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

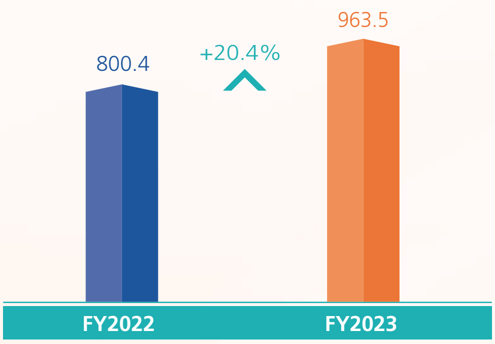
2023 ANNUAL REPORT

CONTENTS

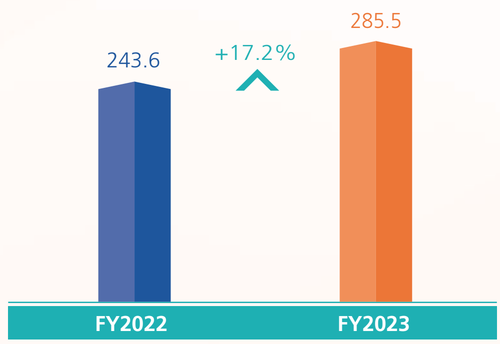
PERFORMANCE HIGHLIGHTS

For the year ended 31 December 2023

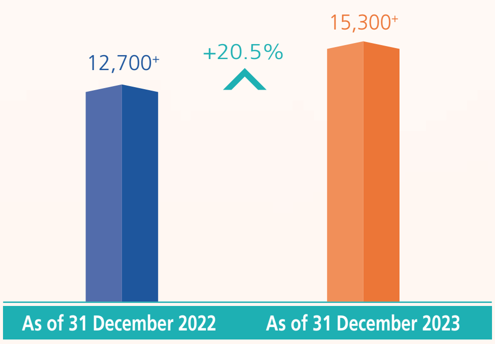
Total revenue and income from principal activities (RMB in millions)



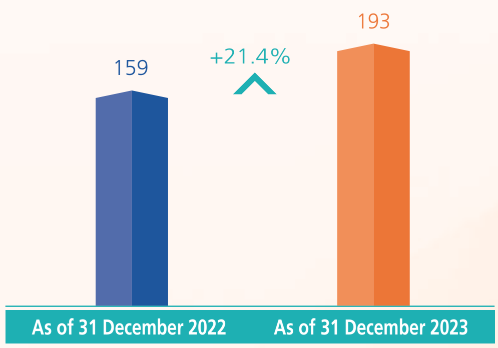
Profit after taxation (RMB in millions)



Total cumulative platform users



Total cumulative supply chain assets processed (RMB in billions)



Tech-related revenue (note)

RMB in millions

170.2

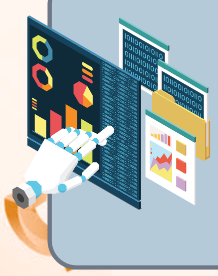
+64.8% YoY

Revenue from digital financing solutions

RMB in millions

722.8

+15.7% YoY



SME loan customers

During the year ended 31 December 2023

>97%

Total funding partners

As of 31 December 2023

131

+22.4%

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

SUMMARY OF FINANCIAL INFORMATION

	FOR THE YEAR ENDED 31 December 2023 RMB'000	FOR THE YEAR ENDED 31 December 2022 RMB'000	FOR THE YEAR ENDED 31 December 2021 RMB'000	FOR THE YEAR ENDED 31 December 2020 RMB'000	FOR THE YEAR ENDED 31 December 2019 RMB'000
OPERATING RESULTS					
Revenue and income from principal activities	**963,518**	800,425	575,333	634,120	606,663
Profit before tax	**370,643**	285,998	462,149	387,088	362,492
Profit for the year	**285,545**	243,608	421,473	337,396	295,125
Adjusted net profits	**291,598**	249,576	226,191	342,905	305,131
Earnings per share					
– Basic (RMB cents)	**27**	22	43	37	32
– Diluted (RMB cents)	**27**	22	43	37	32

	AS AT 31 December 2023 RMB'000	AS AT 31 December 2022 RMB'000	AS AT 31 December 2021 RMB'000	AS AT 31 December 2020 RMB'000	AS AT 31 December 2019 RMB'000
FINANCIAL POSITION					
Total assets	**11,819,568**	11,378,459	8,802,773	4,786,498	4,479,174
Total liabilities	**7,756,281**	7,254,770	4,849,179	1,759,154	2,061,114
Net assets	**4,063,287**	4,123,689	3,953,594	3,027,344	2,418,060

CHAIRMAN'S STATEMENT

Dear Shareholders and other Stakeholders,

In 2023, the international geopolitical landscape underwent accelerated turmoil, and the global economic situation faced significant challenges. Looking back over the past year, our unwavering belief and steadfast execution have been the foundation of our strategy to advance the Group's platform-based development. As SY celebrates its 10th anniversary, we are proud to present a remarkable report card that demonstrates steady growth, at the same time, marking a decade of consistent profitability. Although the path forward is not without challenges, our resolve to move forward remains unshaken. To express our gratitude for the continuous support and trust from all stakeholders, we plan to distribute a dividend of HK$0.269 per share, significantly increasing the dividend payout ratio to 90%, thereby further sharing the fruits of our achievements with all shareholders.

Championing "Digital Finance" and Supporting the Growth of SMEs

2023 had been a pivotal year for the development of inclusive finance. At the Third Plenary Session of the 18th Central Committee of the Communist Party of China in 2013, "developing inclusive finance" was established as a national strategy. Over the past decade, the development of inclusive finance in China has steadily gained momentum. As a leading supply chain technology platform, our dual-approach through "industrial internet" and "digital finance" aligns perfectly with the directive from the Central Financial Work Conference to focus on "digital finance," deeply engaging in the construction of a Digital China while serving the real economy. As part of enabling industrial ecosystem connections and data empowerment, we have always prioritized the development needs of small and medium enterprises ("SMEs"), ensuring that our platform strategy and differentiated services can enable all SMEs in the supply chain to benefit from inclusive finance, supporting their growth and fulfilling our mission to "enhance supply chain efficiency and make finance more inclusive."

Financing difficulties for SMEs are a global challenge. Chinese regulatory authorities have always encouraged the use of technology to empower finance and increase support for SMEs. The "2024 State Council Government Work Report" emphasizes the promotion of strategic emerging industries through launching new productivity initiatives, with technological innovation as the core driving force of this development. Many believe what they see, but a few see what they believe. From day one, we recognized that technology would be key in driving the development of supply chain finance and we have continuously invested in core technologies such as artificial intelligence, cloud computing, and big data.

As of December 31, 2023, SY's cumulative R&D investment reached RMB200 million, with a total of 62 patents and computer software copyrights. Technology revenue (including platform service revenue and supply chain technology service revenue) grew by 65% year-on-year to RMB170 million, accounting for 18% of the Group's total revenue, and this is expected to increase to 50% in the future, thereby becoming an important engine for the Group's performance growth. Our strong technological capabilities have also earned us a spot on the CNBC "Top 200 Global Financial Technology Companies of 2023" list.

Over the past year, we have actively embraced regulations and responded to policy calls, extending the reach of our supply chain inclusive financial services. We have established deeper cooperation with several core enterprises in the infrastructure, pharmaceuticals, and energy segments and are actively exploring other strategic emerging industries such as new energy and cross-border e-commerce. We remain focused on meeting the financing needs of SMEs, with cumulative supply chain assets processed at approximately RMB193.4 billion, representing a growth of 22% year-on-year. Total cumulative users reached 15,326, up 20% year-on-year. The proportion of SME-originated factoring business exceeded 96%, and the proportion of SME customers exceeded 97%. We proactively supported SMEs during the end-of-year peak demand for funds, launching the "50 Days of Intensive Work to Support SMEs with Inclusive Finance" campaign, providing over RMB6.8 billion in inclusive financial support and increasing the proportion of first-time loan SME customers to 50%.

In June 2023, with the support of the Wuxi Economic Development Zone, SY successfully held the ground-breaking ceremony for its East China headquarters. Once completed, the project will attract leading companies in the supply chain ecosystem, financial institutions, and Fortune 500 companies to the area, creating an industrial digital ecological base integrating science and innovation, ecosystem empowerment, and green concepts. In July 2023, we were honored to participate as a representative of Singaporean enterprises in the third government-to-government cooperation project between China and Singapore – “China-Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity”, SY signed a strategic cooperation in the field of healthcare with Chongqing Pharma, earmarking an investment of SGD 500 million (RMB2.7 billion) supporting the development of the pharmaceutical supply chain ecological enterprises in China.

Empowering High-Quality Development of Inclusive Finance with Compassionate Finance

Digital RMB represents the “new infrastructure” of China’s digital economy era, and its innovative applications have become an important component of implementing inclusive finance. In 2023, with support from pilot regions and local financial regulatory authorities, SY, with the strong support of various pilot regions and local financial supervision and administration bureaus, took the lead in implementing “the first digital currency + supply chain finance business in Tianjin”, “the first digital currency + factoring business in Zhejiang Province”, “the largest single amount of digital currency factoring business of 100 million yuan in Jiangsu Province”, “the industry’s first digital currency + smart contract + charitable donation”, “the industry’s first digital currency + smart contract + wage payment for construction workers”, and “the first digital currency + employee salary payment”. During the 2024 Spring Festival, we utilized the “digital currency + factoring” model to provide emergency loans totaling RMB951 thousand to three construction SMEs in need of funds, offering interest and fee reductions to ensure continuous inclusive financial services and a commitment to “never go offline” during holidays, meeting customer financing needs anytime, anywhere.

At the end of 2023, the State Council of China issued the “Implementation Opinions on Promoting the High-Quality Development of Inclusive Finance,” and the Central Financial Work Conference emphasized the importance of inclusive finance, setting new standards for its high-quality development. We are willing to further unleash our platform’s linking capabilities, adopting a more open and inclusive approach to connect the industry and financial sectors, becoming an important partner for financial institutions in inclusive finance. Since the launch of our platform strategy in 2020, we have used advanced digital technologies and efficient intelligent risk control methods to efficiently bridge quality assets with inclusive funds. Currently, the number of financial institutions connected to the SY platform has exceeded 131, with platform service revenue reaching RMB146 million, growing by 106% year-on-year.

We will continue to advance our platform strategy, establish strategic cooperation with more high-quality local SOEs, enhance technological capabilities and platform services, and accelerate the construction of regional supply chain financial service platforms. Our joint ventures with quality local SOEs in Wuxi, Ningbo, Xiamen, and Qingdao have shown remarkable growth in team building, institutional development, business expansion, and performance growth. We expect these ventures to generate over RMB20 billion in incremental funds and business scale for SY each year.

Ningbo Guofu Factoring successfully increased its capital to RMB500 million, with its business volume expected to exceed RMB50 billion in 2024. Wuxi Guojin Factoring successfully introduced Wuxi Taihu New City Development Group Co., Ltd. as a strategic shareholder, receiving an investment of RMB570 million. Its business volume is expected to approach RMB10 billion within three years, becoming Wuxi’s first “10 billion scale” benchmark supply chain inclusive financial service platform. We continuously derive successful practices from our experiences. The state-owned enterprise cooperation model will be a key focus in advancing our platform strategy and expanding the coverage of inclusive finance.

CHAIRMAN'S STATEMENT

Beyond delivering compassionate finance, we also aim to provide more help and care. SY actively practices corporate social responsibility, offering satisfying products and services to customers, creating more win-win opportunities for partners, building platforms for employees to realize their self-worth, and generating greater comprehensive benefits for society. At the same time, we are committed to charitable and public welfare activities, partnering with the SY Public Welfare Foundation to focus on "Caring for Children in Difficult Circumstances," "Supporting Rural Revitalization," and "Youth Inspiration Programs." We have donated over RMB15 million in goods and cash to socially disadvantaged groups, impacting over 8,400 individuals and treating over 140 children with congenital heart disease. Our contributions to accumulating social wealth, creating jobs, and promoting economic and social development are significant. In 2023, SY once again received an A-level MSCI ESG rating, leading the domestic financial industry. We also received our first S&P Global ESG Score, ranking in the top 26% globally, and were included in 2023 Bloomberg Green ESG 50 Companies to Watch List (or ESG 50 in brief), winning the ESG Grand Prize – Best Companies.

Looking back, our belief has driven us to make every effort, creating milestone after milestone. Standing at the ten-year mark, we believe that as long as we steadfastly pursue our vision to "become the most trustworthy supply chain technology platform in the Asia-Pacific region," we can seize the opportunities of our era. Once again, thank you to all our employees and the Board of Directors for their hard work, and thank you to our shareholders, customers, and partners for their continued support. Let's continue to ride the wave and achieve even greater success for SY!

SY Holdings Group Limited
Tung Chi Fung
Chairman and Executive Director

BUSINESS REVIEW

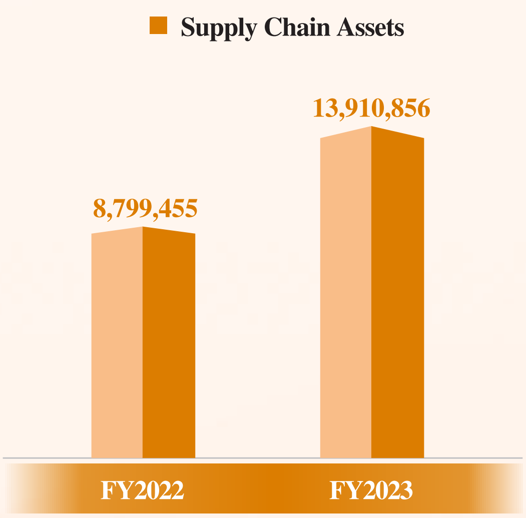
2023 Review

2023 marks the 10th anniversary of SY's establishment. Against the backdrop of a complex and changing international environment and China's economic recovery facing pressure, the Group has maintained resilience and stable growth in the supply chain ecosystem it operates in. During the reporting period, the total revenue and income from principal activities were RMB963.5 million, with a year-on-year growth of 20.4%, and a net profit of RMB285.5 million, a year-on-year increase of 17.2%. Tech-related revenue generated from platform-based services and supply chain technology services was RMB170.2 million, representing a year-on-year increase of approximately 64.8%. The proportion of tech-related revenue in Group's total revenue and income from principal activities is approximately 17.7%, representing a significant increase as compared to 12.9% in the same period last year. As of 31 December 2023, the daily average balance of supply chain assets was about RMB13.91 billion, an increase of 58.1% year-on-year. The cumulative scale of supply chain assets processed by the platform was about RMB193 billion, an increase of 21.4% compared to that as at the end of last year.

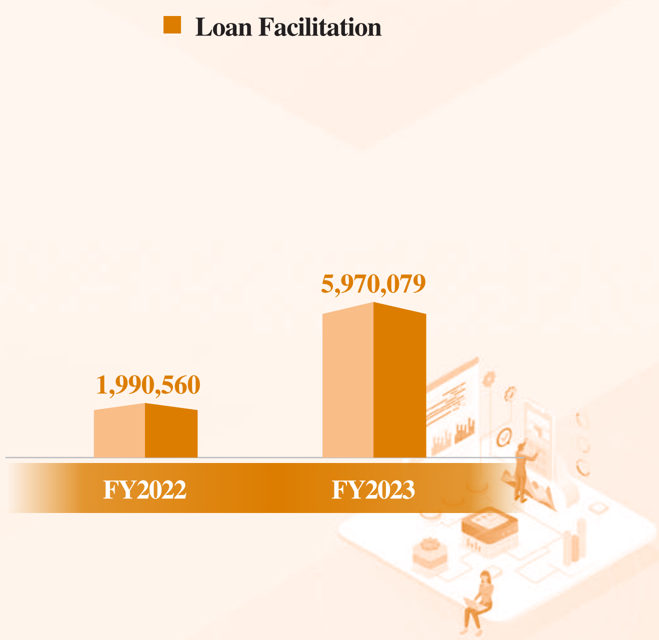
2023 also marks the 10th anniversary of the elevation of inclusive finance to a national strategy. Adhering to the fundamental purpose of serving the real economy with financial services, our Group further implemented the "Dual-Engine, One-Platform "strategy, using digital technology to enhance the coverage of inclusive finance, effectively solving problems such as "difficulty in obtaining the first loan" and "expensive financing" and growing together with our small, medium and micro enterprise ("**SME**") customers. As of 31 December 2023, the platform's cumulative number of customers reached 15,300, a growth of 20.5% compared to that as of 31 December 2022, among which the proportion of SME customers exceeded 97%. During the reporting period, the cumulative amount of financing directly and indirectly provided by the Group to SMEs reached RMB22.16 billion, with a year-on-year growth of approximately 12.1%, and the proportion of standard factoring business was approximately 96%.

With the firm confidence in the development trend of the industry and the development of the Company, the Group, in order to actively reward investors, share development dividends with them and enhance their sense of gain, proposes to distribute a dividend of HK$0.269 per share for the year ended 31 December 2023, representing an increase of 259%. In the future, SY will coordinate the dynamic balance between performance growth and shareholder returns, and continue to share the fruits of corporate development with investors.

Daily Average Balance *(RMB'000)*



Daily Average Balance *(RMB'000)*



MANAGEMENT DISCUSSION AND ANALYSIS

Connecting Industry Ecosystems, Promoting the 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.

The Group has reached in-depth cooperation with several core enterprises. 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 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. Both parties will use inclusive finance in the pharmaceutical supply chain and upgrades in the pharmaceutical supply chain as entry points to jointly support the development of enterprises within China's pharmaceutical supply chain ecosystem.

With the support of the Wuxi Economic Development Zone, SY successfully held the foundation laying ceremony for its East China headquarters. Upon completion, the project will attract cutting-edge technology companies, financial institutions, and Fortune Global 500 enterprises from the supply chain ecosystem, establishing an industrial digital ecology park that integrates technological innovation, ecological empowerment and green concepts.

Technology Empowers Platformisation, Driving Scale Effects

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. As of 31 December 2023, the number of financial partners connected through the platform increased to 131, representing a growth of 22.4% compared to that as at the end of last year and the cooperation with external institutions accounted for approximately 46% of total loan facilitation, an increase of approximately 15 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 the factoring companies with SOE backgrounds in Wuxi, Ningbo, Xiamen and Qingdao 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 these outstanding SOEs also enables the Group to optimize its financing structure, thereby reducing capital costs and increasing leverage. During the Period, owing to the continuous deepening of cooperation between the state-owned shareholder and SY, as well as further investment in the joint venture company by both parties, the factoring companies established in joint venture with high-quality state-owned enterprises in Wuxi, Ningbo, Xiamen and Qingdaos exceeded expectations in terms of performance growth during the Period. It is estimated that in 2024, the incremental funds and business scale leveraged will be close to RMB20 billion.

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. As of 31 December 2023, the cumulative investment in research and development amounted to approximately RMB200 million, with a total of 62 national invention patents and computer software copyrights. 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.

SY is actively exploring innovative applications in the digital currency field to support the collaborative development of digital finance and inclusive finance. With strong support from the government and financial regulatory bodies in various pilot regions, SY has pioneered the implementation of "Tianjin's first digital currency + supply chain financial business", "Zhejiang Province's first digital currency + factoring business", "Jiangsu Province's largest single transaction of RMB100 million in digital currency factoring business", "the industry's first digital currency + smart contract + charitable donation", "the industry's first digital currency + smart contract + construction worker wage distribution", and "the first digital currency + employee salary distribution". During holidays, SY adheres to a customer-oriented approach, utilizing the "digital currency + factoring" model to support 7*24 hours of large loan disbursements and cash withdrawal transfers without any fees, meeting customers' financing needs anytime and anywhere, and offering interest and fee discounts.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and income from principal activities

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

The Group's total revenue and income from principal activities increased by 20.4% year-on-year to RMB963.5 million for the year ended 31 December 2023, compared to RMB800.4 million for the previous year, mainly due to the further breakthrough in the number of SME customers as a result of the continuous and in-depth platformisation strategy, as well as a further increase and diversification of platform funding partners, which resulted in the expansion of the business scale of loan facilitation business and digital financing solutions.

The following table sets forth the comparative figures and as a percentage of total revenue and income from principal activities for the year ended 31 December 2023 and 2022.

	Year ended 31 December				
	2023			2022	
	RMB'000	**% of total**	**Year-on-year**	RMB'000	% of total
Revenue from contracts with customers					
– Platform-based services					
– Technology service for loan facilitation	**80,154**	**8.3%**	**50.0%**	53,430	6.7%
– Referral service fees	**65,166**	**6.8%**	**333.3%**	15,040	1.9%
– Technology service for asset-backed securitisation products	**93**	**0.0%**	**-95.3%**	1,970	0.2%
– Other services	**399**	**0.1%**	**-24.9%**	531	0.1%
Subtotal	**145,812**	**15.2%**	**105.5%**	70,971	8.9%
– Supply chain technology services	**24,422**	**2.5%**	**-24.4%**	32,296	4.0%
Income from digital financing solutions					
– Interest income from supply chain assets	**701,349**	**72.8%**	**16.0%**	604,546	75.6%
– Guarantee income	**19,423**	**2.0%**	**-3.7%**	20,167	2.5%
– Interest income from contracts containing significant financing components	**2,039**	**0.2%**	**1,190.5%**	158	0.0%
Subtotal	**722,811**	**75.0%**	**15.7%**	624,871	78.1%
Gain on sales of supply chain assets	**70,473**	**7.3%**	**-2.5%**	72,287	9.0%
Revenue and income from principal activities	**963,518**	**100%**	**20.4%**	800,425	100%

Platform-based services

Revenue from the platform-based services comprises (i) services fees received from customers by providing loan facilitation services through 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 105.5% year-on-year to approximately RMB145.8 million for the year ended 31 December 2023, compared to approximately RMB71.0 million for the preceding 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 decreased by 24.4% year-on-year to RMB24.4 million for the year ended 31 December 2023, compared to RMB32.3 million for the previous year, mainly due to the shift in focus towards other tech-related services including platform-based services under the strategic transformation.

Digital financing solutions

Revenue from 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 contains significant financing components. Revenue from digital financing solutions increased by 15.7% year-on-year to RMB722.8 million for the year ended 31 December 2023, compared to RMB624.9 million for the 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 year.

Gain on sales of supply chain assets

The Group may sell rights of supply chain assets as a way to improve cash flow and manage its supply chain assets portfolio. Gain from this business segment is equal to the excess of the consideration received and receivable over the carrying amount of the supply chain assets. The gain on sales of supply chain assets decreased by 2.5% year-on-year to RMB70.5 million for the year ended 31 December 2023, compared to RMB72.3 million for the preceding year.

Other gains and losses

The Group booked other gains of RMB23.6 million in the year of 2023. The change is mainly due to (i) the net exchange gain 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Expenses

The following table sets forth the comparative figures of the principal components of the operational expenses for the year ended 31 December 2023 and 2022.

	Year ended 31 December		
	2023	2022	
	RMB'000	RMB'000	Year-on-year
Staff costs	**177,768**	144,822	22.7%
Depreciation and amortisation	**31,511**	28,636	10.0%
Other operating expenses	**62,472**	55,249	13.1%
Total	**271,751**	228,707	18.8%

During the year, 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 year information had been re-presented to conform to current year presentation.

The Group's total operational expenses increased by 18.8% year-on-year to RMB271.8 million for the year ended 31 December 2023, compared to RMB228.7 million for the last year, mainly due to the increase in staff costs of RMB32.9 million, depreciation of property, equipment, right-of-use assets and investment property and amortisation of intangible assets of RMB2.9 million and other operating expenses of RMB7.2 million as a result of business expansion.

The operational cost-to-income ratio for the year of 2023 was 28.1% as compared with 28.6% in 2022, excluding one-time expenses.

Net profit

Net profit in the year of 2023 was RMB285.5 million, an increase of RMB41.9 million or 17.2% year-on-year, compared to RMB243.6 million for the year ended 31 December 2022.

Adjusted net profit

Adjusted net profit increased by 16.8% year-on-year to RMB291.6 million for the year ended 31 December 2023, compared to RMB249.6 million for the year ended 31 December 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 year, as adjusted by excluding loss on deregistration of subsidiaries and 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 year ended 31 December 2023 and 2022, respectively, to the nearest measures prepared in accordance with HKFRSs.

	2023 **RMB'000**	2022 RMB'000
Profit for the year	**285,545**	243,608
Add:		
Loss on deregistration of subsidiaries (note 1)	**475**	–
Equity-settled share-based payments based on our share incentive plan (note 2)	**5,578**	5,968
Adjusted net profit for the year (non-HKFRSs)	**291,598**	249,576

Notes:

1. It represents the non-recurring loss from the deregistration of subsidiaries, which is one-off in nature.

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

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

Supply chain assets at FVTOCI as of 31 December 2023 were RMB7,663.3 million, a 9.0% decrease year-on-year. Daily average balance of self-funded supply chain assets over the year of 2023 was RMB7,940.8 million, a 16.6% increase over the year of 2022. Based on the daily average balance of self-funded supply chain assets, interest yield on supply chain assets in the year of 2023 was 8.8%, 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 31 December 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 RMB160.5 million (31 December 2022: RMB373.8 million) were secured by certain commercial acceptance bills received from customers and the supply chain assets of RMB16.6 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.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2023, there were a total of 3,187 (31 December 2022: 4,782) outstanding supply chain assets obtained by the Group, out of which 137 (31 December 2022: 157) supply chain assets are referred to as sizeable loans with principal amount exceeds RMB10,000,000, 744 (31 December 2022: 1,011) supply chain assets with principal amount between RMB1,000,000 and RMB10,000,000, 2,306 (31 December 2022: 3,614) supply chain assets with principal amount less than RMB1,000,000.

As at 31 December 2023, the outstanding supply chain assets of RMB397.4 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 4.90% to 14.00% (31 December 2022: 4.00% to 15.00%) per annum.

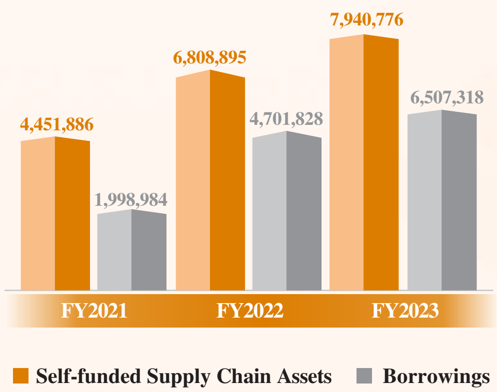
Movements in impairment loss allowance on supply chain assets

The Group's impairment loss allowance on supply chain assets decreased by 9.9% year-on-year to RMB85.3 million as at 31 December 2023, compared to RMB94.7 million as at 31 December 2022, mainly attributable to the decrease in gross balance of supply chain assets as at 31 December 2023 and the improvement on the quality of supply chain assets. No impairment loss allowance were written off for the year ended 31 December 2023 (for the year ended 31 December 2022: RMB15.9 million).

Borrowings and finance cost

Borrowings, including loans from related parties, as of 31 December 2023 was RMB7,182.9 million, a 8.7% increase year-on-year. Daily average balance of borrowings over the year of 2023 were RMB6,507.3 million, a 38.4% increase year-on-year. The increase in finance costs of RMB132.4 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 5.9% over the year of 2022 to 6.3% over the year of 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 of PRC subsidiaries and deferred tax. Except for certain PRC subsidiaries that enjoy preferential tax rates, PRC enterprise income tax is calculated at 25% of the estimated assessable profits for both years ended 31 December 2023 and 2022. The increase in effective tax rate from 14.8% for the year ended 31 December 2022 to 23.0% for the year ended 31 December 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 year ended 31 December 2023, income tax expenses amounted to approximately RMB85.1 million (for the year ended 31 December 2022: RMB42.4 million).

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 focused 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.

  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.

MANAGEMENT DISCUSSION AND ANALYSIS

- **Utilization Quota**

  After a 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.

  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, optical character recognition ("**OCR**"), natural language processing ("**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 our 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

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, new infrastructure and E-commerce, and conduct in-depth cooperation discussions with core enterprises within these industries to actively expand its development opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

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 year ended 31 December 2023, the Group's main source of funds was the cash generated from its daily operations and proceeds from new borrowings. As at 31 December 2023, the Group had cash and cash equivalents of RMB658.2 million (31 December 2022: RMB577.0 million), of which 97.3% and 1.9% were denominated in RMB and HKD respectively. Net cash from operating activities was RMB1,681.9 million in 2023 (for the year ended 31 December 2022: net cash used in operating activities was RMB769.2 million), an increase of RMB2,451.1 million year-on-year was mainly due to the change from net cash used in supply chain assets at FVTOCI of RMB1,255.4 million for the year ended 31 December 2022 to net cash from supply chain assets at FVTOCI of RMB1,137.7 million for the year ended 31 December 2023.

As at 31 December 2023, the Group had interest-bearing borrowings and loans from related parties which amounted to RMB7,182.9 million (31 December 2022: RMB6,610.4 million). Its gearing ratio, expressed as total liabilities over total equity was 1.91 as at 31 December 2023 (at 31 December 2022: 1.76).

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK26.9 cents per ordinary share of the Company for the year ended 31 December 2023 (for the year ended 31 December 2022: HK7.5 cents per ordinary share).

EXPECTED DATE OF DIVIDEND PAYMENT

The Board recommend that the proposed final dividend to be payable on 17 June 2024 to those shareholders whose names appear on the Company's register of members on Tuesday, 28 May 2024, subject to approval by the shareholders of the Company at the forthcoming annual general meeting to be held in late May 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

CLOSURE OF REGISTER OF MEMBERS

To ascertain shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed on Tuesday, 28 May 2024 and no transfer of shares will be effected on that day. In order to qualify for the proposed final dividend, shareholders of the Company should ensure that all properly completed transfer forms, accompanied by the relevant share certificates, must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4: 30 p.m. on Monday, 27 May 2024. The ex-dividend date for the proposed final dividend will be on Friday, 24 May 2024.

The Company will further announce the dates of closure of register of members of the Company for the purpose of determining the entitlement to attend and vote at the forthcoming annual general meeting as and when appropriate in accordance with the requirements of the Listing Rules.

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 HK$8.80 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 HK$8.80 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 HK$550.8 million (equivalent to approximately RMB456.2 million).

The placing price of HK$8.80 per share represents: (i) a discount of approximately 7.95% to the closing price of HK$9.56 per share as quoted on the Stock Exchange on 24 September 2021; (ii) a discount of approximately 9.45% to the average closing price of the shares of approximately HK$9.718 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding but excluding 24 September 2021; and (iii) a discount of approximately 9.44% to the average closing price of the shares of approximately HK$9.717 per share as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding but excluding 24 September 2021.

Use of proceeds from the Placements

During the year ended 31 December 2021, 2022 and 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 year ended 31 December 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	20.7	The remaining unutilised amount of approximately HK$109.0 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.

CAPITAL COMMITMENTS

As at 31 December 2023, the capital commitments of the Group comprised purchase of property and equipment of approximately RMB352.0 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 31 of the "Notes to the consolidated financial statements", the Group did not have any other guarantees or other material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 31 December 2023, the Group had pledged bank deposits of RMB866.5 million, structured deposits of RMB102.7 million, equity tranche of RMB63.0 million, investment property with carrying amount of RMB31.1 million, and certain supply chain assets with an aggregate carrying amount of RMB3,208.8 million to banks and third parties 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.

Furthermore, in September 2023, Ocean Holdings Investment and Qingdao Sunful entered into a share subscription agreement, pursuant to which both parties agreed to subscribe the newly issued shares of Ocean Holdings Factoring in proportion of their initial shareholding interest in Ocean Holdings Factoring. After the completion of the agreement, Ocean Holdings Factoring has a registered capital of RMB527 million, with Ocean Holdings Investment and Qingdao Sunful's shareholding interest in Ocean Holdings Factoring remaining unchanged at 60% and 40%, respectively.

In September 2023, Shenglong Information Technology Services (Ningbo) Co., Ltd ("**Sheng Long**") and Ningbo Development & Investment Group Co., Ltd. ("**NDIG**") entered into a share subscription agreement pursuant to which both parties agreed to subscribe the newly issued shares of Ningbo Guofu Commercial Factoring Co., Ltd ("**NBGF**") in proportion of their initial shareholding interest in NBGF. After the completion of the agreement, NBGF has a registered capital of RMB500 million, with NDIG and Sheng Long's shareholding interest in NBGF remaining unchanged at 65% and 35%, respectively.

Save as disclosed above, the Group has no material acquisition or disposal of subsidiaries, associates and joint ventures during the Reporting Period.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 31 December 2023 and up to the date of this annual report, 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, inter alia, industrial digitalisation and digital finance, to further strengthen the Group's platform-based technology services and market position within the supply chain ecosystem. SY is also continuously focusing on and researching national strategic and emerging industries such as new energy, new infrastructure, e-commerce. 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.

FOREIGN EXCHANGE RISKS

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had a total of 358 staff (31 December 2022: 377 staff). Total staff costs (including Directors' emoluments) were approximately RMB202.0 million (including share option benefits RMB4.0 million and RSU benefits RMB1.6 million) for the year ended 31 December 2023 (for the year ended 31 December 2022: RMB162.8 million, including share option benefits RMB5.2 million and RSU benefits RMB0.7 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 adopts 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, the Group participates in the Mandatory Provident Fund Scheme (the "**MPF Scheme**") established under the Mandatory Provident Fund Schemes Ordinance (Cap 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group and administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the MPF Scheme at 5% of the employees' relevant monthly income subject to a cap, which is currently set at HK$1,500.

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

RECENT DEVELOPMENT OF REGULATORY FRAMEWORK

There was no significant change of the regulatory framework which would have material adverse impact on the Group's business and operations during the year ended 31 December 2023.

The Directors confirmed that the Group will be able to comply with the applicable laws.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tung Chi Fung, aged 37, is the founder of the Group. He was appointed as an Executive Director and the Chairman of the Board on 4 March 2017. Mr. Tung is the Compliance Officer and Authorised Representative of the Group. He is also the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Group. Further, Mr. Tung is one of the members of the Risk Management Committee of the Group.

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

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

Mr. Chen Jen-Tse, aged 52, was appointed as an Executive Director on 4 March 2017 and has been appointed as the Deputy General Manager of SY Factoring Limited since July 2014. Mr. Chen is one of the members of the Risk Management Committee of the Group.

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

NON-EXECUTIVE DIRECTOR

Mr. Lo Wai Hung, aged 64, joined the Group in January 2016 as the Chief Financial Officer of the Group where he was responsible for the Group's overall financial accounting and reporting corporate finance and company secretarial matters. He was also a member of the Risk Management Committee of the Group until March 2020. From March 2017 to November 2019, he also served as the company secretary of the Group. Mr. Lo ceased to be the Chief Financial Officer with effect from 10 December 2021 and was appointed as a non-executive director of the Group on the same date.

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

As at the date of this report, Mr. Lo also served as an independent non-executive director of (1) Talent Property Group Limited (stock code: 760) since 1 February 2011; (2) Tibet Water Resources Ltd. (stock code: 1115) since 28 September 2021; and (3) China New Town Development Company Limited (stock code: 1278) since 30 December 2021. Mr. Lo was an independent non-executive director of (1) Shandong Weigao Group Medical Polymer Company Ltd (stock code: 1066) from 10 August 2009 to 6 June 2022 and (2) C Cheng Holdings Limited (stock code: 1486) from 5 December 2013 to 3 April 2023. All the aforementioned companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Loo Yau Soon, aged 51, was appointed as an Independent Non-executive Director in June 2017. He is the chairman of the Remuneration Committee and a member of the Audit Committee. From November 2007 to August 2014, he had served as an independent director and the chairman of the audit committee for Indiabulls Property Investment Trust, a company listed on the Singapore Exchange in Singapore. Since February 2014, he has served as a director of Seri Venture Capital Management Sdn Bhd in Brunei. From March 2016 to March 2017, he was the Chief Executive Officer and the managing director of Darussalam Enterprise in Brunei.

Mr. Loo has extensive teaching experience in universities and has taken advisory roles in various organisations. Since 2008, he has served as an adjunct faculty and visiting professor in entrepreneurship and new venture creation in universities across Singapore and Brunei. From March 2016 to December 2017, he was a state representative of Brunei in the APEC Business Advisory Council. From March 2017 to April 2021, he was the chief executive officer of the Brunei Economic Development Board.

Mr. Fong Heng Boo, aged 74, was appointed as an Independent Non-executive Director in September 2018. He is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. He obtained a Bachelor of Accountancy (Honours) from the University of Singapore in August 1973. Mr. Fong has over 45 years of experience in auditing, finance, risk management, business development and corporate governance. He was with the Auditor-General's Office (AGO), Singapore between 1975 and 1993. He held the position of Assistant Auditor-General when he left the AGO. Prior to his retirement in 2014, Mr. Fong was the Director (Special Duties) at the Singapore Totalisator Board as the Head of Finance and Investment functions. Mr. Fong has been admitted as a fellow chartered accountant of Singapore of the Institute of Singapore Chartered Accountants since August 2004.

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

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

Mr. Tang King San Terence, aged 51, was appointed as an Independent Non-executive Director on 10 December 2021. He is the chairman of the Audit Committee and a member of the Nomination Committee. He obtained an Honor Bachelor's Degree in Mathematics with a double major in Actuarial Science and Statistics from the University of Waterloo, Canada in 1996 and a Master of Accounting from the Curtin University of Technology, Australia in April 2000. Mr. Tang is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. He is also a certified information system auditor (CISA), certified information security manager (CISM) and certified internal auditor (CIA). He also served as a director of the Information Systems Audit and Control Association, China Hong Kong Chapter from 2008 to 2018.

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

Ms. Chan Yuk Ying Phyllis, aged 63, was appointed as an Independent Non-executive Director in July 2022. She obtained a Degree of Bachelor of Economics with Honors from the La Trobe University in Australia in 1985. Ms. Chan is a member of the Chartered Accountants Australian and New Zealand. Ms. Chan has over 35 years of experience in financial audit, regulatory bodies, financial advisory, business development and investor relations.

Ms. Chan worked as auditor between March 1986 to January 1991 in Hong Kong and Australia. She worked as an analyst in the Corporate Regulation Division of the Australian Securities Commission between January 1991 to March 1992 responsible for examination of accounts for compliance with disclosure requirements and approving accounting standards under the Corporations Law and served on some multi-discipline investigative teams. She worked in the Listing Division of The Stock Exchange of Hong Kong Limited between April 1992 to May 1996. After working five years in regulatory bodies, she worked for 10 years in corporate finance in investment banks between May 1996 to April 2006 responsible for financial advisory and initial public offerings. In Shandong Weigao Group Medical Polymer Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1066), she was responsible for business development and investor relations from May 2006 to February 2022.

SENIOR MANAGEMENT

Mr. Yuan Ye, aged 36, is the Chief Strategy Officer of the Group. Mr. Yuan joined the Group in April 2021 and is responsible for corporate strategic planning, strategic investments, investor relations and branding activities.

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

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

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Lei, aged 45, is the Chief Human Resource Officer of the Group. Mr. Zhang joined the Group in May 2021 and is responsible for human resource management and administration matters.

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

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

Mr. Chen Yong, aged 45, is the Chief Information Officer of the Group. Mr. Chen joined the Group in October 2022 and is responsible for the Group's products, research and development work.

Mr. Chen has extensive experience in Internet technology and industry digitization. Prior to joining the Company, Mr. Chen was responsible for product technology architect and management at several well-known companies such as Huawei, Tencent, YY Inc., China Insurance Automobile Service Technology Co., Ltd., and Guangzhou Banggood Technology.

Mr. Chen obtained a Master's degree in Engineering from Southeast University in 2005. He is also a member of the CTOA Chief Technology Officer Leadership Alliance.

Ms. Wang Ying, aged 35, is the General Manager of Financial Management Department of the Group. Ms. Wang joined the Group in May 2021, and is responsible for the Company's overall financial accounting and corporate finance reporting. Ms. Wang is also a member of the Risk Management Committee.

Ms. Wang has solid financial management experience in corporate groups. Prior to joining the Company, Ms. Wang worked for Ningbo Shanshan Co., Ltd in charge of financial reporting and treasury management of the Group. She also held various positions such as CFO, Board Secretary and Executive Director at Fuyin Finance Leasing, which is a subsidiary of Ningbo Shanshan Co., Ltd.

Ms. Wang obtained her Bachelor Degree of Management from China University of Geosciences in 2011.

COMPANY SECRETARY

Mr. Wang Zheng, aged 34, was appointed as the Company Secretary of the Group in November 2019. Mr. Wang joined the Group in November 2018 and is responsible for company secretarial and corporate governance matters.

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

CORPORATE GOVERNANCE REPORT

The Board of directors of the Company (the "**Board**") understands that sound corporate governance practices is fundamental to maintaining and promoting the confidence of shareholders. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. Throughout the financial year ended 31 December 2023, the Group had complied with the code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 of The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with provisions set out in Appendix C3 of the Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the year ended 31 December 2023.

CULTURE OF THE COMPANY

The Company is committed to developing a positive and progressive culture that is built on its Vision, Mission, and Value; one that allows employees across the Group to thrive, meet their full potential, and that enables the Company to deliver long-term sustainable growth and success and to fulfil its role as a leading supply chain technology platform.

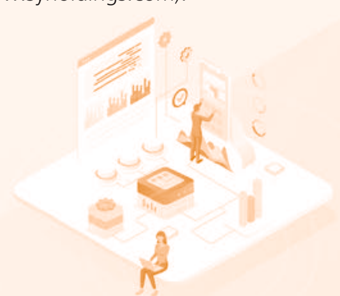
Throughout 2023, the Company continued to strengthen its cultural framework by focusing on specific areas, including but not limited to SME and inclusive financing, client service, industrial digitalization and talent development, through various initiatives set out in the Business Review of this Annual Report and the Group's Environment, Social and Governance ("**ESG**") Report of 2023 (the "**2023 ESG Report**").

Vision
To become Asia's
most reliable supply chain
technology platform

Mission
To make supply chain
finance more efficient
and inclusive

Value
Integrity, People Oriented
Service Oriented,
Pursuit of Innovation

More information about the Company's Vision, Mission and Value is available on the Group's website (www.syholdings.com).



CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Responsibilities

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

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

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

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

Composition

As at 31 December 2023 and up to the date of this annual report, the Board comprises of two Executive Directors, one Non-executive Director ("**NED**") and four Independent Non-executive Directors ("**INEDs**"), details are as follows:

Executive Directors

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

Non-executive Director

Mr. Lo Wai Hung

Independent Non-executive Directors

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

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

Independence

The Company recognises that Board independence is pivotal in good corporate governance and Board effectiveness. The Board has established mechanisms to ensure independent views and input from any Director of the Company are conveyed to the Board for enhancing an objective and effective decision making.

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

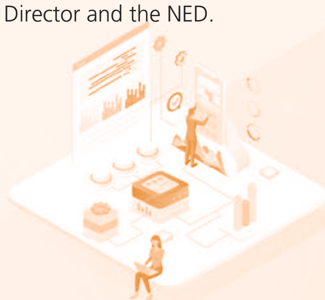
In compliance with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed four INEDs, representing at least one-third of the Board and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise.

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

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

The governance framework and the following mechanisms are reviewed annually by the Board, through its Nomination and Remuneration Committee, to ensure their effectiveness:

1. External independent professional advice is available as and when required by individual Directors.
2. All Directors are encouraged to express freely their independent views and constructive challenges during the Board/Board Committee meetings.
3. No equity-based remuneration with performance-related elements will be granted to INEDs.
4. A Director (including INED) who has a material interest in a contract, arrangement or other proposal shall not vote or be counted in the quorum on any Board resolution approving the same.
5. The Chairman of the Board meets with INEDs annually without the presence of the other Executive Director and the NED.



CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

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

Measurable objectives and selection

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

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

Implementation and monitoring

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

	Age Group		
Name of Director	**30 to 45**	**46 to 59**	**Above 60**
Mr. Tung Chi Fung	✔		
Mr. Chen Jen-Tse		✔	
Mr. Lo Wai Hung			✔
Mr. Loo Yau Soon		✔	
Mr. Fong Heng Boo			✔
Mr. Tang King San Terence		✔	
Ms. Chan Yuk Ying Phyllis			✔

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

For the year ended 31 December 2023, the Company has maintained an effective Board comprising members of different genders, professional background and industry experience. The Company's Board Diversity Policy has consistently been implemented. As at the date of this annual report, the Board consists of one female and six male Directors. The Board considers that the gender diversity in respect of the Board taking into account the business model and specific needs of the Company is satisfactory.

The Group has also taken, and continues to take steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination. Currently, the male to female ratio in the workforce of the Group including senior management is approximately 48:52, which is in line with the industry and the population spread of the operating locations. The Board considers that the gender diversity in workforce is currently achieved.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

TRAINING AND SUPPORT FOR DIRECTORS

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

Pursuant to code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2023, all Directors provided their records of training to the Company and have participated in appropriate physical or online continuous professional development including, amongst others, attending the training session of directors' duties together with the relevant enforcement trends and case studies, reading regulatory updates in relation to the Group's business and various materials in relation to the Listing Rules including directors responsibilities and attending internal briefing sessions.

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

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

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

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

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2023, ten Board meetings were held at which the Directors discussed and approved, amongst other matters, the Group's annual report of 2022, interim report of 2023, results announcements, ESG report, connected transactions and discloseable transactions, approval of the share repurchase of the Company, adjustments on the vesting period and the exercise period of the granted share options and restricted share units, as well as amendments on the articles of association of the Company.

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

Name of Directors	Number of Attendance/ Number of General Meetings	Number of Attendance/ Number of Board Meeting
Executive Directors		
Mr. Tung Chi Fung (Chairman)	1/1	10/10
Mr. Chen Jen-Tse	1/1	10/10
Non-executive Director		
Mr. Lo Wai Hung	1/1	10/10
Independent Non-executive Directors		
Mr. Loo Yau Soon	1/1	10/10
Mr. Fong Heng Boo	1/1	10/10
Mr. Tang King San Terence	1/1	10/10
Ms. Chan Yuk Ying Phyllis	1/1	10/10

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

Each of Mr. Tung Chi Fung, the Chairman and an Executive Director, and Mr. Chen Jen-Tse, an Executive Director has entered into a service contract with the Company commencing from 6 July 2017 (the "**Listing Date**") on subject to termination in accordance with the terms of the service contract, by not less than three months' notice in writing served by either party. Each of the service contracts was renewed for an initial fixed term of three years commencing from 6 July 2023.

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

Each of the INEDs, Mr. Loo Yau Soon, Mr. Fong Heng Boo, Mr. Tang King San Terence and Ms. Chan Yuk Ying was appointed by way of a formal appointment letter for a term of three years unless terminated by either party giving not less than one month's notice in writing on the other. The appointment letters of Mr. Loo Yau Soon was renewed for a term of three years commencing from 6 July 2023. The appointment letter of Mr. Fong Heng Boo was renewed for a term of three years commencing from 14 September 2021. The appointment letter of Mr. Tang King San Terence and Ms. Chan Yuk Ying Phyllis was for a term of three years commencing from 10 December 2021 and 15 July 2022 respectively.

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

NOMINATION POLICY

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

Selection criteria

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

(1) reputation for integrity;

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

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

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

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

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

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

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

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

Director nomination procedure

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

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

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

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

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

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

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

Re-Election of Director at general meeting

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

According to the code provision C.2.1 of the CG Code, the roles of the Chairman and the Chief Executive Officer (the "**CEO**") should be separate and performed by different individuals to ensure a balance of power and authority so that power is not concentrated in any one individual. Mr. Tung was the chairman of the Board throughout the year ended 31 December 2023. During the year ended 31 December 2023, the responsibilities of the CEO were shared amongst the Executive Directors.

BOARD COMMITTEES

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

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

AUDIT COMMITTEE

The Company established an Audit Committee on 19 June 2017 with written terms of reference in compliance with Rules 3.21 to 3.24 of the Listing Rules and code provision D.3.3 of the CG Code as set out in Appendix C1 of the Listing Rules. The written terms of reference of the Audit Committee (amended and approved by the Board on 23 October 2019) are available on the website of the Company and the Stock Exchange.

The Audit Committee comprises of three INEDs, namely Mr. Tang King San Terence, Mr. Loo Yau Soon and Mr. Fong Heng Boo. Mr. Tang King San Terence is the chairman of the Audit Committee who has appropriate professional qualifications and experience in accounting and auditing matters. Other members of the Audit Committee are also experts with audit and financial experience.

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

During the year ended 31 December 2023, three meetings have been held by the Audit Committee, at which the Audit Committee reviewed, amongst other matters, the Group's annual report for the year ended 31 December 2022, the interim period ended 30 June 2023, periodic risk management report of the Group and the audit approach and plans for the year ended 31 December 2023.

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

Name of Directors	Number of Attendance/ Number of Audit Committee Meeting
Mr. Tang King San Terence	3/3
Mr. Loo Yau Soon	3/3
Mr. Fong Heng Boo	3/3

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

As the previous engagement partner of Deloitte Touche Tohmatsu as the Company's independent external auditors had served on the audit of the Group since 2015, a new engagement partner was assigned to the Company in 2022 and in charge of the audit of the Group since the financial year ended 31 December 2022.

At the Audit Committee Meeting held on 20 March 2024, all the members of the Audit Committee reviewed the Company's audited consolidated financial statements for the year ended 31 December 2023, including the accounting principles and practice adopted by the Group, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, the effectiveness of the Group's internal control, risk management systems and internal audit function and recommended to the Board for consideration the reappointment of Deloitte Touche Tohmatsu as the Company's independent external auditors at the forthcoming Annual General Meeting. The Board is not aware of any material uncertainties relating to events or conditions which may cost significant doubt upon the ability of the Company to continue as a going concern basis.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 19 June 2017 with written terms of reference in compliance with Rules 3.25 to 3.27 of the Listing Rules and code provision E.1.2 of the CG Code as set out in Appendix C1 of the Listing Rules. The written terms of reference of the Remuneration Committee (amended and approved by the Board on 15 May 2023) are available on the website of the Company and the Stock Exchange.

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

The Remuneration Committee currently consists of three members, comprising two INEDs namely Mr. Loo Yau Soon (Chairman) and Mr. Fong Heng Boo and one Executive Director, namely Mr. Tung Chi Fung.

During the year ended 31 December 2023, three meetings have been held by the Remuneration Committee, which amongst other matters, reviewed the remuneration of Directors and senior management for the year ended 31 December 2022, adjustments of the remunerations of the Executive Directors, and adjustments of the vesting period and the exercise period of the granted share options and restricted share units.

As abovementioned, the Remuneration Committee has reviewed and discussed the proposals to amend the vesting period and the exercise period of share options and the restricted share units ("RSU"s) granted on 10 June 2022. The share options were granted to employees and a Director of the Company, namely Mr. Chen Jen-Tse ("Mr. Chen"), while the RSUs were granted to employees of the Company.

In particular, in relation to the proposals to extend the vesting period of the first tranche of the share options and the RSUs (including which were granted to Mr. Chen and the senior managers) granted in 2022, from 10 June 2022 to 9 June 2023 to 10 June 2022 to 9 June 2024, the Remuneration Committee has considered that both prior and subsequent to the amendment, the share options and RSUs granted to them have a vesting period of not less than 12 months, 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 attendance record of each member at the Remuneration Committee Meeting held during the year is set out below:

Name of Directors	Number of Attendance/ Number of Remuneration Committee Meeting
Mr. Loo Yau Soon	3/3
Mr. Tung Chi Fung	3/3
Mr. Fong Heng Boo	3/3

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

NOMINATION COMMITTEE

The Company established the Nomination Committee on 19 June 2017 with written terms of reference in compliance with code provision B.3.1 of the CG Code and Corporate Governance Report as set out in Appendix C1 of the Listing Rules. The written terms of reference of the Nomination Committee (amended and approved by the Board on 23 October 2019) are available on the website of the Company and the Stock Exchange.

The Nomination Committee currently consists of three members, comprising one Executive Director namely Mr. Tung Chi Fung (Chairman) and two INEDs, namely Mr. Fong Heng Boo and Mr. Tang King San Terence.

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

During the year ended 31 December 2023, one meeting have been held by the Nomination Committee to review the structure, size and composition of the Board, to assess the independence of the Independent Non-executive Directors to determine their eligibility and review the Board Diversity Policy.

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

Name of Directors	Number of Attendance/ Number of Nomination Committee Meeting
Mr. Tung Chi Fung	1/1
Mr. Fong Heng Boo	1/1
Mr. Tang King San Terence	1/1

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

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

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

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

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

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

(4) the Group's liquidity position;

(5) interest of shareholders;

(6) taxation consideration;

(7) potential effect on creditworthiness;

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

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

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) for the financial year ended 31 December 2023 by band is set out below:

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

AUDITORS' REMUNERATION

The Company has appointed Deloitte Touche Tohmatsu as its external auditors for the year ended 31 December 2023. Details of the fees paid/payable to Deloitte Touche Tohmatsu during the year are as follows:

	RMB'000
Audit services	3,620
Review of interim financial information	600
Subtotal	4,220
Others	383
Total	4,603

FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of financial statements for the relevant accounting period which give a true and fair view of the Group's financial position, results of operations and cash flows. In preparing the financial statements for the year ended 31 December 2023, the Directors have applied all the applicable accounting policies, adopted the appropriate accounting standards and prepared the accounts on a going concern basis.

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

The responsibilities of the Group's external auditors, Deloitte Touche Tohmatsu, on the Company's consolidated financial statements are set out in the Independent Auditor's Report on pages 64 to 68 of this annual report.

COMPANY SECRETARY

Mr. Wang Zheng was appointed as the Company Secretary of the Company on 29 November 2019. Mr. Wang had been informed of the requirement of Rule 3.29 of the Listing Rules and he confirmed that he had attained no less than 15 hours of relevant professional training during the year ended 31 December 2023.

SHAREHOLDERS' RIGHTS

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

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

Procedures for shareholders to send enquiries to the Board

Shareholders can direct their questions to Tricor Investor Services Limited, the Company's branch registrar and transfer office in Hong Kong at "17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong", about their shareholdings.

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

Procedures for shareholders to put forward proposals at shareholders' meetings

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

CONSTITUTIONAL DOCUMENTS

With effect from 14 June 2023, the Company adopted the third amended and restated memorandum and articles of association of the Company to adopt a uniform set of 14 "Core Standards" for shareholder protections for issuers which are set out in Appendix A1 to the Listing Rules. Save as above, there was no other change in the Company's constitutional documents during the year ended 31 December 2023. A copy of the third amended and restated memorandum and articles of association has been published on the websites of the Stock Exchange and the Company.

INVESTOR RELATION

The Board recognises the importance of good communications with its shareholders and investors. The Company has adopted a shareholders' communication policy (the "**Shareholders' Communication Policy**") setting out the principles of the Company in relation to shareholders' communications, with the objectives of ensuring a transparent and timely communication with shareholders via various means.

The Board has reviewed the implementation and effectiveness of the Shareholders' Communication Policy including steps taken at the general meetings, the handling of queries received (if any) and the multiple channels of communication and engagement in place, and considered that the Shareholders' Communication Policy has been properly implemented during the year, under review and is effective.

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises its responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group conducts annual review on the overall adequacy and effectiveness of the Group's risk management and internal control systems, covering material controls, including financial, operational and compliance controls, to safeguard the Shareholders' investment and the Group's assets. A system of risk management and internal control procedures are designed to manage, but not eliminate, the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against the risk of material misstatement, fraud or loss. The Group also has an internal audit function and has established the Corporate Government Department and Risk Management Department for the purposes of simultaneous updates between the corporate governance and the CG Code and continuously improving the effectiveness of the Company's risk management and internal controls.

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

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

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

The Board, through the Audit Committee, reviews the risk management and internal controls annually. The Audit Committee has conducted a review of, and is satisfied with the effectiveness and adequacy of the risk management and internal control systems for the year ended 31 December 2023. The Board through the Audit Committee reviewed the risk management and internal control systems of the Group for the year ended 31 December 2023, including material controls, financial, operational and compliance controls, as well as risk management mechanisms. Based on the result of the review, the Board considered that for the year ended 31 December 2023, the risk management and internal control systems of the Group were effective and adequate.

CORPORATE GOVERNANCE REPORT

DIVERSITY

The Company is committed to developing a positive and progressive culture that is anchored by its Value. In particular, we cultivate a culture that is healthy, diverse and inclusive, where everyone can be their true self and fulfill their own potential, bringing his or her whole self to work every day. More details on the Group's diversity and inclusion initiatives, including employees' gender ratios, are set out in the Group's 2023 ESG Report.

ANTI-CORRUPTION POLICY AND WHISTLEBLOWING POLICY

The Company has adopted an Anti-corruption Policy which observes the Group's ESG Policy and supports applicable anti-corruption laws and regulations with periodic review in place to ensure its effectiveness and compliance with the prevailing regulatory requirements. The Company has also adopted a Whistleblowing Policy which offers a safe, flexible and confidential ways to raise concerns across various channels.

For more details of the Company's Anti-Corruption Policy and Whistleblowing Policy, please refer to our 2023 ESG Report and the Group's website (www.syholdings.com).

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has established and maintained procedures and internal controls for the handling and dissemination of inside information. The Company has adopted a code of conduct for dealing in the securities of the Company by the Directors in accordance with provisions set out in Appendix C3 of the Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the Listing Rules will be announced on the respective websites of the Stock Exchange and the Company in due course.

The directors of the Company (the "**Directors**") are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2023 (the "**Reporting Period**").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

FINANCIAL SUMMARY

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

RESULTS

The results of the Group for the year ended 31 December 2023 are set out on pages 69 to 191 of this annual report.

DIVIDENDS

The Directors recommend the payment of a final dividend of HK26.9 cents per ordinary share for the year ended 31 December 2023. Details of the dividends paid or proposed to be paid by the Company are set out in note 14 to the financial statements.

EXPECTED DATE OF DIVIDEND PAYMENT

As disclosed in the Annual Report, the Directors recommended the payment of a final dividend of HK26.9 cents per ordinary share of the Company for the year ended 31 December 2023 ("**Proposed Final Dividend**"). The Proposed Final Dividend will be payable on 17 June 2024 to those shareholders whose names appear on the Company's register of members on Tuesday, 28 May 2024, subject to approval by the shareholders of the Company at the forthcoming annual general meeting to be held in late June 2024.

CLOSURE OF REGISTER OF MEMBERS

To ascertain shareholders' entitlement to the Proposed Final Dividend, the register of members of the Company will be closed on Tuesday, 28 May 2024 and no transfer of shares will be effected on that day. In order to qualify for the Proposed Final Dividend, shareholders of the Company should ensure that all properly completed transfer forms, accompanied by the relevant share certificates, must be lodged for registration with Tricor Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Monday, 27 May 2024. The ex-dividend date for the Proposed Final Dividend will be on Friday, 24 May 2024.

The Company will further announce the dates of closure of register of members of the Company for the purpose of determining the entitlement to attend and vote at the forthcoming annual general meeting as and when appropriate in accordance with the requirements of the Listing Rules.

DIRECTORS' REPORT

SUBSIDIARIES

Details of our Company's principal subsidiaries as at 31 December 2023 are set out in note 41 to the financial statements.

SHARE CAPITAL, SHARE OPTION AND RESTRICTED SHARE UNIT ("RSU")

Details of movements in the share capital, share options and RSU of the Company during the year are set out in notes 34, 36(a) and 36(b), respectively, to the financial statements.

RESERVES

Details of movements in the reserves of the Company during the year ended 31 December 2023 are set out in note 45 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company has distributable reserves of RMB2,223 million in total available for distribution.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the percentage of revenue and income attributable to the Group's major customers is set out below:

Revenue and income from principal activities	
– The largest customer	9.2%
– The total of five largest customers	32.3%

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

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

USE OF PROCEEDS

The Company completed three placements of shares on 11 July 2018, 21 September 2020 and 5 October 2021 respectively. The net proceeds raised from the placements in 2018 and 2020 had been fully utilized before 1 January 2022. Please refer to the "Management Discussion and Analysis" section in this annual report for more details of the use of proceeds as at 31 December 2023.

DIRECTORS AND SERVICE CONTRACTS

As at 31 December 2023 and up to the date of this annual report, the Board comprises of two Executive Directors, one Non-executive Director and four INEDs, details are as follows:

Executive Directors

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

Non-executive 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

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

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

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

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

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

Save as disclosed in the section headed "Related Party Transactions" on page 60 of this annual report and note 38 to the consolidated financial statements, there were no transaction, arrangement, or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which any Director or any entities connected with a Director, the controlling Shareholder, the substantial Shareholders had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' REPORT

COMPLIANCE WITH LAWS AND REGULATIONS

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

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, INVESTORS AND SUPPLIERS

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

The Group maintains good relationship with these stakeholders.

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

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

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

PROPERTY AND EQUIPMENT

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

GOODWILL AND INTANGIBLE ASSETS

The movements in the Group's goodwill and intangible assets for the year are set out in note 19 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2023, the Company repurchased 18,190,000 shares on the Stock Exchange for an aggregated consideration of approximately HKD109.2 million before expenses. The repurchased shares were subsequently cancelled except that a total of 225,500 ordinary shares repurchased in 2023 have not been cancelled as at the date of this annual report. 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 year ended 31 December 2023	No. of shares purchased	Purchase consideration per share: Highest price paid	Purchase consideration per share: Lowest price paid	Aggregated consideration paid
		HKD	HKD	HKD
January	4,016,000	6.14	5.96	24,330,330
February	–	–	–	–
March	1,776,500	5.90	5.63	10,230,880
April	5,240,000	6.39	5.71	32,103,310
May	5,364,000	6.40	6.09	33,326,085
June	662,000	5.31	5.10	3,447,950
July	906,000	5.27	5.02	4,644,355
August	–	–	–	–
September	225,500	4.94	4.83	1,100,000
October	–	–	–	–
November	–	–	–	–
December	–	–	–	–
TOTAL	18,190,000			109,182,910

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 year ended 31 December 2023.

CHARITABLE DONATIONS

The Group's external charitable donations for the year amounted to RMB3.0 million (2022: RMB0.7 million).

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

As at 31 December 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 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 C3 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Interest in the Company

Name of Director	Capacity/nature of interest	Number and class of securities interested	Percentage of shareholding
Mr. Tung (Note 1)	Beneficiary of a trust and settlor of a discretionary trust	560,601,960 (L) (Note 2)	56.64%
Mr. Chen Jen-Tse	Beneficial owner	581,000 (L) (Note 2)	0.06%
	Share option	1,700,000 (Note 3)	0.17%
Mr. Lo Wai Hung	Beneficial owner	360,000 (L) (Note 2)	0.04%
Mr. Loo Yau Soon	Share option	300,000 (Note 3)	0.03%
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 560,601,960 shares of the Company, representing approximately 56.64% 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 31 December 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 C3 of the Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 31 December 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	560,601,960 (L)	56.64%
Eander (Note 2)	Interest in a controlled corporation	560,601,960 (L)	56.64%
Wisdom Cosmos (Note 2)	Beneficial owner	560,601,960 (L)	56.64%
Wuxi Communications Industry Group Co., Ltd ("**WXCIG**") (Note 3)	Interest in a controlled corporation	61,363,500 (L)	6.20%
Xitong International Holdings (HK) Limited ("**Xitong**") (Note 3)	Beneficial owner	61,363,500 (L)	6.20%

Notes:

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

2. Wisdom Cosmos, a company incorporated in the BVI, is the beneficial owner of 560,601,960 shares of the Company, representing approximately 56.64% shareholding interests in the Company. The entire issued share capital of Wisdom Cosmos is owned by Eander, a company incorporated in the BVI, which is in turn wholly owned by TMF Trust, trustee of the PJ Trust, an irrevocable reserved power trust established by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, TMF Trust and Eander are deemed to be interested in all the shares of the Company registered in the name of Wisdom Cosmos.

3. Xitong, a company incorporated in Hong Kong, is the beneficial owner of 61,363,500 shares of the Company, representing approximately 6.20% shareholding interests in the Company. The entire issued share capital of Xitong is owned by WXCIG, a company incorporated in the PRC, which is in turn wholly owned by State-owned Assets Supervision and Administration Commission of Wuxi Municipal People's Government. Under the SFO, WXCIG and Xitong are deemed to be interested in all the shares of the Company registered in the name of Xitong.

Save as disclosed above, as at 31 December 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.

DIRECTORS' REPORT

SHARE OPTION SCHEME

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

(a) Purpose of the Share Option Scheme

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

(b) Who may join and basis of eligibility

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

(c) Grant of Option

Any grant of Options must not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year period or any other interim period (whether or not required under the Listing Rules), and (b) the deadline for the Company to publish an report of its results for any year, half-year period or any interim period (whether or not required under the Listing Rules), and ending on the date of the results report, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of results report. The Directors may not grant any Option to an Eligible Person during the periods or times in which Directors of the Company are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix C3 prescribed by the Listing Rules) or any corresponding code or securities dealing restrictions adopted by the Company.

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

(d) Price of Shares

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

(e) Maximum number of Shares

(i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") provided that Options lapsed in accordance with the terms of the Shares Option Scheme or Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 740,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 74,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date and approximately 7.48% of the Shares in issue as at the date of this report.

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

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

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

(f) Time of exercise of Option

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

On 11 September 2017, the Company granted 12,620,000 share options to a director and the employees of the Group to subscribe for the ordinary shares of the Company with an exercise price of HK$4.20 per share and for a validity period of 5 years. Among the share options granted, 2,000,000 granted options were granted to Mr. Chen Jen-Tse, an Executive Director of the Company. 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. Twoon Wai Mun, Benjamin, the INEDs of the Company as at the date of such grant, were granted 200,000 share options each (600,000 share options in total). All share options granted in 2018 have expired after 13 November 2023.

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

The following shows the outstanding position as at 31 December 2023 with respect to their granted options granted under the Share Option Scheme:

	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding at 1 January 2023	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31 December 2023
Mr. Chen Jen-Tse	14 November 2018	HK$6.90	14/11/2018–13/11/2019	14/11/2019–13/11/2023	250,000	–	–	(250,000)	–	–
			14/11/2018–13/11/2020	14/11/2020–13/11/2023	250,000	–	–	(250,000)	–	–
			14/11/2018–13/11/2021	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	14/11/2018–13/11/2019	14/11/2019–13/11/2023	–	–	–	–	–	–
			14/11/2018–13/11/2020	14/11/2020–13/11/2023	–	–	–	–	–	–
			14/11/2018–13/11/2021	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	14/11/2018–13/11/2019	14/11/2019–13/11/2023	50,000	–	–	(50,000)	–	–
			14/11/2018–13/11/2020	14/11/2020–13/11/2023	50,000	–	–	(50,000)	–	–
			14/11/2018–13/11/2021	14/11/2021–13/11/2023	100,000	–	–	(100,000)	–	–
					200,000	–	–	(200,000)	–	–

	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding at 1 January 2023	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31 December 2023
Mr. Loo Yau Soon	14 November 2018	HK$6.90	14/11/2018–13/11/2019	14/11/2019–13/11/2023	50,000	–	–	(50,000)	–	–
			14/11/2018–13/11/2020	14/11/2020–13/11/2023	50,000	–	–	(50,000)	–	–
			14/11/2018–13/11/2021	14/11/2021–13/11/2023	100,000	–	–	(100,000)	–	–
					200,000	–	–	(200,000)	–	–
Employees	14 November 2018	HK$6.90	14/11/2018–13/11/2019	14/11/2019–13/11/2023	297,500	–	–	(297,500)	–	–
			14/11/2018–13/11/2020	14/11/2020–13/11/2023	247,500	–	–	(247,500)	–	–
			14/11/2018–13/11/2021	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	15/7/2020–14/7/2021	15/7/2021–14/7/2025	–	–	–	–	–	–
			15/7/2020–14/7/2022	15/7/2022–14/7/2025	–	–	–	–	–	–
			15/7/2020–14/7/2024	15/7/2024–14/7/2025	200,000	–	–	–	–	200,000
					200,000	–	–	–	–	200,000
Mr. Hung Ka Hai Clement	15 July 2020	HK$6.68	15/7/2020–14/7/2021	15/7/2021–14/7/2025	75,000	–	–	(75,000)	–	–
			15/7/2020–14/7/2022	15/7/2022–14/7/2025	–	–	–	–	–	–
			15/7/2020–14/7/2024	15/7/2024–14/7/2025	–	–	–	–	–	–
					75,000	–	–	(75,000)	–	–

	Date of grant	Exercise price	Vesting period	Exercise period	Outstanding at 1 January 2023	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31 December 2023
Mr. Loo Yau Soon	15 July 2020	HK$6.68	15/7/2020–14/7/2021	15/7/2021–14/7/2025	75,000	–	–	–	–	75,000
			15/7/2020–14/7/2022	15/7/2022–14/7/2025	75,000	–	–	–	–	75,000
			15/7/2020–14/7/2024	15/7/2024–14/7/2025	150,000	–	–	–	–	150,000
					300,000	–	–	–	–	300,000
Mr. Fong Heng Boo	15 July 2020	HK$6.68	15/7/2020–14/7/2021	15/7/2021–14/7/2025	75,000	–	–	–	–	75,000
			15/7/2020–14/7/2022	15/7/2022–14/7/2025	75,000	–	–	–	–	75,000
			15/7/2020–14/7/2024	15/7/2024–14/7/2025	150,000	–	–	–	–	150,000
					300,000	–	–	–	–	300,000
Employees	15 July 2020	HK$6.68	15/7/2020–14/7/2021	15/7/2021–14/7/2025	2,200,000	–	–	(212,500)	–	1,987,500
			15/7/2020–14/7/2022	15/7/2022–14/7/2025	2,350,000	–	–	(237,500)	–	2,112,500
			15/7/2020–14/7/2024	15/7/2024–14/7/2025	4,950,000	–	–	(625,000)	–	4,325,000
					9,500,000	–	–	(1,075,000)	–	8,425,000
Mr. Chen Jen-Tse Note 3	10 June 2022	HK$6.46	10/6/2022–9/6/2024	10/6/2026–9/6/2032	375,000	–	–	–	–	375,000
			10/6/2022–9/6/2024	10/6/2026–9/6/2032	375,000	–	–	–	–	375,000
			10/6/2022–9/6/2025	10/6/2027–9/6/2032	750,000	–	–	–	–	750,000
					1,500,000	–	–	–	–	1,500,000
Employees Note 3	10 June 2022	HK$6.46	10/6/2022–9/6/2024	10/6/2024–9/6/2032	1,875,000	–	–	(650,000)	–	1,225,000
			10/6/2022–9/6/2024	10/6/2024–9/6/2032	1,875,000	–	–	(650,000)	–	1,225,000
			10/6/2022–9/6/2025	10/6/2025–9/6/2032	3,750,000	–	–	(1,300,000)	–	2,450,000
					7,500,000	–	–	(2,600,000)	–	4,900,000

Note 1: No options were exercised or vested during the year. 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.

Note 2: The share options granted to certain employees can not be exercised during the first one or two years from the end of the vesting period.

Note 3. Mr. Chen Jen-Tse 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.

During the year ended 31 December 2023, (i) no share options were granted; (ii) 15,625,000 granted options were outstanding under the share option scheme; (iii) no granted options were exercised; (iv) 6,715,000 granted options were lapsed; and (v) no granted options were 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 31 December 2023 were 40,997,500 and 47,712,500, 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 the date of this annual report.

Pursuant to Rule 17.09(9) of the Listing Rules, as at 31 December 2023, the remaining life of the Share Option Scheme is about 3 years and 4 months old.

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.

(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**"). On the basis of 1,004,628,500 Shares in issue on the Adoption Date, the Scheme Mandate Limit will be equivalent to 20,092,570 Shares, representing 2% of the Shares in issue as at the Adoption Date and approximately 2.03% of the Shares in issue as at the date of this annual report.

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 on 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.

(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.

Movements of RSU Scheme during year ended 31 December 2023 are as follows:

Grantee	Date of grant	Vesting period	Outstanding at 1 January 2023	Granted during the year	Lapsed during the year	Cancelled during the year	Vested during the year	Outstanding at 31 December 2023
Employees	10 June 2022	10/6/2022–9/6/2024	325,000	–	(55,000)	–	–	270,000
		10/6/2022–9/6/2024	325,000	–	(55,000)	–	–	270,000
		10/6/2022–9/6/2025	650,000	–	(110,000)	–	–	540,000
			1,300,000	–	(220,000)	–	–	1,080,000

Note: No RSUs were exercised or vested during the year. 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.

During the year ended 31 December 2023, (i) no RSUs were granted; (ii) 1,080,000 granted RSUs were outstanding under the RSU scheme; (iii) no granted RSUs were exercised; (iv) 220,000 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 31 December 2023 were 18,792,570 and 19,012,570, 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 the date of this annual report.

Pursuant to Rule 17.09(9) of the Listing Rules, as at 31 December 2023, the remaining life of the RSU Scheme is about 8 years and 3 months old.

Save for the adoption of the RSU Scheme grants on 6 April 2022 and the grant of RSUs on 10 June 2022 as disclosed in the announcements on the same date respectively, no new RSUs have been granted nor any existing RSU schemes have been adopted by the Company as at 31 December 2023.

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 year ended 31 December 2023 divided by the weighted average number of shares of the relevant class in issue for the financial year ended 31 December 2023 was 8.43%.

Information on the fair value of and accounting policy for share options and RSUs granted under the schemes are provided in note 36 to the consolidated financial statements.

Apart from the aforesaid, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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 year of 2023.

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Option Scheme" and "RSU Scheme" above, there were no equity-linked agreements entered into by the Group or existed during the year ended 31 December 2023.

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

For the year ended 31 December 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.

COMPLIANCE OF NON-COMPETITION UNDERTAKINGS

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

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

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

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

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

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

RELATED PARTY TRANSACTIONS

Exempted continuing connected transactions

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

On 12 April 2018, Bondlink as lessor and one of the wholly owned subsidiary of the Company as lessee (the "**Lessee**") entered into a tenancy agreement (the "**Tenancy Agreement I**") for the leasing of the property located at "Room 4202, 42th Floor, Tower 1, Lippo Centre, No. 89 Queensway, Hong Kong" for a term of two years commencing from 16 April 2018 to 15 April 2021 (both days inclusive) at a monthly rent of HK$166,320 exclusive of building management fee, Government rates and Government rent. The aggregate of the management fee, Government rates and Government rent is currently HK$18,939 in total per month and subject to review from time to time.

On 7 April 2020, Bondlink and the Lessee entered into a tenancy agreement (the "**Tenancy Agreement II**") for the leasing of the property with the same location for a term of two years commencing from 16 April 2020 to 15 April 2022 (both days inclusive) at a monthly rent of HK$144,000 exclusive of building management fee, Government rates and Government rent. The aggregate of the management fee, Government rates and Government rent is currently HK$19,066 in total per month and subject to review from time to time.

On 11 April 2022, Bondlink and the Lessee entered into a tenancy agreement (the "**Tenancy Agreement III**") for the leasing of the property with the same location for a term of two years commencing from 16 April 2022 to 15 April 2024 (both days inclusive) at a monthly rent of HK$102,000 exclusive of building management fee, Government rates and Government rent. The aggregate of the management fee, Government rates and Government rent is currently HK$17,599 in total per month and subject to review from time to time.

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

Save for the transactions disclosed under "Related Party Transactions" section of this annual report, details of the related party transactions entered into by the Group are set out in note 38 to the consolidated financial statements, which do not constitute notifiable connected transactions under the Listing Rules. The Company has complied with all requirements in accordance with Chapter 14A of the Listing Rules.

CONTINUING DISCLOSURE UNDER RULE 13.22 OF THE LISTING RULES

Pursuant to Rule 13.22 of the Listing Rules, a combined statement of financial position of those affiliated companies with financial assistance given by the Group and guarantee given by the Group for facilities granted to them, and the Group's attributable interests in those affiliated companies as at 31 December 2023, are presented as follows:

	Combined statement of financial position (RMB'000)	**The Group's attributable interests** (RMB'000)
Non-current assets	30,171	11,285
Current assets	8,531,534	3,159,188
Current liabilities	(6,975,088)	(2,591,041)
Total assets less current liabilities	1,586,617	579,432
Non-current liabilities	(6,977)	(698)
Net assets	1,579,640	578,734

The combined statement of financial position of the affiliated companies was prepared by combining their statements of financial position, after making adjustments to conform with the Group's significant accounting policies and regrouping into significant classification in the statement of financial position, as at 31 December 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 latest practicable date prior to the issue of this annual report, at least 25% of the Company's total issued Shares was held by the public throughout the year ended 31 December 2023 as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

ENVIRONMENTAL POLICY AND SOCIAL RESPONSIBILITY

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

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

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

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

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

Details can be found in our 2023 ESG Report, which is available on the websites of the Company (www.syholdings.com) and The Stock Exchange (www.hkexnews.hk) on the same date of this Annual Report.

CORPORATE GOVERNANCE

During the year ended 31 December 2023, the Company has complied with the code provisions of the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules.

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 C1 to the Listing Rules and the associated Listing Rules (collectively, the "**CG Code**").

The shares of the Company were successfully listed on GEM on 6 July 2017 (the "**Listing Date**") and 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 year from the Listing Date to 31 December 2023.

REVIEW OF THE FINAL RESULTS BY AUDIT COMMITTEE

The Audit Committee comprises three members, namely Mr. Tang King San Terence (Chairman), Mr. Loo Yau Soon and Mr. Fong Heng Boo, all of them being INEDs.

The Group's audited consolidated financial statements for the year ended 31 December 2023 and this annual report have been reviewed by the Audit Committee. The Board is of the opinion that such financial information has been prepared in compliance with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

AUDITOR

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

EVENT AFTER THE REPORTING PERIOD

Transactions in relation to Wuxi Guoji

On 28 February 2024, the Company entered into a Collaboration Agreement with 無錫市太湖新城資產經營管理有限公司 (Wuxi Taihu New City Asset Management Co., Ltd.*) ("**Wuxi Taihu New City**"), 無錫國金商業保理有限公司 (Wuxi Guojin Commercial Factoring Co., Ltd.*) ("**WXGJ**") and other subsidiaries of the Company (the "**Collaboration Agreement**"), pursuant to which, among others, Wuxi Taihu New City subscribed RMB569.4 million of the capital increase in WXGJ, and the parties agreed to provide financial assistance and guarantees pursuant to the terms of the Collaboration Agreement. The Group's total indirect equity interest in WXGJ had been diluted from 80% to 49% and WXGJ ceased to become a subsidiary of the Group. Details of the capital increase and terms of the Collaboration Agreement are disclosed in the Company's announcements dated 28 February 2024 and 20 March 2024 respectively.

De-registration of a subsidiary

In March 2024, the Group de-registered 霍爾果斯永卓商業保理有限公司 (Khorgos Yong Zhuo Factoring Limited*).

Repurchase of Shares of the Company

In January and February 2024, the Company repurchased 429,000 and 64,500 ordinary shares of its own shares respectively from the market which have not been cancelled as at the date of this annual report. The shares were acquired at prices ranging from HK$4.13 to HK$4.47.

Except as disclosed above and in note 14 of the consolidated financial statements, the Group had no other significant subsequent event after the reporting period.

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

Hong Kong, 21 March 2024

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE SHAREHOLDERS OF SY HOLDINGS GROUP LIMITED
盛業控股集團有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of SY Holdings Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 69 to 191, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Key audit matter | **How our audit addressed the key audit matter**

Impairment of supply chain assets at fair value through other comprehensive income ("FVTOCI") and provisions for financial guarantee contracts

We identified the impairment of supply chain assets at FVTOCI and provisions for financial guarantee contracts as a key audit matter due to its significance to the consolidated financial statements, and the use of judgement by the management in evaluating the expected credit losses ("**ECL**").

As set out in notes 24 and 31 to the consolidated financial statements, the carrying amount of supply chain assets at FVTOCI is RMB7,663,344,000 and the maximum exposure of financial guarantee contracts is RMB4,634,031,000 as at 31 December 2023. As set out in note 40(b), the impairment allowance in respect of supply chain assets at FVTOCI is RMB85,272,000 and the provision for financial guarantee contracts is RMB30,100,000.

At each reporting date, the management assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. In determining the impairment of supply chain assets at FVTOCI and provisions for financial guarantee contracts, the management considers shared credit risk characteristics for grouping, and assesses credit losses based on external or internal credit rating, and on a forward-looking basis with the use of appropriate models and assumptions related to the future macroeconomic conditions and creditworthiness.

In assessing the lifetime ECL on credit-impaired supply chain assets at FVTOCI and financial guarantee contracts of internal credit rating classified as loss as set out in note 40(b), the Group performs an assessment based on the borrowers' historical credit loss experience, internal credit rating adjustment, general economic conditions, the current conditions at the reporting date and forward-looking analysis. The Group also reviews the amount and timing of future cash flows in measuring impairment. The methodology and assumptions used for estimating the impairment amount are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Our procedures in relation to the impairment of supply chain assets at FVTOCI and provisions for financial guarantee contracts included:

- Understanding key controls over the way in which the management estimates impairment for supply chain assets at FVTOCI and provisions for financial guarantee contracts;
- Obtaining an understanding of management's methodology for determining the ECL impairment allowance on supply chain assets at FVTOCI and provisions for financial guarantee contracts and assessing the appropriateness of the methodology used by management;
- On a sample basis, evaluating management's assessment of the credit quality of the supply chain assets at FVTOCI and financial guarantee contracts by examining the credit files, including financial condition of the borrower, past collection history, subsequent settlement, relevant deposits received, pledge and guarantees, as applicable;
- Assessing the reasonableness of key inputs and assumptions applied, including the Group's past experience of collecting payments, historical loss ratio, macroeconomic factors, external or internal credit rating and forward-looking information; and
- Testing the data inputs and the mathematical accuracy of the impairment allowance calculation.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Sy, Sunnie.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

21 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers	6		
– Platform-based services		145,812	70,971
– Supply chain technology services		24,422	32,296
Income from digital financing solutions	6		
– Interest income from supply chain assets		701,349	604,546
– Guarantee income		19,423	20,167
– Interest income from contracts containing significant financing components		2,039	158
Gain on sales of supply chain assets	6	70,473	72,287
Revenue and income from principal activities		963,518	800,425
Other income	7	60,707	52,202
Other gains and losses	8	23,627	(10,079)
Staff costs	12(a)	(177,768)	(144,822)
Depreciation and amortisation	12(a)	(31,511)	(28,636)
Materials cost	12(a)	(21,125)	(28,595)
Other operating expenses		(62,472)	(55,249)
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	9	7,143	(21,270)
Finance costs	10	(408,797)	(276,348)
Donation		(3,039)	(703)
Share of results of associates		20,360	(927)
Profit before taxation		370,643	285,998
Taxation	11	(85,098)	(42,390)
Profit for the year	12(a)	285,545	243,608
Attributable to:			
– Owners of the Company		268,246	219,399
– Non-controlling interests		17,299	24,209
		285,545	243,608
Earnings per share	15		
– Basic (RMB cents)		27	22
– Diluted (RMB cents)		27	22

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Profit for the year	12(a)	285,545	243,608
Other comprehensive income (expense) ("OCI"):	12(b)		
Item that will not be reclassified to profit or loss:			
Fair value gain on investments in equity instruments at fair value through OCI ("**FVTOCI**")	12(b)	7,769	12,835
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(96)	(170)
Fair value gain (loss), net of ECL and reclassification of FVTOCI reserves upon derecognition on:	12(b)		
– supply chain assets at FVTOCI		3,945	(2,948)
Income tax relating to items that may be reclassified subsequently		(981)	(50)
Share of other comprehensive expense of associates, net of related income tax		(240)	(103)
		2,628	(3,271)
Other comprehensive income for the year, net of income tax		10,397	9,564
Total comprehensive income for the year		295,942	253,172
Attributable to:			
– Owners of the Company		277,831	230,286
– Non-controlling interests		18,111	22,886
		295,942	253,172

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	31/12/2023 RMB'000	31/12/2022 RMB'000
NON-CURRENT ASSETS			
Property and equipment	16	68,264	17,426
Right-of-use assets	17	102,973	91,322
Investment property	18	31,053	31,936
Goodwill	19(a)	316,028	316,028
Intangible assets	19(b)	168,611	155,676
Investments in associates	21	582,968	209,350
Deferred tax assets	22	18,163	22,359
Derivative financial instruments	23(a)	–	2,015
Other financial assets at fair value through profit or loss ("**FVTPL**")	23(b)	414,041	152,879
Supply chain assets at FVTOCI	24	126,889	235,137
Equity instruments at FVTOCI	25	61,498	53,629
Loan to an associate	38	280,000	–
Debt instrument at amortised cost	26	–	18,981
Trade and bill receivables	28(b)	23,429	15,542
Other receivables, prepayments and others	28(c)	8,315	11,230
Time deposits	29	–	105,534
		2,202,232	1,439,044
CURRENT ASSETS			
Derivative financial instruments	23(a)	14,063	3,634
Other financial assets at FVTPL	23(b)	202,036	256,264
Supply chain assets at FVTOCI	24	7,536,455	8,186,941
Debt instrument at amortised cost	26	18,968	–
Loans to an associate	38	89,727	199,385
Loan receivable	27	–	164,000
Receivables from guarantee customers	28(a)	6,412	4,558
Trade and bill receivables	28(b)	46,509	37,930
Other receivables, prepayments and others	28(c)	49,119	27,447
Contract costs		557	3,560
Time deposits	29	128,830	5,850
Pledged bank deposits	29	866,450	472,813
Cash and cash equivalents	29	658,210	577,033
		9,617,336	9,939,415

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	31/12/2023 RMB'000	31/12/2022 RMB'000
CURRENT LIABILITIES			
Loans from related parties	38	960,654	370,052
Trade and other payables	30	294,752	494,285
Derivative financial instruments	23(a)	9,579	12,904
Contract liabilities		58,995	5,180
Income tax payable		31,791	37,119
Liabilities arising from guarantee contracts	31	31,078	25,891
Borrowings	32	4,673,232	4,494,121
Other financial liabilities at FVTPL	23(c)	61,208	–
Lease liabilities	33	9,799	5,111
		6,131,088	5,444,663
NET CURRENT ASSETS		3,486,248	4,494,752
NON-CURRENT LIABILITIES			
Derivative financial instruments	23(a)	–	2,056
Liabilities arising from guarantee contracts	31	1,316	–
Borrowings	32	1,546,754	1,746,189
Loans from related parties	38	2,299	–
Lease liabilities	33	10,170	1,263
Deferred tax liabilities	22	64,654	60,599
		1,625,193	1,810,107
NET ASSETS		4,063,287	4,123,689
CAPITAL AND RESERVES			
Share capital	34	8,559	8,717
Reserves		3,918,007	3,907,475
Equity attributable to owners of the Company		3,926,566	3,916,192
Non-controlling interests		136,721	207,497
TOTAL EQUITY		4,063,287	4,123,689

The consolidated financial statements on pages 69 to 191 were approved and authorised for issue by the board of directors on 21 March 2024 and are signed on its behalf by:

Mr. Tung Chi Fung	**Mr. Chen Jen-Tse**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company												
	Share capital RMB'000	Treasury stock 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	Translation reserves RMB'000	Share-based payments reserves RMB'000	Statutory reserves RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2022	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 year	–	–	–	–	–	–	–	–	–	219,399	219,399	24,209	243,608
Other comprehensive income (expense) for the year	–	–	–	–	–	11,057	(170)	–	–	–	10,887	(1,323)	9,564
Total comprehensive income (expense) for the year	–	–	–	–	–	11,057	(170)	–	–	219,399	230,286	22,886	253,172
Purchase of shares under RSU Scheme (note 36)	–	–	–	(39,311)	–	–	–	–	–	–	(39,311)	–	(39,311)
Transfer to PRC statutory reserves (note ii)	–	–	–	–	–	–	–	–	122,942	(122,942)	–	–	–
Capital injection to a subsidiary resulting in increase in interest in a subsidiary	–	–	–	–	228	–	–	–	–	–	228	11,772	12,000
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(9,910)	(9,910)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	5,968	–	–	5,968	–	5,968
Dividends recognised as distribution (note 14)	–	–	(64,712)	–	–	–	–	–	–	–	(64,712)	–	(64,712)
Exercise of share options	30	–	17,207	–	–	–	–	(4,349)	–	–	12,888	–	12,888
Lapse of share options	–	–	–	–	–	–	–	(3,067)	–	3,067	–	–	–
At 31 December 2022	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company												
	Share capital RMB'000	Treasury stock 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	Translation reserves RMB'000	Share-based payments reserves RMB'000	Statutory reserves RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2023	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 year	–	–	–	–	–	–	–	–	–	268,246	268,246	17,299	285,545
Other comprehensive income (expense) for the year	–	–	–	–	–	9,681	(96)	–	–	–	9,585	812	10,397
Total comprehensive income (expense) for the year	–	–	–	–	–	9,681	(96)	–	–	268,246	277,831	18,111	295,942
Purchase of shares under RSU Scheme (note 36)	–	–	–	(20,133)	–	–	–	–	–	–	(20,133)	–	(20,133)
Repurchase of shares (note 34)	–	(96,085)	–	–	–	–	–	–	–	–	(96,085)	–	(96,085)
Cancellation of treasury stock (note 34)	(158)	95,076	(94,918)	–	–	–	–	–	–	–	–	–	–
Transfer to PRC statutory reserves (note ii)	–	–	–	–	–	–	–	–	104,971	(104,971)	–	–	–
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 (note 41)	–	–	–	–	275	–	–	–	–	–	275	23,725	24,000
Deregistration of subsidiaries (note 43)	–	–	–	–	–	–	–	–	–	–	–	(42,612)	(42,612)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(31,434)	(31,434)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	5,578	–	–	5,578	–	5,578
Dividends recognised as distribution (note 14)	–	–	(67,861)	–	–	–	–	–	–	–	(67,861)	–	(67,861)
Lapse of share options	–	–	–	–	–	–	–	(7,095)	–	7,095	–	–	–
At 31 December 2023	8,559	(1,009)	2,109,563	(59,444)	(87,181)	24,745	(233)	24,416	321,086	1,586,064	3,926,566	136,721	4,063,287

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 associates; (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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES		
Profit for the year	285,545	243,608
Adjustment for:		
Taxation	85,098	42,390
Share of results of associates	(20,360)	927
Depreciation of property and equipment	2,819	3,625
Depreciation of right-of-use assets	13,710	13,816
Depreciation of investment property	883	442
Amortisation of intangible assets	14,099	10,753
Impairment losses under ECL model, net of reversal	(7,143)	21,270
Loss (gain) on disposal of equipment	375	(6)
Loss on deregistration of subsidiaries	475	–
Net (gain) loss arising from changes in fair value of derivative financial instruments	(15,965)	4,272
Gain from modification of lease contracts	(6)	(74)
Net gain from changes in fair value of other financial assets at FVTPL	(11,026)	(41,370)
Loss from changes in fair value of other financial liabilities at FVTPL	12,950	–
Equity-settled share-based payments expense	5,578	5,968
Finance costs	408,797	276,348
Interest income	(27,579)	(34,429)
Exchange (gain) loss, net	(10,712)	47,142
Operating cash flows before movements in working capital	737,538	594,682
Decrease (increase) in supply chain assets at FVTOCI	1,137,726	(1,255,413)
Decrease in other financial assets at FVTPL – distressed debt assets	1,578	3,500
Increase in pledged bank deposits for guarantee contracts	(47,722)	(42,155)
(Increase) decrease in receivables from guarantee customers	(1,859)	1,729
Increase in trade and bill receivables	(16,545)	(33,908)
Decrease (increase) in contract costs	3,003	(1,813)
(Increase) decrease in other receivables, prepayments and others	(32,026)	24,796
Decrease in trade and other payables	(78,296)	(18,185)
Increase (decrease) in contract liabilities	53,815	(798)
Increase in liabilities arising from guarantee contracts	7,880	4,693
Cash from (used in) operations	1,765,092	(722,872)
Enterprise income tax paid	(83,156)	(46,331)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	1,681,936	(769,203)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
INVESTING ACTIVITIES			
Proceeds from disposal of other financial assets at FVTPL		1,061,953	1,707,926
Repayment of a loan to an associate		315,772	–
Repayment of loan receivable		164,000	106,219
Bank interest income received		14,557	11,673
Redemption of time deposits		5,767	–
Settlement of derivative financial instruments		2,170	(8,166)
Interest payments received from debt instrument at amortised cost		963	–
Proceeds from disposal of equipment		325	7
Refundable rental deposits received		22	76
Security deposit received for a loan receivable		–	164,000
Redemption of a debt instrument at amortised cost		–	54,697
Withdrawal of pledged bank deposits for derivative financial instruments		–	2,000
Repayment of security deposits for derivative financial instruments		–	201
Net cash outflow arising on acquisition of assets through acquisition of a subsidiary	42	–	(32,235)
Purchases of debt instruments at amortised cost		–	(66,739)
Payments for right-of-use assets		–	(86,314)
Advances of a loan receivable		–	(257,134)
Purchases of equity instruments at FVTOCI		(100)	(40,794)
Placement of time deposits		(20,514)	(109,573)
Placement of pledged bank deposits for derivative financial instruments		(20,139)	–
Payment for development costs and purchase of other intangible assets		(27,027)	(17,768)
Payment for purchase of equipment and prepayments of a property		(34,770)	(10,162)
Net cash outflow arising on deregistration of subsidiaries	43	(43,087)	–
Repayment of security deposit for loan receivable		(164,000)	–
Investment in associates		(353,498)	(199,000)
Advances of loans to an associate		(479,500)	(199,500)
Purchases of other financial assets at FVTPL		(1,321,300)	(1,638,273)
NET CASH USED IN INVESTING ACTIVITIES		(898,406)	(618,859)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	NOTE	2023 RMB'000	2022 RMB'000
FINANCING ACTIVITIES	44		
New borrowings raised		6,934,709	6,306,619
Loans raised from related parties		2,947,513	731,000
Withdrawal of pledged bank deposits for borrowings		2,306,243	146,622
Withdrawal of pledged structured deposits for borrowings		233,108	32,472
Proceeds from other financial liabilities at FVTPL		92,115	–
Proceeds from disposal of partial interest in a subsidiary without losing control		24,000	–
Repayment of security deposits for borrowings		8,449	–
Proceeds received on exercise of equity-settled share options		–	12,888
Capital contribution from non-controlling shareholders of a subsidiary		–	12,000
Interest paid for lease liabilities		(1,248)	(722)
Security deposits paid for borrowings		–	(8,449)
Dividends paid to non-controlling shareholders of subsidiaries		(2,950)	(9,910)
Repayment of lease liabilities		(12,853)	(12,859)
Purchase of shares under RSU Scheme		(20,133)	(39,311)
Repayment of other financial liabilities at FVTPL		(43,857)	–
Interest paid for loans from related parties		(46,084)	(34,734)
Dividends paid to the shareholders of the Company		(67,684)	(64,570)
Payment on repurchase and cancellation of shares		(96,085)	–
Acquisition of additional interest in a subsidiary of the Company		(127,797)	–
Placement of pledged structured deposits for bank borrowings		(171,247)	(190,000)
Interest paid for borrowings		(346,204)	(179,214)
Repayment of loans from related parties		(2,566,231)	(761,000)
Placement of pledged bank deposits for borrowings		(2,629,065)	(149,546)
Repayment of borrowings		(7,120,614)	(4,579,289)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(705,915)	1,211,997
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		77,615	(176,065)
Effect of foreign exchange rate changes		3,562	(47,312)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		577,033	800,410
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		658,210	577,033

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") are provision of digital financing solutions, platform-based services, supply chain technology services and sales of supply chain assets in the PRC. Details of the Company's subsidiaries are set out in note 41.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND AGENDA DECISIONS OF THE IFRS INTERPRETATIONS COMMITTEE (THE "COMMITTEE")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the 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
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

In addition, the Group applied the agenda decision of the Committee, including Definition of a Lease – Substitution Rights (IFRS 16 Leases), which is relevant to the Group.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND AGENDA DECISIONS OF THE IFRS INTERPRETATIONS COMMITTEE (THE "COMMITTEE") (continued)

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

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

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 positions and performance.

2.2 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in note 3 to the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND AGENDA DECISIONS OF THE IFRS INTERPRETATIONS COMMITTEE (THE "COMMITTEE") (continued)

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) [2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

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

2 Effective for annual periods beginning on or after 1 January 2024.

3 Effective for annual periods beginning on or after 1 January 2025.

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

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.
- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND AGENDA DECISIONS OF THE IFRS INTERPRETATIONS COMMITTEE (THE "COMMITTEE") (continued)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments") (continued)

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

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

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Changes in the Group's interests in existing subsidiaries

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

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

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

Business combinations or asset acquisitions

Optional concentration test

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

Asset acquisitions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Business combinations or asset acquisitions (continued)

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

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

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

Goodwill

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Investments in associates

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Income recognised in accordance with HKFRS 9

Digital financing solutions

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

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

Revenue from contracts with customers

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

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

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

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

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

Output method

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Revenue from contracts with customers (continued)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

Revenue recognition

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

Platform-based services

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

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

Revenue from referral service is recognised at a point in time when services are rendered in accordance with contract terms.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Revenue from contracts with customers (continued)

Revenue recognition (continued)

Supply Chain Technology Services

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

Foreign currencies

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

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

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

Borrowing costs

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

Government grants

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Employee benefits

Retirement benefit costs

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

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

Short-term employee benefits

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

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

Share-based payment

Equity-settled share-based payment transactions

Shares/Share options granted to employees

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Taxation

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Taxation (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to 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.

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

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

Property and equipment

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

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Property and equipment (continued)

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

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Intangible assets (continued)

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

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

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Financial instruments

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

(i) Amortised cost and interest income

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) Supply chain assets classified as at FVTOCI

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

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

(iv) Financial assets at FVTPL

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and financial guarantee contracts

The Group performs impairment assessment under ECL model on financial assets (including supply chain assets at FVTOCI, debt instrument at amortised cost, loans to an associate, loan receivable, receivables from guarantee customers, trade and bill receivables, other receivables, time deposits, pledged bank deposits and cash and cash equivalents) and financial guarantee contracts which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

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

(i) Significant increase in credit risk

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and financial guarantee contracts (continued)

(i) Significant increase in credit risk (continued)

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

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

(ii) Definition of default

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

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

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

(iii) Write-off policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and financial guarantee contracts (continued)

(iv) Measurement and recognition of ECL

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition/modification of financial assets

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

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities 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.

Financial liabilities at amortised cost

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

Financial guarantee contracts

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

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

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Other gains and losses' line item in profit or loss (note 8) as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship.

Derecognition/modification of financial liabilities

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Derivative financial instruments

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

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Offsetting a financial asset and a financial liability

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgement in applying accounting policies

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

Derecognition of financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

Critical judgement in applying accounting policies (continued)

Derecognition of financial assets (continued)

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

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

During the year ended 31 December 2023, gain on sales of supply chain assets at FVTOCI which met the derecognition criteria were RMB70,473,000 (2022: RMB72,287,000). Details of derecognition of supply chain assets are disclosed in note 6.

Key sources of estimation uncertainty

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

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

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

The measurement of ECL is sensitive to changes in estimates. The information about the Group's supply chain assets at FVTOCI, financial guarantee contracts, and the ECL are disclosed in notes 24, 31 and 40(b).

Recognition of deferred taxation

As at 31 December 2023, a deferred tax asset of RMB18,163,000 (31 December 2022: RMB22,359,000) in relation to the deferred income, ECL provision, fair value adjustment and others have been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than or more than expected, a material reversal or recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or recognition takes place. Details of the deferred tax are disclosed in note 22.

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

Key sources of estimation uncertainty (continued)

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

As at 31 December 2023, certain of the Group's other financial assets at FVTPL classified as level 3, equity tranche, unlisted equity investment and trust fund, amounting to RMB289,091,000 (31 December 2022: RMB214,509,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 40(c) for further disclosures.

5. SEGMENT INFORMATION

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

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

Information about major customers

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

	2023 **RMB'000**	2022 RMB'000
Customer A	**N/A**[1]	82,880

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES

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

(i) Disaggregation of revenue from contracts with customers

	2023 RMB'000	2022 RMB'000
Platform-based services		
– Technology service for loan facilitation	80,154	53,430
– Referral service fees	65,166	15,040
– Technology service for asset-backed securitisation ("**ABS**") products	93	1,970
– Other services (note)	399	531
	145,812	70,971
Supply chain technology services	24,422	32,296
	170,234	103,267

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.

	2023 RMB'000	2022 RMB'000
Timing of revenue recognition		
Over time		
– Technology service for loan facilitation	80,154	53,430
– Supply chain technology services	24,422	32,296
– Other services	399	531
	104,975	86,257
A point in time		
– Referral service fees	65,166	15,040
– Technology service for ABS products	93	1,970
	65,259	17,010
	170,234	103,267

All the Group's platform-based services and supply chain technology services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 and 2022 is not disclosed.

6. REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES (continued)

(ii) Income from digital financing solutions

	2023 RMB'000	2022 RMB'000
Digital financing solutions		
– Interest income from supply chain assets	701,349	604,546
– Guarantee income	19,423	20,167
– Interest income from contracts containing significant financing components	2,039	158
	722,811	624,871

(iii) Gain on sales of supply chain assets

For the years ended 2023 and 2022, the Group sold part of supply chain assets to certain financial institutions mainly in the PRC. Sales of supply chain assets gave rise to full derecognition of the supply chain assets pursuant to the terms of sale agreements signed between the Group and relevant financial institutions.

	2023 RMB'000	2022 RMB'000
Gain on sales of supply chain assets	70,473	72,287

7. OTHER INCOME

	2023 RMB'000	2022 RMB'000
Government subsidies (note)	30,979	17,021
Interest income		
– bank deposits	20,210	13,961
– loans to an associate (note 38)	6,419	344
– debt instruments at amortised cost	950	7,039
– loan receivables	–	13,085
Rental income from an investment property	652	253
Others	1,497	499
	60,707	52,202

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

8. OTHER GAINS AND LOSSES

	2023 RMB'000	2022 RMB'000
Net gain (loss) arising from changes in fair value of derivative financial instruments	15,965	(4,272)
Net gain from changes in fair value of other financial assets at FVTPL	11,026	41,370
Exchange gain (loss), net	10,712	(47,142)
Gain from modification of lease contracts	6	74
(Loss) gain on disposal of equipment	(375)	6
Loss on deregistration of subsidiaries (note 43)	(475)	–
Loss arising from changes in fair value of other financial liabilities at FVTPL	(12,950)	–
Others	(282)	(115)
	23,627	(10,079)

9. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2023 RMB'000	2022 RMB'000
Impairment losses (reversed) recognised on:		
– Loans to an associate	190	480
– Trade and bill receivables	79	404
– Receivables from guarantee customers	5	(34)
– Debt instrument at amortised cost	–	100
– Financial guarantee contracts	(1,377)	1,082
– Supply chain assets at FVTOCI	(6,040)	19,238
	(7,143)	21,270

Details of impairment assessment are set out in note 40(b).

10. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest and guarantee expenses on borrowings (note)	353,464	240,706
Interest on loans from related parties (note 38)	54,085	34,920
Interest on lease liabilities (note)	1,248	722
	408,797	276,348

Note: Details of the guarantee expenses on borrowings and the interest on lease liabilities in relation to related parties are set out in note 38.

11. TAXATION

	2023 RMB'000	2022 RMB'000
The charge comprises:		
Current tax		
– PRC Enterprise Income Tax ("EIT")	**74,610**	44,247
– Withholding tax levied on interest income of Hong Kong subsidiaries	**990**	2,004
– Withholding tax levied on dividend declared of PRC subsidiaries	**2,228**	364
	77,828	46,615
Deferred tax (note 22)	**7,270**	(4,225)
	85,098	42,390

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

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. A PRC subsidiary 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 for the year ended 31 December 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税優惠政策的通知" (Caishui [2011] 112) issued by the State Administration of Taxation and the Ministry of Finance of the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

11. TAXATION (continued)

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

	2023 **RMB'000**	2022 RMB'000
Profit before taxation	**370,643**	285,998
Tax at the domestic EIT rate of 25%	**92,661**	71,500
Tax effect of share of results of associates	**(5,090)**	232
Tax effect of expenses not deductible for tax purposes	**15,341**	16,151
Effect of different tax rates of the subsidiaries	**(16,977)**	3,126
Effect of tax exemption granted to a PRC subsidiary	**–**	(41,112)
Tax effect of tax losses not recognised	**13,925**	7,129
Utilisation of tax losses previously not recognised	**(2,566)**	(609)
Tax benefit on research and development expenses	**(5,299)**	(2,876)
Withholding tax on distributable earnings of the PRC subsidiaries	**18,517**	12,685
Effect of adjustment to estimate on withholding tax of undistributed earnings of PRC subsidiaries (note 22)	**(25,414)**	(27,101)
Others	**–**	3,265
Tax charge for the year	**85,098**	42,390

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

(a) Profit for the year

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

	2023 RMB'000	2022 RMB'000
Directors' emoluments (note 13) (note i)	7,945	3,418
Other staffs costs (excluding directors' emoluments)		
– Salaries, allowances and other staff benefits, including share-based payment expenses	182,360	149,102
– Staffs' retirement benefit scheme contributions	11,698	10,275
Total staff costs	202,003	162,795
Less: amount capitalised in intangible assets	(23,724)	(17,243)
amount capitalised in contract costs	(511)	(730)
Staff costs recognised in profit or loss	177,768	144,822
Depreciation of property and equipment	2,826	3,646
Depreciation of right-of-use assets	14,789	13,816
Depreciation of investment property	883	442
Amortisation of intangible assets	14,099	10,753
Total depreciation and amortisation	32,597	28,657
Less: amount capitalised in intangible assets	(7)	(21)
amount capitalised in buildings under construction	(1,079)	–
Depreciation and amortisation recognised in profit or loss	31,511	28,636
Research and development costs (note ii)	24,729	18,636
Auditor's remuneration	3,620	3,620
Materials cost recognised as an expense	21,125	28,595
Donation	3,039	703

Notes:

(i) During the year ended 31 December 2022, the options granted to directors failed to satisfy a vesting condition other than a market condition and did not vest, which result in a reversal of RMB2,778,000 in the share-based payment expenses.

(ii) During the year ended 31 December 2023, research and development costs were mainly consists of staff costs amounted to RMB24,116,000 (2022: RMB18,076,000).

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

(b) Other comprehensive income (expense)

Income tax effect relating to other comprehensive income (expense)

	Year ended 31/12/2023			Year ended 31/12/2022		
	Before tax amount RMB'000	Tax (expense) benefit RMB'000	Net of income tax RMB'000	Before tax amount RMB'000	Tax (expense) benefit RMB'000	Net of income tax RMB'000
Item that will not be reclassified to profit or loss:						
Fair value gain on investment in equity instruments at FVTOCI	7,769	–	7,769	12,835	–	12,835
Items that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of financial statements of foreign operations	(96)	–	(96)	(170)	–	(170)
Supply chain assets measured at FVTOCI:						
– Fair value changes during the year, net	80,458	(19,136)	61,322	50,101	(2,192)	47,909
– Reclassification adjustment to profit or loss on derecognition	(70,473)	17,618	(52,855)	(72,287)	–	(72,287)
Impairment losses for supply chain assets at FVTOCI included in profit or loss	(6,040)	537	(5,503)	19,238	2,142	21,380
Fair value change, net of ECL and reclassification on derecognition	3,945	(981)	2,964	(2,948)	(50)	(2,998)
Share of other comprehensive expense of associates	(240)	–	(240)	(103)	–	(103)
	11,378	(981)	10,397	9,614	(50)	9,564

13. DIRECTORS' EMOLUMENTS AND TOP FIVE HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

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

Name of directors	Director's fee RMB'000	Retirement benefit scheme contributions RMB'000	Other emoluments mainly salaries and other benefits RMB'000	Performance related bonuses RMB'000	Share-based payment RMB'000	Total RMB'000
For the year ended 31 December 2023						
Executive directors						
Mr. Tung Chi Fung	2,173	–	–	–	–	2,173
Mr. Chen Jen-Tse	109	66	1,435	1,026	1,757	4,393
Non-executive director						
Mr. Lo Wai Hung	325	–	–	–	–	325
Independent non-executive directors						
Mr. Tang King San Terence	324	–	–	–	–	324
Mr. Loo Yau Soon	270	–	–	–	14	284
Mr. Fong Heng Boo	270	–	–	–	14	284
Ms. Chan Yuk Ying (note i)	162	–	–	–	–	162
	3,633	66	1,435	1,026	1,785	7,945
For the year ended 31 December 2022						
Executive directors						
Mr. Tung Chi Fung	2,081	–	–	–	(2,628)	(547)
Mr. Chen Jen-Tse	104	61	1,402	71	916	2,554
Non-executive director						
Mr. Lo Wai Hung	311	–	–	–	–	311
Independent non-executive directors						
Mr. Tang King San Terence	230	–	–	–	–	230
Mr. Loo Yau Soon	232	–	–	–	144	376
Mr. Fong Heng Boo	232	–	–	–	144	376
Ms. Chan Yuk Ying (note i)	75	–	–	–	–	75
Mr. Hung Ka Hai Clement (note ii)	162	–	–	–	(119)	43
	3,427	61	1,402	71	(1,543)	3,418

Notes:

(i) Ms. Chan Yuk Ying was appointed as an independent non-executive director of the Company with effect from 15 July 2022.

(ii) Mr. Hung Ka Hai Clement resigned from the position as independent non-executive director of the Company with effect from 15 July 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

(a) Directors' emoluments (continued)

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

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

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

During the year, a director was granted share options, in respect of the director' service to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 36 to the consolidated financial statements.

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

The Group has been providing accommodation, which is leased from third party, to Mr. Chen Jen-Tse for use by him and his family members at no charge. The estimated money value of the benefit in kind is approximately RMB120,000 (2022: RMB120,000).

(b) Five highest paid employees

The five highest paid employees of the Group during the year included one director (2022: one director), details of whose remuneration are set out in note 13(a) above. Details of the remuneration for the year of the remaining four (2022: four) highest paid employees who are not the directors of the Company are as follows:

	2023 **RMB'000**	2022 RMB'000
Salaries, allowances and other benefits	**10,100**	10,101
Performance related bonuses	**4,716**	1,088
Share-based payment	**2,549**	4,519
Staffs' retirement benefit scheme contributions	**261**	188
	17,626	15,896

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

(b) Five highest paid employees (continued)

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

	2023 No. of employees	2022 No. of employees
Hong Kong Dollars ("**HK$**") 2,000,001 to HK$2,500,000	–	1
HK$3,000,001 to HK$3,500,000	2	1
HK$4,500,001 to HK$5,000,000	–	1
HK$6,000,001 to HK$6,500,000	1	–
HK$6,500,001 to HK$7,000,000	1	–
HK$7,500,001 to HK$8,000,000	–	1
	4	4

During the year, certain non-director and non-chief executive highest paid employees were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 36 to the consolidated financial statements.

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For the year ended 31 December 2023

14. DIVIDENDS

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

	2023 HK$'000	2022 HK$'000
2022 final – HK7.5 cents (2022: 2021 final – HK7.5 cents) per share	74,150	75,215

	2023 RMB'000	2022 RMB'000
Shown in the consolidated financial statements	67,861	64,712

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of HK26.9 cents (2022: HK7.5 cents) per ordinary share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting of the Company.

15. EARNINGS PER SHARE

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

	2023 RMB'000	2022 RMB'000
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	268,246	219,399

	2023 '000	2022 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	985,236	1,003,517
Effect of dilutive potential ordinary shares:		
Share options/RSU Scheme	607	742
Weighted average number of ordinary shares for the purpose of diluted earnings per share	985,843	1,004,259

16. PROPERTY AND EQUIPMENT

	Leasehold improvement RMB'000	Electronic equipment RMB'000	Furniture and office equipment RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Buildings under construction RMB'000	Total RMB'000
COST							
At 1 January 2022	5,566	10,450	1,705	620	2,074	–	20,415
Additions	–	2,245	20	–	–	11,121	13,386
Disposals	–	(9)	(1)	–	–	–	(10)
At 31 December 2022	5,566	12,686	1,724	620	2,074	11,121	33,791
Additions	–	257	9	–	–	54,098	54,364
Disposals	–	(535)	(15)	(620)	(234)	–	(1,404)
At 31 December 2023	5,566	12,408	1,718	–	1,840	65,219	86,751
DEPRECIATION							
At 1 January 2022	4,650	6,419	663	75	921	–	12,728
Charges for the year	682	2,293	227	29	415	–	3,646
Eliminated on disposals	–	(9)	–	–	–	–	(9)
At 31 December 2022	5,332	8,703	890	104	1,336	–	16,365
Charges for the year	223	2,016	253	22	312	–	2,826
Eliminated on disposals	–	(465)	(13)	(126)	(100)	–	(704)
At 31 December 2023	5,555	10,254	1,130	–	1,548	–	18,487
CARRYING VALUES							
At 31 December 2023	11	2,154	588	–	292	65,219	68,264
At 31 December 2022	234	3,983	834	516	738	11,121	17,426

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

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

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For the year ended 31 December 2023

17. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Leased properties RMB'000	Total RMB'000
As at 31 December 2023			
Carrying amounts	**82,537**	**20,436**	**102,973**
As at 31 December 2022			
Carrying amounts	84,695	6,627	91,322
For the year ended 31 December 2023			
Depreciation charge	**2,158**	**12,631**	**14,789**
Capitalised in buildings under construction	**(1,079)**	**–**	**(1,079)**
	1,079	**12,631**	**13,710**
For the year ended 31 December 2022			
Depreciation charge	1,619	12,197	13,816

	2023 RMB'000	2022 RMB'000
Expense relating to short-term leases	**947**	20
Total cash outflow for leases	**15,048**	99,915
Additions to right-of-use assets		
– lease modification	**26,440**	3,238
– new lease of leasehold land	**–**	86,314
– new leases of properties	**–**	214

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 1 to 3 years (2022: 1 to 5 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Leasehold land represents upfront payments for leasehold land in the PRC, for which the Group has obtained the land use right certificate. As at 31 December 2023, the leasehold land had been pledged to source general banking facilities granted to the Group.

The Group regularly entered into short-term leases for leased properties. As at 31 December 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense is disclosed in the table above.

17. RIGHT-OF-USE ASSETS (continued)

In addition, as at 31 December 2023, lease liabilities of RMB19,969,000 (31 December 2022: RMB6,374,000) are recognised with related right-of-use assets of RMB20,436,000 (31 December 2022: RMB6,627,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

18. INVESTMENT PROPERTY

	Investment property RMB'000
COST	
As at 1 January 2022	–
Acquired on acquisition of assets through acquisition of a subsidiary (note 42)	32,378
As at 31 December 2022 and 31 December 2023	**32,378**
DEPRECIATION	
As at 1 January 2022	–
Charge for the year	442
As at 31 December 2022	442
Charge for the year	883
As at 31 December 2023	**1,325**
CARRYING VALUES	
At 31 December 2023	**31,053**
At 31 December 2022	31,936

The above investment property is measured using the cost model and represent office unit located in Hong Kong and is depreciated on a straight-line basis over 37 years.

The fair value of the Group's investment property as at 31 December 2023 was RMB31,446,000 (2022: RMB33,676,000).

The fair value was determined based on the direct comparison approach, taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property. In estimating the fair value of the property, the highest and best use of the property is their current use. The fair value of the Group's investment property as at 31 December 2023 and 2022 is grouped into Level 3 of fair value measurement.

As at 31 December 2023 and 2022, the investment property has been pledged to secure banking facilities granted to the Group.

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19. GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

	2023 RMB'000	2022 RMB'000
COST		
At 1 January and 31 December	316,028	316,028
IMPAIRMENT		
At 1 January	–	–
Impairment loss recognised for the year	–	–
At 31 December	–	–
CARRYING VALUES		
At 31 December	316,028	316,028

Particulars regarding impairment testing on goodwill are disclosed in note 20.

19. GOODWILL AND INTANGIBLE ASSETS (continued)

(b) Intangible assets

	Development costs RMB'000 (note i)	Software system RMB'000	Brand name RMB'000 (note ii)	Total RMB'000
COST				
At 1 January 2022	49,249	3,899	113,000	166,148
Additions	17,264	730	–	17,994
At 31 December 2022	66,513	4,629	113,000	184,142
Additions	26,796	238	–	27,034
At 31 December 2023	**93,309**	**4,867**	**113,000**	**211,176**
AMORTISATION AND IMPAIRMENT				
At 1 January 2022	15,716	1,997	–	17,713
Charges for the year	9,957	796	–	10,753
At 31 December 2022	25,673	2,793	–	28,466
Charges for the year	13,250	849	–	14,099
At 31 December 2023	**38,923**	**3,642**	**–**	**42,565**
CARRYING VALUES				
At 31 December 2023	**54,386**	**1,225**	**113,000**	**168,611**
At 31 December 2022	40,840	1,836	113,000	155,676

Notes:

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

(ii) Brand name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The brand name will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in note 20.

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

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

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For the year ended 31 December 2023

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

For the purposes of impairment testing, goodwill and brand name with indefinite useful life set out in note 19 have been allocated to one CGU, comprising one subsidiary. The carrying amounts of goodwill and brand name with indefinite useful life allocated to the unit are as follows:

	31/12/2023		31/12/2022	
	Goodwill	Brand name	Goodwill	Brand name
	RMB'000	RMB'000	RMB'000	RMB'000
Wuxi Guojin Factoring Limited ("**WXGJ**")	316,028	113,000	316,028	113,000

In addition to goodwill and brand name with indefinite useful life above, WXGJ's assets and liabilities that generate cash flows together with the related goodwill and brand name with indefinite useful life are also included in the CGU for the purpose of impairment assessment.

The recoverable amount of a CGU is determined based on the higher of fair value less costs of disposal and value in use calculations.

For the year ended 31 December 2023, the recoverable amount of the CGU has been determined by the fair value less cost of disposal. The fair value of the CGU is determined with reference to the transaction price of the proposed capital increase by other shareholder of WXGJ. The recoverable amount is higher than the carrying amount of the CGU. The fair value measurement is categorised as level 3.

For the year ended 31 December 2022, the recoverable amount of a CGU is determined based on a value in use calculation. The value in use calculation uses pre-tax cash flow projections based on financial budgets approved by management covering a five-year period, and pre-tax discount rate of 11.84%. WXGJ's cash flows beyond the five-year period are extrapolated using a steady growth rate of 3.00%. This growth rate is based on the overall economy growth rate, industry growth rate, inflation rate and other related factors. Management determines the financial budgets based on past performance and its expectations for market development, including the expected economic growth, prospective GDP and CPI growth rates, future developments of the industry, among others. The Group engages an independent qualified valuer, China Enterprise Appraisals Consultation Co., Ltd., to determine the future growth rates and discount rates used in the value in use calculations prepared by the management of the Group.

As at 31 December 2023 and 2022, no impairment of the CGU containing goodwill and brand name with indefinite useful life has been identified.

Management believes that any reasonably possible change in any of the above assumptions would not cause the aggregate carrying amount of the above CGU to exceed the respective aggregate recoverable amounts.

21. INVESTMENTS IN ASSOCIATES

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

	31/12/2023 RMB'000	31/12/2022 RMB'000
Cost of investments in associates, unlisted	562,698	209,200
Share of post-acquisition profit	20,373	13
Share of post-acquisition OCI	(103)	137
	582,968	209,350

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

Name of entities	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
			31/12/2023	31/12/2022	
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**") (note ii)	PRC	RMB500,000,000 RMB500,000,000	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 iii)	PRC	RMB527,000,000 RMB527,000,000	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 two out of three directors of the entity under the articles of association of the entity.

(ii) In September 2023, the Group entered into a share subscription agreement, pursuant to which the Group subscribe 35% newly issued capital of RMB105,000,000 with a consideration of RMB105,000,000.

(iii) In February 2023, the Group entered into an investment agreement in which the Group acquired 40% equity interest of QDHK for a consideration of RMB140,498,000. In September 2023, the Group entered into a share subscription agreement, pursuant to which the Group subscribe 40% newly issued capital of RMB90,800,000 with a consideration of RMB108,000,000.

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21. INVESTMENTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material

	2023 RMB'000	2022 RMB'000
The Group's share of profit (loss)	20,360	(927)
The Group's share of other comprehensive expense	(240)	(103)
The Group's share of total comprehensive income (expense)	20,120	(1,030)
Aggregate carrying amount of the Group's investments in these associates	582,968	209,350

22. DEFERRED TAXATION

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

	31/12/2023 RMB'000	31/12/2022 RMB'000
Deferred tax assets	18,163	22,359
Deferred tax liabilities	(64,654)	(60,599)
	(46,491)	(38,240)

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

	Undistributed earnings of PRC subsidiaries RMB'000	Deferred income RMB'000	ECL provision RMB'000	Fair value adjustments RMB'000	Others RMB'000 (note)	Total RMB'000
At 1 January 2022	(67,006)	(213)	20,194	4,610	–	(42,415)
Credit (charge) to profit or loss	14,780	(690)	3,706	(14,794)	1,223	4,225
Charge to OCI	–	–	–	(50)	–	(50)
At 31 December 2022	(52,226)	(903)	23,900	(10,234)	1,223	(38,240)
Credit (charge) to profit or loss	9,125	(18,042)	(56)	3,000	(1,297)	(7,270)
Charge to OCI	–	–	–	(981)	–	(981)
At 31 December 2023	(43,101)	(18,945)	23,844	(8,215)	(74)	(46,491)

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.

22. DEFERRED TAXATION (continued)

Pursuant to the EIT Law and its detailed implementation rules, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% and withheld by the PRC entities. By the Tax Arrangement for Avoidance of Double Taxation between China and Hong Kong, a Hong Kong resident company should be entitled to preferential tax rate of 5% when receiving dividend from its PRC subsidiaries. The Hong Kong subsidiaries of the Group enjoyed the preferential tax rate aforementioned. Accordingly, deferred tax liability has been provided for in the consolidated financial statements in respect of the expected dividend stream from the PRC subsidiaries with the applicable tax rate of 5%.

For the year ended 31 December 2023, a deferred tax liability of RMB25,414,000 (31 December 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 31 December 2023, the Company and Hong Kong subsidiaries had cumulative unutilised tax losses of RMB227,676,000 (31 December 2022: RMB190,821,000). No deferred tax asset has been recognised due to the unpredictability of future profit stream. Some of the unused tax losses can be carried forward indefinitely from the years in which the loss was originated to offset future taxable profits.

At 31 December 2023, the PRC subsidiaries had cumulative unutilised tax losses of RMB35,869,000 (31 December 2022: RMB37,159,000), out of which RMB35,869,000 (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.

The expiry terms of the unused tax losses that no deferred tax assets have been provided are as follows:

	31/12/2023 RMB'000	31/12/2022 RMB'000
2025	**3,880**	4,005
2026	**9,392**	13,460
2027	**11,201**	11,544
2028	**11,396**	–
	35,869	29,009

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

(a) Derivative financial instruments

	31/12/2023		31/21/2022	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Foreign currency forward contracts	13,672	5,938	2,866	14,960
Interest rate swap contracts	391	1,822	1,953	–
Cross currency swap contracts	–	1,819	–	–
Foreign exchange swap contracts	–	–	830	–
	14,063	9,579	5,649	14,960
Analysed for reporting purposes as:				
Current	14,063	9,579	3,634	12,904
Non-current	–	–	2,015	2,056
	14,063	9,579	5,649	14,960

At 31 December 2023, the bank deposits of RMB15,181,000 (31 December 2022: nil) and United States Dollars ("**US$**") 700,000 (equivalent to RMB4,958,000) (31 December 2022: nil) were pledged as security for the derivative financial instruments. The balance of the bank deposits can be applied and used to settle any outstanding payments for the corresponding contracts if default occurs.

The above derivatives are measured at fair value 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 40(c).

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 31 December 2023, the Group entered into several foreign currency forward contracts relating to the purchase of US$ and the sale of RMB at contract rates ranging from RMB6.6342 to RMB7.1767 (31 December 2022: RMB6.5709 to RMB7.0860) per US$ with future maturity dates ranging from 31 January 2024 to 7 November 2024 (31 December 2022: 12 January 2023 to 28 June 2024), at an aggregate notional amount of US$83,950,000 (31 December 2022: US$182,266,000).

23. 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 31 December 2023

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

Cross currency swap contracts

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

At 31 December 2023

Notional amounts	Commencement date	Maturity date	Contracted swap rate	Interest rates
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

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23. 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 and to manage its foreign currency risk exposures arising from certain of its bank borrowings denominated in US$ and HK$ (31 December 2022: 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 foreign currency forward contracts, interest rate swap contracts, cross currency swap contracts and foreign exchange swap contracts. Therefore, those transactions were not designated for hedge accounting.

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

(b) Other financial assets at FVTPL

	31/12/2023 RMB'000	31/12/2022 RMB'000
Unlisted investment funds (note i)	245,351	20,000
Equity tranche (notes i & ii)	190,962	146,730
Structured deposits (note iii)	102,685	164,634
Unlisted equity investments (note i)	75,550	75,550
Trust fund	1,529	2,229
	616,077	409,143
Analysed for reporting purposes as:		
Current assets	202,036	256,264
Non-current assets	414,041	152,879
	616,077	409,143

Notes:

(i) Their fair values are determined by China Enterprise Appraisals Consultation Co., Ltd., Ravia Global Appraisal Advisory Limited or Fairdex Valuation Advisory Limited, independent valuers, based on appropriate valuation techniques as detailed in note 40(c).

(ii) As at 31 December 2023, the Group's equity tranche with an aggregate fair value of approximately RMB63,030,000 (31 December 2022: nil) was pledged to third parties in the PRC respectively to secure borrowings of the Group.

(iii) 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 31 December 2023, the Group's structured deposits with an aggregate fair value of approximately RMB102,685,000 (31 December 2022: RMB164,634,000) was pledged to several banks in the PRC respectively to secure certain bank borrowings of the Group.

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

(c) Other financial liabilities at FVTPL

	31/12/2023 RMB'000	31/12/2022 RMB'000
Structured notes (note)	61,208	–

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

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24. SUPPLY CHAIN ASSETS AT FVTOCI

	31/12/2023 RMB'000	31/12/2022 RMB'000
Supply chain assets at FVTOCI	7,663,344	8,422,078
Analysed for reporting purposes as:		
Current assets	7,536,455	8,186,941
Non-current assets	126,889	235,137
	7,663,344	8,422,078

As at 31 December 2023, the effective interest rates of the supply chain assets range mainly from 4.90% to 14.00% (31 December 2022: 4.00% to 15.00%) per annum.

As at 31 December 2023, certain commercial acceptance bills are received from customers with fair value amounting of RMB163,936,000 (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 financial statements.

Details of deposits from digital financing solutions customers are set out in note 30.

As at 31 December 2023, the gross carrying amount of supply chain assets of RMB2,551,000 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.

The following is an aging analysis based on due dates of the supply chain assets at FVTOCI instalments which are past due (instalments which are not yet due at the end of the reporting period are excluded):

	31/12/2023 RMB'000	31/12/2022 RMB'000
Past due by:		
0 – 30 days	1,743	–
31 – 60 days	808	2,177
61 – 90 days	–	2,276
	2,551	4,453

Details of impairment assessment are set out in note 40(b).

25. EQUITY INSTRUMENTS AT FVTOCI

	31/12/2023 RMB'000	31/12/2022 RMB'000
Unlisted equity investments (note)	61,498	53,629

Note: These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

26. DEBT INSTRUMENT AT AMORTISED COST

	31/12/2023 RMB'000	31/12/2022 RMB'000
Investment in a senior tranche of ABS product with fixed interest of 5.00% and maturity dated in June 2024	19,068	19,081
Less: ECL allowance	(100)	(100)
	18,968	18,981

Details of impairment assessment are set out in note 40(b).

27. LOAN RECEIVABLE

	31/12/2023 RMB'000	31/12/2022 RMB'000
Carrying amount receivable based on maturity set out in the loan agreement:		
– within one year	–	164,000
Less: ECL allowance	–	–
	–	164,000

As at 31 December 2022, the deposit is received from a related party of the debtor with fair value amounting of RMB164,000,000 as a security deposit to the loan receivable. The deposit can also be applied and used to settle any outstanding receivable for the corresponding contract if default occurs, otherwise the Group needs to return the deposit if the outstanding receivable is settled. The loan receivable was fully repaid in January 2023.

28. 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.

	31/12/2023 RMB'000	31/12/2022 RMB'000
Receivables from guarantee customers	6,473	4,614
Less: ECL allowance	(61)	(56)
	6,412	4,558

The following is an aged analysis of receivables from guarantee customers presented based on the date of payment.

	31/12/2023 RMB'000	31/12/2022 RMB'000
0 – 30 days	6,473	4,614

(b) Trade and bill receivables

	31/12/2023 RMB'000	31/12/2022 RMB'000
Contracts with customers of platform-based services	24,802	22,473
Contracts with customers of supply chain technology services	45,619	31,403
	70,421	53,876
Less: ECL allowance	(483)	(404)
	69,938	53,472
Analysed for reporting purposes as:		
Current assets	46,509	37,930
Non-current assets	23,429	15,542
	69,938	53,472

As at 1 January 2022, trade and bill receivables from contracts with customers amounted to RMB 19,968,000.

Details of impairment assessment are set out in note 40(b).

28. 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.

	31/12/2023 RMB'000	31/12/2022 RMB'000
0-30 days	70,421	53,876

(c) Other receivables, prepayments and others

	31/12/2023 RMB'000	31/12/2022 RMB'000
Tax recoverable	29,355	13,873
Security deposits for loan facilitation	13,567	–
Prepayments	7,800	11,795
Refundable rental deposits	3,836	3,858
Security deposits for bank borrowing (note 32)	–	8,449
Other receivables and deposits	2,876	702
	57,434	38,677
Analysed for reporting purposes as:		
Current assets	49,119	27,447
Non-current assets	8,315	11,230
	57,434	38,677

29. TIME DEPOSITS/PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

The ranges of fixed interest rates/market rates on the Group's time deposits/pledged bank deposits/cash and cash equivalents are as follows:

	Range of interest rates (per annum)	
	31/12/2023	31/12/2022
	%	%
Fixed-rate time deposits	**1.45–2.51**	2.05–2.40
Fixed-rate pledged bank deposits	**0.00–5.71**	0.00–4.00
Market rate cash and cash equivalents	**0.00–2.15**	0.00–1.90

An analysis of the Group's pledged bank deposits for the reporting period is as follows:

	31/12/2023	31/12/2022
	RMB'000	RMB'000
The bank deposits pledged for:		
– bank borrowings (note 32)	**660,114**	334,338
– loan guarantee contracts in relation to third parties (note 31)	**186,197**	138,475
– derivative financial instruments (note 23)	**20,139**	–
	866,450	472,813

The pledged bank deposits will be released upon the settlement of relevant bank borrowings, loan guarantee contracts and derivative financial instruments.

Details of impairment assessment of time deposits, pledged bank deposits and cash and cash equivalents are set out in note 40(b).

The pledged bank deposits and cash and cash equivalents that are denominated in currencies other than the functional currencies of each entity are set out below:

	31/12/2023	31/12/2022
	RMB'000	RMB'000
HK$	**44,776**	89,820
US$	**55,688**	20,379
Singapore Dollar ("**S$**")	**507**	667
	100,971	110,866

30. TRADE AND OTHER PAYABLES

	31/12/2023 RMB'000	31/12/2022 RMB'000
Settlement payables to customers and funding providers	96,713	84,649
Accrued charges	71,889	34,489
Other tax payables	57,370	44,695
Dividend payable to a non-controlling shareholder of a PRC subsidiary	28,484	–
Construction payables	16,242	2,525
Deposits from digital financing solutions customers	14,975	157,261
Trade payables	5,929	4,489
Dividend payable to shareholders of the Company	1,852	1,675
Security deposit for a loan receivable	–	164,000
Other payables and deposits	1,298	502
	294,752	494,285

31. LIABILITIES ARISING FROM GUARANTEE CONTRACTS

	31/12/2023			31/12/2022		
	Premium less accumulated amortisation RMB'000	ECL provision RMB'000	Carrying amount RMB'000	Premium less accumulated amortisation RMB'000	ECL provision RMB'000	Carrying amount RMB'000
Guarantee contracts in relation to:						
– third parties (note i)	21,412	26,413	28,495	13,635	23,911	25,196
– associates (note ii)	764	3,687	3,899	661	342	695
	22,176	30,100	32,394	14,296	24,253	25,891
Analysed for reporting purposes as:						
Current	22,176	28,784	31,078	14,296	24,253	25,891
Non-current	–	1,316	1,316	–	–	–
	22,176	30,100	32,394	14,296	24,253	25,891

At the end of the reporting period, the directors of the Company have assessed the past due status of the debts under guarantee, the financial position of the debtors as well as the economic outlook of the industries in which the debtors operate.

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31. LIABILITIES ARISING FROM GUARANTEE CONTRACTS (continued)

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

	31/12/2023 RMB'000	31/12/2022 RMB'000
Guarantee contracts in relation to:		
– third parties (note i)	2,524,784	2,216,570
– associates (note ii)	2,109,247	145,430
	4,634,031	2,362,000

Notes:

(i) As at 31 December 2023, the Group provided guarantee services for guarantee customers which are third parties of the maximum amount of RMB2,524,784,000 (31 December 2022: RMB2,216,570,000) and placed deposits to funding providers, including bank deposits of RMB186,197,000 (31 December 2022: RMB138,475,000). The Group has to pay on behalf of guarantee customers to funding providers when the customers defaulted in settlement of their outstanding liabilities with funding providers when due, after deduction of the bank deposits placed to funding providers.

As at 31 December 2023, an amount of RMB26,413,000 (31 December 2022: RMB23,911,000) has been estimated as a loss allowance. During the year ended 31 December 2023, an amount of RMB4,478,000 loss allowance was reversed (31 December 2022: RMB1,048,000 loss allowance was recognised) in the profit or loss because the premium received less cumulative amount of certain contracts were lower than the amount of loss allowance.

(ii) As at 31 December 2023, the Group provided guarantees services for associates of the Group of the maximum amount of RMB2,109,247,000 (31 December 2022: RMB145,430,000). Fair value initially recognised in relation to the loan guarantees by the Group amounted to RMB3,363,000 (2022: RMB1,276,000). Their fair values are determined by China Enterprise Appraisals Consultation Co., Ltd., an independent valuer.

As at 31 December 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 RMB3,687,000 (31 December 2022: RMB342,000) has been estimated as a loss allowance as at 31 December 2023, and an amount of RMB3,101,000 (2022: RMB34,000) 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.

(iii) Details of impairment assessment are set out in note 40(b).

32. BORROWINGS

	31/12/2023 RMB'000	31/12/2022 RMB'000
Bank borrowings and bills discounted	3,560,764	3,166,919
ABS issued	1,228,265	1,108,513
Bank loans under supplier finance arrangements (note i)	368,012	207,630
Entrusted loans	224,668	150,392
Other loans (note ii)	838,277	1,606,856
	6,219,986	6,240,310
Secured	5,589,532	5,372,246
Unsecured	630,454	868,064
	6,219,986	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 to the Group, which the Group uses to provide digital financing solutions services. Taking into consideration of the nature and substance of the above arrangements, the Group presents payables to the banks under these arrangements as "borrowings" in the consolidated statement of financial position. In the consolidated statement of cash flows, repayments to the banks are included within financing cash flows based on the nature of the arrangements, and payments to the suppliers by the banks are disclosed as non-cash transactions.

(ii) As at 31 December 2023, other loans mainly consist of loans from private funds, commercial factoring company and other third parties.

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For the year ended 31 December 2023

32. BORROWINGS (continued)

	31/12/2023 RMB'000	31/12/2022 RMB'000
The carrying amounts of the above borrowings are repayable*:		
– within one year	4,673,232	4,443,604
– within a period of more than one year but not exceeding two years	1,360,957	932,397
– within a period of more than two years but not exceeding five years	185,797	813,792
	6,219,986	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	–	50,517
	6,219,986	6,240,310
Less: Amounts due within one year shown under current liabilities	(4,673,232)	(4,494,121)
Amounts shown under non-current liabilities	1,546,754	1,746,189

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

The exposure of the Group's borrowings are as follows:

	31/12/2023 RMB'000	31/12/2022 RMB'000
Fixed-rate borrowings	4,709,496	5,187,330
Variable-rate borrowings	1,510,490	1,052,980
	6,219,986	6,240,310

The Group's variable-rate borrowings carry interest at Loan Prime Rate ("**LPR**"), HIBOR or SOFR.

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

	31/12/2023 %	31/12/2022 %
Range of fixed-rate borrowings interest rates (per annum)	1.15–9.20	2.40–14.40
Range of variable-rate borrowings interest rates (per annum)	3.76–8.54	4.24–8.07

32. BORROWINGS (continued)

The Group's borrowings had been secured by the pledge of equity interests of certain subsidiaries of the Company and the Group's assets. The carrying amounts of the respective assets are as follows:

	31/12/2023 RMB'000	31/12/2022 RMB'000
– supply chain assets (note i)	2,367,226	3,452,116
– bank deposits	660,114	334,338
– structured deposits	102,685	164,634
– equity tranche	63,030	–
– investment property	31,053	31,936
– security deposits	–	8,449
	3,224,108	3,991,473

Notes:

(i) The legal title and legal right to receive cash flows was transferred to the funding providers, details are set out in note 40(d).

(ii) As at 31 December 2023, the bills received from customers as pledged to supply chain assets with par value of RMB70,851,000 (31 December 2022: RMB100,000) were discounted to banks.

As at 31 December 2022, the bills received from customers as pledged to supply chain assets with par value of RMB38,000,000 was pledged to a non-bank financial institution.

Details of the Group's guaranteed borrowings are as follows:

	31/12/2023 RMB'000	31/12/2022 RMB'000
Carrying amount of borrowings guaranteed by:		
The Company and/or a subsidiary and the controlling shareholder of the Company	2,908,294	446,497
The Company and/or subsidiaries	1,868,345	1,915,673
WXCI Group, a subsidiary and the controlling shareholder of the Company	–	2,257,221
	4,776,639	4,619,391

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32. BORROWINGS (continued)

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	31/12/2023 RMB'000	31/12/2022 RMB'000
HK$	497,904	254,634
US$	487,916	1,117,758
	985,820	1,372,392

33. LEASE LIABILITIES

	31/12/2023 RMB'000	31/12/2022 RMB'000
Lease liabilities payable:		
Within one year	9,799	5,111
Within a period of more than one year but not more than two years	9,685	1,037
Within a period of more than two years but not more than five years	485	226
	19,969	6,374
Less: Amount due for settlement with 12 months shown under current liabilities	(9,799)	(5,111)
Amount due for settlement after 12 months shown under non-current liabilities	10,170	1,263

The weighted average incremental borrowing rates applied to lease liabilities range from 4.50% to 5.50% (2022: 4.50% to 6.76%).

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	31/12/2023 RMB'000	31/12/2022 RMB'000
HK$	321	1,369

34. 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, 31 December 2022 and 31 December 2023	5,000,000,000	50,000,000

	Number of shares	Share capital HK$
Issued:		
At 1 January 2022	1,004,296,500	10,042,965
Exercise of share options (note 36)	3,418,000	34,180
At 31 December 2022	1,007,714,500	10,077,145
Repurchase and cancellation of shares	(17,964,500)	(179,645)
At 31 December 2023	989,750,000	9,897,500

	31/12/2023 RMB'000	31/12/2022 RMB'000
Shown in the consolidated statement of financial position	**8,559**	8,717

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34. SHARE CAPITAL (continued)

During the year, the Company repurchased its own ordinary shares through Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$0.01 each	Price per share Highest	Lowest	Aggregated consideration paid	
		HK$	HK$	HK$'000	RMB'000
January 2023	4,016,000	6.14	5.96	24,330	21,040
March 2023	1,776,500	5.90	5.63	10,231	8,978
April 2023	5,240,000	6.39	5.71	32,103	28,188
May 2023	5,364,000	6.40	6.09	33,326	29,466
June 2023	662,000	5.31	5.10	3,448	3,123
July 2023	906,000	5.27	5.02	4,644	4,281
September 2023	225,500	4.94	4.83	1,100	1,009
	18,190,000			109,182	96,085

As at 31 December 2023, the above 17,964,500 repurchased shares were cancelled and the remaining 225,500 repurchased shares were not cancelled.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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

35. CAPITAL COMMITMENTS

	31/12/2023 RMB'000	31/12/2022 RMB'000
Capital expenditure contracted for but not provided for in the consolidated financial statements		
– Property and equipment	351,962	20,488
– Investment in an associate	200	200
	352,162	20,688

36. 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 31 December 2023, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 15,625,000 (31 December 2022: 22,340,000), representing 1.58% (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 1 year to 5 years from the date of grant of the share option to the 5th or 10th 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.

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36. 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	15/7/2023-14/7/2025	HK$6.68	15/7/2023

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 can not be exercised during the first one or two years from the end of the vesting period.

The exercise of an option may be subject to the achievement of performance target and/or any other conditions notified by the board of the Company to each participant, which the board of the Company may in its absolute discretion determine.

36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

The following table discloses movements of the Company's share options held by the directors of the Company and employees of the Group during both years:

Grantee	Exercise period	Outstanding at 1 January 2023	Granted during year	Forfeited/ lapsed during year	Exercised during year	Outstanding at 31 December 2023
Directors	14/11/2019–13/11/2023	350,000	–	(350,000)	–	–
	14/11/2020–13/11/2023	350,000	–	(350,000)	–	–
	14/11/2021–13/11/2023	1,200,000	–	(1,200,000)	–	–
	15/7/2021–14/7/2025	225,000	–	(75,000)	–	150,000
	15/7/2022–14/7/2025	150,000	–	–	–	150,000
	15/7/2023–14/7/2025	500,000	–	–	–	500,000
	10/6/2026–9/6/2032	375,000	–	–	–	375,000
	10/6/2026–9/6/2032	375,000	–	–	–	375,000
	10/6/2027–9/6/2032	750,000	–	–	–	750,000
		4,275,000	–	(1,975,000)	–	2,300,000
Exercisable at the end of the reporting period		2,275,000				800,000
Weighted average exercise price per share		6.70	–	6.89	–	6.54

Grantee	Exercise period	Outstanding at 1 January 2023	Granted during year	Forfeited/ lapsed during year	Exercised during year	Outstanding at 31 December 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	–	(212,500)	–	1,987,500
	15/7/2022–14/7/2025	2,350,000	–	(237,500)	–	2,112,500
	15/7/2023–14/7/2025	4,950,000	–	(625,000)	–	4,325,000
	10/6/2024–9/6/2032	1,875,000	–	(650,000)	–	1,225,000
	10/6/2024–9/6/2032	1,875,000	–	(650,000)	–	1,225,000
	10/6/2025–9/6/2032	3,750,000	–	(1,300,000)	–	2,450,000
		18,065,000	–	(4,740,000)	–	13,325,000
Exercisable at the end of the reporting period		5,615,000				8,425,000
Weighted average exercise price per share		6.60	–	6.61	–	6.60

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36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

The following table discloses movements of the Company's share options held by the directors of the Company and employees of the Group during both years: (continued)

Grantee	Exercise period	Outstanding at 1 January 2022	Granted during year	Forfeited/ lapsed during year	Exercised during year	Outstanding at 31 December 2022
Directors	11/9/2018–10/9/2022	500,000	–	–	(500,000)	–
	11/9/2019–10/9/2022	700,000	–	–	(700,000)	–
	11/9/2020–10/9/2022	1,500,000	–	–	(1,500,000)	–
	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	–	(925,000)	–	150,000
	15/7/2023–14/7/2025	2,150,000	–	(1,650,000)	–	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
		9,075,000	1,500,000	(3,600,000)	(2,700,000)	4,275,000
Exercisable at the end of the reporting period		5,850,000				2,275,000
Weighted average exercise price per share		5.99	6.46	6.69	4.20	6.70

Grantee	Exercise period	Outstanding at 1 January 2022	Granted during year	Forfeited/ lapsed during year	Exercised during year	Outstanding at 31 December 2022
Employees	11/9/2018–10/9/2022	7,500	–	–	(7,500)	–
	11/9/2019–10/9/2022	37,500	–	–	(37,500)	–
	11/9/2020–10/9/2022	408,000	–	–	(408,000)	–
	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	–	(222,500)	(145,000)	520,000
	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	–	(287,500)	–	2,350,000
	15/7/2023–14/7/2025	5,275,000	–	(325,000)	–	4,950,000
	10/6/2024–9/6/2032	–	2,375,000	(500,000)	–	1,875,000
	10/6/2024–9/6/2032	–	2,375,000	(500,000)	–	1,875,000
	10/6/2025–9/6/2032	–	4,750,000	(1,000,000)	–	3,750,000
		12,298,000	9,500,000	(3,015,000)	(718,000)	18,065,000
Exercisable at the end of the reporting period		4,385,500				5,615,000
Weighted average exercise price per share		6.62	6.46	6.56	5.17	6.60

36. 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 RMB3,954,000 for the year ended 31 December 2023 (2022: RMB5,238,000) in relation to share options granted by the Company.

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For the year ended 31 December 2023

36. 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.

For the year ended 31 December 2023, the Company purchased 4,098,500 (2022: 7,795,500) 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$4.90 to HK$6.31 (2022: HK$4.81 to HK$6.30) per share for an aggregate consideration of approximately HK$22,345,000 (equivalent to RMB20,133,000) (2022: HK$44,173,000 (equivalent to RMB39,311,000)).

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, (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.

36. 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/ lapsed during period	Vested during period	Outstanding at 31 December 2023
Employees	10/6/2022-9/6/2024	325,000	–	(55,000)	–	270,000
	10/6/2022-9/6/2024	325,000	–	(55,000)	–	270,000
	10/6/2022-9/6/2025	650,000	–	(110,000)	–	540,000
		1,300,000	–	(220,000)	–	1,080,000

Grantee	Vesting period	Outstanding at 1 January 2022	Granted during period	Forfeited/ lapsed during period	Vested during period	Outstanding at 31 December 2022
Employees	10/6/2022-9/6/2024	–	335,000	(10,000)	–	325,000
	10/6/2022-9/6/2024	–	335,000	(10,000)	–	325,000
	10/6/2022-9/6/2025	–	670,000	(20,000)	–	650,000
		–	1,340,000	(40,000)	–	1,300,000

The Group recognised the total expense of approximately RMB1,624,000 for the year ended 31 December 2023 (2022: RMB730,000) for in relation to RSUs granted by the Company.

37. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme ("**MPF Scheme**") for all its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Under the rule of MPF Scheme, the Group and its employees are each required to make a contribution to the MPF Scheme at 5% of the employees' relevant income subject to a cap of monthly relevant income as specified in the rules. No forfeited contribution is available to reduce the contribution payable in the future years.

The Group participates in a state-managed defined contribution retirement scheme organised by the relevant local government authority in the PRC. PRC employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The Group is required to make monthly contributions to the retirement scheme of the eligible employees at specified percentage (i.e. 16%) of the payroll and the local government authority is responsible for the pension liabilities to these employees upon their retirement.

Total cost recognised in profit or loss and capitalised in development costs in respect of contributions paid or payable to the schemes by the Group for the year ended 31 December 2023 is RMB11,764,000 (2022: RMB10,336,000). As at 31 December 2023, contributions due in respect of the year ended 31 December 2023 had been paid over to the plans.

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38. RELATED PARTY TRANSACTIONS

(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 Parties	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 Capital Limited ("WXTH") (formerly known as Wuxi Tonghui Investment Limited)	Non-controlling shareholder of a material Subsidiary (before 29 December 2023)
Wuxi Communications Industry Group Co., Ltd and its subsidiaries ("WXCI Group")	Related parties of WXTH (before 29 December 2023)
Wuxi Taihu New City Assets Management Co., Ltd ("Wuxi Taihu New City")	Non-controlling shareholder of a material Subsidiary (after 29 December 2023)
Wuxi Taihu New City Group Co., Ltd and its subsidiaries ("Wuxi Taihu New City Group")	Related parties of Wuxi Taihu New City (after 29 December 2023)
HJ, GXMJ, NBGF, XMXS and QDHK	Associate

(b) Related party balances

(i) Supply chain assets at FVTOCI

Name of Related Parties	31/12/2023 RMB'000	31/12/2022 RMB'000
HJ	397,381	1,017,696
WXCI Group	N/A	48,191
	397,381	1,065,887

The balance of supply chain assets at FVTOCI carries fixed-rate interest at 5.95% (31 December 2022: 5.95% to 10.00%) with principal amount of RMB383,000,000 (31 December 2022: RMB1,050,207,000) repayable within one year.

38. RELATED PARTY TRANSACTIONS (continued)

(b) Related party balances (continued)

(ii) Loans to an associate

Name of Related Party	31/12/2023 RMB'000	31/12/2022 RMB'000
NBGF	369,727	199,385

The balance of loans to the associate carries fixed-rate interest at 3.00% (31 December 2022: 3.00%) with principal amount of RMB87,500,000 (31 December 2022: RMB199,500,000) repayable within one year and principal amount of RMB280,000,000 (31 December 2022: nil) repayable within a period of more than one year but not exceeding two years. Details of impairment assessment are set out in note 40(b).

(iii) Trade and bill receivables

Name of Related Party	31/12/2023 RMB'000	31/12/2022 RMB'000
HJ	728	1,634

(iv) Other receivables – refundable rental deposit

Name of Related Party	31/12/2023 RMB'000	31/12/2022 RMB'000
Bondlink Investment Limited	329	324

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For the year ended 31 December 2023

38. RELATED PARTY TRANSACTIONS (continued)

(b) Related party balances (continued)

(v) Loans from related parties

Name of Related Parties	31/12/2023 RMB'000	31/12/2022 RMB'000
QDHK (note i)	591,115	–
Wuxi Taihu New City Group (note i)	248,723	N/A
XMXS (note i)	123,115	–
WXCI Group (note ii)	N/A	370,052
	962,953	370,052

Notes:

(i) The loans carries fixed-rate interest at the range of 6.80% to 9.00% (31 December 2022: nil) with principal amount of RMB952,102,000 (31 December 2022: nil) repayable within one year and RMB2,299,000 (31 December 2022: nil) repayable within a period of more than one year but not exceeding two years.

The loans were secured by certain supply chain assets of the Group with an aggregate carrying values of RMB841,545,000 (31 December 2022: nil), in respect of which the legal title and legal right to receive cash flows was also transferred to the associates. Details of the transfer of financial assets are set out in note 40(d). The loans amounting to RMB839,838,000 (31 December 2022: nil) were guaranteed by the PRC subsidiaries.

(ii) As at 31 December 2022, the amounts represent loans, due within one year, and carry interest at the range of 6.20% to 7.00% per annum. The loans amounting to RMB340,000,000 were guaranteed by a PRC subsidiary and the controlling shareholder of the Group and pledged by 80% shares of WXGJ.

(vi) Lease liabilities

Name of Related Parties	31/12/2023 RMB'000	31/12/2022 RMB'000
Bondlink Investment Limited	321	1,369
WXCI Group	N/A	623
	321	1,992

38. RELATED PARTY TRANSACTIONS (continued)

(b) Related party balances (continued)

(vii) Liabilities arising from guarantee contracts

Name of Related Parties	31/12/2023 RMB'000	31/12/2022 RMB'000
QDHK	1,588	–
XMXS	1,235	–
NBGF	1,076	695
	3,899	695

(c) Related party transactions

(i) Revenue and income from related parties

Name of Related Parties	2023 RMB'000	2022 RMB'000
HJ	59,916	74,036
NBGF	183	–
WXCI Group	–	7,446
GXMJ	–	30
	60,099	81,512

(ii) Interest income from loans to an associate

Name of Related Party	31/12/2023 RMB'000	31/12/2022 RMB'000
NBGF	6,419	344

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38. RELATED PARTY TRANSACTIONS (continued)

(c) Related party transactions (continued)

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

Name of Related Parties	2023 RMB'000	2022 RMB'000
QDHK	21,584	–
XMXS	16,616	–
NBGF	10,413	31
WXCI Group	5,472	34,889
	54,085	34,920

(iv) Finance costs – guarantee expenses on borrowings

Name of Related Party	2023 RMB'000	2022 RMB'000
WXCI Group	13,364	7,145

(v) Finance costs – interest on lease liabilities

Name of Related Parties	2023 RMB'000	2022 RMB'000
Bondlink Investment Limited	40	63
WXCI Group	4	39
	44	102

(vi) Other operating expenses

Name of Related Party	2023 RMB'000	2022 RMB'000
WXCI Group	–	1,142

38. RELATED PARTY TRANSACTIONS (continued)

(d) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the year is as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and other benefits	23,930	22,999
Share-based payment	3,832	3,453
Performance related bonuses	9,807	2,401
Retirement benefit scheme contributions	593	554
	38,162	29,407

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

On 10 June 2022, the Group purchase assets through acquisition of a subsidiary from Health Fame Limited, details of the transaction are set out in note 42.

(f) Guarantee

Details of the guarantee to associates are set out in note 31.

Details of borrowings guaranteed by related parties are set out in note 32.

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the reporting period.

The capital structure of the Group consists of borrowings as set out in note 32 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the share capital and borrowings, balances the Group's overall capital structure through new share issues and raise of new borrowings.

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For the year ended 31 December 2023

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31/12/2023 RMB'000	31/12/2022 RMB'000
Financial assets		
Other financial assets at FVTPL	616,077	409,143
Derivative financial instruments	14,063	5,649
Amortised cost	2,138,814	1,614,635
Supply chain assets at FVTOCI	7,663,344	8,422,078
Equity instruments at FVTOCI	61,498	53,629
Financial liabilities		
Other financial liabilities at FVTPL	61,208	–
Derivative financial instruments	9,579	14,960
Amortised cost	7,348,432	7,025,463
Liabilities arising from guarantee contracts	32,394	25,891

(b) Financial risk management objectives and policies

The Group's major financial instruments include supply chain assets at FVTOCI, equity instruments at FVTOCI, other financial assets at FVTPL, derivative financial instruments, debt instrument at amortised cost, loans to an associate, loan receivable, receivables from guarantee customers, trade and bill receivables, other receivables, time deposits, pledged bank deposits, cash and cash equivalents, loans from related parties, trade and other payables, borrowings, other financial liabilities at FVTPL, liabilities arising from guarantee contracts and lease liabilities. Details of these instruments are disclosed in respective notes.

The risks associated with the financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and impairment assessment and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk

(i) Currency risk

The Group's exposure to foreign currency risk related primarily to cash and cash equivalents, pledged bank deposits, other receivables, equity instruments at FVTOCI, trade and other payable, borrowings and lease liabilities that are denominated in HK$, US$, and S$. In addition, the Group entered into foreign currency exchange swap contracts, cross currency swap contracts and foreign currency forward contracts during the year which exposed the Group to currency risk. The management manages and monitors this exposure to ensure appropriate measures are implemented on a timely and effective manner.

The carrying amounts of the Group's foreign currencies denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	31/12/2023 RMB'000	31/12/2022 RMB'000	**31/12/2023 RMB'000**	31/12/2022 RMB'000
HK$	**45,105**	90,144	**501,054**	256,471
US$	**55,688**	20,379	**487,916**	1,117,758
S$	**507**	667	**–**	–

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40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

The following table details the Group's sensitivity to a 5% appreciation and depreciation in RMB against HK$, US$ and S$, which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts the translation of the Group's foreign currency denominated monetary assets and liabilities at the year-end by a 5% change in the respective foreign currency rates.

	31/12/2023 RMB'000	31/12/2022 RMB'000
HK$ impact:		
5% appreciation of RMB against HK$		
Increase in profit before taxation for the year	22,797	8,316
5% depreciation of RMB against HK$		
Decrease in profit before taxation for the year	(22,797)	(8,316)
US$ impact:		
5% appreciation of RMB against US$		
Increase in profit before taxation for the year	21,611	54,869
5% depreciation of RMB against US$		
Decrease in profit before taxation for the year	(21,611)	(54,869)
S$ impact:		
5% appreciation of RMB against S$		
Decrease in profit before taxation for the year	(25)	(33)
5% depreciation of RMB against S$		
Increase in profit before taxation for the year	25	33

In relation to foreign currency forward contracts:

As at 31 December 2023, if the relevant exchange rate had been 5% depreciation/appreciation of RMB against US$ and all other variables were held constant, the Group's profit before taxation for the year would increase/decrease by approximately RMB4,169,000 (2022: RMB9,022,000).

In relation to the foreign exchange swap contracts:

As at 31 December 2022, if the exchange rate relevant to the foreign exchange swap contracts had been 5% depreciation/appreciation of RMB against US$ and all other variables were held constant, the Group's profit before taxation for the year would increase/decrease by approximately RMB336,000.

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

In relation to the interest rate swap contract:

As at 31 December 2023, if the exchange rate relevant to the interest rate swap contracts had been 5% depreciation/appreciation of RMB against US$ and all other variables were held constant, the Group's profit before taxation for the year would increase/decrease by approximately RMB99,000 (2022: RMB30,000).

In relation to the cross currency swap contracts:

As at 31 December 2023, if the exchange rate relevant to the cross currency swap contracts had been 5% depreciation/appreciation of RMB against US$ and all other variables were held constant, the Group's profit before taxation for the year would increase/decrease by approximately RMB13,620,000 (2022: nil).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end date exposure does not reflect the exposure during the reporting period.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate supply chain assets (see note 24 for details), fixed-rate debt instrument at amortised cost (see note 26 for details), fixed-rate loans to an associate (see note 38 for details), fixed-rate loan receivable (see note 27 for details), fixed-rate time deposits (see note 29 for details), fixed-rate pledged bank deposit (see note 29 for details), fixed-rate borrowings (see note 32 for details), fixed-rate loans from related parties (see note 38 for details), lease liabilities (see note 33 for details) and the derivative financial instruments (see note 23 for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate cash and cash equivalents (see note 29 for details), variable-rate borrowings (see note 32 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the LPR/HIBOR/SOFR rate arising from borrowings. The Group uses interest rate swap and cross currency swap contracts to reduce exposure to interest rate fluctuations associated with these floating-rate borrowings.

Management monitors the related interest exposure closely to ensure the interest rate risks are maintained at an acceptable level. The level of mismatch of interest rate repricing that may be undertaken is monitored closely.

The Group's exposures to interest rates on financial assets and liabilities are detailed in the liquidity risk management section of this note. These are excluded from sensitivity analysis as the directors of the Company consider that the exposure of fair value interest rate risk arising from fixed-rate financial assets and liabilities is insignificant.

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates risk for variable-rate borrowings at the end of each reporting period. 50 basis points increase or decrease is used when reporting interest rate risk internally to key management and represents management's assessment of the reasonably possible change in interest rates. Cash and cash equivalents are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate cash and cash equivalents is insignificant.

If interest rates had been 50 basis points higher/lower for variable-rate borrowings and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by RMB5,657,000 (2022: RMB3,940,000).

If the forward interest rate curves for SOFR as relevant for the interest rate swap had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by approximately RMB496,000 (2022: RMB24,000).

The directors of the Company consider that the exposure of fair value interest rate risk arising from variable-rate borrowings is insignificant as the exposure is reduced by interest rate swap and cross currency swap contracts of the Group.

In the opinion of the management, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

(iii) Other price risk

The Group's other price risk is mainly concentrated on the supply chain assets at FVTOCI. Details are set out in note 24.

For the outstanding supply chain assets at FVTOCI, if the risk adjusted discount rate of the counterparties had been 1% (2022: 1%) increase/decrease, post-tax OCI for the year ended 31 December 2023 would decrease/increase by RMB24,241,000/RMB24,687,000 (2022: RMB24,387,000/RMB24,736,000) as a result of the changes in the market price of debt financing instrument.

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to supply chain assets at FVTOCI, debt instrument at amortised cost, loans to an associate, loan receivable, receivables from guarantee customers, trade and bill receivables, other receivables, time deposits, pledged bank deposits, cash and cash equivalents and financial guarantee contracts.

The carrying amount of the Group's financial assets at FVTPL best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

Except for financial assets at FVTPL, the Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Supply chain assets at FVTOCI/financial guarantee contracts in relation to third parties/receivables from guarantee customers

As at 31 December 2023, the Group's concentration of credit risk on supply chain assets and financial guarantee contracts in relation to third parties by geographical locations is mainly in PRC, which accounted for 100% (31 December 2022: 100%) of the aggregate outstanding balance at the respective year end date.

As at 31 December 2023, the Group's concentration of credit risk on supply chain assets included five major counterparties accounting for 39% (31 December 2022: 43%) and the largest counterparty accounting for 9% (31 December 2022: 15%), of the aggregate outstanding balance at the respective year end date.

In order to minimise the credit risk in relation to supply chain assets and financial guarantee contracts in relation to third parties, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. The Group has closely monitored the recoverability of the receivables (i.e. supply chain assets and receivables from guarantee customers) to these counterparties, ensured adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances. In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

In addition, the management of the Group performs impairment assessment under ECL model based on internal credit rating. Details of the quantitative disclosures are set out below in this note.

Debt instrument at amortised cost

For debt instrument at amortised cost, the management of the Group performs impairment assessment under ECL model based on internal credit rating. details of the amount of impairment are set out below in this note.

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Loan receivable

The management estimates the estimated loss rate of loan receivable based on historical credit loss experience of the debtor as well as the fair value of the collateral pledged by the customer to the loan receivable. Based on assessment by the management, the LGD is low in view of the estimated realised amount of ultimate disposal of the collateral and the management considers the ECL for loan receivable is insignificant and therefore no loss allowance was recognised.

Loans to an associate/financial guarantee contracts in relation to associates

The Group regularly monitors the business performance of associates. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate the relevant activities of associates. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2023 and 2022, the Group assessed the ECL for loans to an associate and financial guarantee contracts in relation to associates and details of the amount of impairment are set out below in this note.

Trade and bill receivables

The Group always recognises lifetime ECL for trade receivables and ECL on these assets are assessed individually based on internal credit rating. For the year ended 31 December 2023 and 2022, the Group assessed the ECL for trade and bill receivables and details of the amount of impairment are set out below in this note.

Other receivables

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2023 and 2022, the Group assessed the ECL for other receivables are insignificant and thus no loss allowance is recognised.

Time deposits/pledged bank deposits/cash and cash equivalents

Credit risk on time deposits/pledged bank deposits/cash and cash equivalents is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for time deposits/pledged bank deposits/cash and cash equivalents by reference to information relating to PD and LGD of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on time deposits/pledged bank deposits/cash and cash equivalents is considered to be insignificant and therefore no loss allowance was recognised.

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Supply chain assets/ financial guarantee contracts/other financial assets	Trade receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL	Lifetime ECL – not credit-impaired
Watch list	The repayment schedule is extended over 30 days or past due or there have been significant increases in credit risk	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired or more than 90 days past-due	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the customer is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets and financial guarantee contracts, which are subject to ECL assessment:

As at 31 December 2023

	External/internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000	Impairment loss allowance RMB'000
Supply chain assets at FVTOCI	Low risk	12m ECL	1.07%	7,673,021	82,365
	Watch list	Lifetime ECL (not credit-impaired)	4.51%	64,459	2,907
	Loss	Lifetime ECL (credit-impaired)	N/A	–	–
				7,737,480	85,272

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40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

As at 31 December 2023 (continued)

	External/internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000	Impairment loss allowance RMB'000
Financial assets at amortised cost					
Cash and cash equivalents	AAA/BBB+	12m ECL	N/A	658,210	–
Pledged bank deposits	AAA/BBB+	12m ECL	N/A	866,450	–
Time deposits	A	12m ECL	N/A	128,830	–
Debt instrument at amortised cost	Low risk	12m ECL	0.52%	19,068	100
Loans to an associate	Low risk	12m ECL	0.18%	370,397	670
Receivables from guarantee customers	Low risk	12m ECL	0.93%	6,458	60
	Watch list	Lifetime ECL (not credit-impaired)	6.67%	15	1
Trade and bill receivables	Low risk	Lifetime ECL (not credit-impaired)	0.69%	70,421	483
Other receivables	N/A (note i)	12m ECL	N/A	20,279	–
				2,140,128	1,314
Financial guarantee contracts (note ii)					
In relation to third parties	Low risk	12m ECL	1.03%	2,507,028	25,739
	Watch list	Lifetime ECL (not credit-impaired)	3.80%	17,756	674
In relation to associates	Low risk	12m ECL	0.17%	2,109,247	3,687
				4,634,031	30,100

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

As at 31 December 2022

	External/internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000	Impairment loss allowance RMB'000
Supply chain assets at FVTOCI	Low risk	12m ECL	1.09%	8,441,306	92,010
	Watch list	Lifetime ECL (not credit-impaired)	3.92%	68,266	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	12m ECL	1.15%	4,526	52
	Watch list	Lifetime ECL (not credit-impaired)	4.55%	88	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	12m ECL	1.05%	2,197,019	23,073
	Watch list	Lifetime ECL (not credit-impaired)	4.29%	19,551	838
In relation to associates	Low risk	12m ECL	0.24%	145,430	342
				2,362,000	24,253

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40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (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 31 December 2023 and 2022, all of other receivables were not past due.

(ii) For financial guarantee contracts, 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 reporting period were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2022	72,905	7,932	16,318	97,155
Changes due to supply chain assets at FVTOCI recognised as at 1 January:				
– Transfer to 12m ECL	22	–	(22)	–
– Transfer to lifetime ECL – not credit-impaired	(1,255)	1,255	–	–
– Transfer to lifetime ECL – credit-impaired	(810)	(242)	1,052	–
– Impairment losses, net of reversal	(69,625)	(7,039)	1,521	(75,143)
– Disposal	–	(1,906)	(3,000)	(4,906)
– Write off	–	–	(15,869)	(15,869)
New financial assets purchased, net of settlement	90,773	3,608	–	94,381
New financial assets disposed	–	(933)	–	(933)
As at 31 December 2022	92,010	2,675	–	94,685
Changes due to supply chain assets at FVTOCI recognised as at 1 January:				
– Transfer to lifetime ECL – not credit-impaired	**(3,208)**	**3,208**	**–**	**–**
– Impairment losses, net of reversal	**(87,751)**	**(3,286)**	**–**	**(91,037)**
– Disposal	**–**	**(2,597)**	**–**	**(2,597)**
New financial assets purchased, net of settlement	**82,090**	**2,907**	**–**	**84,997**
New financial assets disposed	**(776)**	**–**	**–**	**(776)**
As at 31 December 2023	**82,365**	**2,907**	**–**	**85,272**

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The movements in the gross carrying amount of supply chain assets at FVTOCI were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2022	6,584,144	161,495	19,753	6,765,392
Changes due to supply chain assets at FVTOCI recognised as at 1 January:				
– Transfer to 12m ECL	3,457	–	(3,457)	–
– Transfer to lifetime ECL – not credit-impaired	(118,516)	118,516	–	–
– Transfer to lifetime ECL – credit-impaired	(68,902)	(947)	69,849	–
– Settlement	(6,295,006)	(239,074)	(2,272)	(6,536,352)
– Disposal	–	(39,990)	(68,004)	(107,994)
– Write off	–	–	(15,869)	(15,869)
New financial assets purchased	15,456,227	302,470	7,966	15,766,663
New financial assets settled	(5,590,741)	(189,426)	(7,966)	(5,788,133)
New financial assets disposed	(1,529,357)	(44,778)	–	(1,574,135)
As at 31 December 2022	8,441,306	68,266	–	8,509,572
Changes due to supply chain assets at FVTOCI recognised as at 1 January:				
– Transfer to lifetime ECL – not credit-impaired	**(131,962)**	**131,962**	**–**	**–**
– Settlement	**(8,205,151)**	**(68,249)**	**–**	**(8,273,400)**
– Disposal	**–**	**(131,962)**	**–**	**(131,962)**
New financial assets purchased	**16,908,625**	**3,985**	**–**	**16,912,610**
New financial assets settled	**(7,609,016)**	**60,457**	**–**	**(7,548,559)**
New financial assets disposed	**(1,730,781)**	**–**	**–**	**(1,730,781)**
As at 31 December 2023	**7,673,021**	**64,459**	**–**	**7,737,480**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The movements in the allowance for impairment in respect of debt instrument at amortised cost, loans to an associate and trade and bill receivables during the reporting period were as follows:

	12m ECL		
	Debt instrument at amortised cost RMB'000	Loans to an associate RMB'000	Lifetime ECL not credit-impaired trade and bill receivables RMB'000
As at 1 January 2022	–	–	–
New financial assets purchased, net of settlement	100	480	404
As at 31 December 2022	100	480	404
Changes due to financial assets recognised as at 1 January:			
– Impairment losses, net of reversal	–	(342)	(309)
New financial assets purchased, net of settlement	–	532	388
As at 31 December 2023	100	670	483

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The movements in the gross carrying amount of debt instrument at amortised cost, loans to an associate and trade and bill receivables were as follows:

	12m ECL Debt instrument at amortised cost RMB'000	Loans to an associate RMB'000	Lifetime ECL not credit-impaired trade and bill receivables RMB'000
As at 1 January 2022	–	–	19,968
Changes due to financial assets recognised as at 1 January:			
– Settlement	–	–	(19,968)
New financial assets purchased, net of settlement	19,081	199,865	53,876
As at 31 December 2022	19,081	199,865	53,876
Changes due to financial assets recognised as at 1 January:			
– Settlement	(13)	(123,930)	(38,239)
New financial assets purchased, net of settlement	–	294,462	54,784
As at 31 December 2023	19,068	370,397	70,421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The movements in the allowance for impairment in respect of receivables from guarantee customers during the reporting period were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Total RMB'000
As at 1 January 2022	73	17	90
Changes due to receivables from guarantee customers recognised as at 1 January:			
– Impairment losses, net of reversal	(73)	(17)	(90)
New financial guarantee contracts entered, net of settlement	52	4	56
As at 31 December 2022	52	4	56
Changes due to receivables from guarantee customers recognised as at 1 January:			
– Impairment losses, net of reversal	**(52)**	**(4)**	**(56)**
New financial guarantee contracts entered, net of settlement	**60**	**1**	**61**
As at 31 December 2023	**60**	**1**	**61**

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The movements in the gross carrying amount of receivables from guarantee customers were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Total RMB'000
As at 1 January 2022	6,205	138	6,343
Changes due to receivables from guarantee customers recognised as at 1 January:			
– Settlement	(6,205)	(138)	(6,343)
New financial guarantee contracts entered, net of settlement	4,526	88	4,614
As at 31 December 2022	4,526	88	4,614
Changes due to receivables from guarantee customers recognised as at 1 January:			
– Settlement	**(4,526)**	**(88)**	**(4,614)**
New financial guarantee contracts entered, net of settlement	**6,458**	**15**	**6,473**
As at 31 December 2023	**6,458**	**15**	**6,473**

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The movements in the allowance for impairment in respect of financial guarantee contracts during the reporting period were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2022	18,055	1,614	–	19,669
Changes due to financial guarantee contracts recognised as at 1 January:				
– Transfer to lifetime ECL				
– not credit-impaired	(326)	326	–	–
– Impairment losses, net of reversal	(17,729)	(851)	–	(18,580)
– Disposal	–	(1,125)	–	(1,125)
New financial guarantee contracts entered, net of settlement	23,415	874	–	24,289
As at 31 December 2022	23,415	838	–	24,253
Changes due to financial guarantee contracts recognised as at 1 January:				
– Transfer to lifetime ECL				
– not credit-impaired	**(558)**	**558**	**–**	**–**
– Impairment losses, net of reversal	**(22,857)**	**1,409**	**–**	**(21,448)**
– Disposal	**–**	**(2,805)**	**–**	**(2,805)**
New financial guarantee contracts entered, net of settlement	**29,426**	**674**	**–**	**30,100**
As at 31 December 2023	**29,426**	**674**	**–**	**30,100**

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The movements in the exposure of financial guarantee contracts were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2022	1,321,102	13,561	–	1,334,663
Changes due to financial guarantee contracts recognised as at 1 January:				
– Transfer to lifetime ECL				
– not credit-impaired	(32,871)	32,871	–	–
– Settlement	(1,288,231)	(23,941)	–	(1,312,172)
– Disposal	–	(22,491)	–	(22,491)
New financial guarantee contracts entered	2,976,150	27,528	–	3,003,678
New financial guarantee contracts expired	(633,701)	(7,977)	–	(641,678)
As at 31 December 2022	2,342,449	19,551	–	2,362,000
Changes due to financial guarantee contracts recognised as at 1 January:				
– Transfer to lifetime ECL				
– not credit-impaired	**(53,106)**	**53,106**	**–**	**–**
– Settlement	**(2,289,343)**	**(16,551)**	**–**	**(2,305,894)**
– Disposal	**–**	**(56,106)**	**–**	**(56,106)**
New financial guarantee contracts entered	**5,264,722**	**18,133**	**–**	**5,282,855**
New financial guarantee contracts expired	**(648,447)**	**(377)**	**–**	**(648,824)**
As at 31 December 2023	**4,616,275**	**17,756**	**–**	**4,634,031**

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For the year ended 31 December 2023

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group, and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of and financial liabilities.

In addition, the following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross inflows and outflows on those derivative instruments that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of each reporting period and projected exchange rates. The liquidity analysis for the Group's derivative financial instruments is prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average effective interest rate %	On demand/ less than 1 month RMB'000	1 month to 3 months RMB'000	3 months to 1 year RMB'000	over 1 year RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2023							
Non-derivative financial liabilities							
Loans from related parties	7.42	69,975	140,857	785,049	2,573	998,454	962,953
Borrowings	4.75	505,842	713,645	3,628,014	1,651,841	6,499,342	6,219,986
Other payables		153,767	643	11,083	–	165,493	165,493
Lease liabilities	5.60	1,017	1,848	8,100	10,490	21,455	19,969
Other financial liabilities at FVTPL		–	–	65,905	–	65,905	61,208
		730,601	856,993	4,498,151	1,664,904	7,750,649	7,429,609
Maximum amount guaranteed (note)		721,025	141,254	3,013,122	758,630	4,634,031	32,394
Derivatives – net settlement							
Foreign currency forward contracts		3,948	–	(6,052)	–	(2,104)	(1,995)
Interest rate swap contract		2,535	(2,066)	(1,947)	–	(1,478)	(1,431)
		6,483	(2,066)	(7,999)	–	(3,582)	(3,426)

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average effective interest rate %	On demand/ less than 1 month RMB'000	1 month to 3 months RMB'000	3 months to 1 year RMB'000	over 1 year RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
Derivatives – gross settlement							
Foreign currency forward contracts							
– inflow		–	106,987	103,825	–	210,812	208,881
– outflow		–	(99,812)	(101,193)	–	(201,005)	(199,152)
Foreign exchange swap contract							
– inflow		–	3,831	248,089	–	251,920	246,986
– outflow		–	(2,127)	(249,214)	–	(251,341)	(248,805)
		–	8,879	1,507	–	10,386	7,910

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For the year ended 31 December 2023

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average effective interest rate %	On demand/less than 1 month RMB'000	1 month to 3 months RMB'000	3 months to 1 year RMB'000	over 1 year RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2022							
Non-derivative financial liabilities							
Loans from related parties	6.26	130,693	3,605	247,088	–	381,386	370,052
Borrowings	5.81	1,078,882	543,760	3,055,780	1,907,869	6,586,291	6,240,310
Other payables		282,052	33,044	100,005	–	415,101	415,101
Lease liabilities	5.60	1,656	941	2,684	1,301	6,582	6,374
		1,493,283	581,350	3,405,557	1,909,170	7,389,360	7,031,837
Maximum amount guaranteed (note)		98,156	168,404	2,095,440	–	2,362,000	25,891
Derivatives – gross settlement							
Foreign currency forward contracts							
– inflow		595,481	6,104	446,590	200,757	1,248,932	1,236,590
– outflow		(599,077)	(5,815)	(455,291)	(201,005)	(1,261,188)	(1,248,684)
Interest rate swap contract							
– inflow		1,579	1,466	6,494	646	10,185	9,898
– outflow		(1,272)	(1,147)	(5,197)	(551)	(8,167)	(7,945)
Foreign exchange swap contract							
– inflow		–	–	46,221	–	46,221	45,604
– outflow		–	–	(45,079)	–	(45,079)	(44,774)
		(3,289)	608	(6,262)	(153)	(9,096)	(9,311)

Note: The maximum amount guaranteed in respect of financial guarantees represents the total amount of liability should all customers default. Since a significant portion of guarantee is expected to expire without being called upon, the maximum liabilities do not represent expected future cash outflows.

The amounts included above for variable interest rate instruments for financial assets and financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

40. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments

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

Some of the Group's financial assets are measured at fair value at the end of reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Set out below is the information about how the fair values of the Group's financial instruments that are measured at fair value are determined, including the valuation techniques and inputs used:

Fair value hierarchy as at 31/12/2023

	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:			
Derivative financial instruments	14,063	–	14,063
Other financial assets at FVTPL	326,975	289,102	616,077
Supply chain assets at FVTOCI	–	7,663,344	7,663,344
Equity instruments at FVTOCI	100	61,398	61,498
	341,138	8,013,844	8,354,982
Financial liabilities:			
Derivative financial instruments	9,579	–	9,579
Other financial liabilities at FVTPL	–	61,208	61,208
	9,579	61,208	70,787

40. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

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

Fair value hierarchy as at 31/12/2022

	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:			
Derivative financial instruments	5,649	–	5,649
Other financial assets at FVTPL	194,634	214,509	409,143
Supply chain assets at FVTOCI	–	8,422,078	8,422,078
Equity instruments at FVTOCI	200	53,429	53,629
	200,483	8,690,016	8,890,499
Financial liabilities:			
Derivative financial instruments	14,960	–	14,960

Financial assets/ liabilities	Fair value 2023 RMB'000	Fair value 2022 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Foreign currency forward contracts	Assets – 13,672 Liabilities – 5,938	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
Interest rate swap contracts	Assets – 391 Liabilities – 1,822	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

40. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

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

Financial assets/ liabilities	Fair value 2023 RMB'000	Fair value 2022 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Foreign exchange swap contracts	Assets – – Liabilities – –	Assets – 830 Liabilities – –	Level 2	Discounted cash flow. Future cash flows are estimated based on spot exchange rates (from observable spot exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
Cross currency swap contracts	Liabilities – 1,819	Liabilities – –	Level 2	Discounted cash flow. Future cash flows are estimated based on spot exchange rates (from observable spot exchange rates at the end of the reporting period) and contracted forward rates, 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
Equity instruments at FVTOCI – unlisted equity investments	Assets – 100	Assets – 200	Level 2	Recent transaction price	N/A
	Assets – 200	Assets – –	Level 3	Net assets value of the underlying investments	The higher the net assets value, the higher fair value
	Assets – 61,198	Assets – 53,429	Level 3	Market Approach Market Cap/Book value multiple	The higher implied multiple, the higher fair value
Other financial assets at FVTPL – structured deposit	Assets – 102,685	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

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40. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

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

Financial assets/ liabilities	Fair value 2023 RMB'000	Fair value 2022 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Other financial assets at FVTPL – unlisted investments funds	Assets – 224,290	Assets – 20,000	Level 2	Recent transaction price	N/A
	Assets – 21,061	Assets – –	Level 3	Net assets value of the underlying investments	The higher the net assets value, the higher fair value
Other financial assets at FVTPL – unlisted equity investments	Assets – –	Assets – 10,000	Level 2	Recent transaction price	N/A
	Assets – 75,550	Assets – 65,550	Level 3	Discounted cash flow. Discount rate and cash flows are key inputs	The higher cash flows, the higher fair value.
Other financial assets at FVTPL – equity tranche	Assets – 190,962	Assets – 146,730	Level 3	Discounted cash flow. Risk-adjusted discount rate 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 – 1,529	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 – 7,663,344	Assets – 8,422,078	Level 3	Discounted cash flow. Risk-adjusted discount rate and cash flow are key inputs	Discount rate (note)
Other financial liabilities at FVTPL – structured notes	Liabilities – 61,208	Liabilities – –	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 31 December 2023, the discount rate of the supply chain assets range mainly from 4.90% to 14.00% (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 RMB24,241,000/RMB24,687,000 (31 December 2022: RMB24,387,000/RMB24,736,000).

40. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

Fair value of financial instruments that are recorded at amortised cost

The fair values of financial assets and financial liabilities of the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The management consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Reconciliation of Level 3 fair value measurements

	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 2022	109,474	–	6,678,376	–
Transfer into level 3	65,550	–	–	–
Purchases/origination	97,473	40,594	15,766,663	–
Settlements	(90,263)	–	(12,324,485)	–
Disposal	–	–	(1,676,290)	–
Fair value changes through OCI, net of reclassification adjustment to profit or loss (note)	–	12,835	(22,186)	–
Fair value changes through profit or loss	32,275	–	–	–
At 31 December 2022	214,509	53,429	8,422,078	–
Transfer into level 3	**30,000**	**200**	**–**	**–**
Purchases/origination	**189,046**	**–**	**16,912,610**	**92,115**
Settlements	**(154,094)**	**–**	**(15,821,959)**	**(43,857)**
Disposal	**–**	**–**	**(1,859,370)**	**–**
Fair value changes through OCI, net of reclassification adjustment to profit or loss (note)	**–**	**7,769**	**9,985**	**–**
Fair value changes through profit or loss	**9,641**	**–**	**–**	**12,950**
At 31 December 2023	**289,102**	**61,398**	**7,663,344**	**61,208**

Note: Details of the amount recognised in OCI to profit and loss in relation to supply chain assets at FVTOCI derecognised during the year are set out in note 12(b).

All gains and losses included in OCI relate to supply chain assets at FVTOCI are reported as changes of FVTOCI reserves.

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For the year ended 31 December 2023

40. FINANCIAL INSTRUMENTS (continued)

(d) Transfers of financial assets

The following were the Group's supply chain assets that were transferred to banks, non-bank financial institutions and companies by discounting those supply chain assets on a full recourse basis or with repurchase obligation. As the Group has not transferred the substantially all risks and rewards relating to these supply chain assets, it continues to recognise the full carrying amount of the supply chain assets and has recognised the cash received on the transfer as borrowings (note 32).

	Supply chain assets	
	31/12/2023 RMB'000	31/12/2022 RMB'000
Carrying amount of transferred assets	**3,208,771**	3,452,116
Carrying amount of associated liabilities	**3,965,045**	3,590,557
Net position	**(756,274)**	(138,441)

41. PARTICULARS OF SUBSIDIARIES

General information of subsidiaries

Details of the principal subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiaries	Place and date of incorporation/ establishment/operations	Particulars of issued/registered capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December 2023	2022	Principal activities
Directly owned					
Sheng Ye International Capital Limited (盛業國際資本有限公司)	British Virgin Islands ("BVI") 24 September 2013	US$100,000,000	100%	100%	Investment holding

41. PARTICULARS OF SUBSIDIARIES (continued)

General information of subsidiaries (continued)

Name of subsidiaries	Place and date of incorporation/ establishment/operations	Particulars of issued/registered capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December 2023	2022	Principal activities
Indirectly owned					
Sheng Ye Global Limited (盛業環球有限公司)	Hong Kong 9 October 2013	HK$1	100%	100%	Investment holding
SY Factoring Limited* (盛業商業保理有限公司#)	PRC 26 December 2013	RMB1,670,000,000	100%	100%	Provision of supply chain service
Sheng Ye (Shenzhen) Factoring Limited (盛業(深圳)商業保理有限公司#) ("**SYSZF**")	PRC 21 March 2016	RMB85,000,000	N/A (note 43)	51%	Provision of supply chain service
Khorgos Yong Zhuo Factoring Limited (霍爾果斯永卓商業保理有限公司#)	PRC 7 March 2018	RMB50,000,000	100%	100%	Provision of supply chain service
Sheng Ye Information Technology Service (Shenzhen) Co., Limited* (盛業信息科技服務(深圳)有限公司#)	PRC 11 March 2016	RMB325,000,000	100%	100%	Provision of IT service
Tianjin Sheng Ye (Group) Limited* (天津盛業(集團)有限公司#)	PRC 2 November 2017	RMB2,561,000,000	100%	100%	Provision of management service
Sheng Long Information Technology Service (Ningbo) Co., Limited (盛隆信息科技服務(寧波)有限公司#)	PRC 9 July 2019	RMB175,000,000	93%	83%	Provision of IT service
Sheng Ye Financing Guarantee Limited* (盛業融資擔保有限公司#)	PRC 14 August 2020	RMB300,000,000	100%	100%	Provision of guarantee service
Tianjin Sheng Ye Investment Limited* (天津盛業投資有限公司#)	PRC 18 May 2021	RMB75,000,000	100%	100%	Provision of investment service
WXGJ*	PRC 12 June 2018	RMB300,000,000	80%	80%	Provision of supply chain service
Trade Nice Limited (麗貿有限公司) ("**TNL**") (note 42)	Hong Kong 22 March 2013	HK$22,400,000	100%	100%	Lease and business services
Shengzhi Construction & Development Co, Ltd* (盛智建設發展(無錫)有限公司#)	PRC 26 January 2022	RMB300,000,000	100%	100%	Property development
Qingdao SY Sunful Supply Chain Management Limited* (青島盛業曉盛供應鏈管理有限公司#)	PRC 14 November 2022	RMB248,000,000	100%	100%	Provision of supply chain service
Tianjin Xiangsheng Supply Chain Management Limited* (天津象盛供應鏈管理有限公司#)("**TJXS**")	PRC 6 December 2022	RMB130,000,000	82% (note)	100%	Provision of supply chain service

\# English translated name is for identification purpose only.

* The entities are wholly foreign owned enterprise established in the PRC.

Note: In June 2023, the Group disposed of 18% equity interest in TJXS at a consideration of RMB24,000,000, and retained control over TJXS, with an adjustment to capital reserve amounting to RMB275,000 recognised directly in equity attributed to owners of the Company.

41. PARTICULARS OF SUBSIDIARIES (continued)

General information of subsidiaries (continued)

The above table lists the subsidiaries of the Company, in the opinion of the directors of the Company, which principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during both years.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		31/12/2023	31/12/2022	31/12/2023 RMB'000	31/12/2022 RMB'000	31/12/2023 RMB'000	31/12/2022 RMB'000
WXGJ	PRC	20%	20%	13,397	12,433	99,254	113,611
Individually immaterial subsidiaries with non-controlling interests				3,902	11,776	37,467	93,886
						136,721	207,497

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

41. PARTICULARS OF SUBSIDIARIES (continued)

WXGJ

	31/12/2023 RMB'000	31/12/2022 RMB'000
Current assets	4,197,834	4,018,058
Non-current assets	173,235	302,459
Current liabilities	(3,171,679)	(3,052,570)
Non-current liabilities	(703,121)	(699,892)
Equity attributable to owners of the Company	397,015	424,053
Non-controlling interests of owner of WXGJ	–	30,391
Non-controlling interests of WXGJ	99,254	113,611

	2023 RMB'000	2022 RMB'000
Revenue	297,387	217,395
Expenses and other gains and losses	(230,403)	(155,228)
Profit for the year	66,984	62,167
Attributable to:		
– Owners of the Company	53,587	37,549
– Non-controlling interests of owner of WXGJ	–	12,185
– Non-controlling interests of WXGJ	13,397	12,433
	66,984	62,167

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For the year ended 31 December 2023

41. PARTICULARS OF SUBSIDIARIES (continued)

WXGJ (continued)

	2023 RMB'000	2022 RMB'000
OCI attributable to owners of the Company	2,922	(1,539)
OCI attributable to non-controlling interests of owner of WXGJ	–	(499)
OCI attributable to non-controlling interests of WXGJ	730	(509)
OCI for the year	3,652	(2,547)
Total comprehensive income attributable to owners of the Company	56,509	36,010
Total comprehensive income attributable to non-controlling interests of owner of WXGJ	–	11,686
Total comprehensive income attributable to non-controlling interests of WXGJ	14,127	11,924
Total comprehensive income for the year	70,636	59,620

	2023 RMB'000	2022 RMB'000
Net cash inflow (outflow) from operating activities	205,331	(482,383)
Net cash inflow from investing activities	38,582	47,565
Net cash (outflow) inflow from financing activities	(295,147)	262,316
Net cash outflow	(51,234)	(172,502)

42. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 10 June 2022, the Group acquired 100% interest in 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
Cash consideration paid	32,497

Net cash outflow on acquisition of TNL

	RMB'000
Cash consideration paid	32,497
Less: cash and cash equivalents acquired	(262)
	32,235

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

43. DEREGISTRATION OF SUBSIDIARIES

In August and October 2023, the Group de-registered 企熙信息科技服務(上海)有限公司(Qixi Information Technology Service (Shanghai) Co., Limited) ("**QXIT**") and SYSZF, subsidiaries of the Company, respectively.

The net assets of QXIT and SYSZF at the respective dates of deregistration were as follows:

	RMB'000
Cash and cash equivalents	87,933
Net assets upon deregistration of subsidiaries	87,933
Loss on deregistration of subsidiaries:	
Cash distributed to the Group received	44,846
Net assets upon deregistration of subsidiaries	(87,933)
Non-controlling interests	42,612
Loss on deregistration of subsidiaries	(475)
Net cash outflow arising on deregistration:	
Cash distributed to the Group	44,846
Less: Cash and cash equivalents upon deregistration of subsidiaries	(87,933)
	(43,087)

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings RMB'000	Other financial liabilities at FVTPL RMB'000	Lease liabilities RMB'000	Loans from related parties RMB'000	Dividend payable RMB'000	Total RMB'000
As at 1 January 2022	3,941,013	–	15,855	399,866	1,533	4,358,267
Financing cash flows	1,548,116	–	(13,581)	(64,734)	(74,480)	1,395,321
Dividends declared	–	–	–	–	74,622	74,622
New leases entered/lease modified	–	–	3,378	–	–	3,378
Non-cash transactions (note)	510,475	–	–	–	–	510,475
Interest and guarantee expenses	240,706	–	722	34,920	–	276,348
At 31 December 2022	6,240,310	–	6,374	370,052	1,675	6,618,411
Financing cash flows	(532,109)	48,258	(14,101)	335,198	(70,634)	(233,388)
Dividends declared	–	–	–	–	99,295	99,295
New leases entered/lease modified	–	–	26,434	–	–	26,434
Non-cash transactions (note)	165,389	–	–	203,618	–	369,007
Fair value adjustments	–	12,950	–	–	–	12,950
Exchange adjustments	(7,068)	–	14	–	–	(7,054)
Interest and guarantee expenses	353,464	–	1,248	54,085	–	408,797
At 31 December 2023	6,219,986	61,208	19,969	962,953	30,336	7,294,452

Note: During the year ended 31 December 2023, the group entered into certain finance arrangements with banks. Under these arrangements, the Group recognised borrowings of RMB369,007,000 (2022: RMB510,475,000) represent the payments to the suppliers by the relevant banks directly. Details of these arrangements are set out in note 32.

During the year ended 31 December 2023, WXTH transfer 20% equity interest in WXGJ to Wuxi Taihu New City. As part of the transfer, non-cash adjustments resulting from settlement of borrowings amounting to RMB203,618,000 by related parties were recognised.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31/12/2023 RMB'000	31/12/2022 RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	912,469	881,943
Loan to a subsidiary	288,649	133,148
Amounts due from a subsidiary	1,055,919	1,021,666
	2,257,037	2,036,757
CURRENT ASSETS		
Derivative financial instruments	1,018	–
Loans to subsidiaries	336,730	527,721
Other receivables, prepayments and others	338	123
Amounts due from subsidiaries	48,116	46,450
Pledged bank deposits	25,525	26,918
Cash and cash equivalents	9,728	7,352
	421,455	608,564
CURRENT LIABILITIES		
Borrowings	108,682	91,617
Trade and other payables	3,237	2,676
Amounts due to subsidiaries	48,362	–
Derivative financial instruments	–	29
	160,281	94,322
NET CURRENT ASSETS	261,174	514,242
NON-CURRENT LIABILITIES		
Borrowings	322,512	181,705
Derivative financial instruments	–	680
	322,512	182,385
NET ASSETS	2,195,699	2,368,614
CAPITAL AND RESERVES		
Share capital	8,559	8,717
Reserves	2,187,140	2,359,897
TOTAL EQUITY	2,195,699	2,368,614

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Movement in reserves

	Treasury stock RMB'000	Share premium RMB'000	Share held for RSU Scheme RMB'000	Share-based payments reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2022	–	2,319,847	–	27,381	41,560	2,388,788
Profit for the year	–	–	–	–	56,306	56,306
Purchase of shares under RSU Scheme	–	–	(39,311)	–	–	(39,311)
Recognition of equity-settled share-based payments	–	–	–	5,968	–	5,968
Dividends recognised as distribution	–	(64,712)	–	–	–	(64,712)
Exercise of share options	–	17,207	–	(4,349)	–	12,858
Lapse of share options	–	–	–	(3,067)	3,067	–
At 31 December 2022	–	2,272,342	(39,311)	25,933	100,933	2,359,897
Profit for the year	–	–	–	–	5,586	5,586
Purchase of shares under RSU Scheme	–	–	(20,133)	–	–	(20,133)
Repurchase of shares	(96,085)	–	–	–	–	(96,085)
Cancellation of treasury stock	95,076	(94,918)	–	–	–	158
Recognition of equity-settled share-based payments	–	–	–	5,578	–	5,578
Dividends recognised as distribution	–	(67,861)	–	–	–	(67,861)
Lapse of share options	–	–	–	(7,095)	7,095	–
At 31 December 2023	(1,009)	2,109,563	(59,444)	24,416	113,614	2,187,140

46. EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 December 2023, Wuxi Taihu New City subscribed RMB569.4 million of the capital increase in WXGJ. The Group's total indirect equity interest in WXGJ had been diluted from 80% to 49% and WXGJ ceased to become a subsidiary of the Group. Details of the capital increase are disclosed in the Company's announcements dated 28 February 2024.

In March 2024, the Group de-registered YZF.

In January and February 2024, the Company repurchased 429,000 and 64,500 ordinary shares of its own shares respectively from the market which have not been cancelled as at the date of this annual report. The shares were acquired at prices ranging from HK$4.13 to HK$4.47.

Except as disclosed above and in note 14 of the consolidated financial statements, the Group had no other significant subsequent event after the reporting period.

CORPORATE INFORMATION

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

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