of RMB959,000 has been estimated as a loss allowance as at 31 December 2020, and an amount of RMB177,000 loss allowance was reversed in the profit or loss during the year.

The associate became a subsidiary of the Group during the year. Details are set out in note 39.

(iii) Details of impairment assessment are set out in note 37(b).

29. BORROWINGS/BANK OVERDRAFT

(a) Borrowings

	31/12/2021 RMB'000	31/12/2020 RMB'000
Bank borrowings	**2,721,745**	765,501
Entrusted loans	**187,491**	124,738
Bank loans under finance arrangements (note)	**119,725**	–
Bills discounted	**43,113**	30,352
Other loans	**868,939**	555,322
	3,941,013	1,475,913
Secured	**2,434,345**	1,190,253
Unsecured	**1,506,668**	285,660
	3,941,013	1,475,913

Note: The Group has entered into certain finance arrangements with banks. Under these arrangements, the banks issue bank's acceptance bill to the Group for providing digital financing solutions services. Taking into consideration of the nature and substance of the above arrangements, the Group presents payables to the banks under these arrangements as "borrowings" in the consolidated statement of financial position. In the consolidated statement of cash flows, repayments to the banks are included within financing cash flows based on the nature of the arrangements.

29. BORROWINGS/BANK OVERDRAFT (continued)

(a) Borrowings (continued)

At 31 December 2021, bank and other borrowings were repayable as follows:

	Bank borrowings		Other borrowings		Total	
	31/12/2021 RMB'000	31/12/2020 RMB'000	31/12/2021 RMB'000	31/12/2020 RMB'000	31/12/2021 RMB'000	31/12/2020 RMB'000
The carrying amounts of the above borrowings are repayable*:						
Within one year	**2,203,378**	664,349	**684,658**	530,947	**2,888,036**	1,195,296
Within a period of more than one year but not exceeding two years	**461,000**	–	**450,000**	–	**911,000**	–
Within a period of more than two year but not exceeding five years	**–**	–	**30,000**	–	**30,000**	–
	2,664,378	664,349	**1,164,658**	530,947	**3,829,036**	1,195,296
The carrying amounts of the above borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:						
Within one year	**57,367**	101,152	**36,151**	179,465	**93,518**	280,617
Within a period of more than one year but not exceeding two years	**–**	–	**18,459**	–	**18,459**	–
	2,721,745	765,501	**1,219,268**	710,412	**3,941,013**	1,475,913
Less: Amounts due within one year shown under current liabilities	**(2,260,745)**	(765,501)	**(739,268)**	(710,412)	**(3,000,013)**	(1,475,913)
Amounts shown under non-current liabilities	**461,000**	–	**480,000**	–	**941,000**	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

29. BORROWINGS/BANK OVERDRAFT (continued)

(a) Borrowings (continued)

The exposure of the Group's borrowings are as follows:

	31/12/2021 RMB'000	31/12/2020 RMB'000
Fixed-rate borrowings	**2,794,783**	984,737
Variable-rate borrowings	**1,146,230**	491,176
	3,941,013	1,475,913

The Group's variable-rate borrowings carry interest at Loan Prime Rate ("LPR"), HIBOR or LIBOR.

The ranges of effective interest rates on the Group's borrowings are as follows:

	31/12/2021 %	31/12/2020 %
Range of fixed-rate borrowings interest rates (per annum)	**2.40~10.00**	4.62~12.60
Range of variable-rate borrowings interest rates (per annum)	**1.40~5.72**	2.22~5.55

Details of the Group's secured borrowings are as follows:

	31/12/2021 RMB'000	31/12/2020 RMB'000
Carrying amount of borrowings secured by		
– supply chain assets (note i)	**1,545,487**	673,240
– supply chain assets and bank deposits (note i)	**573,265**	216,593
– bank deposits (note i)	**272,480**	250,140
– bills (note ii)	**43,113**	30,352
– bills and supply chain assets (note i) (note ii)	**–**	19,928
	2,434,345	1,190,253
Carrying amount of secured assets:		
– supply chain assets (note 37(d))	**2,160,802**	678,658
– bank deposits	**330,937**	160,173
	2,491,739	838,831

29. BORROWINGS/BANK OVERDRAFT (continued)

(a) Borrowings (continued)

Notes:

(i) The legal title and legal right to receive cash flows was transferred to the funding providers.

(ii) As at 31 December 2021, the bills received from customers as pledged to supply chain assets with par value of RMB43,264,000 (31 December 2020: RMB31,074,000) were discounted to a bank and nil (31 December 2020: RMB19,810,000) was pledged to a non-bank financial institution.

Details of the Group's guaranteed borrowings are as follows:

	31/12/2021 RMB'000	31/12/2020 RMB'000
Carrying amount of borrowings guaranteed by:		
Related companies with WXTH	**1,586,179**	–
The Company and/or subsidiaries	**1,022,854**	825,512
The Company, a subsidiary and the controlling shareholder of the Company	**527,341**	–
	3,136,374	825,512

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	31/12/2021 RMB'000	31/12/2020 RMB'000
HK$	**290,276**	321,118
US$	**524,999**	325,464
	815,275	646,582

(b) Bank overdraft

As at 31 December 2020, the bank overdraft amounted to HK$12,865,000 (equivalent to RMB10,828,000), which is repayable on demand, carrying interest rate per annum at the rate of the benchmark rate offered by the HIBOR plus 2.25% per annum, guaranteed by the Company and a PRC subsidiary and pledged by bank deposit amounting to HK$10,000,000 (equivalent to RMB8,419,000).

30. LEASE LIABILITIES

	31/12/2021 RMB'000	31/12/2020 RMB'000
Lease liabilities payable:		
Within one year	**12,051**	11,913
Within a period of more than one year but not more than two years	**2,542**	11,272
Within a period of more than two years but not more than five years	**1,262**	2,065
	15,855	25,250
Less: Amount due for settlement with 12 months shown under current liabilities	**(12,051)**	(11,913)
Amount due for settlement after 12 months shown under non-current liabilities	**3,804**	13,337

The weighted average incremental borrowing rates applied to lease liabilities range from 4.50% to 6.76% (2020: 4.50% to 6.76%).

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	31/12/2021 RMB'000	31/12/2020 RMB'000
HK$	**409**	1,822

31. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

	Number of shares	Share capital HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	5,000,000,000	50,000,000

31. SHARE CAPITAL (continued)

	Number of shares	Share capital HK$
Issued:		
At 1 January 2020	880,316,000	8,803,160
Issue of new shares from placing (note i)	55,500,000	555,000
Exercise of share options (note 33)	780,000	7,800
At 31 December 2020	936,596,000	9,365,960
Issue of new shares from placing (note ii)	63,068,000	630,680
Exercise of share options (note 33)	4,632,500	46,325
At 31 December 2021	**1,004,296,500**	**10,042,965**

	31/12/2021 RMB'000	31/12/2020 RMB'000
Shown in the consolidated statement of financial position	**8,687**	8,127

Notes:

(i) On 11 September 2020, the Company, Wisdom Cosmos Limited ("Wisdom Cosmos"), the immediate holding of the Company, BOCI Asia Limited ("BOCI"), DBS Asia Capital Limited ("DBS") and Macquarie Capital Limited ("Macquarie Capital") (BOCI, DBS and Macquarie Capital collectively referred to as the "Joint Placing Agents") entered into a placing agreement pursuant to which Wisdom Cosmos agreed to place, through the Joint Placing Agents on a best effort basis, a maximum of 55,500,000 existing placing shares at the placing price of HK$7.00 per placing share (the "Placing").

On the same day, Wisdom Cosmos and the Company also entered into a subscription agreement under which Wisdom Cosmos conditionally agreed to subscribe for, and the Company conditionally agreed to issue, the subscription shares (the "Subscription").

The Placing and the Subscription were completed on 15 September 2020 and 21 September 2020 respectively. An aggregate of 55,500,000 subscription shares (equal to the number of the placing shares successfully placed under the Placing) were subscribed by Wisdom Cosmos at the subscription price of HK$7.00 for each subscription share. The Company received total net proceeds of approximately HK$382.7 million (equivalent to approximately RMB334.1 million, net of transaction cost amount of RMB4.8 million) from the Placing and the Subscription. Details are set out in the Company's announcements dated 11 September 2020 and 21 September 2020.

(ii) On 24 September 2021, the Company and China International Capital Corporation Hong Kong Securities Limited (referred to as the "Sole Placing Agent") entered into a placing agreement. An aggregate of 63,068,000 ordinary shares issued by the Company have been placed by the Sole Placing Agent on 5 October 2021 at HK$8.80 per share with the net proceeds of HK$551.1 million (equivalent to RMB456.4 million, net of transaction cost amount of RMB3.3 million). Details are set out in the Company's announcements dated 26 September 2021 and 5 October 2021.

All the shares issued during the year ranked pari passu in all respects with the then existing shares in issue.

32. CAPITAL COMMITMENTS

	31/12/2021 RMB'000	31/12/2020 RMB'000
Capital expenditure contracted for but not provided for in the consolidated financial statements		
– Equipment	452	–
– Intangible assets	394	80
– Investment in an associate	200	3,200
	1,046	3,280

33. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme"), was adopted pursuant to resolutions passed on 11 September 2017, 14 November 2018 and 15 July 2020 ("Option Grant Date") for the primary purpose of providing incentives to directors and eligible employees, and will expire on 10 September 2022, 13 November 2023 and 14 July 2025 respectively. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including executive directors and independent non-executive directors of the Company and the management of an associate of the Company, to subscribe for shares in the Company.

At 31 December 2021, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 21,373,000 (31 December 2020: 29,203,000), representing 2.13% (31 December 2020: 3.12%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be offered for acceptance for a period of not less than 28 days, upon payment of HK$1.00 by each of eligible employees determined by the board of directors of the Company. Options may be exercised at any time from 12 months from the date of grant of the share option to the 5 anniversary of the date of grant. The exercise price is determined by the directors of the Company, and shall be the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Details of specific categories of options are as follows:

Equity-settled share option scheme on 11 September 2017:

	Date of grant	Vesting period	Exercise period	Exercise Price	Exercise dates
Tranche 1	11/9/2017	11/9/2017-10/9/2018	11/9/2018-10/9/2022	HK$4.20	11/9/2018
Tranche 2	11/9/2017	11/9/2017-10/9/2019	11/9/2019-10/9/2022	HK$4.20	11/9/2019
Tranche 3	11/9/2017	11/9/2017-10/9/2020	11/9/2020-10/9/2022	HK$4.20	11/9/2020

33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Equity-settled share option scheme of the Company (continued)

Equity-settled share option scheme on 14 November 2018:

	Date of grant	Vesting period	Exercise period	Exercise Price	Exercise dates
Tranche 4	14/11/2018	14/11/2018-13/11/2019	14/11/2019-13/11/2023	HK$6.90	14/11/2019
Tranche 5	14/11/2018	14/11/2018-13/11/2020	14/11/2020-13/11/2023	HK$6.90	14/11/2020
Tranche 6	14/11/2018	14/11/2018-13/11/2021	14/11/2021-13/11/2023	HK$6.90	14/11/2021

Equity-settled share option scheme on 15 July 2020:

	Date of grant	Vesting period	Exercise period	Exercise Price	Exercise dates
Tranche 7	15/7/2020	15/7/2020-14/7/2021	15/7/2021-14/7/2025	HK$6.68	15/7/2021
Tranche 8	15/7/2020	15/7/2020-14/7/2022	15/7/2022-14/7/2025	HK$6.68	15/7/2022
Tranche 9	15/7/2020	15/7/2020-14/7/2023	15/7/2023-14/7/2025	HK$6.68	15/7/2023

The exercise of an option may be subject to the achievement of performance target and/or any other conditions to be notified by the board of the Company to each participant, which the board of the Company may in its absolute discretion determine.

The following table discloses movements of the Company's share options held by the directors of the Company and employees of the Group during both years:

Grantee	Exercise period	Outstanding at 1 January 2021	Transferred during year	Forfeited during year	Exercised during year	Outstanding at 31 December 2021
Directors						
	11/9/2018-10/9/2022	500,000	–	–	–	500,000
	11/9/2019-10/9/2022	500,000	200,000	–	–	700,000
	11/9/2020-10/9/2022	1,000,000	500,000	–	–	1,500,000
	14/11/2019-13/11/2023	400,000	–	–	–	400,000
	14/11/2020-13/11/2023	400,000	–	–	–	400,000
	14/11/2021-13/11/2023	800,000	500,000	–	–	1,300,000
	15/7/2021-14/7/2025	1,150,000	–	(100,000)	–	1,050,000
	15/7/2022-14/7/2025	1,150,000	–	(75,000)	–	1,075,000
	15/7/2023-14/7/2025	2,300,000	–	(150,000)	–	2,150,000
		8,200,000	1,200,000	(325,000)	–	9,075,000
Exercisable at the end of the reporting period		2,800,000				5,850,000
Weighted average exercise price per share		6.12	5.33	6.88	–	5.99

33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Equity-settled share option scheme of the Company (continued)

Grantee	Exercise period	Outstanding at 1 January 2021	Transferred during year	Forfeited during year	Exercised during year	Outstanding at 31 December 2021
Employees						
	11/9/2018-10/9/2022	852,500	–	–	(845,000)	7,500
	11/9/2019-10/9/2022	1,085,500	(200,000)	–	(848,000)	37,500
	11/9/2020-10/9/2022	2,295,000	(500,000)	–	(1,387,000)	408,000
	14/11/2019-13/11/2023	1,055,000	–	(37,500)	(663,750)	353,750
	14/11/2020-13/11/2023	1,005,000	–	(37,500)	(663,750)	303,750
	14/11/2021-13/11/2023	2,110,000	(500,000)	(722,500)	–	887,500
	15/7/2021-14/7/2025	3,150,000	–	(537,500)	(225,000)	2,387,500
	15/7/2022-14/7/2025	3,150,000	–	(512,500)	–	2,637,500
	15/7/2023-14/7/2025	6,300,000	–	(1,025,000)	–	5,275,000
		21,003,000	(1,200,000)	(2,872,500)	(4,632,500)	12,298,000
Exercisable at the end of the reporting period		6,293,000				4,385,500
Weighted average exercise price per share		6.22	5.33	6.74	5.09	6.62

Grantee	Exercise period	Outstanding at 1 January 2020	Granted during year	Forfeited during year	Exercised during year	Outstanding at 31 December 2020
Directors						
	11/9/2018-10/9/2022	500,000	–	–	–	500,000
	11/9/2019-10/9/2022	500,000	–	–	–	500,000
	11/9/2020-10/9/2022	1,000,000	–	–	–	1,000,000
	14/11/2019-13/11/2023	400,000	–	–	–	400,000
	14/11/2020-13/11/2023	400,000	–	–	–	400,000
	14/11/2021-13/11/2023	800,000	–	–	–	800,000
	15/7/2021-14/7/2025	–	1,150,000	–	–	1,150,000
	15/7/2022-14/7/2025	–	1,150,000	–	–	1,150,000
	15/7/2023-14/7/2025	–	2,300,000	–	–	2,300,000
		3,600,000	4,600,000	–	–	8,200,000
Exercisable at the end of the reporting period		1,400,000				2,800,000
Weighted average exercise price per share		5.40	6.68	–	–	6.12

33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Equity-settled share option scheme of the Company (continued)

Grantee	Exercise period	Outstanding at 1 January 2020	Granted during year	Forfeited during year	Exercised during year	Outstanding at 31 December 2020
Employees						
	11/9/2018-10/9/2022	1,061,000	–	–	(208,500)	852,500
	11/9/2019-10/9/2022	1,607,000	–	–	(521,500)	1,085,500
	11/9/2020-10/9/2022	3,770,000	–	(1,450,000)	(25,000)	2,295,000
	14/11/2019-13/11/2023	1,506,250	–	(426,250)	(25,000)	1,055,000
	14/11/2020-13/11/2023	1,506,250	–	(501,250)	–	1,005,000
	14/11/2021-13/11/2023	3,012,500	–	(902,500)	–	2,110,000
	15/7/2021-14/7/2025	–	3,200,000	(50,000)	–	3,150,000
	15/7/2022-14/7/2025	–	3,200,000	(50,000)	–	3,150,000
	15/7/2023-14/7/2025	–	6,400,000	(100,000)	–	6,300,000
		12,463,000	12,800,000	(3,480,000)	(780,000)	21,003,000
Exercisable at the end of the reporting period		4,174,250				6,293,000
Weighted average exercise price per share		5.51	6.68	5.76	4.29	6.22

33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Equity-settled share option scheme of the Company (continued)

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

Equity-settled share option scheme on 11 September 2017:

	Tranche 1	Tranche 2	Tranche 3
Grant date	11 September 2017	11 September 2017	11 September 2017
Fair value at grant date	HK$1.29	HK$1.42	HK$1.52
Share price	HK$4.09	HK$4.09	HK$4.09
Exercise price	HK$4.20	HK$4.20	HK$4.20
Expected volatility	45.00%	45.00%	45.00%
Expected life	5 years	5 years	5 years
Exercise period	11/9/2018-10/9/2022	11/9/2019-10/9/2022	11/9/2020-10/9/2022
Risk-free rate	1.00%	1.00%	1.00%
Expected dividend yield	–	–	–

Equity-settled share option scheme on 14 November 2018:

	Tranche 4	Tranche 5	Tranche 6
Grant date	14 November 2018	14 November 2018	14 November 2018
Fair value at grant date	HK$2.13	HK$2.31	HK$2.44
Share price	HK$6.87	HK$6.87	HK$6.87
Exercise price	HK$6.90	HK$6.90	HK$6.90
Expected volatility	43.00%	43.00%	43.00%
Expected life	5 years	5 years	5 years
Exercise period	14/11/2019-13/11/2023	14/11/2020-13/11/2023	14/11/2021-13/11/2023
Risk-free rate	2.25%	2.25%	2.25%
Expected dividend yield	1%	1%	1%

33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Equity-settled share option scheme of the Company (continued)

Equity-settled share option scheme on 15 July 2020:

	Tranche 7	Tranche 8	Tranche 9
Directors			
Grant date	15 July 2020	15 July 2020	15 July 2020
Fair value at grant date	HK$2.27	HK$2.27	HK$2.27
Share price	HK$6.68	HK$6.68	HK$6.68
Exercise price	HK$6.68	HK$6.68	HK$6.68
Expected volatility	42.00%	42.00%	42.00%
Expected life	5 years	5 years	5 years
Exercise period	15/7/2021-14/7/2025	15/7/2022-14/7/2025	15/7/2023-14/7/2025
Risk-free rate	0.11%	0.11%	0.11%
Expected dividend yield	0.76%	0.76%	0.76%
Exercise multiple	2.8	2.8	2.8

	Tranche 7	Tranche 8	Tranche 9
Employees			
Grant date	15 July 2020	15 July 2020	15 July 2020
Fair value at grant date	HK$1.86	HK$2.04	HK$2.17
Share price	HK$6.68	HK$6.68	HK$6.68
Exercise price	HK$6.68	HK$6.68	HK$6.68
Expected volatility	42.00%	42.00%	42.00%
Expected life	5 years	5 years	5 years
Exercise period	15/7/2021-14/7/2025	15/7/2022-14/7/2025	15/7/2023-14/7/2025
Risk-free rate	0.11%	0.11%	0.11%
Expected dividend yield	0.76%	0.76%	0.76%
Exercise multiple	2.2	2.2	2.2

Expected volatility was adopted as of the valuation date with reference to the annualised standard deviation of the continuously compounded rates of return on the daily average adjusted share price of a set of comparable companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of RMB12,882,000 for the year ended 31 December 2021 (2020: RMB5,509,000) in relation to share options granted by the Company.

34. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Under the rule of MPF Scheme, the Group and its employees are each required to make a contribution to the MPF Scheme at 5% of the employees' relevant income subject to a cap of monthly relevant income as specified in the rules. No forfeited contribution is available to reduce the contribution payable in the future years.

The Group operates a Central Provident Fund Scheme (the "CPF Scheme") for all its qualifying employees in Singapore. The CPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the CPF Scheme, the Group and its employees are each required to make contributions to the CPF Scheme at 9% and 5% of the employees' relevant income, subject to a cap of monthly relevant income as specified in the rules. No forfeited contribution is available to reduce the contribution payable in the future years.

The Group participates in a state-managed defined contribution retirement scheme organised by the relevant local government authority in the PRC. PRC employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The Group is required to make monthly contributions to the retirement scheme of the eligible employees at specified percentage, ranging from 15% to 16% of the payroll and the local government authority is responsible for the pension liabilities to these employees upon their retirement.

Total cost recognised in profit or loss and capitalised in development costs in respect of contributions paid or payable to the schemes by the Group for the year ended 31 December 2021 is RMB7,740,000 (2020: RMB659,000). As at 31 December 2021, contributions due in respect of the year ended 31 December 2021 had been paid over to the plans.

35. RELATED PARTY TRANSACTIONS

(a) Related party balances

(i) Supply chain assets at FVTOCI

Name of related party	Relationship	31/12/2021 RMB'000	31/12/2020 RMB'000
HJ	Associate	**908,986**	623,481
GXMJ	Associate	**1,457**	–
		910,443	623,481

The remaining balance of supply chain assets at FVTOCI carries fixed-rate interest at the range of 5.95% to 12.00% (31 December 2020: 6.80% to 12.33%) with principal amount of RMB888,214,000 (31 December 2020: RMB616,720,000) within one year and nil within five years (31 December 2020: RMB15,000,000).

(ii) Receivables from guarantee customers

Name of related party	Relationship	31/12/2021 RMB'000	31/12/2020 RMB'000
HJ	Associate	**1**	–

35. RELATED PARTY TRANSACTIONS (continued)

(a) Related party balances (continued)

(iii) Trade receivables

Name of related party	Relationship	31/12/2021 RMB'000	31/12/2020 RMB'000
HJ	Associate	**6,295**	427
WXGJ	Associate	**–**	523
		6,295	950

(iv) Other receivables

Name of related party	Relationship	31/12/2021 RMB'000	31/12/2020 RMB'000
HJ	Associate	**–**	20

(v) Loans from related parties

Name of related party	Relationship	31/12/2021 RMB'000	31/12/2020 RMB'000
Wuxi Tonghui Investment Limited ("WXTH")	Non-controlling shareholder of a material subsidiary	**359,866**	–
Shanghai Yunlin Finance Lease Co., Ltd ("SHYL")	Related company with WXTH	**40,000**	–
		399,866	–

The amounts represent loans, due within one year, and carry interest at the range of 5.80% to 7.50% per annum.

The loans amounting to RMB359,866,000 were guaranteed by a PRC subsidiary.

(vi) Contract liabilities

Name of related party	Relationship	31/12/2021 RMB'000	31/12/2020 RMB'000
WXGJ	Associate	**–**	393
HJ	Associate	**–**	277
		–	670

35. RELATED PARTY TRANSACTIONS (continued)

(a) Related party balances (continued)

(vii) Liabilities arising from guarantee contracts

Name of related party	Relationship	31/12/2021 RMB'000	31/12/2020 RMB'000
WXGJ	Associate	–	4,937

(b) Related party transactions

(i) Revenue and income from related parties

Name of related party	Relationship	2021 RMB'000	2020 RMB'000
HJ	Associate	76,848	61,928
WXGJ	Associate	1,654	2,319
GXMJ	Associate	9	–
Shenzhen Sheng Ye Non-Financing Guarantee Limited ("SYNFGL")	Associate	–	2,281
		78,511	66,528

(ii) Finance costs on loans from related parties

Name of related party	Relationship	2021 RMB'000	2020 RMB'000
WXGJ	Associate	9,269	8,559
WXTH	Non-controlling shareholder of a material subsidiary	1,322	–
TUNG CHI FUNG	Controlling shareholder	358	–
SHYL	Related company with WXTH	31	–
		10,980	8,559

35. RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

(iii) Lease agreement

Relationship	Nature of balances/ transactions	As at/For the year ended 31/12/2021 RMB'000	As at/For the year ended 31/12/2020 RMB'000
Related company with controlling shareholder	Refundable rental deposit	**403**	415
	Lease liabilities	**408**	1,822
	Interest on lease liabilities	**53**	91
Related company with WXTH	Lease liabilities	**2,250**	–
	Interest on lease liabilities	**7**	–

(c) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the year is as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and other benefits	**21,432**	18,807
Performance related bonuses	**10,312**	10,525
Share-based payment	**10,190**	4,432
Retirement benefit scheme contributions	**451**	81
	42,385	33,845

The remuneration of these key executives of the Group is determined by Chairman of the Company having regard to the performance of individuals and market trends.

35. RELATED PARTY TRANSACTIONS (continued)

(d) Financial assets purchased from an associate

In January 2020, WXGJ sold supply chain assets of RMB94,591,000 to the Group. WXGJ had transferred the significant risks and rewards relating to these supply chain assets pursuant to the terms of sale agreements signed between WXGJ and the Group.

(e) Guarantee

Details of the guarantee to an associate are set out in note 28.

Details of borrowings guaranteed by related parties are set out in note 29.

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the reporting period.

The capital structure of the Group consists of borrowings and bank overdraft as set out in note 29 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the share capital and borrowings, balances the Group's overall capital structure through new share issues and raise of new borrowings.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31/12/2021 RMB'000	31/12/2020 RMB'000
Financial assets		
Supply chain assets at FVTOCI	6,678,376	3,804,200
At amortised cost	1,295,558	641,220
Other financial assets at FVTPL	283,398	105,141
Derivative financial instruments	–	790
Financial liabilities		
Amortised cost	4,590,121	1,519,187
Liabilities arising from guarantee contracts	20,116	29,742
Derivative financial instruments	13,205	17,616

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include refundable rental deposits, supply chain assets at FVTOCI, other financial assets at FVTPL, derivative financial instruments, receivables from guarantee customers, trade receivables, loans from related parties, other receivables, pledged bank deposits, bank balances, other payables, borrowings, bank overdraft and financial guarantee contracts. Details of these instruments are disclosed in respective notes.

The risks associated with the financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and impairment assessment and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group's exposure to foreign currency risk related primarily to bank balances, pledged structured deposit, pledged bank deposits, other receivables, borrowings, bank overdraft and lease liabilities that are denominated in HK$, US$, and S$. In addition, the Group entered into foreign currency option contracts, foreign currency exchange swap contracts, cross currency swap contracts and foreign currency forward contracts during the year which exposed the Group to currency risk. The management manages and monitors this exposure to ensure appropriate measures are implemented on a timely and effective manner.

The carrying amounts of the Group's foreign currencies denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	31/12/2021 RMB'000	31/12/2020 RMB'000	**31/12/2021 RMB'000**	31/12/2020 RMB'000
HK$	**100,378**	99,283	**290,276**	331,946
US$	**11,921**	10,476	**524,999**	325,464
S$	**475**	409	**–**	–

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

The following table details the Group's sensitivity to a 5% appreciation and depreciation in RMB against HK$, US$ and S$, which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts the translation of the Group's foreign currency denominated monetary assets and liabilities at the year-end by a 5% change in the respective foreign currency rates.

	31/12/2021 RMB'000	31/12/2020 RMB'000
HK$ impact:		
5% appreciation of RMB against HK$		
Increase in profit before taxation for the year	**9,495**	11,633
5% depreciation of RMB against HK$		
Decrease in profit before taxation for the year	**(9,495)**	(11,633)
US$ impact:		
5% appreciation of RMB against US$		
Increase in profit before taxation for the year	**25,654**	15,749
5% depreciation of RMB against US$		
Decrease in profit before taxation for the year	**(25,654)**	(15,749)
S$ impact:		
5% appreciation of RMB against S$		
Decrease in profit before taxation for the year	**(24)**	(20)
5% depreciation of RMB against S$		
Increase in profit before taxation for the year	**24**	20

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

In relation to the foreign exchange swap contracts:

If the exchange rate relevant to the foreign exchange swap contracts had been 5% higher and all other variables were held constant, the Group's profit before taxation for the year would increase by approximately RMB12,292,000 (2020: nil).

If the exchange rate relevant to the foreign exchange swap contracts had been 5% lower and all other variables were held constant, the Group's profit before taxation for the year would decrease by approximately RMB12,292,000 (2020: nil).

In relation to the cross currency swap contracts:

If the exchange rate relevant to the cross currency swap contracts had been 5% higher and all other variables were held constant, the Group's profit before taxation for the year would increase by approximately RMB10,727,000 (2020: RMB7,965,000).

If the exchange rate relevant to the cross currency swap contracts had been 5% lower and all other variables were held constant, the Group's profit before taxation for the year would decrease by approximately RMB10,727,000 (2020: RMB7,965,000).

In relation to foreign currency option contracts:

As at 31 December 2020, if the relevant exchange rate had been 5% higher/lower and all other variables were held constant, the Group's profit before taxation for the year would decrease/increase by approximately RMB1,005,000.

In relation to foreign currency forward contracts:

As at 31 December 2020, if the relevant exchange rate had been 5% higher/lower and all other variables were held constant, the Group's profit before taxation for the year would increase/decrease by approximately RMB9,276,000.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end date exposure does not reflect the exposure during the reporting period.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate supply chain assets (see note 22 for details), the derivative financial instruments (see note 24 for details), fixed-rate borrowings (see note 29 for details) and lease liabilities (see note 30 for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings (see note 29 for details). The Group uses interest rate swap to reduce exposure to interest rate fluctuations associated with these floating-rate borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the LPR/HIBOR/LIBOR rate arising from bank borrowings and cross currency swap contracts.

Management monitors the related interest exposure closely to ensure the interest rate risks are maintained at an acceptable level. The level of mismatch of interest rate repricing that may be undertaken is monitored closely.

The Group's exposures to interest rates on financial assets and liabilities are detailed in the liquidity risk management section of this note. These are excluded from sensitivity analysis as the directors of the Company consider that the exposure of fair value interest rate risk arising from fixed-rate supply chain assets, fixed-rate borrowings and lease liabilities is insignificant.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates risk for variable-rate borrowings at the end of each reporting period. 50 basis points increase or decrease is used when reporting interest rate risk internally to key management and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by RMB3,684,000 (2020: RMB1,349,000).

If the forward interest rate curves for HIBOR and LIBOR as relevant for the cross currency swap contracts had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by approximately RMB468,000 (2020: RMB423,000).

The directors of the Company consider that the exposure of fair value interest rate risk arising from variable-rate borrowings is insignificant as the exposure is reduced by cross currency swap contracts of the Group.

In the opinion of the management, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk

The Group's other price risk is mainly concentrated on the supply chain assets at FVTOCI. Details are set out in note 22.

For the outstanding supply chain assets at FVTOCI, if the risk adjusted discount rate of the counterparties had been 1% (2020: 1%) increase/decrease, post-tax OCI for the year ended 31 December 2021 would decrease/increase by RMB19,694,000/RMB19,665,000 (2020: RMB12,447,000/RMB12,674,000) as a result of the changes in the market price of debt financing instrument.

Credit risk and impairment assessment

As at 31 December 2021, the Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

As at 31 December 2021, the Group's concentration of credit risk on supply chain assets included five major counterparties accounting for 34% (31 December 2020: 53%) and the largest counterparty accounting for 14% (31 December 2020: 16%), of the aggregate outstanding balance at the respective year end date.

The Group has closely monitored the recoverability of the receivables (i.e. supply chain assets and receivables from guarantee customers) to these counterparties, ensured adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances.

The Group is exposed to the concentration of geographical risk on revenue which is mainly generated from customers located in PRC. The Group has closely monitored the business performance of these customers in PRC and will consider diversifying its customer base as appropriate.

The carrying amount of the Group's financial assets at FVTPL best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

Except for financial assets at FVTPL, the Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

In order to minimise the credit risk in relation to supply chain assets, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of the Group performs impairment assessment under ECL model upon application of HKFRS 9 based on internal credit rating. Details of past-due supply chain assets are set out in note 22.

For guarantee service provided to customers and the loan guarantee issued by the Group to an associate, the management had set up the credit limit and credit terms to delegated officers. Any further extension of credit beyond the approved limit has to be approved by the management of the Company. As at 31 December 2021, the maximum amount that the Group has guaranteed under the guarantee contracts was RMB1,334,663,000 (31 December 2020: RMB1,768,507,000). Details are set out in note 28.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

The credit risk on liquid funds (i.e. pledged bank deposits and bank balances) is limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Supply chain assets/ financial guarantee contracts/other financial assets	Trade receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL	Lifetime ECL – not credit-impaired
Watch list	The repayment schedule is extended over 30 days or past due or there have been significant increases in credit risk	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired or more than 90 days past-due	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the customer is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets and financial guarantee contracts, which are subject to ECL assessment:

As at 31 December 2021

External/Internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000	Impairment loss allowance RMB'000
Supply chain assets at FVTOCI				
Low risk	12m ECL	1.11%	6,584,144	72,905
Watch list	Lifetime ECL (not credit-impaired)	4.91%	161,495	7,932
Loss	Lifetime ECL (credit-impaired)	82.61%	19,753	16,318
			6,765,392	97,155

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

As at 31 December 2021 (continued)

External/Internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000	Impairment loss allowance RMB'000
Financial assets at amortised cost				
Pledged bank deposits				
AAA/BBB+ (note i)	12m ECL	N/A	429,257	–
Bank balances				
AAA/BBB+ (note i)	12m ECL	N/A	800,410	–
Receivables from guarantee customers				
Low risk	12m ECL	1.18%	6,205	73
Watch list	Lifetime ECL (not credit-impaired)	12.32%	138	17
Refundable rental deposits				
Low risk (note i)	12m ECL	N/A	3,924	–
Trade receivables				
Low risk (note i)	Lifetime ECL (not credit-impaired)	N/A	19,968	–
Other receivables				
N/A (note i) (note ii)	12m ECL	N/A	35,746	–
			1,295,648	90
Other items				
Financial guarantee contracts (note iii)				
– Loan guarantee contracts in relation to third parties				
Low risk	12m ECL	1.37%	1,321,102	18,055
Watch list	Lifetime ECL (not credit-impaired)	11.90%	13,561	1,614
			1,334,663	19,669

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

As at 31 December 2020

External/Internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000	Impairment loss allowance RMB'000
Supply chain assets at FVTOCI				
Low risk	12m ECL	1.20%	3,820,764	45,958
Watch list	Lifetime ECL (not credit-impaired)	13.00%	18,289	2,377
Loss	Lifetime ECL (credit-impaired)	42.47%	23,143	9,829
			3,862,196	58,164
Financial assets at amortised cost				
Pledged bank deposits				
AAA/BBB+ (note i)	12m ECL	N/A	255,489	–
Bank balances				
AAA/BBB+ (note i)	12m ECL	N/A	348,715	–
Receivables from guarantee customers				
Low risk	12m ECL	1.69%	17,240	292
Watch list	Lifetime ECL (not credit-impaired)	4.59%	109	5
Refundable rental deposits				
Low risk (note i)	12m ECL	N/A	3,839	–
Trade receivables				
Low risk (note i)	Lifetime ECL (not credit-impaired)	N/A	2,733	–
Other receivables				
N/A (note i) (note ii)	12m ECL		13,392	–
			641,517	297

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

As at 31 December 2020 (continued)

External/Internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000	Impairment loss allowance RMB'000
Other items				
Financial guarantee contracts (note iii)				
– Loan guarantee contracts in relation to third parties				
Low risk	12m ECL	1.56%	1,372,376	21,423
Watch list	Lifetime ECL (not credit-impaired)	4.37%	10,531	460
– Loan guarantee contracts in relation to an associate				
Low risk	12m ECL	0.25%	385,600	959
			1,768,507	22,842

Notes:

(i) The directors of the Company reviewed and assessed the impairment under ECL model, considering that these financial assets were determined to have low credit risk as these financial assets have a low risk of default and the debtors have a strong capacity to meet their contractual cash flow obligations in the near term, and no loss allowance was recognised as the amount was immaterial.

(ii) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. As at 31 December 2021 and 2020, all of other receivables were not past due.

(iii) For financial guarantee contract, the amount represents the maximum amount the Group has guaranteed under the contract.

The measurement of ECL is a function of the PD, LGD and the exposure at default. The assessment of the PD and LGD is by referencing the external data adjusted by macroeconomic factors and forward-looking information related to the economic inputs and the future macroeconomic conditions such as consumer price index and producer price index.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The movements in the allowance for impairment in respect of supply chain assets at FVTOCI during the reporting period were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2020	46,080	254	–	46,334
Changes due to supply chain assets at FVTOCI recognised as at 1 January:				
– Impairment losses, net of reversal	(46,080)	(254)	–	(46,334)
New financial assets purchased, net of settlement	45,958	2,377	9,829	58,164
As at 31 December 2020	45,958	2,377	9,829	58,164
Changes due to supply chain assets at FVTOCI recognised as at 1 January:				
– Transfer to lifetime ECL – not credit-impaired	**(343)**	**1,361**	**(1,018)**	**–**
– Transfer to lifetime ECL – credit-impaired	**(33)**	**–**	**33**	**–**
– Impairment losses, net of reversal	**(45,581)**	**(2,157)**	**7,452**	**(40,286)**
– Disposal	**–**	**(1,018)**	**–**	**(1,018)**
Acquired on acquisition of a subsidiary	**24,716**	**1,044**	**–**	**25,760**
New financial assets purchased, net of settlement	**48,188**	**6,898**	**22**	**55,108**
New financial assets disposed	**–**	**(573)**	**–**	**(573)**
As at 31 December 2021	**72,905**	**7,932**	**16,318**	**97,155**

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The movements in the gross carrying amount of supply chain assets at FVTOCI were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2020	3,877,938	3,841	–	3,881,779
Changes due to supply chain assets at FVTOCI recognised as at 1 January:				
– Settlement	(3,877,938)	(3,841)	–	(3,881,779)
New financial assets purchased	13,309,338	22,018	42,633	13,373,989
New financial assets settled	(9,488,574)	(3,729)	(19,490)	(9,511,793)
As at 31 December 2020	3,820,764	18,289	23,143	3,862,196
Changes due to supply chain assets at FVTOCI recognised as at 1 January:				
– Transfer to lifetime ECL – not credit-impaired	**(17,198)**	**23,397**	**(6,199)**	**–**
– Transfer to lifetime ECL – credit-impaired	**(6,199)**	**–**	**6,199**	**–**
– Settlement	**(3,797,367)**	**(32,942)**	**(6,847)**	**(3,837,156)**
– Disposal	**–**	**(6,199)**	**–**	**(6,199)**
New financial assets purchased	**11,812,841**	**164,076**	**3,607**	**11,980,524**
Acquired on acquisition of a subsidiary	**2,345,183**	**19,270**	**–**	**2,364,453**
New financial assets settled	**(7,573,880)**	**(11,034)**	**(150)**	**(7,585,064)**
New financial assets disposed	**–**	**(13,362)**	**–**	**(13,362)**
As at 31 December 2021	**6,584,144**	**161,495**	**19,753**	**6,765,392**

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The movements in the allowance for impairment in respect of loan receivable during the reporting period were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2020	–	4,344	–	4,344
Changes due to loan receivable recognised as at 1 January:				
– Transfer to lifetime ECL – credit-impaired	–	(4,344)	4,344	–
– Impairment losses, net of reversal	–	–	(3,978)	(3,978)
– Transfer to 12m ECL	366	–	(366)	–
– Disposal	(366)	–	–	(366)
As at 31 December 2020	–	–	–	–

The movements in the gross carrying amount of loan receivable were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2020	–	13,410	–	13,410
Changes due to loan receivable recognised as at 1 January:				
– Settlement	–	(812)	(1,099)	(1,911)
– Transfer to lifetime ECL – credit-impaired	–	(12,598)	12,598	–
– Transfer to 12m ECL	11,499	–	(11,499)	–
– Disposal	(11,499)	–	–	(11,499)
As at 31 December 2020	–	–	–	–

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The movements in the allowance for impairment in respect of receivables from guarantee customers during the reporting period were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Total RMB'000
As at 1 January 2020	101	–	101
Changes due to receivables from guarantee customers recognised as at 1 January:			
– Impairment losses, net of reversal	(101)	–	(101)
New financial assets purchased, net of settlement	292	5	297
As at 31 December 2020	292	5	297
Changes due to receivables from guarantee customers recognised as at 1 January:			
– Impairment losses, net of reversal	**(291)**	**(5)**	**(296)**
New financial assets purchased, net of settlement	**105**	**17**	**122**
Acquisition of a subsidiary	**(33)**	**–**	**(33)**
As at 31 December 2021	**73**	**17**	**90**

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The movements in the gross carrying amount of receivables from guarantee customers were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Total RMB'000
As at 1 January 2020	7,801	–	7,801
Changes due to receivables from guarantee customers recognised as at 1 January:			
– Settlement	(7,801)	–	(7,801)
New financial assets purchased, net of settlement	17,240	109	17,349
As at 31 December 2020	17,240	109	17,349
Changes due to receivables from guarantee customers recognised as at 1 January:			
– Settlement	**(17,213)**	**(109)**	**(17,322)**
New financial assets purchased, net of settlement	**8,642**	**138**	**8,780**
Acquisition of a subsidiary	**(2,464)**	**–**	**(2,464)**
As at 31 December 2021	**6,205**	**138**	**6,343**

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The movements in the allowance for impairment in respect of financial guarantee contracts during the reporting period were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2020	7,998	–	–	7,998
Changes due to financial guarantee contracts recognised as at 1 January:				
– Transfer to lifetime ECL – not credit-impaired	(354)	354	–	–
– Transfer to lifetime ECL – credit-impaired	(225)	–	225	–
– Impairment losses, net of reversal	(7,419)	(354)	2,274	(5,499)
New financial guarantee contracts entered, net of settlement	22,382	460	17,541	40,383
Disposal	–	–	(20,040)	(20,040)
As at 31 December 2020	22,382	460	–	22,842
Changes due to financial guarantee contracts recognised as at 1 January:				
– Acquisition of a subsidiary	**(1,978)**	**–**	**–**	**(1,978)**
– Impairment losses, net of reversal	**(20,404)**	**(460)**	**–**	**(20,864)**
New financial guarantee contracts entered, net of settlement	**40,369**	**1,614**	**–**	**41,983**
Acquisition of a subsidiary	**(22,314)**	**–**	**–**	**(22,314)**
As at 31 December 2021	**18,055**	**1,614**	**–**	**19,669**

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The movements in the exposure of financial guarantee contracts were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2020	773,396	–	–	773,396
Changes due to financial guarantee contracts recognised as at 1 January:				
– Transfer to lifetime ECL – not credit-impaired	(9,209)	9,209	–	–
– Transfer to lifetime ECL – credit-impaired	(3,050)	–	3,050	–
– Settlement	(761,137)	(9,209)	–	(770,346)
New financial guarantee contracts entered	3,185,015	10,981	23,328	3,219,324
New financial guarantee contracts settled	(1,427,039)	(450)	–	(1,427,489)
Disposal	–	–	(26,378)	(26,378)
As at 31 December 2020	1,757,976	10,531	–	1,768,507
Changes due to financial guarantee contracts recognised as at 1 January:				
– Acquisition of a subsidiary	**(229,671)**	**–**	**–**	**(229,671)**
– Settlement	**(1,528,305)**	**(10,531)**	**–**	**(1,538,836)**
New financial guarantee contracts entered	**5,309,680**	**13,561**	**–**	**5,323,241**
New financial guarantee contracts settled	**(2,322,305)**	**–**	**–**	**(2,322,305)**
Acquisition of a subsidiary	**(1,666,273)**	**–**	**–**	**(1,666,273)**
As at 31 December 2021	**1,321,102**	**13,561**	**–**	**1,334,663**

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group, and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities.

In addition, the following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross inflows and outflows on those derivative instruments that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of each reporting period and projected exchange rates. The liquidity analysis for the Group's derivative financial instruments is prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average effective interest rate %	On demand/ less than 1 month RMB'000	1 month to 3 months RMB'000	3 months to 1 year RMB'000	over 1 year RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2021							
Non-derivative financial liabilities							
Loans from related parties	6.20	130,403	4,310	280,787	–	415,500	399,866
Borrowings	4.94	657,149	545,852	1,892,088	966,968	4,062,057	3,941,013
Other payables		115,083	32,791	100,161	1,207	249,242	249,242
Lease liabilities	6.41	1,926	2,110	8,863	5,247	18,146	15,855
		904,561	585,063	2,281,899	973,422	4,744,945	4,605,976
Maximum amount guaranteed (note)		16,465	110,597	1,206,639	962	1,334,663	20,116
Derivatives – gross settlement							
Foreign exchange swap contract							
– inflow		108,054	–	137,927	–	245,981	245,848
– outflow		(112,744)	–	(141,930)	–	(254,674)	(253,269)
Cross currency swap contracts							
– inflow		404	71,808	142,606	–	214,818	214,595
– outflow		(1,049)	(74,973)	(146,310)	–	(222,332)	(220,379)
		(5,335)	(3,165)	(7,707)	–	(16,207)	(13,205)

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average effective interest rate %	On demand/ less than 1 month RMB'000	1 month to 3 months RMB'000	3 months to 1 year RMB'000	over 1 year RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2020							
Non-derivative financial liabilities							
Borrowings	5.79	234,435	266,200	979,919	–	1,480,554	1,475,913
Bank overdraft	2.72	10,828	–	–	–	10,828	10,828
Other payables		26,051	1,662	4,733	–	32,446	32,446
Lease liabilities	6.57	1,144	2,076	10,008	13,914	27,142	25,250
		272,458	269,938	994,660	13,914	1,550,970	1,544,437
Maximum amount guaranteed (note)		40,000	283,779	1,264,328	180,400	1,768,507	29,742
Derivatives – gross settlement							
Foreign currency forward contracts							
– inflow		–	–	188,729	–	188,729	185,526
– outflow		–	–	(199,731)	–	(199,731)	(194,745)
Cross currency swap contracts							
– inflow		378	67,953	92,972	–	161,303	159,291
– outflow		(611)	(74,285)	(94,862)	–	(169,758)	(167,688)
Foreign currency option contracts							
– inflow		–	20,097	–	–	20,097	20,090
– outflow		–	(20,962)	–	–	(20,962)	(19,300)
		(233)	(7,197)	(12,892)	–	(20,322)	(16,826)

Note: The maximum amount guaranteed in respect of financial guarantees represents the total amount of liability should all customers default. Since a significant portion of guarantee is expected to expire without being called upon, the maximum liabilities do not represent expected future cash outflows.

The amounts included above for variable interest rate instruments for financial assets and financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Interest rate benchmark reform

As listed in note 29, several of the Group's LIBOR/HIBOR bank loans will or may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

LIBOR

The Financial Conduct Authority has confirmed all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and
- immediately after 30 June 2023, in the case of the remaining US dollar settings.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

(i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBORs, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Interest rate benchmark reform (continued)

(i) Risks arising from the interest rate benchmark reform (continued)

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

Litigation risk

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

(ii) Progress towards implementation of alternative benchmark interest rates

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

As at 31 December 2021, a floating rate loan that is linked to HIBOR have been transitioned to the relevant alternative benchmark rates. In addition, for other floating rate loans that are linked to HIBOR and LIBOR, the Group had confirmed with the relevant counterparty HIBOR and LIBOR will continue to maturity.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Interest rate benchmark reform (continued)

(ii) Progress towards implementation of alternative benchmark interest rates (continued)

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates as at 31 December 2021. The amounts of financial assets and liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

	Maturing in	Carrying amounts/ notional amounts RMB'000	Transition progress for financial instruments
Non-derivative financial liabilities			
Bank loans linked to US$ LIBOR	2022	114,802	LIBOR will continue till maturity
Bank loans linked to HIBOR	2022	225,294	HIBOR will continue till maturity
Bank loans linked to HIBOR	2023	527,341	HIBOR will continue till maturity
Derivatives			
Cross currency swap contracts – Receive 6-months US$ LIBOR, pay RMB fixed interest rate swaps	2022	119,053	LIBOR will continue till maturity
Cross currency swap contracts – Receive 3-months US$ LIBOR, pay RMB fixed interest rate swaps	2022	97,170	LIBOR will continue till maturity

37. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Set out below is the information about how the fair values of the Group's financial instruments that are measured at fair value are determined, including the valuation techniques and inputs used:

Fair value hierarchy as at 31/12/2021

	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:			
Other financial assets at FVTPL	**173,924**	**109,474**	**283,398**
Supply chain assets at FVTOCI	**–**	**6,678,376**	**6,678,376**
	173,924	**6,787,850**	**6,961,774**
Financial liabilities:			
Derivative financial instruments	**13,205**	**–**	**13,205**

Fair value hierarchy as at 31/12/2020

	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:			
Other financial assets at FVTPL	2,005	103,136	105,141
Supply chain assets at FVTOCI	–	3,804,200	3,804,200
Derivative financial instruments	790	–	790
	2,795	3,907,336	3,910,131
Financial liabilities:			
Derivative financial instruments	17,616	–	17,616

37. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities are measured at fair value on a recurring basis (continued)

Financial assets/liabilities	Fair value 2021 RMB'000	Fair value 2020 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Foreign exchange swap contracts	**Liabilities – 7,421**	Liabilities – –	Level 2	Discounted cash flow. Future cash flows are estimated based on spot exchange rates (from observable spot exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
Cross currency swap contracts	**Liabilities – 5,784**	Liabilities – 8,397	Level 2	Discounted cash flow. Future cash flows are estimated based on spot exchange rates (from observable spot exchange rates at the end of the reporting period) and contracted forward rates, as well as forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
Foreign currency option contracts	**Assets – –**	Assets – 790	Level 2	Garman-Kohlhagen Model. Spot exchange rate (from observable exchange rate at the end of the reporting period), risk-free rate (from observable risk-free rates at the end of the reporting period) and exchange rate volatility (from observable implied exchange rate volatility at the end of the reporting period) are the key inputs.	N/A
Foreign currency forward contracts	**Liabilities – –**	Liabilities – 9,219	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A

37. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities are measured at fair value on a recurring basis (continued)

Financial assets/liabilities	Fair value 2021 RMB'000	Fair value 2020 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Other financial assets at FVTPL – structured deposit	**Assets – 108,374**	Assets – 2,005	Level 2	Discounted cash flow. Future cash flows are estimated based on exchange rates (from observable exchange rates at the end of the reporting period).	N/A
Other financial assets at FVTPL – unlisted equity investment	**Assets – 65,550**	Assets – –	Level 2	Recent transaction price	N/A
Supply chain assets at FVTOCI	**Assets – 6,678,376**	Assets – 3,804,200	Level 3	Discounted cash flow. Risk-adjusted discount rate and cash flow are key inputs	The higher discount rate, the lower fair value
Other financial assets at FVTPL – equity tranche	**Assets – 107,545**	Assets – 91,980	Level 3	Discounted cash flow. Discount rate and cash flows are key inputs	The higher discount rate, the lower fair value The higher cash flows, the higher fair value.
Other financial assets at FVTPL – trust fund	**Assets – 1,929**	Assets – 3,374	Level 3	Discounted cash flow. Risk-adjusted discount rate and cash flow are key inputs	The higher discount rate, the lower fair value
Other financial assets at FVTPL – distressed debt assets	**Assets – –**	Assets – 7,782	Level 3	Discounted cash flow. Risk-adjusted discount rate and cash flow are key inputs	The higher discount rate, the lower fair value

Fair value of financial instruments that are recorded at amortised cost

The fair values of financial assets and financial liabilities of the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The management consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

37. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Other financial assets at FVTPL RMB'000	Supply chain assets at FVTOCI RMB'000
At 1 January 2020	4,497	3,837,348
Purchases	106,816	13,373,989
Settlements	(41,423)	(13,393,572)
Fair value changes through OCI, net of reclassification adjustment to profit or loss (note)	–	(13,565)
Fair value changes through profit or loss	33,246	–
At 31 December 2020	103,136	3,804,200
Purchases	**124,412**	**11,980,524**
Acquired on acquisition of a subsidiary	**–**	**2,343,821**
Settlements	**(145,794)**	**(11,422,220)**
Disposal	**–**	**(17,970)**
Fair value changes through OCI, net of reclassification adjustment to profit or loss (note)	**–**	**(9,979)**
Fair value changes through profit or loss	**27,720**	**–**
At 31 December 2021	**109,474**	**6,678,376**

All gains and losses included in OCI relate to supply chain assets at FVTOCI are reported as changes of FVTOCI reserves.

Note: Details of the amount recognised in OCI to profit and loss in relation to supply chain assets at FVTOCI derecognised during the year are set out in note 12(b).

(d) Transfers of financial assets

The following were the Group's supply chain assets that were transferred to banks, non-bank financial institutions and companies by discounting those supply chain assets on a full recourse basis or with repurchase obligation. As the Group has not transferred the substantially all risks and rewards relating to these supply chain assets, it continues to recognise the full carrying amount of the supply chain assets and has recognised the cash received on the transfer as borrowings (note 29).

37. FINANCIAL INSTRUMENTS (continued)

(d) Transfers of financial assets (continued)

	Supply chain assets	
	31/12/2021 RMB'000	31/12/2020 RMB'000
Carrying amount of transferred assets	**2,160,802**	678,658
Carrying amount of associated liabilities	**2,118,752**	909,761
Net position	**42,050**	(231,103)

38. PARTICULARS OF SUBSIDIARIES

General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiary	Place and date of incorporation/ establishment/ operations	Particulars of issued/ registered capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December 2021	2020	Principal activity
Directly owned					
Sheng Ye International Capital Limited (盛業國際資本有限公司)	British Virgin Islands ("BVI") 24 September 2013	US$100,000,000	**100%**	100%	Investment holding
Ever Giant Global Limited (永巨環球有限公司)	BVI 20 January 2016	US$1	**100%**	100%	Investment holding
Talent Group Global Limited (智連環球有限公司)	BVI 1 November 2016	US$2	**100%**	100%	Investment holding
Indirectly owned					
Sheng Ye Global Limited (盛業環球有限公司) (Former name as Sheng Ye International Finance Limited) (盛業國際金融有限公司))	Hong Kong 9 October 2013	HK$1	**100%**	100%	Investment holding
Nice Day Corporation Limited (麗日有限公司)	Hong Kong 1 December 2015	HK$1	**100%**	100%	Investment holding

38. PARTICULARS OF SUBSIDIARIES (continued)

General information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment/ operations	Particulars of issued/ registered capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December		Principal activity
			2021	2020	
Sheng Ye International Supply Chain Finance Limited(盛業國際供應鏈金融有限公司)	Hong Kong 30 October 2018	HK$1	100%	100%	Investment holding
Sheng Ye Overseas Finance Limited (盛業海外金融有限公司)	BVI 9 August 2018	US$1	100%	100%	Investment holding
Alpha-10 SY (2019-01) Limited	Hong Kong 3 September 2019	HK$1	100%	100%	Investment holding
SY International Capital Pte. Ltd	Singapore 2 December 2019	S$1	100%	100%	Provision of supply chain finance management service
Vast Talent International Limited (博智國際有限公司)	BVI 8 October 2020	US$1	100%	100%	Investment holding
Robust Elite Holdings Limited (盛萃控股有限公司)	BVI 12 November 2020	US$1	100%	100%	Investment holding
Fully Mark Investment Limited (誌豐投資有限公司)	Hong Kong 5 November 2020	HK$1	100%	100%	Investment holding
Wisemax Enterprise Limited (盛智企業有限公司)	Hong Kong 5 November 2020	HK$1	100%	100%	Investment holding
SY Factoring Limited* (盛業商業保理有限公司#) ("SY Factoring")	PRC 26 December 2013	US$200,000,000	100%	100%	Provision of supply chain service
Sheng Ye (Shenzhen) Factoring Limited (盛業(深圳)商業保理有限公司#)	PRC 21 March 2016	RMB85,000,000	51%	51%	Provision of supply chain service

38. PARTICULARS OF SUBSIDIARIES (continued)

General information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment/ operations	Particulars of issued/ registered capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December 2021	2020	Principal activity
Tianjin Sheng Zhuo Enterprise Management Consulting Co., Ltd (天津盛卓企業管理咨詢有限公司#)	PRC 30 March 2017	RMB50,000,000	**51%**	51%	Provision of management service
Tianjin Sheng Peng Enterprise Management Consulting Co., Ltd (天津盛鵬企業管理咨詢有限公司#) ("SP") (note 40)	PRC 19 January 2017	RMB50,000,000	**N/A**	51%	Provision of management service
Khorgos Yong Zhuo Factoring Limited (霍爾果斯永卓商業保理有限公司#)	PRC 7 March 2018	RMB50,000,000	**100%**	100%	Provision of supply chain service
Sheng Ye Information Technology Service (Shenzhen) Co., Limited* (盛業信息科技服務(深圳)有限公司#)	PRC 11 March 2016	HK$5,000,000	**100%**	100%	Provision of IT service
Tianjin Sheng Ye (Group) Limited* (天津盛業(集團)有限公司#) (Former name as Tianjin Shengye Investment Management Limited (天津盛業投資管理有限公司#)	PRC 2 November 2017	RMB25,000,000	**100%**	100%	Provision of management service
Tianjin Zhuguang Shengye Enterprise Management Consulting Co., Ltd (天津珠光盛業企業管理諮詢有限責任公司#) ("ZGSY") (note 40)	PRC 28 March 2017	RMB50,000,000	**N/A**	100%	Provision of management service
Sheng Long Information Technology Service (Ningbo) Co., Limited (盛隆信息科技服務(寧波)有限公司#)	PRC 9 July 2019	RMB10,000,000	**60%**	60%	Provision of IT service
Yi Lian Shu Ke (Shenzhen) Co., Limited (易聯數科(深圳)有限責任公司#) ("YLSK") (note 40)	PRC 19 November 2019	RMB50,000,000	**N/A**	60%	Provision of IT service
Sheng Ye Financing Guarantee Limited (盛業融資擔保有限公司#)	PRC 14 August 2020	RMB100,000,000	**100%**	100%	Provision of guarantee service

38. PARTICULARS OF SUBSIDIARIES (continued)

General information of subsidiaries (continued)

Name of subsidiary	Place and date of incorporation/ establishment/ operations	Particulars of issued/ registered capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December		Principal activity
			2021	2020	
Sheng Ye (Shenzhen) Digital Technology Co., Ltd (盛業(深圳)數字科技有限公司#) ("SYDT")	PRC 16 March 2020	RMB1,000,000	**N/A**	N/A (note)	Provision of IT service
Qixi Information Technology Service (Shanghai) Co., Limited (企熙信息科技服務(上海)有限公司#)	PRC 5 November 2020	RMB5,000,000	**100%**	100%	Provision of IT service
Tianjin Sheng Ye Investment Limited* (天津盛業投資有限公司#)	PRC 11 October 2021	US$160,000,000	**100%**	N/A	Provision of IT service
WXGJ (note 39)	PRC 12 June 2018	RMB300,000,000	**80%**	N/A	Provision of supply chain service
Sheng Ye Digital Technology (Wuxi) Co., Ltd (盛業數字科技(無錫)有限公司#)	PRC 11 October 2021	US$160,000,000	**100%**	N/A	Provision of IT service

\# English translated name is for identification purpose only.

* The entities are wholly foreign owned enterprise established in the PRC.

Note: In August 2020, an indirect wholly-owned subsidiary of the Company acquired 100% equity interest of SYDT at nil consideration through a series of contractual arrangements which are designed to provide the Company with the right and power to control over and the right to enjoy the economic benefits generated by SYDT. The assets and liabilities of SYDT at acquisition date is insignificant.

All subsidiaries now comprising the Group are limited liability companies and have adopted 31 December as their financial year end date.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during both years.

38. PARTICULARS OF SUBSIDIARIES (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		31/12/2021	31/12/2020	**31/12/2021 RMB'000**	31/12/2020 RMB'000	**31/12/2021 RMB'000**	31/12/2020 RMB'000
WXGJ (note 39)	PRC	**20%**	N/A	**802**	N/A	**101,687**	N/A
Individually immaterial subsidiaries with non-controlling interests				**9,628**	8,144	**81,062**	111,297
						182,749	111,297

39. ACQUISITION OF A SUBSIDIARY

The Group held 40% equity interest in WXGJ as an associate at 31 December 2020. On 6 December 2021, the Group acquired 40% additional interest in WXGJ for a consideration of RMB360,000,000. The acquisition has been accounted for as acquisition of business using the acquisition method. WXGJ is principally engaged in the digital financing solutions services and was acquired with the objective of enhancing the Group's financial performance.

Consideration transferred

	RMB'000
Cash	360,000

Acquisition-related costs have been excluded from the consideration transferred and have been recognised as an expense in the current year, in the consolidated statement of profit or loss.

39. ACQUISITION OF A SUBSIDIARY (continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Equipment	429
Right-of-use assets	2,274
Intangible assets	113,041
Deferred tax assets	6,225
Supply chain assets at FVTOCI	2,343,821
Other receivables, prepayments and others	730
Bank balances	347,491
Other payables and accrued charges	(105,610)
Derivative financial instruments	(5,632)
Income tax payable	(4,202)
Loans from related parties	(535,518)
Borrowings	(1,655,841)
Lease liabilities	(2,243)
	504,965

Non-controlling interest

The non-controlling interest (20%) in WXGJ recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of WXGJ and amounted to RMB100,993,000.

Goodwill arising on acquisition

	RMB'000
Cash consideration transferred	360,000
Fair value of previously equity interest held as interest in WXGJ	360,000
Plus: non-controlling interests (20% in WXGJ)	100,993
Less: fair value of net identifiable assets acquired	(504,965)
Goodwill arising on acquisition	316,028

39. ACQUISITION OF A SUBSIDIARY (continued)

Goodwill arising on acquisition (continued)

Goodwill arose on the acquisition of WXGJ because the cost of the combination included a control premium. In addition, the goodwill included amounts in relation to expected future development of industrial technology segment, continuous support from state-owned shareholder and enhance the Group's financial performance. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of WXGJ

	RMB'000
Cash consideration paid	360,000
Less: cash and cash equivalents balances acquired	(347,491)
	12,509

Fair value of equity interest previously held in WXGJ as at acquisition date

The fair value of WXGJ, an unlisted company, was estimated by an independent and professionally qualified valuer using present value techniques. The fair value is determined using income approach based on expected cash flows generated by WXGJ.

As at 6 December 2021, the fair value of previously equity interest in WXGJ held as interest in an associate was RMB360,000,000, while the book value of previously equity interest in WXGJ held as interest in an associate was RMB156,786,000, the difference of RMB203,214,000 had been recognised as a gain on remeasurement of previously held interest in an associate becoming a subsidiary and included in the "other gain and losses" line item in the consolidated statement of profit or loss. The amount of RMB1,538,000 was previously recognised in OCI, and was reclassified to profit or loss.

Impact of acquisition on the results of the Group

Included in the profit for the year is RMB2,954,000 attributable to the additional business generated by WXGJ. Revenue for the year includes RMB11,306,000 generated from WXGJ.

Had the acquisition been completed on 1 January 2021, revenue and income for the year of the Group would have been RMB629,944,000, and profit for the year of the Group would have been RMB474,683,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had WXGJ been acquired at the beginning of the current year, the directors of the Company calculated depreciation of property, plant and equipment based on the recognised amounts of equipment at the date of the acquisition.

40. DEREGISTRATION OF SUBSIDIARIES

In January 2021, May 2021, July 2021, April 2020 and December 2020, the Group de-registered its investment in SP, ZGSY, YLSK, Sheng Nuo Factoring Limited ("SNF") and Sheng Ye Capital (2018-01) Limited ("SYCL"), subsidiaries of the Company. There were no profit or loss and cash flows of SP, ZGSY, YLSK, SNF and SYCL recognised on the consolidated financial statements for the reporting period.

The net assets of SP, ZGSY, YLSK, SNF and SYCL at the date of deregistration were as follows:

	2021 RMB'000	2020 RMB'000
Bank balances	100,040	50,002
Net assets upon deregistration of subsidiaries	100,040	50,002
Loss on deregistration of subsidiaries:		
Cash distributed to the Group received	75,540	30,018
Net assets upon deregistration of subsidiaries	(100,040)	(50,002)
Non-controlling interests	23,020	19,984
Loss on deregistration of subsidiaries	(1,480)	–
Net cash outflow arising on deregistration:		
Cash distributed to the Group	75,540	30,018
Less: bank balances upon deregistration of subsidiaries	(100,040)	(50,002)
	(24,500)	(19,984)

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings RMB'000	Interest on bank overdraft RMB'000	Lease liabilities RMB'000	Loans from related parties RMB'000	Dividend payable RMB'000	Total RMB'000
As at 1 January 2020	1,867,299	–	22,061	–	–	1,889,360
Financing cash flows	(506,708)	(494)	(10,318)	(8,559)	(41,650)	(567,729)
Dividends declared	–	–	–	–	48,183	48,183
New leases entered/lease modified	–	–	12,244	–	–	12,244
Modification of a borrowing	(859)	–	–	–	–	(859)
Covid-19-related rent concessions	–	–	(224)	–	–	(224)
Finance costs	116,181	494	1,487	8,559	–	126,721
At 31 December 2020	1,475,913	–	25,250	–	6,533	1,507,696
Financing cash flows	692,420	(79)	(13,372)	(146,632)	(70,540)	461,797
Dividends declared	–	–	–	–	65,540	65,540
New leases entered/lease modified	–	–	404	–	–	404
Acquired on acquisition of a subsidiary	1,655,841	–	2,243	535,518	–	2,193,602
Finance costs	116,839	79	1,330	10,980	–	129,228
At 31 December 2021	3,941,013	–	15,855	399,866	1,533	4,358,267

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31/12/2021 RMB'000	31/12/2020 RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**873,525**	813,658
Amounts due from a subsidiary	**1,066,655**	792,477
	1,940,180	1,606,135
CURRENT ASSETS		
Loans to subsidiaries	**502,482**	357,726
Other receivables, prepayments and others	**263**	1,378
Amounts due from subsidiaries	**6,695**	4,371
Bank balances	**2,761**	21,590
Pledged bank deposits	**20,503**	–
	532,704	385,065
CURRENT LIABILITIES		
Borrowings	**72,901**	42,214
Other payables and accrued charges	**2,508**	2,267
	75,409	44,481
NET CURRENT ASSETS	**457,295**	340,584
NET ASSETS	**2,397,475**	1,946,719
CAPITAL AND RESERVES		
Share capital	**8,687**	8,127
Reserves	**2,388,788**	1,938,592
TOTAL EQUITY	**2,397,475**	1,946,719

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Movement in reserves

	Share premium RMB'000	Share-based payments reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2020	1,592,105	17,706	8,051	1,617,862
Profit for the year	–	–	21,318	21,318
Issue of new shares from placing	338,361	–	–	338,361
Transaction costs attributable to issue of new shares from placing	(4,770)	–	–	(4,770)
Recognition of equity-settled share-based payments	–	5,462	–	5,462
Dividends recognised as distribution	(42,652)	–	–	(42,652)
Exercise of share options	3,908	(897)	–	3,011
Lapse of share options	–	(805)	805	–
At 31 December 2020	**1,886,952**	**21,466**	**30,174**	**1,938,592**
Profit for the year	**–**	**–**	**11,070**	**11,070**
Issue of new shares from placing	**459,161**	**–**	**–**	**459,161**
Transaction costs attributable to issue of new shares from placing	**(3,260)**	**–**	**–**	**(3,260)**
Recognition of equity-settled share-based payments	**–**	**12,882**	**–**	**12,882**
Dividends recognised as distribution	**(49,146)**	**–**	**–**	**(49,146)**
Exercise of share options	**26,140**	**(6,651)**	**–**	**19,489**
Lapse of share options	**–**	**(316)**	**316**	**–**
At 31 December 2021	**2,319,847**	**27,381**	**41,560**	**2,388,788**

43. EVENT AFTER THE REPORTING PERIOD

On 4 January 2022, SY Factoring and WXGJ, the subsidiaries of the Company, entered into a guarantee agreement with WXTH and its holding company (together, the "Wuxi Communications Group").

Pursuant to the guarantee agreement, Wuxi Communications Group agreed to provide financing and/or guarantee to WXGJ with aggregate maximum amount of RMB3.3 billion within forty-eight months and the actual use of debt financing principal by WXGJ shall not exceed RMB3 billion per month. If WXGJ obtains external financing from a third party and the Wuxi Communications Group guarantee is provided in respect of such repayment obligations, WXGJ shall pay Wuxi Communications Group a guarantee fee which is 0.5% per annum of the weighted average balance of guaranteed debt principal utilised by WXGJ.

Besides, SY Factoring shall provide the joint and several liability guarantee and/or counter guarantee (as the case may be) in favour of the Wuxi Communications Group in proportion to the aggregate shareholding of its affiliates in WXGJ to secure the repayment obligations of WXGJ for the financing and/or guarantee provided by Wuxi Communications Group.

Save as disclosed above and in note 14 of the consolidated financial statements, the Group had no other significant subsequent event after the reporting period.

44. COMPARATIVE FIGURES

During the year ended 31 December 2021, the Group set out the consolidated statement of profit or loss and other comprehensive income into two statements, namely consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income. Expenses are presented in the consolidated statement of profit or loss by their natures instead of by their functions. The corresponding comparative figures have been re-grouped to conform with the current year presentation.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tung Chi Fung (Chairman)
Mr. Chen Jen-Tse

Non-executive Directors

Mr. Lo Wai Hung (appointed on 10 December 2021)

Independent Non-executive Directors

Mr. Hung Ka Hai Clement
Mr. Loo Yau Soon
Mr. Fong Heng Boo
Mr. Tang King San Terence (appointed on 10 December 2021)
Mr. Twoon Wai Mun, Benjamin (resigned on 10 December 2021)

AUDIT COMMITTEE

Mr. Hung Ka Hai Clement (Chairman)
Mr. Loo Yau Soon
Mr. Fong Heng Boo (appointed on 10 December 2021)
Mr. Twoon Wai Mun, Benjamin (resigned on 10 December 2021)

NOMINATION COMMITTEE

Mr. Tung Chi Fung (Chairman)
Mr. Hung Ka Hai Clement
Mr. Fong Heng Boo (appointed on 10 December 2021)
Mr. Twoon Wai Mun, Benjamin (resigned on 10 December 2021)

REMUNERATION COMMITTEE

Mr. Loo Yau Soon (Chairman)
Mr. Tung Chi Fung
Mr. Hung Ka Hai Clement

COMPANY SECRETARY

Mr. Wang Zheng

AUTHORISED REPRESENTATIVES

Mr. Tung Chi Fung
Mr. Wang Zheng

REGISTERED OFFICE

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