



SY HOLDINGS GROUP LIMITED

盛業控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6069

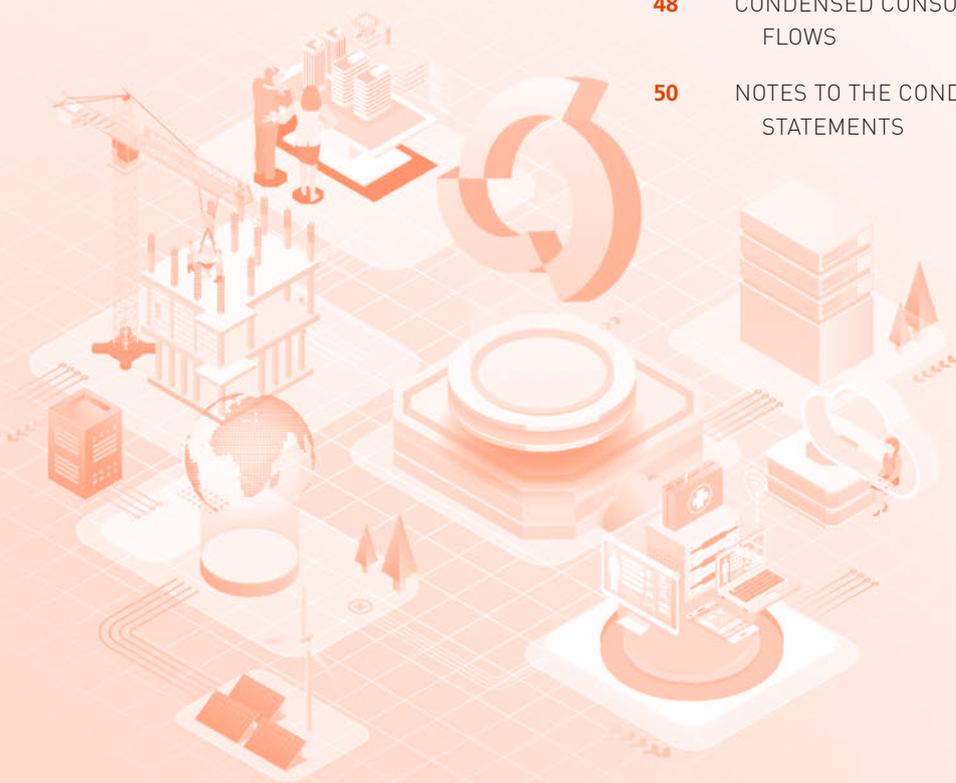


2023
INTERIM
REPORT

CONTENTS

PAGE(S)

2	PERFORMANCE HIGHLIGHTS
3	CORPORATE INFORMATION
4	MANAGEMENT DISCUSSION AND ANALYSIS
25	CORPORATE GOVERNANCE AND OTHER INFORMATION
42	REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
43	CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
44	CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
45	CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
47	CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
48	CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
50	NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



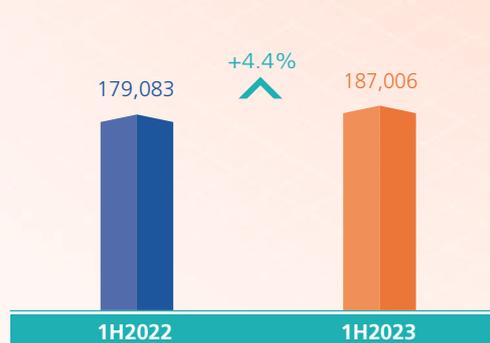
2 PERFORMANCE HIGHLIGHTS

For the six months ended 30 June 2023

Total revenue and income from principal activities (RMB in thousands)



Profit after taxation (RMB in thousands)



Total cumulative platform users



Total cumulative supply chain assets processed (RMB in billions)



Tech-related revenue ^(note)

RMB in thousands

84,064 +183.9% YoY

Revenue from digital financing solutions

RMB in thousands

354,954 +17.4% YoY

SME loan customers

During the six months ended 30 June 2023

>98%

Total funding partners

As of 30 June 2023

122 +34.1%

Note: Tech-related revenue refers to revenue from platform-based services and supply chain technology services.

CORPORATE INFORMATION 3

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Lo Wai Hung

Independent Non-executive Directors

Mr. Loo Yau Soon
Mr. Fong Heng Boo
Mr. Tang King San Terence
Ms. Chan Yuk Ying Phyllis

AUDIT COMMITTEE

Mr. Tang King San Terence (Chairman)
Mr. Loo Yau Soon
Mr. Fong Heng Boo

NOMINATION COMMITTEE

Mr. Tung Chi Fung (Chairman)
Mr. Fong Heng Boo
Mr. Tang King San Terence

REMUNERATION COMMITTEE

Mr. Loo Yau Soon (Chairman)
Mr. Tung Chi Fung
Mr. Fong Heng Boo

COMPANY SECRETARY

Mr. Wang Zheng

AUTHORISED REPRESENTATIVES

Mr. Tung Chi Fung
Mr. Wang Zheng

REGISTERED OFFICE

Windward 3, Regatta Office Park, PO Box 1350,
Grand Cayman KY1-1108, Cayman Islands

COMPANY'S WEBSITE ADDRESS

www.syholdings.com

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MAINLAND CHINA

10/F and 18/F, Kerry Plaza, Tower 2
1-1 Zhong Xin No. 4 Road
Futian, Shenzhen 518048, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG SAR

Room 4202, 42/F, Tower 1, Lippo Centre
89 Queensway, Admiralty, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park, PO Box 1350,
Grand Cayman KY1-1108, Cayman Islands

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG SAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway, Hong Kong

LEGAL ADVISER

TC & Co.
Units 2201-3, Tai Tung Building
8 Fleming Road, Wan Chai, Hong Kong

STOCK CODE

6069



4 MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. About SY Holdings Group Limited

SY Holdings Group Limited (the “**Group**”, “**Company**” or “**SY**”) is a leading supply chain technology platform providing data-driven, efficient, and inclusive industrial Internet-of-Things (“**IloT**”) and digital financing solutions for companies across the Asia-Pacific region. As the digital economy becomes a new engine for China’s economic growth, the Group is strategically positioned as a supply chain technology platform, leveraging its technological capabilities to empower supply chains and to facilitate the digital upgrade of traditional industries. The Company is also committed to providing services which include one-stop supply chain technology services and digital financing solutions for enterprises and financial institutions, driving supply chain efficiency and making finance more inclusive.

The Group’s Dual-Engine, One-Platform strategy has laid a foundation for more efficient and sustainable growth in the future. Dual Engine refers to the two growth engines of IloT and digital finance, which empower one another as they develop synergistically. One-Platform means that the Group fully leverages its technological advantages to build an open, inclusive, and complementary supply chain technology platform by linking core enterprises, funding partners, corporate partners and small and medium-sized enterprises (“**SMEs**”).

The Group’s business segments comprise (i) digital financing solutions, (ii) platform-based services, (iii) supply chain technology services and (iv) sales of supply chain assets¹. Through building a comprehensive supply chain ecosystem, the Group will expand the scale of its IloT business, leverage technology to empower its digital finance business and maximize its platform linkage capability to create a mutually beneficial ecosystem throughout the supply chain.

2. First Half 2023 Highlights

Achieving Steady Growth Despite the Challenging Macro Environment and Contributing to the Recovery of the Real Economy

- In the first half of 2023, despite the challenging global economic conditions and the fluctuations in the global capital market, China’s economy gradually rebounded and stabilized. Finding opportunities amid these challenges, SY focused on its principal activities in the digital finance business while further improving its technology strength and platform-based service capabilities. The Group achieved steady growth by contributing to the high-quality development of the real economy, which include ensuring the security and stability of the industrial and supply chain ecosystems in infrastructure, medicine, energy and other sectors, while providing SMEs with financial services to help them weather the difficulties. During the Period, the net profit of the Group reached approximately RMB187.0 million, an increase of approximately 4.4% year-on-year.



¹ Supply chain assets refer to assets including accounts receivables and accounts payables of core enterprises arising from transactions in the supply chain ecosystem

MANAGEMENT DISCUSSION AND ANALYSIS

- Since the beginning of this year, China has rolled out a slew of policies to encourage the development of supply chain finance and support the real economy, particularly SMEs, to speed up the economic recovery. Leveraging its in-depth industry understanding and leading technology platform capabilities, SY continuously improved its coverage of SMEs customers in the supply chain ecosystem. By further optimizing and enhancing its data-driven business and risk control models, SY provided accurate, flexible, and convenient supply chain finance services for SMEs and core enterprises in the supply chain ecosystem. In the first half of 2023, the proportion of SME customers served by the Group reached 98%. During the Reporting Period, the cumulative amount of financing directly and indirectly provided by the Group to SMEs reached RMB12.88 billion, an increase of approximately 35.3% over the same period of last year.
- The Group maintained resilience and steady growth in its supply chain ecosystem. As of 30 June 2023, the cumulative supply chain assets processed by the Group was approximately RMB177.0 billion, representing growth of 11.1% as compared with 31 December 2022. The Group's total revenue and income from principal activities increased by 28.1% year-on-year to RMB494.8 million for the six months ended 30 June 2023, compared to RMB386.3 million for the six months ended 30 June 2022.

Strengthening the Supply Chain Ecosystem to Promote Further Integration of Industry and Finance

- With the mission of “driving supply chain efficiency and making finance more inclusive,” SY actively contributes to building the supply chain ecosystem. By providing digital finance and supply chain technology services to break down information silos, SY delivered efficient, inclusive, and sustainable services to all the participants within the supply chain ecosystem. Leveraging its extensive industrial experience and deep finance sector expertise, SY has continued to deepen its cooperation with a number of core enterprises in the supply chain ecosystem to further optimize their existing business process and product portfolios, providing customers with a better service experience.
- In the infrastructure segment, SY expanded its financing and technology collaboration with a certain member company of a core enterprise during the first half of 2023. In view of their successful track record, the two parties have increased the scale of their cooperation in the factoring business from RMB1 billion to RMB1.5 billion. On the other hand, by integrating their systems for factoring business, SY and its partner have leveraged their respective advantages in digital technology, platform-based services, and industry resources. SY has successfully developed customized features for its partner in the core modules of the financing business process, creating an efficient connection between the funding side and the asset side. Such partnership enables both parties to jointly provide more flexible and convenient inclusive financial services to internal units of the partners as well as to its upstream suppliers. In addition, SY has developed two customized supply chain inclusive financial products for another core enterprise, namely “Delivery Financing” and “Settlement Financing,” that have been officially launched on the core enterprise's cloud e-commerce platform. Targeting the winning suppliers of the core enterprise, these two products offer inclusive financial services featuring large financing amounts, low interest rates, and flexible repayment options. They effectively address the capital turnover problems faced by the suppliers after winning bids, as well as financing difficulties due to their small business scales and their inability to provide collateral.



6 MANAGEMENT DISCUSSION AND ANALYSIS

- In the healthcare sector, in July 2023, SY entered into a strategic partnership with a large state-owned pharmaceutical distribution company, expanding collaboration in equity investment, digital financing, and upgrading the pharmaceutical supply chain. Specifically, SY will make equity investments in innovative medical services companies with a primary focus on the development of the pharmaceutical distribution industry, biopharmaceutical research and production, and digital upgrades of hospital SPD solutions. Building upon its deep experience in traditional supply chain financing, SY will leverage its digital capabilities for hospital SPD solutions to unlock the value of pharmaceutical industry data and develop innovative, inclusive supply chain financing services. Drawing on its extensive expertise in intelligent software and hardware development, SY will drive the digital transformation of pharmaceutical supply chains, including intelligent warehousing logistics, IoT hardware, and supply chain data applications, thus supporting the growth of enterprises in the healthcare supply chain industry.

Continued Implementation of Platformisation Strategy Drives Business Expansion

- To expand business and financing channels, the Group has implemented a platformisation strategy to transition towards an asset-light model. By leveraging advanced digital technology and efficient risk control systems, SY can deliver one-stop supply chain technology services and inclusive digital financial solutions to a broader range of partners. For the six months ended 30 June 2023, cooperation with external institutions accounted for approximately 39% of total loan facilitation, an increase of approximately 9 percentage points compared with the same period last year. This achievement demonstrates the Group's growing recognition among funding partners for its data-driven risk control capabilities and powerful customer acquisition abilities. It also signifies the growing market appreciation of the Group's platformisation model.
- Based on an advanced and innovative business model with a sound compliance framework, SY has successfully exported customized technology systems and platform-based services to local factoring companies with state-owned enterprise "SOE" backgrounds in Wuxi, Ningbo, Xiamen, Qingdao, and other regions, enabling the Group to expand its footprint to their supply chain ecosystems in various places. These initiatives have enabled the Group to break down market and information silos across geographies and empowered the Group with more efficient, accurate, and cost-effective access to business opportunities in the mid- and long-term. The enhanced credit gained from its association with outstanding local SOEs also enables the Group to optimize its financing structure, thereby reducing capital costs and increasing leverage.



MANAGEMENT DISCUSSION AND ANALYSIS

Strengthening Research and Development (“R&D”) Capabilities to Unlock Value Transformation Channels

- As a national high-tech enterprise, Sheng Ye Information Technology Service (Shenzhen) Co., Ltd. (“**SYIT**”) specializes in research in and application of IIoT and digital finance technologies. With an in-depth knowledge of national strategic industries such as infrastructure, pharmaceuticals and energy, SYIT has established strategic partnerships with a number of large core enterprises. SYIT enables these core enterprises to enhance their digital management efficiency by providing them with advanced digital technology, efficient intelligent risk control methods, and the improved ability to match premium assets with inclusive finance. SYIT provides customized supply chain platforms and big data analysis services to complement its offerings. In addition, SY, with its strong technological strength and outstanding contributions in providing precise services to SMEs, has been successfully selected on CNBC’s “2023 Top 200 Global Financial Technology Companies” list.
- Since its inception, SY has attached great importance to technological innovation and building an intellectual property system to protect and leverage its independent intellectual property rights (IPR) and continuously enhance its core competitiveness. SY has obtained a number of national invention patent certificates in the fields of data processing technology and data security technology. Going forward, SY will continue to improve its IPR protection system to drive its technological innovation efforts, promoting technological progress in the industry and high-quality development of the Company.
- Based on its strategy of tightly integrating technological innovation with business development, SY has developed and launched functional modules such as smart duplicate checking for registrations at Zhongdengwang.org.cn (the Unified Registration and Publicity System for Movable Property Financing), fast invoice verification, credit report analysis, and smart approval for contracts by leveraging its technological innovations protected by granted patents. Through the application of optical character recognition (“**OCR**”), natural language processing (“**NLP**”), artificial intelligence (“**AI**”) and other technologies, SY’s solutions achieved high-efficiency, multi-dimensional automated analysis of customer and transaction profiles. In addition to providing solutions to factoring and financial industry customers to significantly improve the efficiency of their business processes, SY also provided SMEs with financing support as an alternative to traditional financing options, breaking down information silos and building a bridge to financial markets for a broader range of participants in the real economy. Meanwhile, based on massive data accumulation and training, SY has internally launched a large language model digital financial solution, which applied to scenarios such as pre-loan customer evaluations, loan asset reviews, post-loan operation monitoring. This solution helps to improve risk control capabilities and business efficiency through its powerful information processing capabilities while further enhancing SY’s ability to understand SMEs and provide them with technological support.



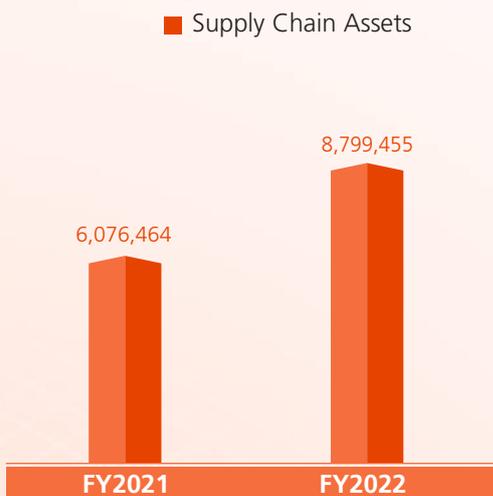
8 MANAGEMENT DISCUSSION AND ANALYSIS

- SY has taken notice of the digital RMB’s advantages in terms of instant settlement, anonymity, traceability and strong credit, etc. Compared with existing forms of supply chain finance payment, digital RMB can link the upstream and downstream supply chain payment processes, not only realising real-time fast fund arrival and improving SMEs’ capital turnover rate, but also effectively reducing default risk for financial institutions by virtue of its traceability. In June 2023, SY’s subsidiary Wuxi Guojin Factoring Limited (“**WXGJ**”) cooperated with a local bank to successfully launch the largest single Digital RMB factoring transaction, totaling RMB100 million, in the factoring industry in the Jiangsu Province, representing a significant innovation in the inclusive financing business.

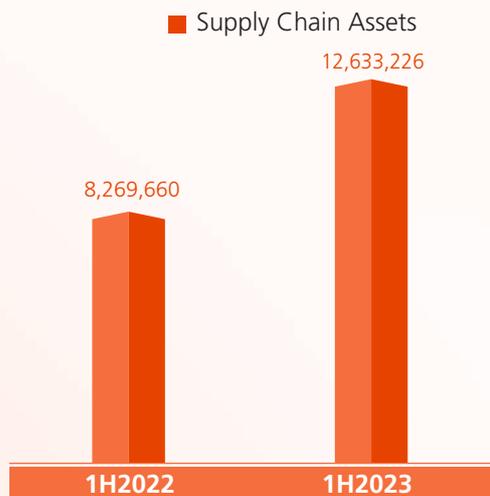
Dual-engine Cross-empowerment Drives Solid Development of Digital Finance

- The supply chain technology segment not only delivered strong business growth but also strengthened the digital finance segment technologically by facilitating precise customer acquisition and increased risk management efficiency. The digital finance business achieved stable growth by tightly integrating digital technology and industrial knowledge. In the six months ended 30 June 2023, revenue from digital financing solutions increased by 17.4% year-on-year to RMB355.0 million. The supply chain assets balance, including both self-funded and loan facilitation supply chain assets, increased by 62.2% year-on-year to approximately RMB14.05 billion as of 30 June 2023. The daily average supply chain assets balance increased by 52.8% year-on-year to approximately RMB12.63 billion. The cumulative supply chain assets processed by the Group was approximately RMB177.0 billion, and the cumulative number of customers was 13,655 representing growth of 21.2% and 19.6% respectively, as compared with 30 June 2022. Asset quality has remained healthy, with the non-performing ratio maintained at 0%.

Daily Average Balance (RMB’000)



Daily Average Balance (RMB’000)

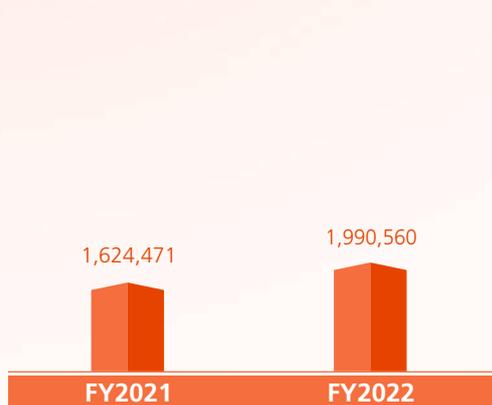


MANAGEMENT DISCUSSION AND ANALYSIS

- Benefiting from expanded scale of funding and improved asset quality, the Group's daily average loan facilitation balance² was RMB4.70 billion as of 30 June 2023, an increase of approximately 186.1% year-on-year. During the period, revenue from platform-based services reached approximately RMB67.4 million, of which revenue from referral service and technology service for loan facilitation reached RMB67.2 million, an increase of 142.7% year-on-year. The Group remains confident that growth in its overall platform-based services will remain resilient, underpinned by robust SME financing demand coupled with favourable government policies, particularly those geared towards supporting the development and growth of the SME segment in China.

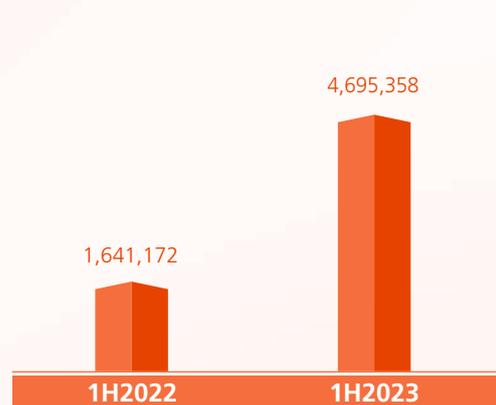
Daily Average Balance (RMB'000)

■ Loan Facilitation Balance



Daily Average Balance (RMB'000)

■ Loan Facilitation Balance



Embracing ESG and Sustainable Development

- SY actively fulfills its corporate social responsibilities and considers environmental, social and governance (“ESG”) factors as a core component of its business decisions. ESG has always been a core part of the Group’s DNA through its mission of “driving supply chain efficiency and making finance more inclusive”. In 2023, SY received another “A” rating from MSCI ESG Research after receiving its first “A” rating in 2021, outperforming its peers in corporate governance and environmental management.
- SY continues to promote sustainable development in its daily operations. SY has further promoted online and paperless business practices among partners through its platformisation business development models and customized platform-based services provided for local factoring companies with SOE backgrounds. SY has also provided more efficient, reliable and low-carbon supply chain financing services to SMEs through its technology capabilities in SY Cloud Platform and Digital RMB, and also helps core enterprises build their own sustainable supply chains.

² The daily average loan facilitation balance has been adjusted to be in line with the Group’s reclassification of its business segments in 2022



10 MANAGEMENT DISCUSSION AND ANALYSIS

- SY is also committed to social responsibility. On 12 May 2022, SY launched the SY Public Welfare Foundation (“**Foundation**”) in Tianjin PRC. The Foundation has carried out public welfare activities in three major areas: caring for children in need, supporting industry development and youth inspirational programs, contributing to the development of a harmonious society. In addition, SY has made many donations to rural poverty alleviation efforts and medical charities, provided publicity for public welfare causes, and hosted a “Little Migratory Birds at Construction Sites Summer Camp” for children of migrant workers in the infrastructure industry. Since 2014, the total amount of public welfare expenditure of SY is approximately RMB10.9 million, benefitting over 4,400 people.

FINANCIAL REVIEW

Revenue and income from principal activities

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

The Group’s total revenue and income from principal activities increased by 28.1% year-on-year to RMB494.8 million for the six months ended 30 June 2023, compared to RMB386.3 million for the corresponding period in last year, mainly due to (i) the expansion of the loan facilitation business in the SME segment; (ii) the rapid growth in the supply chain technology business; and (iii) the expansion of the digital financing solutions which is supported by banks and other borrowings.



MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the comparative figures and as a percentage of total revenue and income from principal activities for the six months ended 30 June 2023 and 2022.

	Six months ended 30 June			2022	
	RMB'000	% of total revenue	Year-on-year	RMB'000	% of total revenue
Revenue from contracts with customers					
– Platform-based services					
– Technology service for loan facilitation	29,501	6.0%	6.6%	27,684	7.2%
– Referral service fees	37,687	7.6%	N/A	–	–
– Technology service for asset-backed securitisation products	–	–	-100.0%	1,199	0.3%
– Other services	225	0.0%	-49.0%	441	0.1%
Subtotal	67,413	13.6%	129.9%	29,324	7.6%
– Supply chain technology services	16,651	3.4%	5,763.0%	284	0.1%
Income from digital financing solutions					
– Interest income from supply chain assets	344,407	69.6%	17.6%	292,987	75.9%
– Guarantee income	9,570	1.9%	2.4%	9,349	2.4%
– Interest income from contracts that contain significant financing components	977	0.2%	N/A	–	–
Subtotal	354,954	71.7%	17.4%	302,336	78.3%
Gain on sales of supply chain assets	55,818	11.3%	2.8%	54,312	14.0%
Revenue and income from principal activities	494,836	100.0%	28.1%	386,256	100.0%



12 MANAGEMENT DISCUSSION AND ANALYSIS

Platform-based services

Revenue from the platform-based services comprises (i) services fees received from customers by providing technology service for loan facilitation through the SY Cloud platform (a data-driven supply chain technology platform empowered by the Group) during the loan period of the customers; (ii) services fees received from customers by referring the customers to the funding partners; (iii) technology service fees that the Group charged for facilitating the issuance of ABS/ABN by large core enterprises; and (iv) services fees received from customers by providing AR management services. Revenue from platform-based services significantly increased by 129.9% year-on-year to approximately RMB67.4 million for the six months ended 30 June 2023, compared to approximately RMB29.3 million for the corresponding period of 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 the 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 the supply chain technology services significantly increased by 5,763.0% year-on-year to RMB16.7 million for the six months ended 30 June 2023, compared to RMB0.3 million for the corresponding period of last year, mainly due to the project completion in smart construction solutions and hospital SPD solutions during the reporting period.

Digital financing solutions

Income from the digital financing solutions comprises (i) interest income received from providing flexible supply chain financing solutions; (ii) guarantee services fees arising mainly from the Group's loan facilitation business; and (iii) interest income from supply chain technology services contracts which contain significant financing components. Income from the digital financing solutions increased by 17.4% year-on-year to RMB355.0 million for the six months ended 30 June 2023, compared to RMB302.3 million for the corresponding period of last year, mainly due to the increase in the daily average balance of supply chain assets which is supported by the increase in daily average balance of borrowings during the reporting period.

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 increased by 2.8% year-on-year to RMB55.8 million for the six months ended 30 June 2023, compared to RMB54.3 million for the corresponding period of last year.



MANAGEMENT DISCUSSION AND ANALYSIS

Other gains and losses

The Group booked other gains of RMB6.3 million in the first half of 2023, an increase of 369.8% year-on-year, compared to RMB1.4 million for the corresponding period of last year. The increase was mainly due to (i) the net effect of exchange loss as a result of the depreciation of RMB against HK\$ and US\$ and net gain arising from changes in fair value of derivative financial instruments in relation to foreign currency; and offset by (ii) the decrease in net gain arising from changes in fair value of other financial assets at fair value through profit or loss.

Expenses

The following table sets forth the comparative figures of the principal components of the operational expenses for the six months ended 30 June 2023 and 2022.

	Six months ended 30 June		
	2023 RMB'000	2022 RMB'000	Year-on-year
Staff Costs	60,457	60,133	0.5%
Depreciation and amortisation	15,678	14,091	11.3%
Other operating expenses	26,432	27,245	-3.0%
Total	102,567	101,469	1.1%

During the reporting period, for the purpose of better assessment of the operational expenses, the materials cost previously included in the operational expenses is now removed. Therefore, certain prior period information had been re-presented to conform with current period presentation.

The Group's total operational expenses increased by 1.1% year-on-year to RMB102.6 million for the six months ended 30 June 2023, compared to RMB101.5 million for the corresponding period of last year, mainly due to the net effect of (i) the increase in depreciation of property, equipment, right-of-use assets and investment property and amortisation of intangible assets of RMB1.6 million and staff costs of RMB0.3 million as a result of business expansion; and (ii) the decrease in other operating expenses of RMB0.8 million as a result of the improved cost management during the reporting period.

The operational cost-to-income ratio for the first half of 2023 was 20.7% as compared with 26.3% for the corresponding period in 2022, excluding one-time expenses. The decrease in cost-to-income ratio demonstrated the improvement in operating efficiency and the synergies brought about by the implementation of the platformisation strategy.



14 MANAGEMENT DISCUSSION AND ANALYSIS

Net profit

Net profit in the first half of 2023 was RMB187.0 million, an increase of RMB7.9 million or 4.4% year-on-year.

Adjusted net profit

Adjusted net profit increased by 4.5% year-on-year to RMB188.3 million for the six months ended 30 June 2023, compared to RMB180.2 million for the six months ended 30 June 2022.

Non-HKFRSs measure: Adjusted net profit

To supplement our consolidated results which are prepared and presented in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs"), we utilize non-HKFRSs adjusted net profit ("adjusted net profit") as an additional financial measure. We define adjusted net profit as profit for the period, as adjusted by excluding equity-settled share-based payments based on our share incentive plan.

Adjusted net profit is not required by, or presented in accordance with, HKFRSs. We believe that the presentation of non-HKFRSs measures when shown in conjunction with the corresponding HKFRSs measures provides useful information to investors and management regarding financial and business trends in relation to our financial condition and results of operations, by eliminating any potential impact of items that our management does not consider to be indicative of our operating performance, such as certain non-cash items and the impact of certain non-recurring investment transactions. We also believe that the non-HKFRSs measures are appropriate for evaluating the Group's operating performance. However, the use of this particular non-HKFRSs measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under HKFRSs. In addition, this non-HKFRSs financial measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures used by other companies.

The following tables set forth reconciliations of the Group's non-HKFRSs measures for the six months ended 30 June 2023 and 2022, respectively, to the nearest measures prepared in accordance with HKFRSs.

	2023 RMB'000	2022 RMB'000
Profit for the six months ended 30 June	187,006	179,083
Add:		
Equity-settled share-based payments based on our share incentive plan (note)	1,303	1,146
Adjusted net profit for the period (non-HKFRSs)	188,309	180,229

Note: It represents the share options/restricted share unit ("RSU") that we granted under our share incentive plan, which is a non-cash expense.



MANAGEMENT DISCUSSION AND ANALYSIS 15

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

Supply chain assets at FVTOCI as of 30 June 2023 were RMB8,043.7 million, a 20.5% increase year-on-year. Daily average balance of self-funded supply chain assets over the first half of 2023 were RMB7,937.9 million, a 19.8% increase over the corresponding period of last year. Based on the daily average balance of self-funded supply chain assets, interest yield on supply chain assets in the first half of 2023 was 8.7%, which was 0.1 percentage points lower year-on-year.

The details of major terms of supply chain assets, including collateral types, maturity profile, and the size and diversity of clients are set out below.

As at 30 June 2023, all of the total supply chain assets were secured by charge over trade receivable, in respect of which the legal title and legal right to receivable cash flows were also transferred to the Group. Furthermore, the supply chain assets of RMB278.1 million (31 December 2022: RMB373.8 million) were secured by certain commercial acceptance bills received from customers and the supply chain assets of RMB283.1 million (31 December 2022: RMB804.1 million) were secured by deposit from customers. The bills and deposits can be applied and used to settle any outstanding receivables of supply chain assets for the corresponding contract if default occurs.

As at 30 June 2023, there were a total of 3,385 (31 December 2022: 4,782) outstanding supply chain assets obtained by the Group, out of which 140 (31 December 2022: 157) supply chain assets are referred to as sizeable loans with principal amount which exceeds RMB10,000,000, 873 (31 December 2022: 1,011) supply chain assets with principal amount between RMB1,000,000 and RMB10,000,000, 2,372 (31 December 2022: 3,614) supply chain assets with principal amount less than RMB1,000,000.

As at 30 June 2023, the outstanding supply chain assets of RMB750.2 million (31 December 2022: RMB1,065.9 million) were obtained from the related parties (which are associates of the Group under the Listing Rules and the non-controlling shareholder of a material subsidiary) of the Group. The remaining balance of the outstanding supply chain assets were obtained from the independent third parties of the Group. The supply chain assets normally have a term of 1 to 24 months (31 December 2022: 1 to 24 months) and the effective interest rates ranging mainly from 5.50% to 13.00% (31 December 2022: 4.00% to 15.00%) per annum.

Movements in impairment loss allowance on supply chain assets

The Group’s impairment loss allowance on supply chain assets increased by 12.6% year-on-year to RMB87.8 million as at 30 June 2023, compared to RMB78.0 million as at 30 June 2022, mainly due to the increase in gross carrying amount of supply chain assets. No impairment loss allowance were written off for the six months ended 30 June 2023 (for the six months ended 30 June 2022: RMB15.9 million).

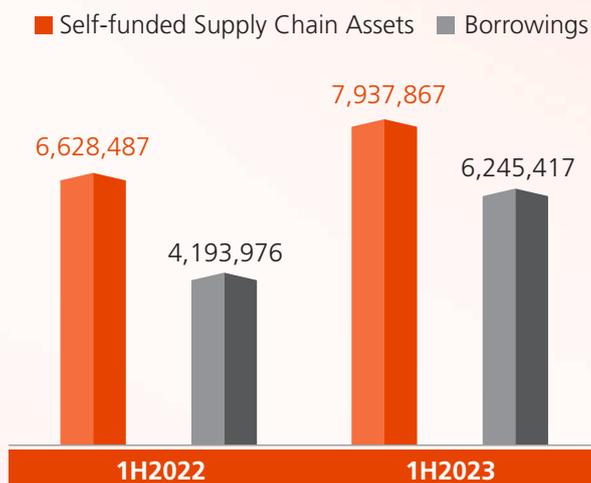


16 MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings and finance costs

Borrowings, including loans from related parties, as of 30 June 2023 was RMB6,570.0 million, a 36.3% increase year-on-year. Daily average borrowings over the first half of 2023 was RMB6,245.4 million, a 48.9% increase year-on-year. The increase in finance costs of RMB81.4 million year-on-year was mainly due to the increase in the daily average balance of borrowings and the increase in average borrowings interest rate from 5.6% for the six months ended 30 June 2022 to 6.4% for the six months ended 30 June 2023.

Daily Average Balance (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 by a PRC subsidiary 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 six months ended 30 June 2023 and 2022. The increase in the effective tax rate from 4.7% for the six months ended 30 June 2022 to 18.3% for six months ended 30 June 2023 was mainly attributable to the increase in profit before taxation in subsidiaries with applicable tax rate of 25% and the expiry of exemption of income tax policy enjoyed by the subsidiary.

For the six months ended 30 June 2023, income tax expenses amounted to approximately RMB42.0 million (for the six months ended 30 June 2022: RMB8.8 million).



MANAGEMENT DISCUSSION AND ANALYSIS 17

KEY INTERNAL CONTROLS IN RESPECTIVE OF DIGITAL FINANCING SOLUTIONS

The Group has established and maintained comprehensive approval and risk assessment procedures, sound internal control system and established credit risk control policies in place which take into account internal and external factors to determine the approval of digital financing solutions. The Group applies industry risk assessment model which is based on a conventional risk control and industry-specific evaluation model for credit assessment of digital financing solutions.

With an in-depth accumulated understanding of the industry, the Group verifies and validates the authenticity and rationality of transactions of SME customers by crosschecking transaction information with multi-dimensional data. By processing comprehensive evaluation of the SME customers which takes trading status in the supply chain into account when determining the customers' financial positions, the Group could approach and provide prudent and tailored digital financing solutions to the underserved SME customers and meanwhile mitigate the fraud risk thereunder.

Credit approval

Leveraged by the industry risk assessment model, the Group applies the double-layer credit approval system in the digital financing solutions business to manage the risk exposure on each customer and the operations of the Group as a whole. The double-layer credit approval system includes the assessment of the credit limit of a customer (the "**Customer Quota**") and the credit limit of each utilization request made by the customer (the "**Utilization Quota**").

- **Customer Quota**

The Group strategically focuses on the selected key industries and core enterprises to develop and improve its industry risk assessment model. Therefore the Group is capable to assess the comprehensive value of its potential SME customers not merely by their financial performance, but also by their trading status in the supply chain ecosystem considering, inter alia, the credibility of the core enterprises, the stability of the cooperation between the SME customers and the core enterprises, and the continuous operation of the SME customers.

The Customer Quota is generally determined between the potential customer and the Group based on arm's length negotiation by considering, among others, (i) the capital needs of the potential customer; and (ii) the comprehensive value of the potential customer assessed and determined by the Group applying the industry risk assessment model.

- **Utilization Quota**

After the Customer Quota is approved by the Group, the customer could apply for the utilization of digital financing solutions. The aggregated outstanding amount of the utilizations of a customer shall not exceed the Customer Quota granted to the customer, and the amount of each application shall not exceed the Utilization Quota determined by the Group separately.



18 MANAGEMENT DISCUSSION AND ANALYSIS

The Utilization Quota is generally determined by the Group upon each application considering, among others, (i) the amount of accounts receivables owned by the customer which is of sufficient value (being more than or equal to the amount of the utilization applied by the customer) as credit enhancement for the provision of the digital financing solutions under the specific application; and (ii) the transaction profile maintained on a real-time basis by the Group from which the accounts receivables are originated. The transaction profile is empowered by the Group's data-driven supply chain technology platform, known as "SY Cloud Platform", which verifies transactional authenticity with multi-dimensional and diversified-sourced data by incorporating a comprehensive suite of technologies such as electronic signatures, OCR, NLP, big data analytics, video authentication and facial recognition.

Monitoring of loan recoverability

The timely repayment of the digital financing solutions and risk exposures is monitored by the Group's Risk Management Department. Leveraging on the data-driven technology platform, the Group continues to monitor the assets through regular monitoring of repayment, invoice status verification and 24-hour public opinion monitoring to ensure that the entire financing process is under comprehensive, continuous and effective management and control.

The Group establishes close cooperation with various banks, opens designated accounts, collects and monitors the repayment information in a timely manner, and effectively tracks the customers' continuity of business operation and stability of cooperation with core enterprises, thereby further strengthening the risk control and realizing closed-loop cash flow management.

Loan collection

Where irregularity is noted by the Risk Management Department, a working group comprised of multi-functional team members will plan and take remedial actions, which normally include extending repayment terms or negotiating settlement proposals with the customer. If these remedial actions prove unsuccessful, the Group will take legal action against the customer and take control of the collateral assets.

BUSINESS OUTLOOK AND PROSPECTS

During the Period, the Group achieved significant growth in its supply chain technology services, while also maintaining steady growth in its digital financing business amid the huge challenges from the external environment.

SY's Dual-Engine, One-Platform growth strategy will continue to drive the Company's development. Through strategic cooperation with core enterprises, the Group will continue to leverage its technology to embed itself into the supply chain ecosystem, build a supply chain technology platform, and provide one-stop services to core state-owned enterprises, SMEs, and funding partners. SY will also take a prudent, active, and open-minded approach to identify opportunities in national strategic and emerging industries such as new energy and new infrastructure, and conduct in-depth cooperation discussions with core enterprises within these industries to actively expand its development opportunities.



MANAGEMENT DISCUSSION AND ANALYSIS 19

Technological capability will continue to be a core component of SY's DNA. Under the Dual-Engine, One-Platform strategy, SY will continue to invest in R&D and innovation to lay a solid foundation for its leading technological position in the supply chain ecosystem. For the supply chain technology business segment, SY has formed ecosystem alliances with leading enterprises in various sub-sectors, enabling the Group to integrate their leading products on SY's platforms to generate one-stop customized solutions which can in turn accelerate the Group's platformisation. Meanwhile, SY will also deepen ties with ecosystem partners through strategic investments including equity and debt commitments. Leveraging complementary strengths and resource advantages, the Group will rapidly increase its market share. The Group's supply chain technology segment will continue to empower the digital finance segment, which capitalizes on its platform linkage capabilities to provide differentiated services to the supply chain, thereby maintaining its industry-leading position and rapid growth. SY will adhere to its long-term outlook, invest further in R&D and improve risk management through digital technologies to drive high-quality and steady growth and achieve long-term sustainable development.

Going forward, SY will further strengthen collaboration with outstanding regional SOEs and embed itself into their supply chain ecosystems to efficiently reach more local customers and contribute to the development of the real economy. Leading regional SOEs are often well-positioned within the industrial landscape and have access to extensive resources. At the same time, the Group's innovative technology can help revitalize the value of state-owned assets by efficiently connecting industrial supply chains with resources through its precise customer acquisition and big data analytics capabilities. Looking ahead, the Group will continue to strengthen its partnerships with high-quality SOEs and replicate its successful experience in more regions and cities. By further leveraging its platform capability to build a digital ecosystem, the Group will solve SMEs' supply chain financing pain points and contribute to the development of the real economy.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

During the six months ended 30 June 2023, the Group's main sources of funds were the cash generated from its daily operation, and proceeds from new borrowings. As at 30 June 2023, the Group had cash and cash equivalents of RMB615.5 million (31 December 2022: RMB577.0 million), of which 95.99% and 3.35% were denominated in RMB and HK\$ respectively. Net cash from operating activities was RMB633.9 million in the first half of 2023 (for the six months ended 30 June 2022: RMB460.2 million), an increase of RMB173.7 million year-on-year mainly due to the increase in net cash from supply chain assets at FVTOCI of RMB162.2 million for the six months ended 30 June 2022 to RMB405.9 million for the six months ended 30 June 2023.

As at 30 June 2023, the Group had interest-bearing borrowings and loans from related parties which amounted to RMB6,570.0 million (31 December 2022: RMB6,610.4 million). Its gearing ratio, expressed as total liabilities over total equity was 1.77 as at 30 June 2023 (31 December 2022: 1.76).



MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the period ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

USE OF PROCEEDS

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**”) entered into a placement agreement pursuant to which the Company conditionally agreed to place, through the Placement Agent on a best effort basis, a maximum of 63,068,000 ordinary shares at a price of HKD8.80 per share (the “**Placement**”). The placing shares were allotted and issued pursuant to the general mandate for the Company.

The Placement 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 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 the Placement 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.



MANAGEMENT DISCUSSION AND ANALYSIS 21

Use of proceeds from the Placement

During the year ended 31 December 2021, 2022 and six months ended 30 June 2023, 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 2021 (Approximately HK\$ million)	Actual use of net proceeds during the year ended 31 December 2022 (Approximately HK\$ million)	Actual use of net proceeds during the six months ended 30 June 2023 (Approximately HK\$ million)	Intended use and expected timeline of the remaining amount of net proceeds
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	33.2	15.4	The remaining unutilised amount of approximately HK\$114.3 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 2025.
General working capital of the Group's platformisation	110.2	7.1	103.1	–	The amount of net proceeds for general working capital of the Group's platformisation had been fully utilised.



22 MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 30 June 2023, the capital commitments of the Group comprised of purchase of property and equipment of approximately RMB351.3 million and investment in an associate of approximately RMB0.2 million (31 December 2022: purchase of property and equipment of approximately RMB20.5 million and investment in an associate of approximately RMB0.2 million).

CONTINGENT LIABILITIES

Save as disclosed in note 20 of the “Notes to the condensed consolidated financial statements”, the Group did not have any other guarantees or other material contingent liabilities as at 30 June 2023.

PLEDGE OF ASSETS

As at 30 June 2023, the Group had pledged bank deposits of RMB507.1 million, structured deposits of RMB128.8 million, security deposits of RMB1.8 million, investment property with carrying amount of RMB31.5 million, and certain supply chain assets with an aggregate carrying amount of RMB3,458.7 million to banks, third parties and an associate for facilities, loan facilitation platform in partnership with banks and derivative financial instruments (31 December 2022: pledged bank deposits of RMB472.8 million, structured deposits of RMB164.6 million, security deposits of RMB8.4 million, investment property with carrying amount of RMB31.9 million, and certain supply chain assets with an aggregate carrying amount of RMB3,452.1 million to banks and third parties for facilities, loan facilitation platform in partnership with banks and derivative financial instruments).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

In February 2023, the Qingdao SY Sunful Supply Chain Management Limited (“**Qingdao Sunful**”), a wholly owned subsidiary of the Company, acquired 40% equity interest in Qingdao Ocean Holdings Factoring Limited (“**Ocean Holdings Factoring**”) from Qingdao Ocean Holdings Investment Holdings Limited (“**Ocean Holdings Investment**”), an independent third party of the Group. Subsequent to the acquisition, Ocean Holdings Factoring became an associate of the Company with Ocean Holdings Investment and Qingdao Sunful holding 60% and 40% of its shares respectively.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 30 June 2023, 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 this 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 the key strategic areas, which include supply chain technology and digital finance, and further strengthen the Group’s platform-based technology services and market position within the supply chain ecosystem.



MANAGEMENT DISCUSSION AND ANALYSIS 23

FOREIGN EXCHANGE RISKS

The Group's exposure to foreign currency risk relates primarily to cash and cash equivalents, pledged bank deposits, other receivables, equity instruments at FVTOCI, other financial assets at FVTPL, other financial liabilities at FVTPL, trade and other payables, borrowings and lease liabilities that are denominated in HK\$, US\$ and S\$. The Group has entered into foreign currency exchange swap contracts, cross currency swap contracts and foreign currency forward contracts during the period 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 30 June 2023, the Group had a total of 386 staff (As at 31 December 2022: 377 staff). Total staff costs (including Directors' emoluments) were approximately RMB71.8 million (including share option benefits RMB0.6 million and RSU benefits RMB0.7 million) for the six months ended 30 June 2023 (for the six months ended 30 June 2022: RMB69.5 million (including share option benefits RMB1.0 million and RSU benefits RMB0.1 million)). Remuneration is determined by reference to market conditions and the performance, qualifications and experience of individual employee. 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 has been 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 the employees in the PRC (including Mainland China and Hong Kong SAR) and Singapore, 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 addition, the Group introduces a restricted share unit scheme to give incentives and retain the eligible grantees by recognizing their contributions, and to attract suitable personnel for further development of the Group.

Employees in Mainland China 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.

In Hong Kong SAR of China, the Group participates in a 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 the employees are each required to make contributions to the fund at the applicable rates of the eligible employees' salaries.



MANAGEMENT DISCUSSION AND ANALYSIS

RECENT DEVELOPMENT OF REGULATORY FRAMEWORK

On 18 May 2023, the National Administration of Financial Regulation (“**NAFR**”) was officially unveiled to replace the former China Banking and Insurance Regulatory Commission for overseeing the financial services industry other than securities. The NAFR will comprehensively implement the three key tasks of serving the real economy, containing financial risks and deepening the financial reform. To this end, it will bring all financial activities under regulations according to law, strive to eliminate regulatory gaps and blind spots, and vigorously enhance the coordination between the central and the local regulatory authorities.

On 19 May 2023, the People’s Bank of China (“**PBOC**”) published the China Financial Stability Report (2022). According to the PBOC, due to weak technology strengths and the lack of consumption scenarios, small and medium-sized banks have inadequate customer acquisition ability for their online self-operated business, and typically partner with Fintech platforms in expanding online operations. For the next step, the PBOC indicated its plan to further optimize the cooperation model between small and medium-sized banks and technology companies and clarify the boundaries for their rights and responsibilities. Furthermore, it will implement pervasive regulation over Fintech innovations, and introduce regulatory policies on Fintech companies to reinforce the risk firewall for financial and technology players.

On 13 June 2023, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance and the PBOC jointly issued the Notice of the National Development and Reform Commission and Other Authorities on the Key Task of Cost Reduction in 2023 (the “**Notice**”). The Notice calls for improving the national integrated network of financing credit service platforms, expanding the sharing coverage of credit information of SMEs, continuously optimizing the functions of accounts receivable financing service platforms, continuing the cost reduction, incentive and compensation policies for financing guarantee in favor of SMEs, increasing the financing volume and coverage for SMEs, and reducing the cost of financing guarantee. The Notice also calls for lowering the bar and improving the technical standards and data protocol for electronic transactions throughout the bidding process, promoting cross-region compatibility and recognition of CA digital certificates, and continuously increasing the breadth and depth of electronic transactions throughout the bidding process. In addition, the Notice also calls for stepping up the efforts in cleaning up outstanding accounts receivable of SMEs, deepening the implementation of the Rules on Ensuring Payments to Small and Medium-sized Enterprises, and improving the long-term mechanism for preventing and solving outstanding accounts receivable of SMEs.

The Directors have confirmed that the Group will be able to comply with the above relevant laws and policies, and the relevant policies are conducive to the development of the Group’s business. The Group has been successfully included into the regulatory white lists of local regulatory authorities. Guided and supported by the PBOC Credit Information Center and the Tianjin Branch of PBOC, the Group became the first factoring company in Tianjin that has completed the switching to the second-generation credit information submission system of the PBOC. The Group has established long-term cooperative relationships with core enterprises in many industries, providing data-driven supply chain financing services for core enterprises and SMEs in the supply chain ecosystem. The abovementioned favorable policies are conducive to further expansion and enhancement of the Group’s existing business. In addition, the Group has established an Information Management Committee which is responsible for the strategic formulation and construction planning of the Group’s information technology, information security and data management in accordance with the overall strategy. The Group has long been committed to building a data management system that is in line with its strategic development, protects the interests of users and meets regulatory requirements, so as to ensure sustainable development of the platform-based strategy. The Group has obtained a number of internationally recognized certifications in information security management, demonstrating its efforts and capabilities in complying with national data protection frameworks.



CORPORATE GOVERNANCE AND OTHER INFORMATION 25

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

As at 30 June 2023, 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 Securities and Futures Ordinance (“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 Rules Governing the Listing of Securities on the Stock Exchange (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 (Note 1)	Beneficiary of a trust and settlor of a discretionary trust	559,581,960 (L) (Note 2)	56.45%
Mr. Chen Jen-Tse	Beneficial owner	581,000 (L) (Note 2)	0.06%
	Share option	2,700,000 (Note 3)	0.27%
Mr. Lo Wai Hung	Beneficial owner	360,000 (L) (Note 2)	0.04%
	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%

Notes:

1. Wisdom Cosmos Limited (“**Wisdom Cosmos**”), a company incorporated in the British Virgin Islands (“**BVI**”), is the beneficial owner of 559,581,960 shares of the Company, representing approximately 56.45% 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.
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 30 June 2023, 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.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2023, 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	559,581,960 (L)	56.45%
Eander (Note 2)	Interest in a controlled corporation	559,581,960 (L)	56.45%
Wisdom Cosmos (Note 2)	Beneficial owner	559,581,960 (L)	56.45%
Wuxi Communications Industry Group Co., Ltd (" WXCIG ") (Note 3)	Interest in a controlled corporation	61,363,500 (L)	6.19%
Xitong International Holdings (HK) Limited (" Xitong ") (Note 3)	Beneficial owner	61,363,500 (L)	6.19%

Notes:

- The letter "L" denotes long position of the shares of the Company.
- Wisdom Cosmos, a company incorporated in the BVI, is the beneficial owner of 559,581,960 shares of the Company, representing approximately 56.45% 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.
- Xitong, a company incorporated in Hong Kong, is the beneficial owner of 61,363,500 shares of the Company, representing approximately 6.19% 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 30 June 2023, 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.



CORPORATE GOVERNANCE AND OTHER INFORMATION 27

SHARE OPTION SCHEME

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

(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 (the “**INEDs**”), 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 subparagraph (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, quarter year period or any other interim period (whether or not required under the Listing Rules), and (b) the deadline for the Company to publish a report of its results for any year, half-year, quarter-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.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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.



CORPORATE GOVERNANCE AND OTHER INFORMATION 29

(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 7.48% of the Shares in Issue as at the date of this interim 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.



CORPORATE GOVERNANCE AND OTHER INFORMATION

(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. All share options granted in 2017 have expired after 10 September 2022.

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. Tsoon Wai Mun, Benjamin, the INEDs of the Company at the time, 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. Tsoon Wai Mun, Benjamin and Mr. Fong Heng Boo, the INEDs of the Company at the time, were granted 300,000 share options each (1,200,000 share options in total).

On 10 June 2022, the Company granted 11,000,000 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\$6.46 per share and for a validity period of 10 years. Among the share options granted, 1,500,000 granted options were granted to Mr. Chen Jen-Tse, an Executive Director of the Company.

The grant of granted options to the abovementioned 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.



CORPORATE GOVERNANCE AND OTHER INFORMATION 31

The following shows the outstanding position as at 30 June 2023 with respect to their granted options granted under the Share Option Scheme:

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2023	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2023
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)	-



CORPORATE GOVERNANCE AND OTHER INFORMATION

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2023	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2023
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
Employees	14 November 2018	HK\$6.90	14/11/2019–13/11/2023	297,500	-	-	-	297,500
			14/11/2020–13/11/2023	247,500	-	-	-	247,500
			14/11/2021–13/11/2023	520,000	-	-	-	520,000
				1,065,000	-	-	-	1,065,000
Mr. Chen Jen-Tse	15 July 2020	HK\$6.68	15/7/2021–14/7/2025	-	-	-	-	-
			15/7/2022–14/7/2025	-	-	-	-	-
			15/7/2024–14/7/2025	200,000	-	-	-	200,000
				200,000	-	-	-	200,000



CORPORATE GOVERNANCE AND OTHER INFORMATION 33

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2023	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2023
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	-	-	-	-	-
			15/7/2024–14/7/2025	-	-	-	-	-
				75,000	-	-	(75,000)	-
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
			15/7/2024–14/7/2025	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
			15/7/2024–14/7/2025	150,000	-	-	-	150,000
				300,000	-	-	-	300,000



34 **CORPORATE GOVERNANCE AND OTHER INFORMATION**

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2023	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2023
Employees	15 July 2020	HK\$6.68	15/7/2021–14/7/2025	2,200,000	-	-	(112,500)	2,087,500
			15/7/2022–14/7/2025	2,350,000	-	-	(87,500)	2,262,500
			15/7/2024–14/7/2025	4,950,000	-	-	(325,000)	4,625,000
				9,500,000	-	-	(525,000)	8,975,000
Mr. Chen Jen-Tse	10 June 2022	HK\$6.46	10/6/2024–9/6/2032	375,000	-	-	-	375,000
			10/6/2024–9/6/2032	375,000	-	-	-	375,000
			10/6/2025–9/6/2032	750,000	-	-	-	750,000
				1,500,000	-	-	-	1,500,000
Employees	10 June 2022	HK\$6.46	10/6/2024–9/6/2032	1,875,000	-	-	(75,000)	1,800,000
			10/6/2024–9/6/2032	1,875,000	-	-	(75,000)	1,800,000
			10/6/2025–9/6/2032	3,750,000	-	-	(150,000)	3,600,000
				7,500,000	-	-	(300,000)	7,200,000

Note:

No options were exercised or vested during the period. Therefore, the weighted average closing price of the shares immediately before the dates on which the options or awards were exercised or vested pursuant to Rule 17.07(1)(d) is not available.



CORPORATE GOVERNANCE AND OTHER INFORMATION 35

During the six months ended 30 June 2023, (i) 21,240,000 granted options were outstanding under the share option scheme; (ii) no granted options have exercised; (iii) 1,100,000 granted options have lapsed; and (iv) no granted options been cancelled.

Pursuant to Rule 17.07(1)(c) of the Listing Rules, the closing prices of the Shares immediately before 11 September 2017, 14 November 2018, 15 July 2020 and 10 June 2022, being the dates on which the Options were granted, were HK\$4.14, HK\$6.50, HK\$6.60 and HK\$6.32 respectively.

Pursuant to Rule 17.07(2) of the Listing Rules, the total number of share options available for grant under the Share Option Scheme as at 1 January 2023 and 30 June 2023 were 40,997,500 and 42,097,500, respectively.

Pursuant to Rule 17.09(3) of the Listing Rules, the total number of Shares of the Company available for issue under the Share Option Scheme is 63,337,500 Shares, representing approximately 6.40% of the 989,750,000 ordinary Shares of the Company in issue as at 30 August 2023, being the date of this interim report.

Pursuant to Rule 17.09(9) of the Listing Rules, as at 30 June 2023, the remaining life of the Share Option Scheme is about 3 years and 10 months old.

RESTRICTED SHARE UNIT (“RSU”) SCHEME

The RSU Scheme is adopted on 6 April 2022.

(a) Purpose of the RSU Scheme

The purposes of the RSU Scheme are to (i) to recognize the contributions by the Grantees and to give incentives thereto in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

(b) Who may join and basis of eligibility

Person(s) eligible to receive Awards under the Scheme including who could be existing and former employees, directors or officers of the Company, PRC Operational Entity or other companies in the Group, or any other person selected by the Board or the Remuneration Committee at its sole discretion from time to time.



CORPORATE GOVERNANCE AND OTHER INFORMATION

(c) Maximum number of RSUs

- (i) Subject to the renewal of the scheme limit, no Award shall be granted pursuant to the Scheme if as a result of such grant (assumed accepted), the aggregate number of Shares underlying all grants made pursuant to the Scheme (excluding Awards that have lapsed or been cancelled in accordance with the rules of the Scheme) shall exceed 2% of the number of Shares in issue as of the Adoption Date (the “**Scheme Mandate Limit**”).

The Scheme Mandate Limit may be refreshed from time to time subject to prior approval from the Board, but in any event the total number of Shares that may underlie the Awards granted following the date of approval of the refreshed limit (the “**New Approval Date**”) under the limit as refreshed from time to time must not exceed 2% of the number of Shares in issue as of the New Approval Date. Shares underlying the Awards granted under the Scheme (including those outstanding, cancelled or vested Awards) prior to the New Approval Date will not be counted for the purpose of determining the maximum aggregate number of Shares that may underlie the Awards granted following the New Approval Date.

- (ii) During the Applicable Period (as defined below), to the extent that the Company may grant Awards pursuant to the Scheme which may be satisfied by the Company allotting and issuing new Shares upon the vesting of the Awards granted pursuant to the Scheme, the Company shall at its annual general meeting propose for the shareholders to consider and, if thought fit, pass an ordinary resolution approving a mandate specifying: (a) the maximum number of new Shares that may underlie the Awards granted pursuant to the Scheme during the Applicable Period; and (b) that the Board has the power to allot and issue Shares, procure the transfer of Shares and otherwise deal with Shares pursuant to the vesting of any Awards that are granted pursuant to the Scheme during the Applicable Period when the Awards vest.

The above mandate shall remain in effect during the period from the passing of the ordinary resolution granting the mandate until the earliest of: (a) the conclusion of the next annual general meeting; (b) the end of the period within which the Company is required by any applicable laws or by the Articles of the Company to hold the next annual general meeting; and (c) the date on which such mandate is varied or revoked by an ordinary resolution of the shareholders in a general meeting (the “**Applicable Period**”).

- (iii) The maximum number of Shares which may be awarded to any one Selected Persons under the Scheme may not exceed 1% of the issued share capital of the Company as of the New Approval Date.

(d) Duration and time of RSUs

Subject to any alteration and amendment of the Scheme, the Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Awards shall be granted or accepted, but the provisions of the Scheme shall remain in full force and effect in order to give effect to the vesting of Awards granted and accepted prior to the expiration of such period.

The Board or the Remuneration Committee has the sole discretion to determine the vesting schedule and vesting criteria (if any) for any grant of Award(s) to any Grantee, which may also be adjusted and redetermined by the Board from time to time.



CORPORATE GOVERNANCE AND OTHER INFORMATION 37

(e) Grant of RSUs

On and subject to the rules of the Scheme and all applicable laws and other regulations, the Board or the Remuneration Committee may, within the Scheme Period, determine the Selected Persons to participate the Scheme. The Board or the Remuneration Committee shall, after the selection process, inform the RSU Trustee of the name(s) of the Selected Person(s), the number of Shares underlying the Award(s) to be granted to each of the Selected Person(s), the vesting schedule of the Award(s) and other terms and conditions (if any) that the Award(s) are subject to as determined by the Board or the Remuneration Committee.

Subject to limitations and conditions of the Scheme, the RSU Trustee shall, upon receipt of the notification from the Board or the Remuneration Committee, grant to each of the Selected Persons an offer of grant of Award(s) by way of a grant letter, subject to the conditions that the Board or the Remuneration Committee thinks fit.

Upon the receipt from the Selected Person of a duly executed acceptance notice and the relevant payment, the Award(s) is granted to the Selected Person, who becomes a Grantee in the Scheme.

On 10 June 2022, the Company granted 1,340,000 RSUs to the employees of the Group representing 1,340,000 underlying ordinary shares of the Company and no RSUs were granted to any Directors of the Company under the RSU Scheme.

Save as disclosed above, none of the 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. Movements of RSU Scheme during the six months ended 30 June 2023 are as follows:

Grantee	Vesting period	Outstanding	Granted	Forfeited	Vested	Outstanding
		at 1 January 2023				during period
Employees	10/6/2022–9/6/2024	325,000	–	(35,000)	–	290,000
	10/6/2022–9/6/2024	325,000	–	(35,000)	–	290,000
	10/6/2022–9/6/2025	650,000	–	(70,000)	–	580,000
		1,300,000	–	(140,000)	–	1,160,000

Note:

No RSUs were exercised or vested during the period. Therefore, the weighted average closing price of the shares immediately before the dates on which the RSUs were exercised or vested pursuant to Rule 17.07(1)(d) is not available.



CORPORATE GOVERNANCE AND OTHER INFORMATION

During the six months ended 30 June 2023, (i) no RSUs were granted; (ii) 1,160,000 granted RSUs were outstanding under the RSU scheme; (iii) no granted RSUs were vested; (iv) 140,000 granted RSUs were lapsed; and (v) no granted RSUs were cancelled.

Pursuant to Rule 17.07(1) of the Listing Rules, the closing prices of the Shares immediately before 10 June 2022, being the date on which the RSUs were granted, was HK\$6.32.

Pursuant to Rule 17.07(2) of the Listing Rules, the total number of RSUs available for grant under the RSU scheme as at 1 January 2023 and 30 June 2023 were 18,792,570 and 18,932,570, respectively.

Pursuant to Rule 17.09(3) of the Listing Rules, the total number of Shares of the Company available for issue under the RSU Scheme is 20,092,570 Shares, representing approximately 2.03% of the 989,750,000 ordinary Shares of the Company in issue as at 30 August 2023, being the date of this interim report.

Pursuant to Rule 17.09(9) of the Listing Rules, as at 30 June 2023, the remaining life of the RSU Scheme is about 8 years and 9 months old.

Pursuant to Rule 17.07(3) of the Listing Rules, the total number of shares that may be issued in respect of share options and RSUs granted under the Share Option Scheme and RSU Scheme of the Company during the six months ended 30 June 2023 divided by the weighted average number of shares of the relevant class in issue for the period was 8.42%.

Information on the fair value of and accounting policy for share options and RSUs granted is provided in note 24 to the condensed consolidated financial statements.

SUPPLEMENTAL INFORMATION IN RELATION TO THE SHARE OPTION SCHEME AND THE RSU SCHEME SET OUT IN THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Reference is made to the annual report of SY Holdings Group Limited (the “**Company**” together with its subsidiaries, the “**Group**”) for the year ended 31 December 2022 published on 27 April 2023 (the “**2022 Annual Report**”).

The Directors wish to provide further information to the Shareholders and potential investors of the Company in relation to the Share Option Scheme and the RSU Scheme as follows:

The total number of share options available for grant under the Share Option Scheme as at 1 January 2022 and 31 December 2022 were 45,382,500 and 40,997,500, respectively.

The total number of Shares of the Company available for issue under the Share Option Scheme is 63,337,500 Shares, representing approximately 6.31% of the 1,003,698,500 ordinary Shares of the Company in issue as at 27 April 2023, being the date of the 2022 Annual Report.

The total number of RSUs available for grant under the RSU Scheme as at 1 January 2022 and 31 December 2022 were nil (as the RSU Scheme was adopted on 6 April 2022) and 18,792,570, respectively.

The total number of RSUs of the Company available for issue under the RSU Scheme is 20,092,570 Shares, representing approximately 2.00% of the 1,003,698,500 ordinary Shares of the Company in issue as at 27 April 2023, being the date of the 2022 Annual Report.



CORPORATE GOVERNANCE AND OTHER INFORMATION 39

The total number of Shares that may be issued in respect of share options and RSUs granted under the Share Option Scheme and RSU Scheme of the Company during the financial year ended 31 December 2022 divided by the weighted average number of shares of the relevant class in issue for the year was 8.28%.

During the year ended 31 December 2022, on 10 June 2022, the Company granted 11,000,000 share options, among which 1,500,000 granted options were granted to Mr. Chen Jen-Tse, an executive Director of the Company. On the same date, the Company granted 1,340,000 RSUs to the employees of the Group representing 1,340,000 underlying ordinary shares of the Company.

As disclosed in the 2022 Annual Report, amongst the three meetings held by the Remuneration Committee during the year ended 31 December 2022, the Remuneration Committee has reviewed and discussed the proposals to grant share options and the RSUs to the employees and a Director of the Company, i.e. Mr. Chen Jen-Tse, as mentioned above. In particular, in relation to the grant of share options to Mr. Chen and the senior managers, the Remuneration Committee has considered that the share options granted to them have a vesting period of not less than 12 months as disclosed in the 2022 Annual Report and Mr. Chen and the senior managers have to achieve the performance target set by the Board from time to time on both the Group's level relating to the Group's net profits and the individual level relating to the KPIs set for them with reference to their positions, roles and responsibilities and the Group's expectation on their contribution.

The supplementary information set out above does not affect other information contained in the 2022 Annual Report and, save as disclosed above, all other information set out in the 2022 Annual Report remains unchanged.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2023, the Company repurchased 17,058,500 shares on the Stock Exchange for an aggregate consideration of approximately HKD103.4 million before expenses. The repurchased shares were subsequently cancelled. The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the shares repurchased are as follows:

Month of purchase in the six months ended 30 June 2023	No. of shares purchased	Purchase consideration per share		Aggregate consideration paid HKD
		Highest price paid HKD	Lowest price paid HKD	
January	4,016,000	6.14	5.96	24,330,330
March	1,776,500	5.9	5.63	10,230,880
April	5,240,000	6.39	5.71	32,103,310
May	5,364,000	6.4	6.09	33,326,085
June	662,000	5.31	5.1	3,447,950
TOTAL	17,058,500			103,438,555

Save as above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.



CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST IN COMPETING INTERESTS OR CONFLICT OF INTEREST

For the six months ended 30 June 2023, the Directors are not aware of any business or interest of the Directors, the substantial shareholders of the Company and their respective associates (as defined in the Listing Rules) that competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person has or may have with the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with the 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 adopted by the Company during the period from the Listing Date to the date of this interim report.

CHANGES IN INFORMATION OF DIRECTORS

Mr. Lo Wai Hung resigned as an independent non-executive director of C Cheng Holdings Limited (stock code: 1486) with effect from 3 April 2023.

Save as above, there is no other change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

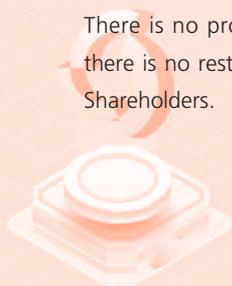
No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the first half of 2023.

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 interim report, at least 25% of the Company's total issued Shares was held by the public throughout the six months ended 30 June 2023 and thereafter up to the date of this interim 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.



CORPORATE GOVERNANCE AND OTHER INFORMATION 41

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.

CORPORATE GOVERNANCE

The Directors are committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, the Group will continue to comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and the associated Listing Rules (the "CG Code").

The shares of the Company were successfully listed on GEM on 6 July 2017 and were transferred to the Main Board on 24 October 2019. To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the period from the Listing Date to 30 June 2023.

AUDIT COMMITTEE

The Company established the 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 of the CG Code as set out in Appendix 14 to the Listing Rules. 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 the financial statements and provide material advice in respect of financial reporting; and oversee the internal control and risk management procedures of the Company. The Audit Committee currently consists of three members, namely Mr. Tang King San Terence, Mr. Loo Yau Soon and Mr. Fong Heng Boo. The Chairman of the Audit Committee is Mr. Tang King San Terence.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2023 and the interim 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.

The Company's independent auditor, Deloitte Touche Tohmatsu, has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

EVENT AFTER THE REPORTING PERIOD

The Company had no significant subsequent event after reporting period.

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

Hong Kong SAR, China, 30 August 2023

The English transliteration of the Chinese name(s) in this interim report, where indicated with "", is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

Unless otherwise stated, translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 to HK\$1.08 for information purpose only. Such translation should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.

If there is any inconsistency in this interim report between the Chinese and English versions, the English version shall prevail.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



Deloitte.

TO THE BOARD OF DIRECTORS OF SY HOLDINGS GROUP LIMITED

盛業控股集團有限公司

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of SY Holdings Group Limited (the “Company”) and its subsidiaries set out on pages 42 to 100, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	NOTES	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>	4		
– Platform-based services		67,413	29,324
– Supply chain technology services		16,651	284
<i>Income from digital financing solutions</i>	4		
– Interest income from supply chain assets		344,407	292,987
– Guarantee income		9,570	9,349
– Interest income from contracts that contain significant financing components		977	–
<i>Gain on sales of supply chain assets</i>	4	55,818	54,312
Revenue and income from principal activities		494,836	386,256
Other income	5	38,340	21,091
Other gains and losses	6	6,347	1,351
Staff costs	9(a)	(60,457)	(60,133)
Depreciation and amortisation	9(a)	(15,678)	(14,091)
Materials cost	9(a)	(15,411)	(354)
Other operating expenses		(26,432)	(27,245)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	17	4,633	(2,320)
Finance costs	7	(200,021)	(118,662)
Donation	9(a)	(2,206)	(329)
Share of profit of associates		5,051	2,290
Profit before taxation		229,002	187,854
Taxation	8	(41,996)	(8,771)
Profit for the period	9(a)	187,006	179,083
Attributable to:			
– Owners of the Company		174,862	168,212
– Non-controlling interests		12,144	10,871
		187,006	179,083
Earnings per share	11		
– Basic (RMB cents)		18	17
– Diluted (RMB cents)		18	17

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023



	NOTES	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit for the period	9(a)	187,006	179,083
Other comprehensive income (expense) ("OCI"):			
<i>Item that will not be reclassified to profit or loss</i>			
Fair value gain on investments in equity instruments at fair value through OCI ("FVTOCI")		4,220	–
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(76)	(32)
Fair value gain, net of ECL, and reclassification of FVTOCI reserves upon derecognition on:			
– supply chain assets at FVTOCI	9(b)	4,131	2,942
Income tax relating to items that may be reclassified subsequently		(899)	(812)
Share of other comprehensive income of associates, net of related income tax		330	351
Other comprehensive income for the period, net of income tax		7,706	2,449
Total comprehensive income for the period		194,712	181,532
Attributable to:			
– Owners of the Company		181,089	170,869
– Non-controlling interests		13,623	10,663
		194,712	181,532

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023



	NOTES	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current assets			
Property and equipment	12	27,828	17,426
Right-of-use assets	12	110,222	91,322
Investment property	12	31,536	31,936
Goodwill		316,028	316,028
Intangible assets		163,575	155,676
Investments in associates	13	355,180	209,350
Deferred tax assets	14	25,341	22,359
Derivative financial instruments	15(a)	–	2,015
Other financial assets at fair value through profit or loss (“FVTPL”)	15(b)	138,320	152,879
Supply chain assets at FVTOCI	16	77,281	235,137
Equity instruments at FVTOCI		57,949	53,629
Debt instrument at amortised cost		–	18,981
Trade and bill receivables	18(b)	22,937	15,542
Other receivables, prepayments and others	18(c)	13,635	11,230
Time deposits		16,758	105,534
		1,356,590	1,439,044
Current assets			
Derivative financial instruments	15(a)	30,573	3,634
Other financial assets at FVTPL	15(b)	274,603	256,264
Supply chain assets at FVTOCI	16	7,966,413	8,186,941
Debt instrument at amortised cost		18,962	–
Loans to an associate	27	198,728	199,385
Loan receivable		–	164,000
Receivables from guarantee customers	18(a)	2,663	4,558
Trade and bill receivables	18(b)	38,711	37,930
Other receivables, prepayments and others	18(c)	78,825	27,447
Contract costs		1,727	3,560
Time deposits		112,797	5,850
Pledged bank deposits		507,073	472,813
Cash and cash equivalents		615,502	577,033
		9,846,577	9,939,415

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023



	NOTES	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Current liabilities			
Loans from related parties	27	788,286	370,052
Trade and other payables	19	311,354	494,285
Derivative financial instruments	15(a)	2,982	12,904
Contract liabilities		20,370	5,180
Income tax payable		49,789	37,119
Liabilities arising from guarantee contracts	20	18,905	25,891
Borrowings	21	3,615,337	4,494,121
Other financial liabilities at FVTPL	15(c)	106,375	–
Lease liabilities		11,376	5,111
		4,924,774	5,444,663
Net current assets			
		4,921,803	4,494,752
Non-current liabilities			
Derivative financial instruments	15(a)	–	2,056
Borrowings	21	2,166,373	1,746,189
Lease liabilities		15,259	1,263
Deferred tax liabilities	14	50,890	60,599
		2,232,522	1,810,107
Net assets			
		4,045,871	4,123,689
Capital and reserves			
Share capital	22	8,574	8,717
Reserves		3,831,018	3,907,475
Equity attributable to owners of the Company		3,839,592	3,916,192
Non-controlling interests		206,279	207,497
Total equity			
		4,045,871	4,123,689

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Share held for restricted share unit scheme ("RSU Scheme") RMB'000	Capital reserves RMB'000	FVTOCI reserves/ Revaluation 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	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2023 (unaudited)	8,717	2,272,342	(39,311)	1,775	15,064	(137)	25,933	216,115	1,415,694	3,916,192	207,497	4,123,689
Profit for the period	-	-	-	-	-	-	-	-	174,862	174,862	12,144	187,006
Other comprehensive income (expense) for the period	-	-	-	-	6,303	(76)	-	-	-	6,227	1,479	7,706
Total comprehensive income (expense) for the period	-	-	-	-	6,303	(76)	-	-	174,862	181,089	13,623	194,712
Purchase of shares under RSU Scheme (note 24)	-	-	(10,693)	-	-	-	-	-	-	(10,693)	-	(10,693)
Repurchase and cancellation of shares	(143)	(90,651)	-	-	-	-	-	-	-	(90,794)	-	(90,794)
Acquisition of additional interest in a subsidiary of the Company (note iii)	-	-	-	(89,231)	-	-	-	-	-	(89,231)	(38,566)	(127,797)
Disposal of partial interests in a subsidiary without losing control	-	-	-	275	-	-	-	-	-	275	23,725	24,000
Recognition of equity-settled share-based payments	-	-	-	-	-	-	1,303	-	-	1,303	-	1,303
Dividends recognised as distribution (note 10)	-	(68,549)	-	-	-	-	-	-	-	(68,549)	-	(68,549)
Lapse of share options	-	-	-	-	-	-	(917)	-	917	-	-	-
At 30 June 2023 (unaudited)	8,574	2,113,142	(50,004)	(87,181)	21,367	(213)	26,319	216,115	1,591,473	3,839,592	206,279	4,045,871
At 1 January 2022 (audited)	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
Profit for the period	-	-	-	-	-	-	-	-	168,212	168,212	10,871	179,083
Other comprehensive income (expense) for the period	-	-	-	-	2,689	(32)	-	-	-	2,657	(208)	2,449
Total comprehensive income (expense) for the period	-	-	-	-	2,689	(32)	-	-	168,212	170,869	10,663	181,532
Purchase of shares under RSU Scheme (note 24)	-	-	(6,844)	-	-	-	-	-	-	(6,844)	-	(6,844)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	1,146	-	-	1,146	-	1,146
Dividends recognised as distribution (note 10)	-	(64,411)	-	-	-	-	-	-	-	(64,411)	-	(64,411)
Exercise of share options	11	6,777	-	-	-	-	(1,697)	-	-	5,091	-	5,091
Lapse of share options	-	-	-	-	-	-	(2,697)	-	2,697	-	-	-
At 30 June 2022 (unaudited)	8,698	2,262,213	(6,844)	1,547	6,696	1	24,133	93,173	1,487,079	3,876,696	193,412	4,070,108

Notes:

- (i) FVTOCI reserves attributable to owners of the Company represent (i) fair value changes, net of ECL and reclassification adjustments on FVTOCI after tax; (ii) share of FVTOCI reserves of an associate; (iii) investment revaluation reserves.
- (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.
- (iii) In January 2023, the Group acquired 49% additional interest in a non-wholly owned subsidiary of the Group at consideration of RMB127,797,000. Following completion of the transaction, the Group holds 100% equity interest in the subsidiary.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	633,920	460,205
INVESTING ACTIVITIES		
Proceeds from disposal of other financial assets at FVTPL	431,755	372,239
Repayment of a loan receivable	164,000	83,345
Repayments from loans to an associate	150,500	–
Bank interest income received	4,837	4,982
Proceeds from time deposits	4,360	–
Construction related deposits received	4,000	–
Interest received from loans to an associate	1,200	–
Interest received from debt instrument at amortised cost	490	–
Proceeds from disposal of equipment	32	1
Redemption of a debt instrument at amortised cost	–	10,847
Withdrawal of pledged bank deposits for derivative financial instruments	–	2,000
Interest received from a loan receivable	–	1,040
Purchases of debt instruments at amortised cost	–	(47,739)
Advances of a loan receivable	–	(83,345)
Payments for right-of-use assets	–	(86,314)
Net cash inflow arising on acquisition of assets through acquisition of a subsidiary (note 28)	–	262
Repayment of security deposits for derivative financial instruments	–	201
Refundable rental deposits received	–	95
Payments for refundable rental deposits	(53)	–
Purchase of equity instruments at FVTOCI	(100)	–
Purchase of property and equipment	(13,615)	(659)
Payment for development costs and purchase of other intangible assets	(14,079)	(9,465)
Payment for settlement of derivative financial instruments	(16,529)	(10,666)
Placement of time deposits	(16,758)	(112,490)
Investment in an associate	(140,449)	–
Advances of a loan to an associate	(147,000)	–
Repayment of security deposit for loan receivable	(164,000)	–
Purchase of other financial assets at FVTPL	(466,300)	(430,773)
NET CASH USED IN INVESTING ACTIVITIES	(217,709)	(306,439)



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

Six months ended 30 June

	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
FINANCING ACTIVITIES		
New borrowings raised	4,080,980	2,336,292
Loans raised from related parties	1,812,821	521,000
Withdrawal of pledged bank deposits for borrowings	211,358	88,183
Withdrawal of pledged structured deposits for bank borrowings	206,941	–
Proceeds from other financial liabilities at FVTPL	92,115	–
Proceeds from disposal of partial interest in a subsidiary without losing control	23,000	–
Repayment of security deposits for borrowings	6,699	–
Proceeds received on exercise of equity-settled share options	–	4,143
Security deposits paid for borrowings	–	(16,503)
Interest paid for lease liabilities	(584)	(448)
Repayment of lease liabilities	(6,169)	(7,002)
Purchase of shares under RSU Scheme	(10,693)	(6,844)
Interest paid for loans from related parties	(27,758)	(13,658)
Temporary advance to a non-controlling shareholder of a subsidiary	(41,650)	–
Acquisition of additional interest in a subsidiary of the Company	(87,294)	–
Payment on repurchase and cancellation of shares	(90,794)	–
Interest paid for borrowings	(170,975)	(101,986)
Placement of structured deposits pledged for borrowings	(171,247)	(160,000)
Placement of pledged bank deposits for borrowings	(251,586)	(79,368)
Repayment of loans from related parties	(1,529,857)	(190,000)
Repayment of borrowings	(4,417,230)	(2,345,966)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(371,923)	27,843
NET INCREASE IN CASH AND CASH EQUIVALENTS	44,288	181,609
CASH AND CASH EQUIVALENTS AT 1 JANUARY	577,033	800,410
Effect of foreign exchange rate changes	(5,819)	(23,602)
CASH AND CASH EQUIVALENTS AT 30 JUNE	615,502	958,417

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from the application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), and the application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17(including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In addition, in July 2023, the HKICPA issued the amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the “Pillar Two legislation”). The amendments require that entities shall apply the amendments immediately upon issuance.

Except as described below, The application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

2.1.1 Accounting policies

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 profits 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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities 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 taxable temporary differences.

2.1.2 Transition and summary of effects

For reporting entities which previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction separately.

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction separately and temporary differences on initial recognition on the relevant assets and liabilities were not recognised due to application of the initial recognition exemption. In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;
- (ii) the Group also, as at 1 January 2022, recognised 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 difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Accounting policies which became relevant to the Group

Financial instruments

Financial liabilities and equity

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 changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

3. 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 condensed 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.

4. REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES

Revenue and income from principal activities for the period 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.

(i) Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<i>Platform-based services</i>		
– Referral service fees	37,687	–
– Technology service for loan facilitation	29,501	27,684
– Technology service for asset-backed securitisation ("ABS") products	–	1,199
– Other services (note)	225	441
	67,413	29,324
<i>Supply chain technology services</i>	16,651	284
	84,064	29,608

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



4. REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES (continued)

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Timing of revenue recognition		
Over time		
– Technology service for loan facilitation	29,501	27,684
– Supply chain technology services	16,651	284
– Other services	225	441
	46,377	28,409
A point in time		
– Referral service fees	37,687	–
– Technology service for ABS products	–	1,199
	37,687	1,199
	84,064	29,608

(ii) Income from digital financing solutions

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<i>Digital financing solutions</i>		
– Interest income from supply chain assets	344,407	292,987
– Guarantee income	9,570	9,349
– Interest income from contracts that contain significant financing components	977	–
	354,954	302,336

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

4. REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES (continued)

(iii) Gain on sales of supply chain assets

For the six months ended 30 June 2023 and 2022, the Group sold part of supply chain assets to certain financial institutions 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.

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Gain on sales of supply chain assets	55,818	54,312

5. OTHER INCOME

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Government subsidies (note)	25,721	13,703
Interest income		
– bank deposits	7,629	4,982
– loans to an associate	3,806	–
– debt instruments at amortised cost	471	1,073
– loan receivables	–	1,040
Rental income from an investment property	321	34
Others	392	259
	38,340	21,091

Note: The government subsidies will be 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net gain arising from changes in fair value of derivative financial instruments	20,373	3,220
Net gain from changes in fair value of other financial assets at FVTPL	6,410	21,850
Gain from modification of lease contracts	–	33
Exchange loss, net	(5,952)	(23,641)
Loss arising from changes in fair value of other financial liabilities at FVTPL	(14,260)	–
Others	(224)	(111)
	6,347	1,351

7. FINANCE COSTS

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest and guarantee expenses on borrowings (note)	167,386	103,625
Interest on loans from related parties (note 27)	32,051	14,589
Interest on lease liabilities (note)	584	448
	200,021	118,662

Note: Details of the guarantee expenses on borrowings and the interest on lease liabilities in relation to related parties are set out in note 27.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

8. TAXATION

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
The charge comprises:		
Current tax		
– PRC Enterprise Income Tax (“EIT”)	53,074	14,171
– Withholding tax levied on dividend declared of a PRC subsidiary	2,000	–
– Withholding tax levied on interest income of a Hong Kong subsidiary	512	1,042
	55,586	15,213
Deferred tax (note 14)	(13,590)	(6,442)
	41,996	8,771

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

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 periods. Certain PRC subsidiaries enjoy preferential tax rate of 15% according to approval from local tax bureau.

A PRC subsidiary, located in Khorgos city in the PRC, was exempted from EIT during the six months ended 30 June 2022, 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.

Withholding tax has been provided for the current interim period in the condensed consolidated financial statements, and details are set out in note 14.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



9. PROFIT FOR THE PERIOD/OTHER COMPREHENSIVE INCOME (EXPENSE)

(a) Profit for the period

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Directors' emoluments (note i)	3,331	65
Other staff costs (excluding directors' emoluments)		
– Salaries, allowances and other staff benefits, including share-based payment expenses	62,706	64,218
– Staff's retirement benefit scheme contributions	5,731	5,223
Total staff costs	71,768	69,506
Less: amount capitalised in intangible assets	(10,843)	(9,373)
Less: amount capitalised in contract cost	(468)	–
Staff costs recognised in profit or loss	60,457	60,133
Depreciation of property and equipment	1,568	1,796
Depreciation of right-of-use assets	7,530	6,857
Depreciation of investment property	400	75
Amortisation of intangible assets	6,187	5,374
Total depreciation and amortisation	15,685	14,102
Less: amount capitalised in development costs	(7)	(11)
Depreciation and amortisation recognised in profit or loss	15,678	14,091
Research and development costs (note ii)	7,211	4,462
Materials cost recognised as an expense	15,411	354
Donation	2,206	329

Notes:

- (i) During the six months ended 30 June 2022, the options granted to a director failed to satisfy a vesting condition other than a market condition and did not vest, which result in a reversal of RMB2,628,000 in the share-based payment expenses.
- (ii) During the six months ended 30 June 2023, research and development costs mainly consist of staff costs amounted to RMB7,195,000 (six months ended 30 June 2022: RMB4,322,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

9. PROFIT FOR THE PERIOD/OTHER COMPREHENSIVE INCOME (EXPENSE) (continued)

(b) Fair value of supply chain assets at FVTOCI in the FVTOCI reserves

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Supply chain assets measured at FVTOCI		
– Fair value changes during the period, net	59,949	57,254
– Reclassification adjustment to profit or loss on derecognition	(55,818)	(54,312)
	4,131	2,942

10. DIVIDENDS

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
2022 final – HK7.5 cents (2022: 2021 final dividend HK7.5 cents) per share	74,349	75,318

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Shown in the condensed consolidated financial statements	68,549	64,411

The directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



11. 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:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	174,862	168,212

	Six months ended 30 June	
	2023 '000 (Unaudited)	2022 '000 (Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	990,675	1,004,395
Effect of dilutive potential ordinary shares: Share options/RSU Scheme	541	1,156
Weighted average number of ordinary shares for the purpose of diluted earnings per share	991,216	1,005,551

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

12. MOVEMENTS IN PROPERTY AND EQUIPMENT/RIGHT-OF-USE ASSETS/ INVESTMENT PROPERTY

During the current interim period, the Group acquired property and equipment of RMB12,002,000 (six months ended 30 June 2022: RMB955,000).

During the current interim period, the Group renewed several lease agreements and entered into several new office lease agreements with lease term of 3 years (six months ended 30 June 2022: ranged from 2 to 5 years). On date of lease modification or lease commencement, the Group recognised right-of-use assets of RMB26,430,000 (six months ended 30 June 2022: RMB3,920,000) and lease liabilities of RMB26,430,000 (six months ended 30 June 2022: RMB3,920,000).

During six months ended 30 June 2022, The Group acquired right-of-use assets of RMB86,314,000 in respect of leasehold land. The total consideration for the leasehold land was fully paid at the date of acquisition, accordingly no lease liability is recognised.

During six months ended 30 June 2022, the Group acquired an investment property of RMB32,378,000 through acquisition of a subsidiary as disclosed in note 28. The investment property is depreciated at an estimated useful lives over 37 years. As at 30 June 2023 and 31 December 2022, the investment property is pledged against the secured banking facilities granted to the Group.

13. INVESTMENTS IN ASSOCIATES

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Cost of investments in associates, unlisted	349,649	209,200
Share of post-acquisition profit	5,064	13
Share of post-acquisition OCI	467	137
	355,180	209,350

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



13. INVESTMENTS IN ASSOCIATES (continued)

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

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		Principal activity
			30 June 2023	31 December 2022	
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%	20%	Provision of trade service
Ningbo Guofu Commercial Factoring Co., Ltd [#] (寧波國富商業保理有限公司) ("NBGF")	PRC	RMB200,000,000 RMB200,000,000	35%	35%	Provision of supply chain service
Xiamen Xiangsheng Factoring Limited [#] (廈門象盛商業保理有限責任公司) ("XMXS")	PRC	RMB300,000,000 RMB300,000,000	43%	43%	Provision of supply chain service
Qingdao Haikong Factoring Limited [#] (青島海控商業保理有限公司) ("QDHK") (note ii)	PRC	RMB300,000,000 RMB300,000,000	40%	N/A	Provision of supply chain 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 one out of three directors of the entity under the articles of association of the entity.
- (ii) In February 2023, the Group entered into an investment agreement in which the Group acquired 40% equity interest of QDHK for a consideration of RMB140,449,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

14. DEFERRED TAXATION

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Deferred tax assets	25,341	22,359
Deferred tax liabilities	(50,890)	(60,599)
	(25,549)	(38,240)

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

	Undistributed earnings of PRC subsidiaries RMB'000	Deferred income RMB'000	ECL provision RMB'000	Fair value adjustments RMB'000	Others RMB'000 (note)	Total RMB'000
At 1 January 2022 (audited)	(67,006)	(213)	20,194	4,610	–	(42,415)
Credit (charge) to profit or loss (note 8)	20,379	(5,366)	(669)	(15,474)	7,572	6,442
Charge to OCI	–	–	–	(812)	–	(812)
At 30 June 2022 (unaudited)	(46,627)	(5,579)	19,525	(11,676)	7,572	(36,785)
(Charge) credit to profit or loss	(5,599)	4,676	4,375	680	(6,349)	(2,217)
Credit to OCI	–	–	–	762	–	762
At 31 December 2022 (audited)	(52,226)	(903)	23,900	(10,234)	1,223	(38,240)
Credit (charge) to profit or loss (note 8)	15,781	(674)	595	(887)	(1,225)	13,590
Charge to OCI	–	–	–	(899)	–	(899)
At 30 June 2023 (unaudited)	(36,445)	(1,577)	24,495	(12,020)	(2)	(25,549)

Note: Others represent deferred taxation arising from (i) tax losses of a PRC subsidiary and (ii) leasing transactions where Amendments to HKAS 12 are adopted.

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 condensed consolidated financial statements in respect of the expected dividend stream from the PRC subsidiaries with the applicable tax rate of 5%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



14. DEFERRED TAXATION (continued)

During the current interim period, a deferred tax liability of RMB25,414,000 (six months ended 30 June 2022: RMB27,101,000) in relation to certain PRC subsidiaries has been adjusted due to the undistributed earnings of these PRC subsidiaries converted to capital injection.

At 30 June 2023, the Company and Hong Kong subsidiaries had cumulative unutilised tax losses of RMB195,606,000 (31 December 2022: RMB164,437,000). 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 30 June 2023, the PRC subsidiaries had cumulative unutilised tax losses of RMB32,387,000 (31 December 2022: RMB37,159,000), out of which RMB32,387,000 (31 December 2022: RMB29,009,000) has not 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.

15. DERIVATIVE FINANCIAL INSTRUMENTS/OTHER FINANCIAL ASSETS AT FVTPL/OTHER FINANCIAL LIABILITIES AT FVTPL

(a) Derivative financial instruments

	30 June 2023		31 December 2022	
	Assets RMB'000 (Unaudited)	Liabilities RMB'000 (Unaudited)	Assets RMB'000 (Audited)	Liabilities RMB'000 (Audited)
Foreign currency forward contracts	26,464	–	2,866	14,960
Cross currency swap contracts	2,524	–	–	–
Interest rate swap contracts	1,585	2,982	1,953	–
Foreign exchange swap contracts	–	–	830	–
	30,573	2,982	5,649	14,960
Analysed for reporting purposes as:				
Current	30,573	2,982	3,634	12,904
Non-current	–	–	2,015	2,056
	30,573	2,982	5,649	14,960

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, an independent valuer, based on appropriate valuation techniques as detailed in note 25.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

15. DERIVATIVE FINANCIAL INSTRUMENTS/OTHER FINANCIAL ASSETS AT FVTPL/OTHER FINANCIAL LIABILITIES AT FVTPL (continued)

(a) Derivative financial instruments (continued)

Foreign currency forward contracts

The major terms of the outstanding foreign currency forward contracts at the end of the reporting period are as follow:

At 30 June 2023, the Group entered into several foreign currency forward contracts relating to the purchase of United States Dollars ("US\$") and the sale of RMB at contract rates ranging from RMB6.6000 to RMB7.0860 (31 December 2022: RMB6.5709 to RMB7.0860) per US\$ with future maturity dates ranging from 23 August 2023 to 28 June 2024 (31 December 2022: 12 January 2023 to 28 June 2024), at an aggregate notional amount of US\$90,916,000 (31 December 2022: US\$182,266,000).

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 30 June 2023

Notional amounts	Commencement dates	Maturity dates	Contracted swap rates	Interest rates
Hong Kong Dollars ("HK\$") 270,000,000	15/06/2023	04/06/2024	HK\$:RMB1:0.9160 HK\$ against RMB	From 3.45% per annum to 6.28% per annum

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



15. DERIVATIVE FINANCIAL INSTRUMENTS/OTHER FINANCIAL ASSETS AT FVTPL/OTHER FINANCIAL LIABILITIES AT FVTPL (continued)

(a) Derivative financial instruments (continued)

Interest rate swap contracts

The major terms of the outstanding interest rate swap contracts at the end of the reporting period are as follows:

At 30 June 2023

Notional amounts	Commencement dates	Maturity dates	Contracted interest rates
US\$885,000	29/08/2022	28/08/2023	From 6.32% per annum to US\$ Secured Overnight Financing Rate ("SOFR") plus 3.11448%
US\$15,045,000	29/08/2022	28/02/2024	
HK\$270,000,000	15/06/2023	04/06/2024	From 6.28% per annum to 1 month HIBOR plus 0.45%

At 31 December 2022

Notional amounts	Commencement dates	Maturity dates	Contracted interest rates
US\$885,000	29/08/2022	28/02/2023	From 6.32% per annum to US\$ Secured Overnight Financing Rate ("SOFR") plus 3.11448%
US\$885,000	29/08/2022	28/08/2023	
US\$15,045,000	29/08/2022	28/02/2024	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

15. DERIVATIVE FINANCIAL INSTRUMENTS/OTHER FINANCIAL ASSETS AT FVTPL/OTHER FINANCIAL LIABILITIES AT FVTPL (continued)

(a) 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 2022

Notional amounts	Commencement dates	Maturity dates	Contracted swap rates
US\$3,700,000	27/07/2022	13/04/2023	Commencement date: US\$:RMB1:6.7620 Settlement date: US\$:RMB1:6.7219 US\$ against RMB swap rates
US\$3,000,000	27/07/2022	13/04/2023	Commencement date: US\$:RMB1:6.7640 Settlement date: US\$:RMB1:6.7360 US\$ against RMB swap rates

The Group entered into foreign currency forward contracts, foreign exchange swap contracts and cross currency swap contracts to manage its foreign currency risk exposures arising from certain of its bank borrowings denominated in US\$ and HK\$.

The Group entered into interest rate swap contracts and cross currency swap contracts to manage its interest risk exposures from certain of its variable-rate bank borrowings denominated in US\$ and HK\$ (31 December 2022: US\$).

The Group did not formally designate or document the hedging transactions with respect to the cross currency swap contracts, foreign currency forward contracts, foreign exchange swap contracts and the interest rate swap contracts. Therefore, those transactions were not designated for hedge accounting.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



15. DERIVATIVE FINANCIAL INSTRUMENTS/OTHER FINANCIAL ASSETS AT FVTPL/OTHER FINANCIAL LIABILITIES AT FVTPL (continued)

(b) Other financial assets at FVTPL

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Equity tranche (note i)	186,995	146,730
Structured deposits (notes ii)	128,763	164,634
Unlisted equity investments (note i)	95,336	95,550
Trust fund	1,829	2,229
	412,923	409,143
Analysed for reporting purposes as:		
Current assets	274,603	256,264
Non-current assets	138,320	152,879
	412,923	409,143

The financial assets was recognised as FVTPL due to the contractual cash flows did not pass through solely payments of principal and interest on the principal amount outstanding.

Notes:

- (i) Their fair values are determined by China Enterprise Appraisals Consultation Co., Ltd., and Ravia Global Appraisal Advisory Limited, independent valuers, based on appropriate valuation techniques as detailed in note 25.
- (ii) The structured deposits are short-term investments issued by banks with minimum guaranteed return and have a total expected return, depending on the indices quoted in the market as specified in the terms of relevant deposits.

As at 30 June 2023 and 31 December 2022, the structured deposits are pledged against the secured certain borrowings of several banks of the Group.

(c) Other financial liabilities at FVTPL

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Structured notes (note)	106,375	—

Note: The fair value of the structured notes are linked to the yield of equity tranche issued by a third party. The Group irrevocably designates these financial liabilities as measured at FVTPL to eliminate an accounting mismatch.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

16. SUPPLY CHAIN ASSETS AT FVTOCI

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Supply chain assets at FVTOCI	8,043,694	8,422,078
Analysed for reporting purposes as:		
Current assets	7,966,413	8,186,941
Non-current assets	77,281	235,137
	8,043,694	8,422,078

As at 30 June 2023, the effective interest rates of the supply chain assets at FVTOCI range mainly from 5.50% to 13.00% (31 December 2022: 4.00% to 15.00%) per annum.

As at 30 June 2023, certain commercial acceptance bills received from customers with fair value amounting of RMB276,973,000 (31 December 2022: RMB594,777,000) 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 condensed consolidated financial statements.

As at 30 June 2023, the gross carrying amount of supply chain assets of RMB404,000 is past due (31 December 2022: RMB4,453,000). 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.

Details of impairment assessment and deposits from digital financing solutions customers are set out in notes 17 and 19, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



17. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Impairment losses recognised (reversed) on:		
– Supply chain assets at FVTOCI	(4,235)	2,293
– Financial guarantee contracts	(365)	24
– Receivables from guarantee customers	(24)	3
– Loans to an associate	(9)	–
	(4,633)	2,320

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

17. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL (continued)

As at 30 June 2023

	External/ internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000 (Unaudited)	Impairment loss allowance RMB'000 (Unaudited)
Supply chain assets at FVTOCI	Low risk	12m ECL	1.05%	8,006,435	83,734
	Watch list	Lifetime ECL (not credit-impaired)	3.54%	113,344	4,016
	Loss	Lifetime ECL (credit-impaired)	15.10%	404	61
				8,120,183	87,811
Financial assets at amortised cost					
Cash and cash equivalents	AAA/BBB+	12m ECL	N/A	615,502	–
Pledged bank deposits	AAA/BBB+	12m ECL	N/A	507,073	–
Time deposits	A	12m ECL	N/A	129,555	–
Debt instrument at amortised cost	Low risk	12m ECL	0.52%	19,062	100
Loans to an associate	Low risk	12m ECL	0.24%	199,199	471
Receivables from guarantee customers	Low risk	12m ECL	1.13%	2,648	30
	Watch list	Lifetime ECL (not credit-impaired)	4.26%	47	2
Trade and bill receivables	Low risk	Lifetime ECL (not credit-impaired)	0.65%	62,052	404
Other receivables	N/A (note i)	12m ECL	N/A	72,811	–
				1,607,949	1,007
Financial guarantee contracts (note ii)					
In relation to third parties	Low risk	12m ECL	1.04%	1,499,521	15,633
	Watch list	Lifetime ECL (not credit-impaired)	3.64%	7,999	291
In relation to associates	Low risk	12m ECL	0.17%	1,449,632	2,512
				2,957,152	18,436

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



17. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL (continued)

As at 31 December 2022

	External/ internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000 (Audited)	Impairment loss allowance RMB'000 (Audited)
Supply chain assets at FVTOCI	Low risk Watch list	12m ECL Lifetime ECL (not credit-impaired)	1.09% 3.92%	8,441,306 68,266	92,010 2,675
	Loss	Lifetime ECL (credit-impaired)	N/A	–	–
				8,509,572	94,685
Financial assets at amortised cost					
Cash and cash equivalents	AAA/BBB+	12m ECL	N/A	577,033	–
Pledged bank deposits	AAA/BBB+	12m ECL	N/A	472,813	–
Time deposits	A	12m ECL	N/A	111,384	–
Debt instrument at amortised cost	Low risk	12m ECL	0.52%	19,081	100
Loan receivable	Watch list	12m ECL	N/A	164,000	–
Loans to an associate	Low risk	12m ECL	0.24%	199,865	480
Receivables from guarantee customers	Low risk Watch list	12m ECL Lifetime ECL (not credit-impaired)	1.15% 4.55%	4,526 88	52 4
Trade and bill receivables	Low risk	Lifetime ECL (not credit-impaired)	0.75%	53,876	404
Other receivables	N/A (note i)	12m ECL	N/A	13,009	–
				1,615,675	1,040
Financial guarantee contracts (note ii)					
In relation to third parties	Low risk Watch list	12m ECL Lifetime ECL (not credit-impaired)	1.05% 4.29%	2,197,019 19,551	23,073 838
In relation to an associate	Low risk	12m ECL	0.24%	145,430	342
				2,362,000	24,253

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

17. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL (continued)

Notes:

- (i) 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 30 June 2023 and 31 December 2022, all of other receivables were not past due.
- (ii) For financial guarantee contract, the amount represents the maximum amount the Group has guaranteed under the contract.

The movements in the allowance for impairment in respect of supply chain assets at FVTOCI during the current interim period were as follows:

	12-month ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2023 (unaudited)	92,010	2,675	–	94,685
Changes due to supply chain assets at FVTOCI recognised as at 1 January:				
– Transfer to 12-month ECL	106	(106)	–	–
– Transfer to lifetime ECL – not credit-impaired	(3,208)	3,208	–	–
– Impairment losses, net of reversal	(71,271)	(3,179)	–	(74,450)
– Disposal	–	(2,598)	–	(2,598)
New financial assets purchased, net of settlement	66,138	4,016	61	70,215
New financial assets disposal	(41)	–	–	(41)
As at 30 June 2023 (unaudited)	83,734	4,016	61	87,811
As at 1 January 2022 (audited)	72,905	7,932	16,318	97,155
Changes due to supply chain assets at FVTOCI recognised as at 1 January:				
– Transfer to 12-month ECL	22	–	(22)	–
– Transfer to lifetime ECL – not credit-impaired	(1,220)	1,220	–	–
– Transfer to lifetime ECL – credit-impaired	(810)	(242)	1,052	–
– Impairment losses, net of reversal	(41,207)	(5,555)	1,833	(44,929)
– Disposal	–	(1,727)	(3,000)	(4,727)
– Write off	–	–	(15,869)	(15,869)
New financial assets purchased, net of settlement	42,466	3,865	891	47,222
New financial assets disposal	–	(894)	–	(894)
As at 30 June 2022 (unaudited)	72,156	4,599	1,203	77,958

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



17. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL (continued)

The movements in the allowance for impairment in respect of financial guarantee contracts during the current interim 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 2023 (unaudited)	23,415	838	–	24,253
Changes due to financial guarantee contracts recognised as at 1 January:				
– Transfer to lifetime ECL – not credit-impaired	(212)	212	–	–
– Impairment losses, net of reversal	(14,595)	40	–	(14,555)
– Disposal	–	(1,090)	–	(1,090)
New financial guarantee contracts entered, net of settlement	9,537	291	–	9,828
As at 30 June 2023 (unaudited)	18,145	291	–	18,436
As at 1 January 2022 (audited)	18,055	1,614	–	19,669
Changes due to financial guarantee contracts recognised as at 1 January:				
– Transfer to lifetime ECL – not credit-impaired	(147)	147	–	–
– Impairment losses, net of reversal	(12,244)	(934)	–	(13,178)
– Disposal	–	(350)	–	(350)
New financial guarantee contracts entered, net of settlement	16,790	36	–	16,826
As at 30 June 2022 (unaudited)	22,454	513	–	22,967

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

18. RECEIVABLES FROM GUARANTEE CUSTOMERS/TRADE AND BILL 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.

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
0-30 days	2,663	4,558

(b) Trade and bill receivables

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contracts with customers of platform-based services	18,956	22,473
Contracts with customers of supply chain technology services	43,096	31,403
	62,052	53,876
Less: ECL allowance	(404)	(404)
	61,648	53,472
Analysed for reporting purposes as:		
Current assets	38,711	37,930
Non-current assets	22,937	15,542
	61,648	53,472

Details of impairment assessment are set out in note 17.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



18. RECEIVABLES FROM GUARANTEE CUSTOMERS/TRADE AND BILL RECEIVABLES/OTHER RECEIVABLES, PREPAYMENTS AND OTHERS (continued)

(b) Trade and bill receivables (continued)

The following is an aged analysis of trade and bill receivables presented based on the date of payment.

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
0-30 days	62,052	53,876

(c) Other receivables, prepayments and others

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Temporary advance to a non-controlling shareholder of a subsidiary	41,650	–
Government subsidies receivables	23,791	–
Prepayments	12,079	11,795
Tax recoverable	7,570	13,873
Refundable rental deposits	3,911	3,858
Security deposits for borrowings	1,750	8,449
Consideration receivable for disposal of partial interests in a subsidiary without losing control	1,000	–
Other receivables	709	702
	92,460	38,677
Analysed for reporting purposes as:		
Current assets	78,825	27,447
Non-current assets	13,635	11,230
	92,460	38,677

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

19. TRADE AND OTHER PAYABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Deposits from digital financing solutions customers	78,662	157,261
Dividend payable to shareholders of the Company	70,433	1,675
Other tax payables	49,258	44,695
Settlement payables to customers and funding providers	44,434	84,649
Consideration payable for acquisition of additional interest in a subsidiary of the Company	40,503	–
Accrued charges	10,486	34,489
Guarantee expenses payable (note 27)	6,911	–
Trade payables	5,460	4,489
Other deposits	4,167	162
Construction payables	878	2,525
Security deposit for a loan receivable	–	164,000
Other payables	162	340
	311,354	494,285

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



20. LIABILITIES ARISING FROM GUARANTEE CONTRACTS

	30 June 2023			31 December 2022		
	Premium less accumulated amortisation RMB'000 (Unaudited)	ECL provision RMB'000 (Unaudited)	Carrying amount RMB'000 (Unaudited)	Premium less accumulated amortisation RMB'000 (Audited)	ECL provision RMB'000 (Audited)	Carrying amount RMB'000 (Audited)
Guarantee contracts in relation to:						
– third parties (note i)	7,472	15,924	16,393	13,635	23,911	25,196
– associates (note ii)	203	2,512	2,512	661	342	695
	7,675	18,436	18,905	14,296	24,253	25,891

The following is the maximum amount the Group has guaranteed under the contracts and details of liabilities arising from guarantee contracts.

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Guarantee contracts in relation to:		
– third parties	1,507,520	2,216,570
– associates	1,449,632	145,430
	2,957,152	2,362,000

Notes:

- (i) As at 30 June 2023, the Group placed banks deposits of RMB136,573,000 (31 December 2022: RMB138,475,000) to funding providers. 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 30 June 2023, the directors of the Company has 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. An amount of RMB15,924,000 (31 December 2022: RMB23,911,000) has been estimated as a loss allowance, an amount of RMB2,640,000 loss allowance was reversed in the profit or loss.

- (ii) As at 30 June 2023, the Group provided guarantees services for associates of the Group of the maximum amount of RMB1,449,632,000 (31 December 2022:145,430,000) Fair value initially recognised in relation to the loan guarantees by the Group amounted to RMB775,000 (31 December 2022: RMB1,276,000). Their fair values are determined by China Enterprise Appraisals Consultation Co., Ltd., an independent valuer.

As at 30 June 2023, 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 RMB2,512,000 (31 December 2022: RMB342,000) has been estimated as a loss allowance as at 30 June 2023, and an amount of RMB2,275,000 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.

Details of impairment assessment and deposits from digital financing solutions customers are set out in notes 17 and 19, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

21. BORROWINGS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Bank borrowings and bills discounted	3,420,103	3,166,919
ABS issued	1,097,575	1,108,513
Bank loans under supplier finance arrangements (note i)	68,562	207,630
Entrusted loans	231,837	150,392
Other loans (note ii)	963,633	1,606,856
	5,781,710	6,240,310
Secured	5,464,196	5,372,246
Unsecured	317,514	868,064
	5,781,710	6,240,310

Notes

- (i) The Group has entered into certain finance arrangements with banks. Under these arrangements, the banks issue bank's acceptance bill and letter of credit 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 condensed consolidated statement of financial position. In the condensed consolidated statement of cash flows, repayments to the banks are included within financing cash flows based on the nature of the arrangements, and payments to the suppliers by the banks are disclosed as non-cash transactions. During the current interim period, bank loans under supply chain financing arrangements of RMB19,127,000 (six months ended 30 June 2022: RMB157,708,000) represent the payments to the suppliers by the relevant banks directly.
- (ii) As at 30 June 2023, other loans mainly consist of loans from private funds, commercial factoring company and other third parties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



21. BORROWINGS (continued)

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
The carrying amounts of the above borrowings are repayable*:		
– within one year	3,365,835	4,443,604
– within a period of more than one year but not exceeding two years	1,633,239	932,397
– within a period of more than two year but not exceeding five years	533,134	813,792
	5,532,208	6,189,793
The carrying amounts of the above borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:		
– within one year	249,502	50,517
	5,781,710	6,240,310
Less: Amounts due within one year shown under current liabilities	(3,615,337)	(4,494,121)
Amounts shown under non-current liabilities	2,166,373	1,746,189

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The ranges of effective interest rates on the Group's borrowings are as follows:

	30 June 2023 % (Unaudited)	31 December 2022 % (Audited)
Range of fixed-rate borrowings interest rates (per annum)	2.43~14.40	2.40~14.40
Range of variable-rate borrowings interest rates (per annum)	4.24~8.02	4.24~8.07

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

22. 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 2022, 1 January 2023 and 30 June 2023 (unaudited)	5,000,000,000	50,000,000
	Number of shares	Share capital HK\$
Issued:		
At 1 January 2022 (audited)	1,004,296,500	10,042,965
Exercise of share options (note 24)	3,418,000	34,180
At 31 December 2022 (audited)	1,007,714,500	10,077,145
Repurchase and cancellation of shares	(16,396,500)	(163,965)
At 30 June 2023 (unaudited)	991,318,000	9,913,180
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Shown in the condensed consolidated statement of financial position	8,574	8,717

All the shares issued during the period ranked pari passu in all respects with the then existing shares in issue.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



23. CAPITAL COMMITMENTS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Capital expenditure contracted for but not provided for in the condensed consolidated financial statements		
– property and equipment	351,344	20,488
– investment in an associate	200	200
	351,544	20,688

24. SHARE-BASED PAYMENT TRANSACTIONS

(a) 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, 15 July 2020 and 10 June 2022 ("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, 14 July 2025 and 9 June 2032 respectively. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including certain directors of the Company and the management of an associate of the Company, to subscribe for shares in the Company.

At 30 June 2023, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 21,240,000 (31 December 2022: 22,340,000), representing 2.14% (31 December 2022: 2.22%) 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 or 10 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

24. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Equity-settled share option scheme of the Company (continued)

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

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	15/7/2020-14/7/2024	15/7/2024-14/7/2025	HK\$6.68	15/7/2024

Equity-settled share option scheme on 10 June 2022:

	Date of grant	Vesting period	Exercise period (note)	Exercise Price	Exercise dates
Tranche 10	10/6/2022	10/6/2022-9/6/2024	10/6/2024-9/6/2032	HK\$6.46	10/6/2024
Tranche 11	10/6/2022	10/6/2022-9/6/2024	10/6/2024-9/6/2032	HK\$6.46	10/6/2024
Tranche 12	10/6/2022	10/6/2022-9/6/2025	10/6/2025-9/6/2032	HK\$6.46	10/6/2025

Note: The share options granted to certain employees cannot be exercised within one or two years from the end of the vesting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



24. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Equity-settled share option scheme of the Company (continued)

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 periods:

Grantee	Exercise period	Outstanding at 1 January 2023	Granted during period	Forfeited during period	Exercised during period	Outstanding at 30 June 2023
Directors	14/11/2019-13/11/2023	350,000	-	(50,000)	-	300,000
	14/11/2020-13/11/2023	350,000	-	(50,000)	-	300,000
	14/11/2021-13/11/2023	1,200,000	-	(100,000)	-	1,100,000
	15/7/2021-14/7/2025	225,000	-	(75,000)	-	150,000
	15/7/2022-14/7/2025	150,000	-	-	-	150,000
	15/7/2024-14/7/2025	500,000	-	-	-	500,000
	10/6/2024-9/6/2032	375,000	-	-	-	375,000
	10/6/2024-9/6/2032	375,000	-	-	-	375,000
	10/6/2025-9/6/2032	750,000	-	-	-	750,000
		4,275,000	-	(275,000)	-	4,000,000
Exercisable at the end of the reporting period		2,275,000				2,000,000
Weighted average exercise price per share		6.70	-	6.84	-	6.69

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

24. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Equity-settled share option scheme of the Company (continued)

Grantee	Exercise period	Outstanding at 1 January 2023	Granted during period	Forfeited during period	Exercised during period	Outstanding at 30 June 2023
Employees	14/11/2019-13/11/2023	297,500	-	-	-	297,500
	14/11/2020-13/11/2023	247,500	-	-	-	247,500
	14/11/2021-13/11/2023	520,000	-	-	-	520,000
	15/7/2021-14/7/2025	2,200,000	-	(112,500)	-	2,087,500
	15/7/2022-14/7/2025	2,350,000	-	(87,500)	-	2,262,500
	15/7/2024-14/7/2025	4,950,000	-	(325,000)	-	4,625,000
	10/6/2024-9/6/2032	1,875,000	-	(75,000)	-	1,800,000
	10/6/2024-9/6/2032	1,875,000	-	(75,000)	-	1,800,000
	10/6/2025-9/6/2032	3,750,000	-	(150,000)	-	3,600,000
		18,065,000	-	(825,000)	-	17,240,000
Exercisable at the end of the reporting period		5,615,000				5,415,000
Weighted average exercise price per share		6.60	-	6.60	-	6.60

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



24. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Equity-settled share option scheme of the Company (continued)

Grantee	Exercise period	Outstanding at 1 January 2022	Granted during period	Forfeited during period	Exercised during period	Outstanding at 30 June 2022
Directors	11/9/2018-10/9/2022	500,000	-	-	(500,000)	-
	11/9/2019-10/9/2022	700,000	-	-	(200,000)	500,000
	11/9/2020-10/9/2022	1,500,000	-	-	(200,000)	1,300,000
	14/11/2019-13/11/2023	400,000	-	(50,000)	-	350,000
	14/11/2020-13/11/2023	400,000	-	(50,000)	-	350,000
	14/11/2021-13/11/2023	1,300,000	-	(100,000)	-	1,200,000
	15/7/2021-14/7/2025	1,050,000	-	(825,000)	-	225,000
	15/7/2022-14/7/2025	1,075,000	-	(750,000)	-	325,000
	15/7/2023-14/7/2025	2,150,000	-	(1,500,000)	-	650,000
	10/6/2023-9/6/2032	-	375,000	-	-	375,000
	10/6/2024-9/6/2032	-	375,000	-	-	375,000
	10/6/2025-9/6/2032	-	750,000	-	-	750,000
		9,075,000	1,500,000	(3,275,000)	(900,000)	6,400,000
Exercisable at the end of the reporting period		5,850,000				3,925,000
Weighted average exercise price per share		5.99	6.46	6.69	4.20	6.00

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

24. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) Equity-settled share option scheme of the Company (continued)

Grantee	Exercise period	Outstanding at 1 January 2022	Granted during period	Forfeited during period	Exercised during period	Outstanding at 30 June 2022
Employees	11/9/2018-10/9/2022	7,500	-	-	-	7,500
	11/9/2019-10/9/2022	37,500	-	-	(12,500)	25,000
	11/9/2020-10/9/2022	408,000	-	-	(104,500)	303,500
	14/11/2019-13/11/2023	353,750	-	(46,250)	(10,000)	297,500
	14/11/2020-13/11/2023	303,750	-	(46,250)	(10,000)	247,500
	14/11/2021-13/11/2023	887,500	-	(122,500)	(145,000)	620,000
	15/7/2021-14/7/2025	2,387,500	-	(87,500)	(100,000)	2,200,000
	15/7/2022-14/7/2025	2,637,500	-	(162,500)	-	2,475,000
	15/7/2023-14/7/2025	5,275,000	-	(325,000)	-	4,950,000
	10/6/2023-9/6/2032	-	2,375,000	-	-	2,375,000
	10/6/2024-9/6/2032	-	2,375,000	-	-	2,375,000
	10/6/2025-9/6/2032	-	4,750,000	-	-	4,750,000
		12,298,000	9,500,000	(790,000)	(382,000)	20,626,000
Exercisable at the end of the reporting period		4,385,500				3,701,000
Weighted average exercise price per share		6.62	6.46	6.74	6.02	6.55

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



24. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) 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:

	Grant date	Fair value per option HK\$	Share price HK\$	Exercise price HK\$	Expected volatility	Expected life	Risk-free rate	Expected dividend yield
Tranche 1	11/9/2017	1.29	4.09	4.20	45.00%	5 years	1.00%	–
Tranche 2	11/9/2017	1.42	4.09	4.20	45.00%	5 years	1.00%	–
Tranche 3	11/9/2017	1.52	4.09	4.20	45.00%	5 years	1.00%	–
Tranche 4	14/11/2018	2.13	6.87	6.90	43.00%	5 years	2.25%	1.00%
Tranche 5	14/11/2018	2.31	6.87	6.90	43.00%	5 years	2.25%	1.00%
Tranche 6	14/11/2018	2.44	6.87	6.90	43.00%	5 years	2.25%	1.00%
Tranche 7								
– Directors	15/7/2020	2.27	6.68	6.68	42.00%	5 years	0.11%	0.76%
– Employees	15/7/2020	1.86	6.68	6.68	42.00%	5 years	0.11%	0.76%
Tranche 8								
– Directors	15/7/2020	2.27	6.68	6.68	42.00%	5 years	0.11%	0.76%
– Employees	15/7/2020	2.04	6.68	6.68	42.00%	5 years	0.11%	0.76%
Tranche 9								
– Directors	15/7/2020	2.27	6.68	6.68	42.00%	5 years	0.11%	0.76%
– Employees	15/7/2020	2.17	6.68	6.68	42.00%	5 years	0.11%	0.76%
Tranche 10								
– Director	10/6/2022	3.23	6.46	6.46	45.28%	10 years	2.63%	0.72%
– Employees	10/6/2022	1.87	6.46	6.46	45.28%	10 years	2.63%	0.72%
Tranche 11								
– Director	10/6/2022	3.25	6.46	6.46	45.28%	10 years	2.63%	0.72%
– Employees	10/6/2022	2.20	6.46	6.46	45.28%	10 years	2.63%	0.72%
Tranche 12								
– Director	10/6/2022	3.30	6.46	6.46	45.28%	10 years	2.63%	0.72%
– Employees	10/6/2022	2.47	6.46	6.46	45.28%	10 years	2.63%	0.72%

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 RMB626,000 for the period ended 30 June 2023 (six months ended 30 June 2022: RMB1,041,000) in relation to share options granted by the Company.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

24. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) RSU Scheme of the Company

The Company's RSU Scheme was adopted pursuant to a resolution passed 6 April 2022 for the primary purpose of providing incentives to eligible persons and attracting suitable personnel for further development of the Group. The RSU Scheme shall be valid and effective for a period of ten years commencing on 6 April 2022.

The maximum number of restricted share units ("RSUs") that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall not exceed 2% of the number of shares in issue from time to time.

The Company appointed an independent trustee, GIL Trust Limited (the "RSU Trustee"), to administer the granting and vesting of RSUs granted to eligible persons pursuant to the RSU Scheme.

Pursuant to the RSU Scheme, the underlying shares for the vesting of the RSUs can be satisfied by (i) existing shares to be purchased by the RSU Trustee on the market; (ii) new shares to be allotted and issued to the RSU Trustee by the Company under the general or specific mandate sought from the shareholders of the Company in its general meeting; and/or (iii) existing share to be contributed by Controlling Shareholder of the Company to the RSU Trustee as gift.

During the six months ended 30 June 2023, the Company purchased 2,032,000 (six months ended 30 June 2022: 1,303,500) shares of the Company's own ordinary shares in the market through the RSU Trustee of the Company's RSU Scheme, at prices ranging from HK\$5.11 to HK\$6.31 (six months ended 30 June 2022: ranging from HK\$5.93 to HK\$6.30) per share for an aggregate consideration of approximately HK\$12,032,000 (equivalent to RMB10,693,000) (six months ended 30 June 2022: approximately HK\$8,001,000 (equivalent to RMB6,844,000)).

On 10 June 2022, an aggregate of 1,340,000 RSUs (the "2022 June RSU Awards") were granted to 36 eligible employees pursuant to the RSU Scheme, representing 0.13% of the issued shares of the Company at that date. The grantees of the 2022 June RSU Awards are required to pay for the grant of any RSUs under the RSU Scheme based on 20% of the closing share price on the grant date, which amounted to HK\$1.29 per RSU.

The 2022 June RSU Awards granted shall be vested in three tranches, (i) 25% of the award shares shall vest on the first anniversary date of the grant date, and (ii) the additional 25% of the award shares shall vest on the second anniversary date of the grant date, and (iii) the remaining 50% of the award shares shall vest on the third anniversary date of the grant date.

The fair value of the RSUs granted is measured with reference to the closing price of the ordinary shares of the Company at the grant date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



24. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) RSU Scheme of the Company (continued)

The following tables disclose movements of the Company's RSUs:

Grantee	Vesting period	Outstanding at 1 January 2023	Granted during period	Forfeited during period	Vested during period	Outstanding at 30 June 2023
Employees	10/6/2022-9/6/2024	325,000	-	(35,000)	-	290,000
	10/6/2022-9/6/2024	325,000	-	(35,000)	-	290,000
	10/6/2022-9/6/2025	650,000	-	(70,000)	-	580,000
		1,300,000	-	(140,000)	-	1,160,000

The Group recognised the total expense of approximately RMB677,000 for the period ended 30 June 2023 (six months ended 30 June 2022: RMB105,000) for in relation to RSUs granted by the Company.

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities 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:

Financial assets/liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)			
Cross currency swap contracts	Assets – 2,524	Assets – –	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, 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)			
Foreign currency forward contracts	Assets – 26,464 Liabilities – –	Assets – 2,866 Liabilities – 14,960	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
Foreign exchange swap contracts	Assets – –	Assets – 830	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
Interest rate swap contracts	Assets – 1,585 Liabilities – 2,982	Assets – 1,953 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 forward interest rates (from observable yield curves at the end of the reporting period), discounted at a rate that reflects the credit risk of various counterparty.	N/A
Equity instruments at FVTOCI	Assets – 300 Assets – 57,649	Assets – 200 Assets – 53,429	Level 2 Level 3	Recent transaction price Market Approach Market Cap/Book value multiple	N/A The higher implied multiple, the higher fair value

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30.6.2023 RMB'000 (Unaudited)	31.12.2022 RMB'000 (Audited)			
Other financial assets at FVTPL – structured deposits	Assets – 128,763	Assets – 164,634	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 investments	Assets – – Assets – 95,336	Assets – 30,000 Assets – 65,550	Level 2 Level 3	Recent transaction price Discounted cash flow. Discount rate and cash flows are key inputs	N/A The higher cash flows, the higher fair value.
Other financial assets at FVTPL – equity tranche	Assets – 186,995	Assets – 146,730	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 – 1,829	Assets – 2,229	Level 3	Discounted cash flow. Risk-adjusted discount rate and cash flow are key inputs	The higher discount rate, the lower fair value
Supply chain assets at FVTOCI	Assets – 8,043,694	Assets – 8,422,078	Level 3	Discounted cash flow. Risk-adjusted discount rate and cash flow are key inputs	Discount rate (note)
Other financial liability at FVTPL – structured notes	Liability – 106,375	Liability – –	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.

Note: As at 30 June 2023, the discount rates of the supply chain assets range mainly from 5.50% to 13.00% (31 December 2022: 4.00% to 15.00%). A 1% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of supply chain assets at FVTOCI by RMB24,269,000/RMB24,638,000 (31 December 2022: RMB24,736,000/RMB24,387,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Reconciliation of Level 3 fair value measurements

	Financial assets			Financial liabilities
	Other financial assets at FVTPL RMB'000	Equity instruments at FVTOCI RMB'000	Supply chain assets at FVTOCI RMB'000	Other financial liabilities at FVTPL RMB'000
At 1 January 2023	214,509	53,429	8,422,078	–
Transfer into level 3	30,000	–	–	–
Additions	39,300	–	8,098,016	92,115
Settlements	(5,419)	–	(7,060,128)	–
Disposal	–	–	(1,424,638)	–
Fair value changes through OCI, net of reclassification adjustment to profit or loss (note)	–	4,220	8,366	–
Fair value changes through profit or loss	5,770	–	–	14,260
At 30 June 2023	284,160	57,649	8,043,694	106,375
At 1 January 2022	109,474	–	6,678,376	–
Additions	60,774	–	7,707,512	–
Settlements	(3,730)	–	(6,421,648)	–
Disposal	–	–	(1,290,355)	–
Fair value changes through OCI, net of reclassification adjustment to profit or loss (note)	–	–	649	–
Fair value changes through profit or loss	17,072	–	–	–
At 30 June 2022	183,590	–	6,674,534	–

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 period are set out in note 9(b).

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 considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



26. 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 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 21) and loans from related parties (note 27).

	Supply chain assets	
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Carrying amount of transferred assets	3,458,697	3,452,116
Carrying amount of associated liabilities	3,833,417	3,590,557
Net position	(374,720)	(138,441)

27. RELATED PARTY DISCLOSURES

(a) Related parties and relationship

During the reporting period, the following parties are identified as related parties to the Group and the respective relationships are set out below:

Name of Related Party	Relationship
TUNG CHI FUNG	Controlling shareholder of the Company
Bondlink Investment Limited	Related company controlled by TUNG CHI FUNG
Health Fame Limited	Related company controlled by TUNG CHI FUNG
Wuxi Tonghui Investment Limited ("WXTH")	Non-controlling shareholder of a material Subsidiary
Wuxi Communications Industry Group Co., Ltd and its subsidiaries ("WXCI Group")	Related parties of WXTH
HJ	Associate
GXMJ	Associate
NBGF	Associate
XMXS	Associate
QDHK	Associate

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

27. RELATED PARTY DISCLOSURES (continued)

(b) Related party balances

(i) Refundable rental deposits

Name of Related Party	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Bondlink Investment Limited	335	324

(ii) Trade and bill receivables

Name of Related Party	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
HJ	1,079	1,634

(iii) Supply chain assets at FVTOCI

Name of Related Party	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
HJ	750,194	1,017,696
WXCI Group	–	48,191
	750,194	1,065,887

The remaining balance of supply chain assets at FVTOCI carries fixed-rate interest at 5.95% (31 December 2022: at range of 5.95% to 10.00%) with principal amount of RMB740,700,000 (31 December 2022: RMB1,050,207,000) within one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



27. RELATED PARTY DISCLOSURES (continued)

(b) Related party balances (continued)

(iv) Loans to an associate

Name of Related Party	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NBGF	198,728	199,385

The remaining balance of loans to an associate carries fixed-rate interest at 3.00% (31 December 2022: 3.00%) with principal amount of RMB196,000,000 (31 December 2022: RMB199,500,000) within one year.

(v) Loans from related parties

Name of Related Party	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
XMXS	315,820	–
QDHK	272,667	–
NBGF	104,703	–
WXCI Group	95,096	370,052
	788,286	370,052

The amounts represent loans, due within one year, and carry interest at the range of 7.00% to 9.00% per annum (31 December 2022: 6.20% to 7.00%).

As at 30 June 2023, the loans of RMB272,667,000 (31 December 2022: nil) were guaranteed by certain PRC subsidiaries, and the loans amounting to RMB95,096,000 (31 December 2022: RMB340,000,000) were guaranteed by a PRC subsidiary and the controlling shareholder of the Group and pledged by 80% shares of WXGJ.

(vi) Other payables and accrued charges – guarantee expenses payable

Name of Related Party	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
WXCI Group	6,911	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

27. RELATED PARTY DISCLOSURES (continued)

(b) Related party balances (continued)

(vii) Liabilities arising from guarantee contracts

Name of Related Party	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
XMXS	1,077	–
QDHK	852	–
NBGF	583	695
	2,512	695

(viii) Lease liabilities

Name of Related Party	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Bondlink Investment Limited	876	1,369
WXCI Group	619	623
	1,495	1,992

(c) Related party transactions

(i) Revenue and income from related parties

Name of Related Party	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
HJ	35,047	38,590
WXCI Group	202	–
GXMJ	–	30
	35,249	38,620

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



27. RELATED PARTY DISCLOSURES (continued)

(c) Related party transactions (continued)

(ii) Interest income from loans to an associate

Name of Related Party	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
NBGF	3,806	–

(iii) Finance cost – interest on loans from related parties

Name of Related Party	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
QDHK	14,098	–
XMXS	7,494	–
NBGF	6,906	–
WXCI Group	3,553	14,589
	32,051	14,589

(iv) Interest and guarantee expenses on borrowings

Name of Related Party	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
WXCI Group	6,520	3,430

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

27. RELATED PARTY DISCLOSURES (continued)

(c) Related party transactions (continued)

(v) Interest expenses on lease liabilities

Name of Related Party	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Bondlink Investment Limited	26	25
WXCI Group	3	26
	29	51

(d) Compensation of key management personnel

During the reporting period, the remunerations of key management personnel which represent the directors of the Company and other members of key management were as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Salaries and other allowances	11,709	9,623
Share-based payment	1,200	28
Retirement benefit scheme contributions	266	187
Performance related bonuses	56	101
	13,231	9,939

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.

(e) Purchase of assets through acquisition of a subsidiary

During six months ended 30 June 2022, the Group purchase assets from Health Fame Limited, details of the transaction are set out in note 28.

(f) Sales of supply chain assets to an associate

During the current reporting period, a PRC subsidiary of the Company sold supply chain assets of RMB95,296,000 to NBGF with gain of RMB183,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023



27. RELATED PARTY DISCLOSURES (continued)

(g) Guarantee

As at 30 June 2023, the Group's borrowing of RMB2,936,228,000 (31 December 2022: RMB2,257,221,000) were guaranteed by WXCI Group.

As at 31 December 2022, the Group's borrowing of RMB446,497,000 were guaranteed by TUNG CHI FUNG.

Details of the guarantee to associates are set out in note 20.

28. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 10 June 2022, the Group acquired 100% interest in Trade Nice Limited ("TNL") at a cash consideration of HK\$38,000,000 (equivalent to RMB32,497,000) from a related company controlled by the Controlling shareholder. The major asset of TNL is a property located in Hong Kong.

The Group elected to apply the optional concentration test in accordance with HKFRS 3 "Business Combinations" and concluded that the property is considered as a single identifiable asset. Consequently, the Group determined that substantially all of the fair value of the gross assets (excluding cash and cash equivalents) acquired is concentrated in a single identifiable asset and conclude that the acquired TNL is not a business.

Assets and liabilities recognised at the date of acquisition

	10 June 2022 RMB'000
Investment property	32,378
Other receivable and prepayments	32
Cash and cash equivalents	262
Other payables and accrued expenses	(175)
	32,497

Consideration satisfied by

	RMB'000
Consideration paid within 1 year	32,497