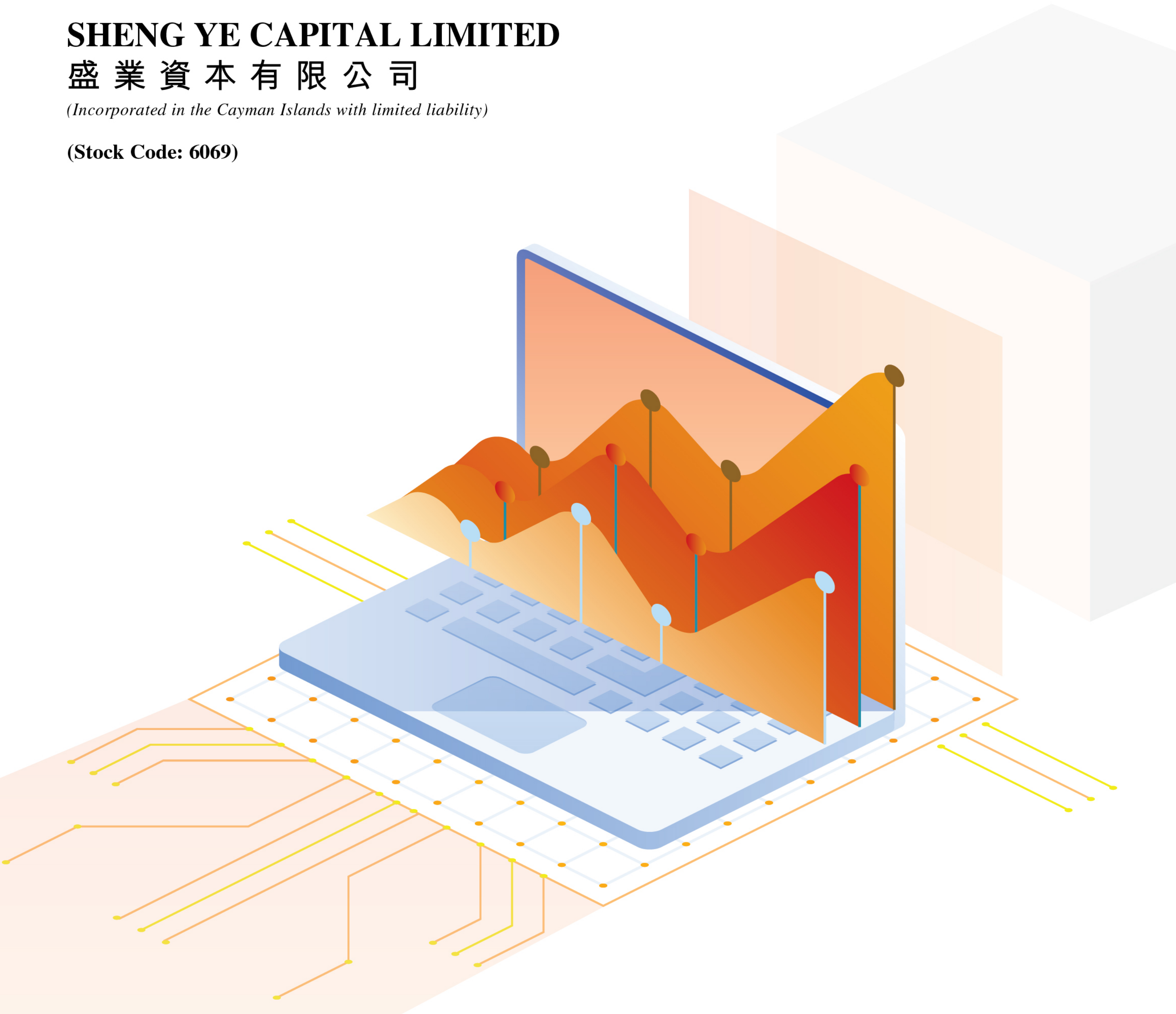
盛業資本
SHENG YE CAPITAL

SHENG YE CAPITAL LIMITED
盛 業 資 本 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6069)



2020 Annual Report

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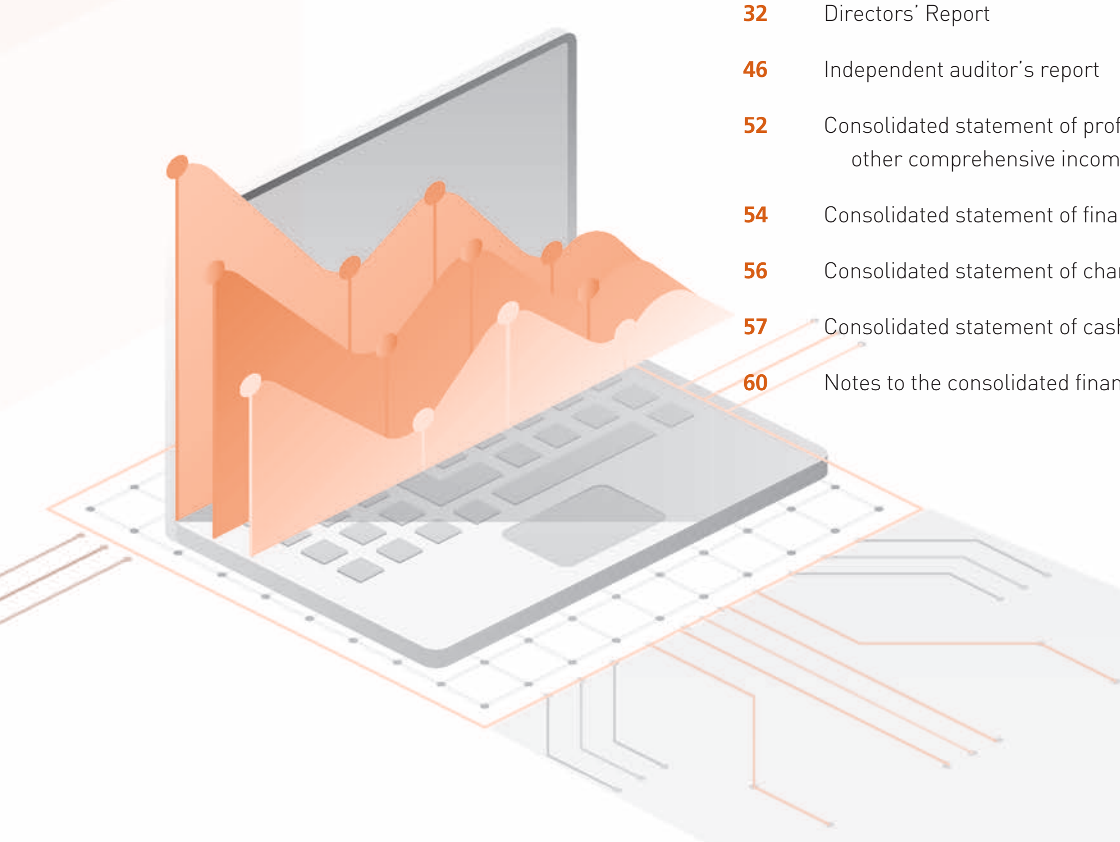


SUMMARY OF FINANCIAL INFORMATION

	FOR THE YEAR ENDED 31 December 2020 RMB'000	FOR THE YEAR ENDED 31 December 2019 RMB'000	FOR THE YEAR ENDED 31 December 2018 RMB'000	FOR THE YEAR ENDED 31 December 2017 RMB'000	FOR THE YEAR ENDED 31 December 2016 RMB'000
OPERATING RESULTS					
Revenue	**495,887**	450,421	345,896	157,317	112,791
Gain on sales of factoring assets	**138,233**	156,242	124,548	57,967	5,876
Subtotal	**634,120**	606,663	470,444	215,284	118,667
Profit before tax	**387,088**	362,492	295,654	133,016	68,172
Profit for the year	**337,396**	295,125	211,874	88,807	48,008
Earnings per share					
– Basic (RMB cents)	**37**	32	26	14	9
– Diluted (RMB cents)	**37**	32	26	14	N/A

	AS AT 31 December 2020 RMB'000	AS AT 31 December 2019 RMB'000	AS AT 31 December 2018 RMB'000	AS AT 31 December 2017 RMB'000	AS AT 31 December 2016 RMB'000
FINANCIAL POSITION					
Total assets	**4,786,498**	4,479,174	3,192,581	1,718,821	1,451,337
Net assets	**3,027,344**	2,418,060	2,116,062	1,105,278	709,197

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Hung Ka Hai Clement
Mr. Loo Yau Soon
Mr. Twoon Wai Mun, Benjamin
Mr. Fong Heng Boo

AUDIT COMMITTEE

Mr. Hung Ka Hai Clement (Chairman)
Mr. Twoon Wai Mun, Benjamin
Mr. Loo Yau Soon

NOMINATION COMMITTEE

Mr. Tung Chi Fung (Chairman)
Mr. Twoon Wai Mun, Benjamin
Mr. Hung Ka Hai Clement

REMUNERATION COMMITTEE

Mr. Loo Yau Soon (Chairman)
Mr. Tung Chi Fung
Mr. Hung Ka Hai Clement

COMPANY SECRETARY

Mr. Wang Zheng

AUTHORISED REPRESENTATIVES

Mr. Tung Chi Fung
Mr. Wang Zheng

REGISTERED OFFICE

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

COMPANY'S WEBSITE ADDRESS

www.shengyecapital.com

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

AUDITORS

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

LEGAL ADVISER

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

STOCK CODE

6069

CHAIRMAN'S STATEMENT

Dear Shareholders:

Thank you for your continued help, support and trust in Sheng Ye Capital Limited (the "**Company**", the "**Group**" or "**SY Capital**").

The year of 2020 was a defining moment for both our business and our customers due to the onset of the COVID-19 pandemic. While this has had a deep impact on our socio-economic community, it also forced many companies to fundamentally rethink their business models and include digitalization as part of their future strategy.

Despite the major disruptions impacting travel and businesses over the year, we adapted swiftly to the changing environment by being proactive, giving our employees, customers and their families the utmost support in terms of providing medical supplies and care, while at the same time, ensuring normal operations and assisting customers in resuming business. Even with the macroeconomic headwinds impacting global businesses and supply chains, the collective efforts of everyone in the Group enabled us to achieve several milestones and ended the year maintaining a stable growth trajectory.

Looking back on our performance for the fiscal year of 2020, the Group's profit for the year totaled approximately RMB337 million, representing an increase of 14% year-on-year. Total platform users were over 7,000, translating to an increase of more than 80% over the previous year, while achieving accumulated total assets under management of approximately RMB100 billion. These further reaffirm the sustainability and maturity of our business model. One of the notable highlights last year was also the completion of an HKD388.5 million equity top-up placement executed in September 2020, resulting in an enlarged equity base of approximately RMB3.03 billion as of 31 December 2020, making us one of the largest third-party commercial factoring groups in China at that point of time. The placement exercise not only solidified our balance sheet but also attracted strong interest from several institutional investors, allowing us to expand our shareholder base to internationally renowned investors, at the same time, galvanizing the trading liquidity of the Company's shares. Amidst growing interest from the global investor community in both the supply chain financing sector and the Company, Macquarie and DBS Bank initiated research coverage of the Group in November 2020, outlining the Company's strong fundamentals and future growth potential. Both international institutions had also re-iterated their buy ratings in early 2021.

Since our establishment in 2013, technology has always been an important cornerstone of our core business in anticipation of the digital economy. Over the years, we have successfully built an industry focused and data-driven digital technology platform. By leveraging technology and our credibility, we develop close working relationships with core enterprises, entrenching ourselves within the supply chain ecosystem and supporting the working capital needs of numerous downstream companies. Our unwavering commitment and investment into research and development allows us to strengthen our risk management framework, elevate the online customer experience and also minimize the disruption to our business brought about by the pandemic. Since our listing in 2017, we have invested a cumulative total of over RMB77.7 million in technology research and development, and will continue to stay committed to investing in this area as well as new technology applications and talent. We firmly believe that only through sheer persistence and overcoming the most challenging obstacles, can the greatest value be created!

Our technology leadership and innovation capabilities will gradually unfold with the launch of our "Dual-Engine, One-Platform" (or "2+1") growth strategy in January 2021. The "dual-engine" refers to both "industrial technology" and "digital financing" as the two growth engines. By harnessing "industrial technology" to provide core enterprises with Software-as-a-Service ("**SaaS**") solutions, we can more effectively ingrain ourselves within the industry, reinforce the quality of transaction data acquired through our platform, which in turn, further promotes the sustainable development of "digital financing" and position the Group as a "one-platform" solution for supply chain financial services.

Finally, to reward shareholders for their ongoing support, the directors of the Group has recommended a dividend payment of HKD6.3 cents per share. Upon receiving shareholders' approval at the upcoming Annual General Meeting, the total cumulative dividends paid and proposed since our listing in 2017 would amount to approximately HKD140 million[1]. On behalf of the Board, I would like to thank all our stakeholders – management, employees, customers, partners and our shareholders – for being with us on this journey.

Sheng Ye Capital Limited
Tung Chi Fung
Chairman and Executive Director

1 In arriving at the cumulative amount of dividends, dividends for the year ending December 31, 2020 is calculated based on the total number of ordinary shares issued by the company as of March 18, 2021.

BIOGRAPHIES OF THE DIRECTORS

EXECUTIVE DIRECTOR

Mr. Tung Chi Fung, aged 34, 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 and a donor of the SMU P.A.K Entrepreneurship Fund.

Mr. Chen Jen-Tse, aged 49, 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 Chief Risk Officer of the Group and 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Ka Hai Clement, aged 65, obtained a Bachelor of Arts Degree from the University of Huddersfield, United Kingdom in 1980. Mr. Hung had served Deloitte China for 31 years where he had assumed various leadership roles, including serving as the Managing Partner of Deloitte Shenzhen office and Guangzhou office, before he took up the chairman role of Deloitte China from 2014 to 2016. He was also a member of the China management team of Deloitte China. Mr. Hung had also assumed the role of the Southern Audit Leader and the Deputy Managing Partner of the southern region of China (including Hong Kong, Macau, Shenzhen, Guangzhou, Xiamen and Changsha). He was also a board member of Deloitte Global. In June 2016, he retired from Deloitte China.

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

Mr. Hung was appointed as an Independent Non-executive Director in June 2017. Mr. Hung is also serving as a director of each of the following 7 listed companies whose issued shares are listed on the Stock Exchange:

- an independent non-executive director of Gome Finance Technology Company Limited (formerly known as Sino Credit Holdings Limited) (stock code: 628) since 31 October 2016;
- a non-executive director of High Fashion International Limited (stock code: 608) since 1 December 2017;
- an independent non-executive director of Aoyuan Healthy Life Group Company Limited (stock code: 3662) since 22 February 2019;
- an independent non-executive director of China East Education Holdings Limited (stock code: 667) since 12 June 2019;
- an independent non-executive director of Huarong International Financial Holdings Limited (stock code: 993) since 13 December 2019;
- an independent non-executive director of Tibet Water Resources Ltd. (stock code: 1115) since 31 December 2019; and
- an independent non-executive director of Skyworth Group Ltd. (stock code:0751) since 18 March 2020.

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

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

BIOGRAPHIES OF THE DIRECTORS

Mr. Loo Yau Soon, aged 48, 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 2019, he was the chief executive officer of the Brunei Economic Development Board.

Mr. Twoon Wai Mun, Benjamin, aged 32, was appointed as an Independent Non-executive Director in June 2017. He is a member of each of the Audit Committee and the Nomination Committee. Mr. Twoon's experiences include financial services, corporate finance, private equity and financial technology. He was a management associate at Citibank N.A. (Singapore) from July 2013 to September 2014, where he was responsible for the Citi-AIA Joint Venture and the implementation of productivity plans in the APAC region. From September 2014 to April 2015, Mr. Twoon worked as a Business Development (M&A) Executive in Pavilion Energy Management Pte Ltd., in Singapore, where he was responsible for the evaluation and management of investments in the oil and gas industry in various countries, formulating investment strategies and identifying potential acquisition targets. Mr. Twoon is currently the co-founder and the Chief Operating Officer of a licensed regional Fintech platform, Fundnel Pte Limited, since July 2015, and he is responsible for investments, business development and overseeing the operations of the company in 6 markets. Mr. Twoon is also a non-executive director of Anthill Capital Pte Ltd since May 2016, a regional investment and incubation platform, where he is responsible for evaluation of investments and syndication efforts across technology-related opportunities across Asia. In May 2017, Mr. Twoon was appointed as a non-executive director of Y Ventures Group, an e-commerce retailer and distributor listed on the Singapore Stock Exchange. He sat on the Remuneration Committee and he has involved in the development of business and growth strategies, as well as frameworks for corporate governance, and resigned in March 2019. In January 2019, Mr. Twoon was appointed as a director of HGX Pte Ltd., a company incorporated in Singapore which is Southeast Asia's first member-driven Private Exchange for unlisted securities.

Mr. Fong Heng Boo, aged 71, was appointed as an Independent Non-executive Director in September 2018. 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, 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. Mr. Fong has been appointed as 1) an independent director of Colex Holdings Limited, a company listed on the Singapore Exchange (stock code: 567), since March 1999; 2) an independent director of CapitalLand Retail China Trust, a real estate investment trust listed on the Singapore Exchange (stock code: AU8U), since January 2013; 3) an independent director of TA Corporation Ltd, a company listed on the Singapore Exchange (stock code: PA3), since December 2017; and 4) an independent director of Livingstone Health Holdings Limited (formerly known as Citicode Ltd.), a company listed on the Singapore Exchange (stock code: 5FH), since July 2018.

BUSINESS REVIEW

1. Company Overview

Sheng Ye Capital (the "**Group**" or "**SY Capital**") is a leading supply chain fintech platform provider of one-stop SaaS and financial services solutions for companies within the industry esosystem across the Asia-Pacific. Our business broadly covers two key verticals:

Providing flexible financing solutions to SMEs

SY Capital offers a range of flexible account receivable ("**AR**")-based direct lending and supply chain financing solutions including AR management services to meet the vast financing needs of underserved small, medium, and micro enterprises ("**SMEs**") in the region. The Group relies on its data-driven technology platform to assess, review and verify the creditworthiness of transactions relating to the AR, the collection of AR on behalf of customers, including periodic customer reporting relating to matters concerning their accounts receivables.

Providing SaaS solutions and Fintech Services

Leveraging its deep industry knowledge in the core sectors of infrastructure, medical and energy, as well as strong technology research and development ("**R&D**") capabilities, the Group provides Software as a Service ("**SaaS**") to core enterprises in the areas of smart enterprise solutions, Internet of Things, and supply chain procurement systems. The Group's SaaS offering enables it to access real-time transaction data, enhance supply chain finance offerings and deepen relationships with customers including core enterprises, SMEs and financial institutions allowing SY Capital to accelerate its platform development in the supply chain service ecosystem.

The Group's proprietary fintech platform, known as "Easy Factoring", incorporates technologies such as electronic signatures, optical character recognition (**OCR**), big data analytics, video authentication and facial recognition to ensure a seamless customer experience for online applications and the approval process. Over the past year, its technology platform has also been increasingly important in driving the loan facilitation business which allows banks to tap on its customer acquisition channels, as well as facilitating the asset-backed securities ("**ABS**") and asset-backed notes ("**ABN**") issuance of large corporations through providing information technology support, AR securitization and asset management services.

These two verticals work synergistically to help strengthen our data analytics capabilities on our platform while enhancing the effectiveness of our customer screening and credit scoring system.

2. 2020 Business Highlights

Supporting the SME community and enabling businesses

Despite the disruptions to supply chains brought about in 2020 due to the COVID-19 pandemic, the Group continues to provide seamless assistance to SME customers amidst this difficult period by leveraging its cloud-based platform to facilitate applications remotely, allow loan extensions, as well as waive extension fees in order for customers to meet their working capital needs.

Total loans disbursed by the Group during the full year of 2020 amounted to over RMB13 billion, of which the bulk was extended to SMEs. In order to expand its footprint within this space, the Group also incorporated Sheng Ye Financing Guarantee Limited, a new PRC subsidiary with a financial guarantee license in August 2020 so as to provide more wide-ranging solutions for SMEs.

COVID-19 accelerates digitalization and business transformation

Although the pandemic continues to weigh on the global economy leading into 2021, China was one of the few countries to register a positive growth in GDP for 2020.

The onset of the COVID-19 pandemic has also resulted in an increasing number of SMEs and large core enterprises moving online to conduct their businesses, resulting in an over 80% jump in total platform users and an approximately two-fold increase in income from information technology services.

During this period, the Group remains committed to helping core enterprises with the provision of SaaS solutions in getting timely access to information. As the entire process is done online through our Easy Factoring platform, it not only allows companies to maximize their efficiency but also facilitates the credit assessment process by the Group's funding partners.

The digitalization and rapid adoption of fintech in the supply chain ecosystem also provided a boost to the Group's loan facilitation business, in which the daily average balance stood at RMB702 million for the year ended 31 December 2020, an increase of 15 times over the previous year. This is also driven in part by the Chinese government ("**Government**")'s push towards a new digital economy, as well as policies supporting the development and reform of the industry such as the issuance of Notice 205 by the China Banking and Insurance Regulatory Commission ("**CBIRC**") to regulate the commercial factoring sector and the official inclusion of factoring contracts into the Civil Code in January 2021. These policies provide a legal foundation for the development of supply chain financing.

As the world becomes increasingly digital, the Group remains committed to investing in our platform. Over the past year, the Group has been dedicating more resources towards R&D to enhance the capabilities of its platform. Technology staff headcount (including outsourced staff) stood at 106, an increase of 58% over the previous year. The increase in technology staff headcount is also an indication of the Group's commitment to continuously improve its platform, allowing it to enhance its risk management infrastructure and benefit from superior asset quality. In April 2020, the Group's platform was also granted access to the People's Bank of China ("**PBOC**") Credit Reference Center system and was further integrated officially in February 2021, allowing it to access the credit reports of SMEs even more quickly and seamlessly.

Core industry sectors of energy, infrastructure, and medical continue to demonstrate resilient growth

Despite the economic overhang brought about by the pandemic, the three core sectors in which the Group focuses on, remained resilient and stable as they were pillars of the Chinese economy. While the infrastructure and energy sectors were relatively insulated from the impact of the COVID-19 pandemic and saw stable growth, the medical sector saw a surge in demand and supply.

Over the past year, the Group has continued to be proactive in engaging core enterprises in these three segments. The execution of the strategic partnership with China Railway Factoring Co., Ltd. ("**China Railway Factoring**"), the factoring arm of China Railway Capital Ltd. ("**China Railway Capital**") in February 2021 marked a successful milestone following the Group's close collaboration with China Railway Group, one of the largest state-owned infrastructure groups in China. Through this synergistic initiative, all parties will contribute resources to expand new service offerings in a huge supply chain financing market.

The inclusion of factoring contracts in the Civil Code was a historic moment for the industry

The announcement by the 13th National People's Congress of China in May 2020[1] to include factoring contracts in the Civil Code represented a historic milestone for the industry. China became the first country in the world to define factoring contracts as an independent contract in the Civil Code, codifying the rules for factoring under a legal framework.

With the provision being enforced on 1 January 2021, the Group believes that this further institutionalizes the factoring market and provides a positive catalyst for the growth of China's commercial factoring industry.

Proactive diversification of funding avenues

Over the past year, the Group has also actively diversified its funding avenues and optimized its capital structure by forging numerous partnerships with various financial institutions including commercial banks and asset management companies on the back of its strong operating track record and technology platform capabilities. During the year, the number of funding partners increased from 29 at the end of December 2019 to 46 as at end December 2020.

Some of the notable funding partnerships forged over the past year included (a) the execution of an agreement in August 2020 with a factoring subsidiary of the fintech arm of a Fortune 500 technology giant for the re-factoring of account receivables in the medical sector; and (b) a RMB1 billion cooperation started from November 2020 with one of the pioneering digital banks in China, to provide financing solutions for SMEs in the infrastructure and medical sectors.

More recently in March 2021, the Group also signed a two-year RMB525 million offshore syndicated loan agreement and a strategic cooperation agreement with a consortium led by Mega International Commercial Bank Co., Ltd. and Bank SinoPac. This not only provided additional liquidity for strengthening the Group's capital base, but was also the first offshore syndicated loan in China's factoring market.

These collaborations are a strong testament of the Group's fintech capabilities and robust digital technology platform. Through its funding partners the Group was also able to create additional sources of financing to drive its loan facilitation business, enabling the Group to provide tailor-made solutions to the SME community.

On the equity side, the Group successfully raised HKD388.5 million in equity through a top-up share placement executed in September 2020. This was the second share placement undertaken by the Group since its successful debut listing on the Hong Kong Stock Exchange in 2017. The proceeds from the placement not only reinforced the Group's strong balance sheet position but was also symbolic as it drew strong interest from the international investor community.

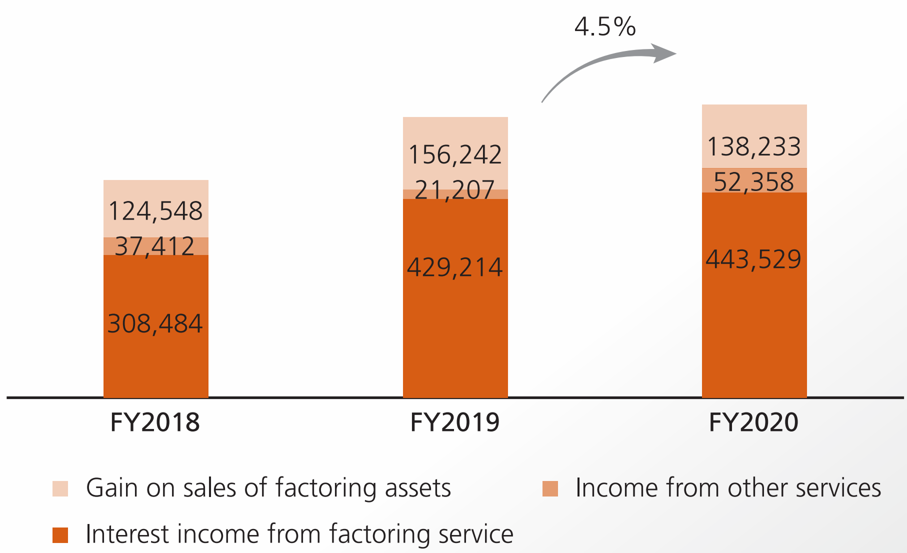
[1] http://www.cfec.org.cn/en/view.php?aid=2134

FINANCIAL REVIEW

Income from factoring and other services

The Group maintained a positive growth trajectory in 2020. Income from factoring and other services reached RMB634.1 million during the year, an increase of 4.5% compared with 2019. Within this: a) interest income from factoring service reached RMB443.5 million, an increase of 3.3% year-on-year, b) income from other services, which included loan facilitation income as well as supply chain information technology management service income from partnering ABS and ABN issuers, reached RMB52.4 million, an increase of 146.9% year-on-year, c) gain on sales of factoring assets amounted to RMB138.2 million, a decrease of 11.5% year-on-year. The significant increase in income from other services was mainly contributed by the expansion of its loan facilitation business, due to the Group's push towards a platform-based transformation, providing SMEs and core enterprises with convenient supply chain SaaS solutions and one-stop financing services.

Income from factoring and other services (RMB'000)



Other gains and losses

The Group booked other gains of RMB45.8 million in 2020 mainly due to the increase in gain from changes in fair value of other financial assets at fair value through profit or loss ("**FVTPL**") and the net exchange gain. The increase in fair value of other financial assets at FVTPL was mainly due to the increase in gain from changes in fair value of equity tranche of ABS and ABN issued by core enterprises. The Group has assisted in the ABS and ABN issuances by leveraging its fintech capabilities to enhance the efficiency and certainty of the issuances. The increase in the net exchange gain was mainly due to the borrowings denominated in USD as a result of appreciation of RMB against USD during the year.

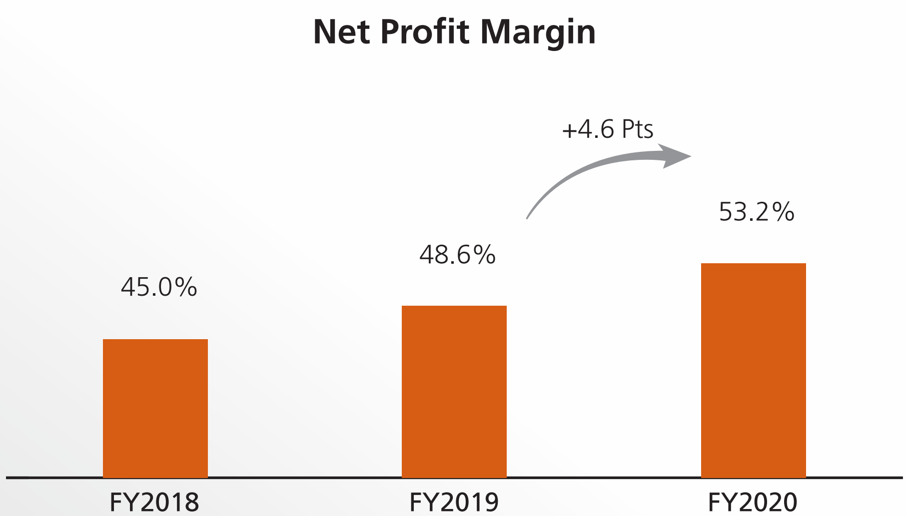
Expenses

Administrative and other expenses mainly comprise staff costs, R&D costs, depreciation of right-of-use assets and amortisation of intangible assets. Administrative and other expenses recognised in profit or loss in the year of 2020 was RMB189.7 million, an increase of 18.4% year-on-year mainly due to the increase in staff costs and R&D costs as a result of business expansion. R&D costs recognised in other expenses increased by 64.5% during the year to strengthen its fintech solutions and its Easy Factoring Cloud platform. The number of IT engineers rose over 58% year-on-year, accounting for 37% of the total staff, at the end of 2020. Total staff cost recognised in administrative expenses for the year of 2020 was RMB95.2 million, an increase of 36.8% year-on-year was mainly due to the increase in headcount.

The operational cost-to-income ratio for the year of 2020 was 29.2% as compared with 22.4% in 2019. This excludes one-time expenses. The Group's cost-to-income ratio reflects its expansion efforts relating to talent recruitment to further improve business efficiency and customer experience.

Net profit

Net profit in the year of 2020 was RMB337.4 million, an increase of 14.3% year-on-year. Net profit margin was 53.2%, which was 4.6 percentage points higher than that of the same period last year.

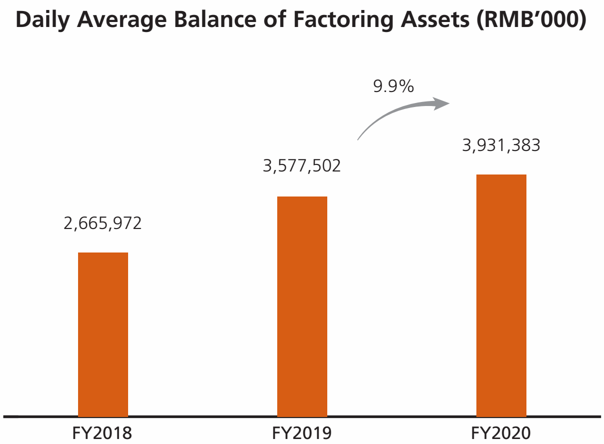


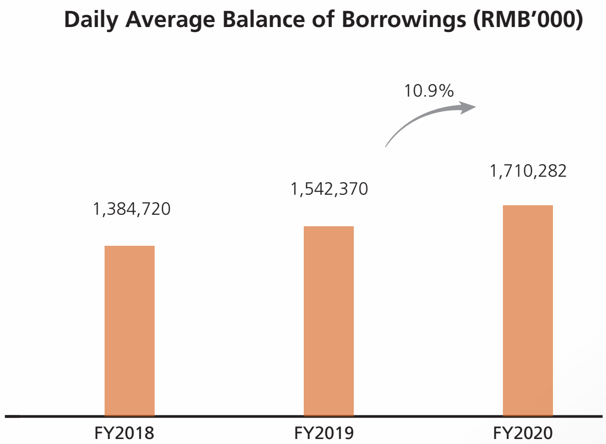
Factoring assets at fair value through other comprehensive income ("FVTOCI")

Factoring assets at FVTOCI as of 31 December 2020 were RMB3,804.2 million, a 0.9% decrease year-on-year. Daily average factoring assets over the year of 2020 were RMB3,931.4 million, a 9.9% increase over the year of 2019. Based on daily average factoring assets, interest yield on factoring assets in the year of 2020 was 11.3%, which was 0.7 percentage points lower year-on-year, mainly due to (i) the lower market interest rates as part of the national policies for promoting financial inclusion and supporting the real economy; and (ii) higher allocation to the lower-yield products in the medical sector to support medical suppliers during the pandemic.

Borrowings

Borrowings as of 31 December 2020 was RMB1,475.9 million, a 21.0% decrease year-on-year. Daily average borrowings over the year of 2020 were RMB1,710.3 million, a 10.9% increase year-on-year. The increase in finance costs of RMB16.1 million year-on-year was mainly due to an increase in daily average borrowings to finance the Group's business expansions.





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 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 2020 and 2019. The decrease in effective tax rate from 18.6% for the year ended 31 December 2019 to 12.8% for the year ended 31 December 2020 was mainly attributable to the increase in the profit before taxation for certain PRC subsidiaries that enjoy preferential tax rates.

For the year ended 31 December 2020, income tax expenses amounted to approximately RMB49.7 million (for the year ended 31 December 2019: RMB67.4 million).

BUSINESS OUTLOOK AND PROSPECTS

SY Capital's business continues to ride on the strong macro-economic fundamentals of China's economy. The Group believes that the broad policy supporting the development of private companies and innovation[2] in the new digital economy will continue to benefit the supply chain technology and financing landscape.

Powering forward as a supply chain fintech platform

As part of leading innovation in technology, the Group unveiled a 3-year growth initiative in January this year, called the "Dual-Engine, One Platform (2+1)" model. The "dual-engine" refers to both "industrial technology" and "digital financing" as the two growth engines. By harnessing "industrial technology" to provide core enterprises with SaaS solutions including smart infrastructure solutions, Internet-of-Things and procurement systems, the Group becomes more deeply entrenched within the industry. This in turn reinforces the quality of transaction data the Group has on its platform, allowing it to accelerate the development of digital financing within the industry ecosystem, and drive the convergence of supply chain services on its "one platform", effectively positioning the Group as a one-stop solution for SaaS and supply chain financial services.

Strengthening focus on R&D

Technology and big data analytics will continue to be an important component of the Company's DNA. The Dual-Engine, One-Platform initiative will see a deeper focus and further R&D investment into the Group's infrastructure, which will set a strong foundation for its technology leadership within the supply chain ecosystem. Going forward, the Group will strengthen its R&D capabilities through further investment into its technology platform as part of its corporate objective of being a leading supply chain fintech platform across the Asia-Pacific.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

During the year ended 31 December 2020, the Group's main source of funds was the cash generated from daily operations, proceeds from new borrowings and the placement of shares. As at 31 December 2020, the Group had bank balances of RMB348.7 million (31 December 2019: RMB377.3 million), of which 97.8% and 0.9% were denominated in RMB and HKD respectively.

As at 31 December 2020, the Group had interest-bearing borrowings and bank overdraft which amounted to RMB1,486.7 million (31 December 2019: RMB1,885.2 million). Its gearing ratio, expressed as total liabilities over total equity was 0.58 as at 31 December 2020 (at 31 December 2019: 0.85).

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK6.3 cents per ordinary share of the Company for the year ended 31 December 2020 (for the year ended 31 December 2019: HK5.3 cents per ordinary share).

2 https://www.ndrc.gov.cn/xxgk/zcfb/tz/202010/t20201023_1248824.html

USE OF PROCEEDS

The Placement in 2018

On 28 June 2018, the Company, Wisdom Cosmos Limited ("**Wisdom Cosmos**"), the immediate holding of the Company, Oversea-Chinese Banking Corporation Limited ("**OCBC**") and Macquarie Capital Limited ("**Macquarie**") (OCBC and Macquarie collectively referred to as the "**Joint Placement Agents A**") entered into a placement agreement pursuant to which the Wisdom Cosmos agreed to place, through the Joint Placement Agents A on a best effort basis, a maximum of 148,000,000 existing ordinary shares at a price of HKD6.00 per share ("**Placement A**").

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

The Placement A and the Subscription A were completed on 4 July and 11 July 2018 respectively. An aggregate of 138,484,000 subscription shares (equals to the number of the placing shares successfully placed under the Placement A) were subscribed by Wisdom Cosmos at the subscription price of HKD6.00 for each subscription share. The subscription shares represent approximately 15.76% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription shares. The Company received total net proceeds of approximately HKD819.5 million (equivalent to approximately RMB698.0 million) from the Placing A and the Subscription A.

The placing price of HKD6.00 per placing share represents: (i) a discount of approximately 16.6% to the closing price of HKD7.19 per share as quoted on the Stock Exchange on 28 June 2018; and (ii) a discount of approximately 17.6% to the average of the closing prices of approximately HKD7.28 per share as quoted on the Stock Exchange for the last 5 consecutive trading days prior to 28 June 2018.

The Placement in 2020

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

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

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

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

Use of proceeds from the Placement

During the year ended 31 December 2018, 31 December 2019 and 31 December 2020, 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 2018 (Approximately HK$ million)	Actual use of net proceeds during the year ended 31 December 2019 (Approximately HK$ million)	Actual use of net proceeds during the year ended 31 December 2020 (Approximately HK$ million)	Intended use and expected timeline of the remaining amount of net proceeds
General working capital of the Group for expanding the factoring operations	757.0	757.0	–	–	The amount of the net proceeds for the general working capital of the Group for expanding the factoring operations had been fully utilised.
Developing the online factoring platform and IT system of the Group	62.5	18.5	27.4	16.6	The amount of the net proceeds for developing the online factoring platform and IT system of the Group had been fully utilised.
Expansion of the supply chain financing operation of the Group	363.6	–	–	363.6	The amount of the net proceeds for expansion of the supply chain financing operation of the Group had been fully utilised.
Enhancing the online factoring platform, SasS capabilities and data-driven risk control system of the Group	19.1	–	–	18.0	The remaining unutilised amount of approximately HKD1.1 million will be used for enhancing the online factoring platform, SaaS capabilities and data-driven risk control system of the Group and is expected to be fully utilised by 30 June 2021.

CAPITAL COMMITMENTS

As at 31 December 2020, the capital commitments of the Group comprised investment in an associate of approximately RMB 3.2 million, purchase of intangible assets of approximately RMB 0.1 million (31 December 2019: purchase of intangible assets of approximately RMB 0.6 million).

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

As at 31 December 2020, the Group had pledged bank deposits of RMB255.5 million, security deposits of RMB9.2 million, and certain factoring assets with an aggregate carrying amount of RMB678.7 million to banks and third parties for facilities, loan facilitation platform in partnership with a bank and derivative financial instruments (31 December 2019: pledged bank deposits of RMB86.4 million, security deposits of RMB9.8 million, pledged structured deposit of RMB9.0 million, and certain factoring assets with an aggregate carrying amount of RMB462.5 million to banks and third parties for facilities, loan facilitation platform in partnership with a bank and derivative financial instruments).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

In April and December 2020, the Group de-registered its investment in Sheng Nuo Factoring Limited* (盛諾商業保理有限公司, "**SNF**") and Sheng Ye Capital (2018-01) Limited ("**SYC 2018**"), subsidiaries of the Company. There were no profit or loss and cash flows of SNF and SYC 2018 recognised on the consolidated financial statements for the year ended 31 December 2020.

In April 2020, the Group disposed of its 20% investment in Shenzhen Sheng Ye Non-Financing Guarantee Limited* (深圳市盛業非融資性擔保有限責任公司), an associate of the Group, to an independent third party at cash consideration of RMB6,203,000, which resulted in the Group recognising a loss of RMB48,000 in profit or loss.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

In April 2020, the Group and Wuxi Tonghui Investment Co., Ltd* (無錫通匯投資有限公司, "**Wuxi Tonghui**", a subsidiary wholly owned by Wuxi Communications Industry Group Co., Ltd*, 無錫市交通產業集團有限公司, "**Wuxi Communications**") injected additional RMB200 million capital to Wuxi Guojin Factoring Limited* (無錫國金商業保理有限公司, "**Wuxi Guojin**") in proportion to the shareholding interest of Wuxi Tonghui and the Group in Wuxi Guojin in which the Group contributed capital injection in amount of RMB80 million. The Group and Wuxi Communications (our regional leading core enterprise partner engaged in development and operation of infrastructure and transportation projects) established Wuxi Guojin in 2018 to jointly explore the supply chain finance opportunities in the infrastructure and transportation industry,.

As part of the Group's strategy investment to partner with more core enterprises, Wuxi Guojin has recorded significant growth in both operational and financial performance since its establishment under continuous support from shareholders and is one of the leading commercial factoring companies with the largest amount of paid up capital in the region. By the end of 2020, Wuxi Guojin deployed a total of RMB4.39 billion of loans. The audited profit after tax of Wuxi Guojin was RMB34.1 million during the year, representing an increase of 321.0% compared with 2019.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Going forward, the Group will strengthen its R&D capabilities through further investment into its technology platform as part of its corporate objective of being a leading supply chain fintech platform across the Asia-Pacific.

FOREIGN EXCHANGE RISKS

The Group's exposure to foreign currency risk related primarily to bank balances, pledged bank deposits, other receivables, borrowings, bank overdraft and lease liabilities that are denominated in HK$, US$, S$ and EUR€. The Group entered into 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$, US$ and EUR€. 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 2020, the Group had a total of 287 staffs (31 December 2019: 199 staffs). Total staff costs (including Directors' emoluments) were approximately RMB123.4 million (for the year ended 31 December 2019: RMB92.4 million) including total share option benefits for employees were RMB5.5 million for the year ended 31 December 2020 (for the year ended 31 December 2019: RMB10.0 million). Remuneration is determined by reference to market conditions and the performance, qualifications and experience of individual employees. Year-end bonuses are based on individual performance and are paid to employees as recognition of and reward for their contributions. Other benefits include contributions to the statutory mandatory provident fund scheme and social insurance together with housing provident funds for employees in Hong Kong and the PRC, respectively.

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

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

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

RECENT DEVELOPMENT OF REGULATORY FRAMEWORK

On 28 May 2020, the Civil Code was passed at the third session of the 13th National People's Congress. The inclusion of a Factoring Contract Chapter in the Civil Code, which has been enforced on 1 January 2021, not only made China the first country in the world to clearly define factoring contracts as typical independent contract, but also affirmed the support and importance of the factoring industry from the Chinese Government. Given the industry pain points, the specific provisions of the Civil Code have established rules to clear major obstacles for the development of the industry. These provisions are of great significance in expanding the potential of the factoring market and preventing industry risks, and will play a highly positive role in promoting and standardizing the development of China's factoring industry.

The Directors confirmed that the Group would be able to comply with the relevant requirements above, as well as to gain more market opportunities with the support from favorable policies.

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. Throughout the financial year ended 31 December 2020, the Group had complied with the code provisions in the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 of The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with provisions set out in Appendix 10 of the Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the year ended 31 December 2020.

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 2020 and up to the date of this report, the Board comprises of two Executive Directors and four Independent Non-executive Directors ("**INEDs**"), details are as follows:

Executive Directors

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

Independent Non-executive Directors

Mr. Hung Ka Hai Clement
Mr. Loo Yau Soon
Mr. Twoon Wai Mun, Benjamin
Mr. Fong Heng Boo

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

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

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

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

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

BOARD DIVERSITY POLICY

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

Measurable Objectives and Selection

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

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

Implementation and Monitoring

The Nomination Committee will monitor the implementation of the Board Diversity Policy and report to the Board annually. As at the date of this 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. Hung Ka Hai Clement			✔
Mr. Loo Yau Soon		✔	
Mr. Twoon Wai Mun, Benjamin	✔		
Mr. Fong Heng Boo			✔

	Professional Experience			
Name of Director	Factoring business	Corporate finance	Accounting and Finance	Regulatory and compliance
Mr. Tung Chi Fung	✔			
Mr. Chen, Jen-Tse	✔			
Mr. Hung Ka Hai Clement		✔	✔	
Mr. Loo Yau Soon				✔
Mr. Twoon Wai Mun, Benjamin		✔		
Mr. Fong Heng Boo			✔	✔

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 A.6.5 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 2020, due to the outbreak of the pandemic, all Directors have participated in appropriate online continuous professional development including reading regulatory updates in relation to the Group's business, attending internal briefing sessions and reading materials relevant to directors' duties and responsibilities.

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

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

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

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

During the year ended 31 December 2020, thirteen Board meetings were held at which the Directors discussed and approved, amongst other matters, the Group's annual report of 2019, interim report of 2020, results announcements, grant of share options, obtain ICP license through VIE structure and proposed acquisition of shares by management.

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

Name of Directors	Number of Attendance/ Number of Board Meeting
Executive Directors	
Mr. Tung Chi Fung (Chairman)	13/13
Mr. Chen Jen-Tse	13/13
Independent Non-executive Directors	
Mr. Hung Ka Hai Clement	13/13
Mr. Loo Yau Soon	13/13
Mr. Twoon Wai Mun, Benjamin	13/13
Mr. Fong Heng Boo	13/13

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

Each of Mr. Tung Chi Fung, the Chairman and an Executive Director, and Mr. Chen Jen-Tse, an Executive Director has entered into a service contract with the Company for an initial fixed term of three years commencing from 6 July 2017 (the "**Listing Date**") on subject to termination in accordance with the terms of the service contract, by not less than three months' notice in writing served by either party. Each of the service contracts was renewed for an initial fixed term of three years commencing from 6 July 2020.

Each of the four INEDs, Mr. Hung Ka Hai Clement, Mr. Loo Yau Soon, Mr. Twoon Wai Mun, Benjamin and Mr. Fong Heng Boo were all appointed by way of a formal appointment letter for a term of three years unless terminated by either party giving not less than one month's notice in writing on the other. Each of the appointment letters of Mr. Hung Ka Hai Clement, Mr. Loo Yau Soon and Mr. Twoon Wai Mun, Benjamin was renewed for a term of three years commencing from 6 July 2020.

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

NOMINATION POLICY

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

Selection Criteria

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

(1) reputation for integrity;

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

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

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

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

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

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

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

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

Director Nomination Procedure

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

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

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

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

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

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

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

Re-Election of Director at General Meeting

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

According to the Code Provision A.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 2020. During the year ended 31 December 2020, the responsibilities of the CEO were shared amongst the Executive Directors.

BOARD COMMITTEES

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

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

AUDIT COMMITTEE

The Company established an Audit Committee on 19 June 2017 with written terms of reference in compliance with Rules 3.21 to 3.24 of the Listing Rules and paragraph C.3 of the CG Code as set out in Appendix 14 of the Listing Rules. The written terms of reference of the Audit Committee (amended and approved by the Board on 23 October 2019) are available on the website of the Company and the Stock Exchange.

The Audit Committee comprises of three INEDs, namely Mr. Hung Ka Hai Clement, Mr. Loo Yau Soon and Mr. Twoon Wai Mun, Benjamin. Mr. Hung Ka Hai Clement is the chairman of the Audit Committee who has appropriate professional qualifications and experience in accounting matters.

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 2020, 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 2019, the interim period ended 30 June 2020 and the audit approach for the year ended 31 December 2020.

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

Name of Directors	Number of Attendance/ Number of Audit Committee Meeting
Mr. Hung Ka Hai Clement	2/3
Mr. Loo Yau Soon	3/3
Mr. Twoon Wai Mun, Benjamin	3/3

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

At the Audit Committee Meeting held on 18 March 2021, all the members of the Audit Committee reviewed the Company's audited consolidated financial statements for the year ended 31 December 2020, including the accounting principles and practice adopted by the Group, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, the effectiveness of the Group's internal control and risk management systems and recommended to the Board for consideration the reappointment of Deloitte Touche Tohmatsu as the Company's independent external auditors at the forthcoming Annual General Meeting. The Board is not aware of any material uncertainties relating to events or conditions which may cost significant doubt upon the ability of the Company to continue as a going concern basis.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 19 June 2017 with written terms of reference in compliance with Rules 3.25 to 3.27 of the Listing Rules and paragraph B.1 of the CG Code as set out in Appendix 14 of the Listing Rules. The written terms of reference of the Remuneration Committee (amended and approved by the Board on 23 October 2019) are available on the website of the Company and the Stock Exchange.

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

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

During the year ended 31 December 2020, four meetings have been held by the Remuneration Committee, which reviewed the remuneration of Directors and senior management for the year ended 31 December 2019, adjustments of the remunerations of the Executive Directors and grant of share options.

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	4/4
Mr. Tung Chi Fung	4/4
Mr. Hung Ka Hai Clement	4/4

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

NOMINATION COMMITTEE

The Company established the Nomination Committee on 19 June 2017 with written terms of reference in compliance with paragraph A.5 of the CG Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The written terms of reference of the Nomination Committee (amended and approved by the Board on 23 October 2019) are available on the website of the Company and the Stock Exchange.

The Nomination Committee currently consists of three members, namely Mr. Tung Chi Fung (Chairman), Mr. Hung Ka Hai, Clement and Mr. Twoon Wai Mun, Benjamin.

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 2020, one meeting has been held by the Nomination Committee to review the structure, size and composition of the Board, to assess the independence of the Independent Non-executive Directors to determine their eligibility and review the diversity policy of the Board.

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. Hung Ka Hai Clement	1/1
Mr. Twoon Wai Mun, Benjamin	1/1

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

DIVIDEND POLICY

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

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

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

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

(4) the Group's liquidity position;

(5) interest of shareholders;

(6) taxation consideration;

(7) potential effect on creditworthiness;

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

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

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

Pursuant to code provision B.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 2020 by band is set out below:

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

AUDITORS' REMUNERATION

The Company has appointed Deloitte Touche Tohmatsu as its external auditors for the year ended 31 December 2020. Details of the fees paid/payable to Deloitte Touche Tohmatsu during the year are as follows:

	RMB'000
Audit services	2,900
Review of interim financial information	500
Subtotal	3,400
Others	518
Total	3,918

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 2020, 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 46 to 51 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 2020.

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, about their shareholdings.

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

There was no change in the Company's constitutional documents during the year ended 31 December 2020. A copy of the memorandum and articles of association has been posted on the websites of the Stock Exchange and the Company.

INVESTOR RELATION

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The Group has established Corporate Governance Department (the "**CG Department**") in 2020 as a replacement of Internal Control Department. In addition to the internal control and compliance affairs, the CG Department will focus on Business Process Governance ("**BPG**") and Environmental, Social and Governance ("**ESG**") management. The CG Department is trying to mitigate operational risks in each business division and to manage comprehensive exposures on the group level by assisting the business divisions to re-define and review their operational procedures and workflows. In addition, the CG Department is also working on ESG issues since most customers the Company has been serving are SMEs and the Company is committed to the mission to "make the supply chain finance more efficient and inclusive". The inclusion of BPG and ESG to the coverage of the CG Department will not only integrate the risk factors into the Company's decision-making process more efficiently and effectively, but also strengthen the pillars of the Company's transformation under the "Dual-Engine, One-Platform" (or "2+1") growth strategy.

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 2020.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

DIRECTORS' REPORT

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 2020 (the "**Reporting Period**").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the provision of one-stop SaaS and financial services solutions for companies within the industry ecosystem across the Asia-Pacific. The Group is a leading supply chain fintech 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 2 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 2020 are set out on pages 52 to 172 of this annual report.

DIVIDENDS

The directors recommend the payment of a final dividend of HK6.3 cents per ordinary share for the year ended 31 December 2020.

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

SUBSIDIARIES

Details of our Company's principal subsidiaries as at 31 December 2020 are set out in note 38 to the financial statements.

SHARE CAPITAL AND SHARE OPTION

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

RESERVES

Details of movements in the reserves of the Company during the year ended 31 December 2020 are set out in note 42 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company has distributable reserves of RMB1,917 million in total available for distribution.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue	
– The largest customer	12.5%
– The total of five largest customers	43.2%

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

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

USE OF PROCEEDS

The Company completed two placements of shares on 11 July 2018 and 21 September 2020 respectively. 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 2020.

DIRECTORS AND SERVICE CONTRACTS

As at 31 December 2020 and up to the date of this report, the Board comprises of two Executive Directors and four INEDs, details are as follows:

Executive Directors

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

Independent Non-executive Directors

Mr. Hung Ka Hai Clement
Mr. Loo Yau Soon
Mr. Twoon Wai Mun, Benjamin
Mr. Fong Heng Boo

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

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

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

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

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

Save as disclosed in the section headed "Related Party Transaction – Exempted Continuing Connected Transactions" in page 43 of this annual report and note 35 to the consolidated financial statements, there were no transaction, arrangement, or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which any Director or any entities connected with a Director, the controlling Shareholder, the substantial Shareholders had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as the subscription agreement between Wisdom Cosmos Limited and the Company on 11 September 2020 in relation to the Subscription B disclosed in the "Management Discussion and Analysis" section and those disclosed in this annual report, there was no other contract of significance between the Company or any of its subsidiaries and any controlling shareholder of the Company or any of its subsidiaries during the year.

COMPLIANCE WITH LAWS AND REGULATIONS

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

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, INVESTORS AND SUPPLIERS

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

The Group maintains good relationship with these stakeholders.

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

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

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

PROPERTY AND EQUIPMENT

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

INTANGIBLE ASSETS

The movements in the Group's intangible assets for the year are set out in note 17 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

CHARITABLE DONATIONS

The Group's external charitable donations for the year amounted to RMB1.1 million (2019: RMB2.0 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 2020, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to provisions set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Interest in the Company

Name of Director	Capacity/nature of interest	Number and class of securities interested	Percentage of shareholding
Mr. Tung Chi Fung ("**Mr. Tung**") *(Note 1)*	Beneficiary of a trust and settlor of a discretionary trust	555,500,000 (L) *(Note 2)*	59.31%
	Share option	3,000,000 *(Note 3)*	0.32%
Mr. Chen Jen-Tse	Beneficial owner	50,000 (L) *(Note 2)*	0.01%
	Share option	3,400,000 *(Note 3)*	0.36%
Mr. Hung Ka Hai Clement	Share option	500,000 *(Note 3)*	0.05%
Mr. Loo Yau Soon	Share option	500,000 *(Note 3)*	0.05%
Mr. Twoon Wai Mun, Benjamin	Share option	500,000 *(Note 3)*	0.05%
Mr. Fong Heng Boo	Share option	300,000 *(Note 3)*	0.03%

Notes:

1. Wisdom Cosmos Limited ("**Wisdom Cosmos**"), a company incorporated in the British Virgin Islands ("**BVI**"), is the beneficial owner of 555,500,000 shares of the Company, representing approximately 59.31% shareholding interests in the Company. The entire issued share capital of Wisdom Cosmos is owned by Eander Limited ("**Eander**"), a company incorporated in the BVI, which is in turn wholly owned by TMF (Cayman) Ltd ("**TMF Trust**"), trustee of the Pak Jeff Trust ("**PJ Trust**"), an irrevocable reserved power trust established by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, TMF Trust and Eander are deemed to be interested in all the shares of the Company registered in the name of Wisdom Cosmos.

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

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

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

Save as disclosed herein, as at 31 December 2020, none of the Directors or chief executive of the Company or their associates (as defined in the Listing Rules) had any interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to provisions set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2020, 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	555,500,000 (L)	59.31%
Eander *(Note 2)*	Interest in a controlled corporation	555,500,000 (L)	59.31%
Wisdom Cosmos *(Note 2)*	Beneficial owner	555,500,000 (L)	59.31%

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 555,500,000 shares of the Company, representing approximately 59.31% 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.

Save as disclosed above, as at 31 December 2020, the Directors are not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

SHARE OPTION SCHEME

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

(a) Purpose of the Share Option Scheme

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

(b) Who may join and basis of eligibility

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

(c) Grant of Option

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

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

(d) Price of Shares

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

(e) Maximum number of Shares

(i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") provided that Options lapsed in accordance with the terms of the Shares Option Scheme or Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 740,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 74,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date and approximately 7.90% of the Shares in issue as at the date of this report.

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

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

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

(f) Time of exercise of Option

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

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

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

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

The grant of granted options to the above Director has been approved by the INEDs pursuant to the Listing Rules. Save as disclosed above, none of the other grantees is a Director, chief executive or substantial shareholder (as defined under the Listing Rules) of the Company or any of their respective associate(s) (as defined under the Listing Rules) as at the date of grant.

The following shows the outstanding position as at 31 December 2020 with respect to their granted options granted under the Share Option Scheme:

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2020	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2020
Mr. Chen Jen-Tse	11 September 2017	HK$4.20	11/9/2018-10/9/2022	500,000	–	–	–	500,000
			11/9/2019-10/9/2022	500,000	–	–	–	500,000
			11/9/2020-10/9/2022	1,000,000	–	–	–	1,000,000
				2,000,000	–	–	–	2,000,000
Employees	11 September 2017	HK$4.20	11/9/2018-10/9/2022	1,061,000	–	(208,500)	–	852,500
			11/9/2019-10/9/2022	1,607,000	–	(521,500)	–	1,085,500
			11/9/2020-10/9/2022	3,770,000	–	(25,000)	(1,450,000)	2,295,000
				6,438,000	–	(755,000)	(1,450,000)	4,233,000
Mr. Chen Jen-Tse	14 November 2018	HK$6.90	14/11/2019-13/11/2023	250,000	–	–	–	250,000
			14/11/2020-13/11/2023	250,000	–	–	–	250,000
			14/11/2021-13/11/2023	500,000	–	–	–	500,000
				1,000,000	–	–	–	1,000,000
Mr. Hung Ka Hai Clement	14 November 2018	HK$6.90	14/11/2019-13/11/2023	50,000	–	–	–	50,000
			14/11/2020-13/11/2023	50,000	–	–	–	50,000
			14/11/2021-13/11/2023	100,000	–	–	–	100,000
				200,000	–	–	–	200,000
Mr. Loo Yau Soon	14 November 2018	HK$6.90	14/11/2019-13/11/2023	50,000	–	–	–	50,000
			14/11/2020-13/11/2023	50,000	–	–	–	50,000
			14/11/2021-13/11/2023	100,000	–	–	–	100,000
				200,000	–	–	–	200,000
Mr. Twoon Wai Mun, Benjamin	14 November 2018	HK$6.90	14/11/2019-13/11/2023	50,000	–	–	–	50,000
			14/11/2020-13/11/2023	50,000	–	–	–	50,000
			14/11/2021-13/11/2023	100,000	–	–	–	100,000
				200,000	–	–	–	200,000

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2020	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2020
Employees	14 November 2018	HK$6.90	14/11/2019-13/11/2023	1,506,250	–	(25,000)	(426,250)	1,055,000
			14/11/2020-13/11/2023	1,506,250	–	–	(501,250)	1,005,000
			14/11/2021-13/11/2023	3,012,500	–	–	(902,500)	2,110,000
				6,025,000	–	(25,000)	(1,830,000)	4,170,000
Mr. Tung Chi Fung	15 July 2020	HK$6.68	15/7/2022-14/7/2025	–	750,000	–	–	750,000
			15/7/2022-14/7/2025	–	750,000	–	–	750,000
			15/7/2023-14/7/2025	–	1,500,000	–	–	1,500,000
				–	3,000,000	–	–	3,000,000
Mr. Chen Jen-Tse	15 July 2020	HK$6.68	15/7/2022-14/7/2025	–	100,000	–	–	100,000
			15/7/2022-14/7/2025	–	100,000	–	–	100,000
			15/7/2023-14/7/2025	–	200,000	–	–	200,000
				–	400,000	–	–	400,000
Mr. Hung Ka Hai Clement	15 July 2020	HK$6.68	15/7/2022-14/7/2025	–	75,000	–	–	75,000
			15/7/2022-14/7/2025	–	75,000	–	–	75,000
			15/7/2023-14/7/2025	–	150,000	–	–	150,000
				–	300,000	–	–	300,000
Mr. Loo Yau Soon	15 July 2020	HK$6.68	15/7/2022-14/7/2025	–	75,000	–	–	75,000
			15/7/2022-14/7/2025	–	75,000	–	–	75,000
			15/7/2023-14/7/2025	–	150,000	–	–	150,000
				–	300,000	–	–	300,000
Mr. Twoon Wai Mun, Benjamin	15 July 2020	HK$6.68	15/7/2022-14/7/2025	–	75,000	–	–	75,000
			15/7/2022-14/7/2025	–	75,000	–	–	75,000
			15/7/2023-14/7/2025	–	150,000	–	–	150,000
				–	300,000	–	–	300,000
Mr. Fong Heng Boo	15 July 2020	HK$6.68	15/7/2022-14/7/2025	–	75,000	–	–	75,000
			15/7/2022-14/7/2025	–	75,000	–	–	75,000
			15/7/2023-14/7/2025	–	150,000	–	–	150,000
				–	300,000	–	–	300,000

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2020	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2020
Employees	15 July 2020	HK$6.68	15/7/2022-14/7/2025	–	3,200,000	–	(50,000)	3,150,000
			15/7/2022-14/7/2025	–	3,200,000	–	(50,000)	3,150,000
			15/7/2023-14/7/2025	–	6,400,000	–	(100,000)	6,300,000
				–	12,800,000	–	(200,000)	12,600,000

Note: The weighted average closing price of the shares immediately before the date on which the options were exercised during the period was HK$4.29 per share.

During the year ended 31 December 2020, i) 29,203,000 granted options were outstanding under the share option scheme; ii) 780,000 granted options were exercised; iii) 3,480,000 granted options were lapsed; and iv) no granted options were cancelled.

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.

COMPLIANCE OF NON-COMPETITION UNDERTAKINGS

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

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

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

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

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

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

RELATED PARTY TRANSACTION

Exempted Continuing Connected Transactions

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

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

On 7 April 2020, Bondlink and the Lessee entered into a tenancy agreement (the "**Tenancy Agreement II**") for the leasing of the property with the same location for a term of two years commencing from 16 April 2020 to 15 April 2022 (both days inclusive) at a monthly rent of HKD144,000 exclusive of building management fee, Government rates and Government rent. The aggregate of the management fee, Government rates and Government rent is currently HKD18,749 in total per month and subject to review from time to time.

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

Save for the transactions disclosed under "Exempted Continuing Connected Transactions" and the subscription agreement between Wisdom Cosmos Limited and the Company on 11 September 2020 in relation to the Subscription B disclosed in the "Management Discussion and Analysis" section of this annual report, details of the related party transactions entered into by the Group are set out in note 35 to the consolidated financial statements, which do not constitute notifiable connected transactions under the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, at least 25% of the Company's total issued Shares was held by the public throughout the financial year ended 31 December 2020 and thereafter up to the date of this report.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

ENVIRONMENTAL POLICY AND SOCIAL RESPONSIBILITY

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

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

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

REVIEW OF THE FINAL RESULTS BY AUDIT COMMITTEE

The Audit Committee comprises three members, namely Mr. Hung Ka Hai Clement (Chairman), Mr. Twoon Wai Mun, Benjamin and Mr. Loo Yau Soon, all of them being INEDs.

The Group's audited consolidated financial statements for the year ended 31 December 2020 and this annual report have been reviewed by the Audit Committee. The Board is of the opinion that such financial information has been prepared in compliance with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

AUDITOR

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

By order of the Board of
Sheng Ye Capital Limited
Tung Chi Fung
Chairman

Hong Kong, 18 March 2021

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF SHENG YE CAPITAL LIMITED
盛業資本有限公司

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sheng Ye Capital Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 172, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, 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

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

We identified the impairment of factoring 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 20 and 28 to the consolidated financial statements, the carrying amount of factoring assets at FVTOCI is RMB3,804,200,000 and the maximum exposure of financial guarantee contracts is RMB1,768,507,000 as at 31 December 2020. The impairment allowance in respect of factoring assets at FVTOCI is RMB58,164,000 and the provision for financial guarantee contracts is RMB22,842,000.

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

How our audit addressed the key audit matter

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

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Derecognition of factoring assets at FVTOCI	
We identified derecognition of factoring assets at FVTOCI as a key audit matter due to its significance to the consolidated financial statements and the assessment relating to derecognition of factoring assets at FVTOCI involving significant judgment from the management. As set out in notes 4 and 7 to the consolidated financial statements, the Group generated a gain on sales of factoring assets at FVTOCI of RMB138,233,000 which contributed approximately 22% of the income from factoring and other services for the year ended 31 December 2020. In determining derecognition of factoring assets at FVTOCI, the management analysed the contractual rights and obligations in connection with such transfers, and assessed the extent to which the associated risks and rewards of ownership were transferred to determine whether the derecognition criteria were met. Where necessary, the Group assessed whether it had relinquished its control over the transferred factoring assets at FVTOCI to determine whether the derecognition criteria were met.	Our procedures in relation to derecognition of factoring assets at FVTOCI included: • Obtaining an understanding of the process and relevant controls over the transfers of factoring assets at FVTOCI, including the contractual terms of the transactions, authorisation, asset selection, and approval processes, as well as the review and approval of management's assessment on derecognition of factoring assets at FVTOCI; • Obtaining from management the agreements for all transfers during the year and evaluating whether the transfers of the factoring assets at FVTOCI meet the derecognition criteria; and • On a sample basis, checking transaction documents and testing the cash received from sales of the factoring assets.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

18 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	2020 RMB'000	2019 RMB'000
Revenue	6		
Interest income from factoring service		**443,529**	429,214
Income from other services		**52,358**	21,207
Total revenue		**495,887**	450,421
Gain on sales of factoring assets	7	**138,233**	156,242
Income from factoring and other services		**634,120**	606,663
Other income	8(a)	**24,067**	37,953
Other gains and losses	8(b)	**45,771**	(166)
Impairment losses under expected credit loss ("ECL") model, net of reversal	9	**(15,200)**	(16,960)
Administrative and other expenses	12(a)	**(189,655)**	(160,169)
Share of profit of a joint venture		**–**	1,537
Share of profit of associates		**14,706**	4,240
Finance costs	10	**(126,721)**	(110,606)
Profit before taxation		**387,088**	362,492
Taxation	11	**(49,692)**	(67,367)
Profit for the year	12(a)	**337,396**	295,125

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	2020 RMB'000	2019 RMB'000
Other comprehensive (expense) income:	12(b)		
Items that may be reclassified subsequently to profit or loss:			
Fair value change, net of ECL and reclassification of fair value through other comprehensive income ("FVTOCI") reserves upon derecognition, on:	12(c)		
– factoring assets at FVTOCI		**(1,735)**	4,582
Income tax relating to items that may be reclassified subsequently		**(91)**	(984)
Share of other comprehensive income ("OCI") of a joint venture, net of related income tax		**–**	32
Share of other comprehensive (expense) income of associates, net of related income tax		**(721)**	1,423
Other comprehensive (expense) income for the year, net of income tax		**(2,547)**	5,053
Total comprehensive income for the year		**334,849**	300,178
Profit for the year attributable to:			
– Owners of the Company		**329,252**	280,343
– Non-controlling interests		**8,144**	14,782
		337,396	295,125
Total comprehensive income for the year attributable to:			
– Owners of the Company		**327,098**	284,148
– Non-controlling interests		**7,751**	16,030
		334,849	300,178
Earnings per share	15		
– Basic (RMB cents)		**37**	32
– Diluted (RMB cents)		**37**	32

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	NOTES	31/12/2020 RMB'000	31/12/2019 RMB'000
NON-CURRENT ASSETS			
Property and equipment	16	**8,042**	5,840
Intangible assets	17	**22,218**	19,960
Right-of-use assets	18	**24,680**	22,147
Factoring assets at FVTOCI	20	**14,278**	–
Other financial assets at fair value through profit or loss ("FVTPL")	21	**74,263**	–
Investments in associates	22	**150,911**	67,580
Prepayments for non-current assets		**637**	985
Deferred tax assets	19	**25,210**	11,319
Refundable rental deposits		**3,839**	2,788
		324,078	130,619
CURRENT ASSETS			
Factoring assets at FVTOCI	20	**3,789,922**	3,837,348
Derivative financial instruments	23	**790**	751
Other financial assets at FVTPL	21	**30,878**	4,497
Loan receivable	24	**–**	9,066
Receivables from guarantee customers	25(a)	**17,052**	7,700
Trade receivables	25(b)	**2,733**	403
Other receivables, prepayments and others	25(c)	**16,841**	16,113
Pledged structured deposit	26	**–**	9,000
Pledged bank deposits	26	**255,489**	86,350
Bank balances	26	**348,715**	377,327
		4,462,420	4,348,555

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	NOTES	31/12/2020 RMB'000	31/12/2019 RMB'000
CURRENT LIABILITIES			
Other payables and accrued charges	27	105,552	73,740
Derivative financial instruments	23	17,616	2,359
Contract liabilities		1,125	672
Income tax payable		36,679	29,682
Liabilities arising from guarantee contracts	28	29,742	12,050
Borrowings	29(a)	1,475,913	1,867,299
Bank overdraft	29(b)	10,828	17,864
Lease liabilities	30	11,913	6,613
		1,689,368	2,010,279
NET CURRENT ASSETS		2,773,052	2,338,276
NON-CURRENT LIABILITIES			
Lease liabilities	30	13,337	15,448
Deferred tax liabilities	19	56,449	35,387
		69,786	50,835
NET ASSETS		3,027,344	2,418,060
CAPITAL AND RESERVES			
Share capital	31	8,127	7,636
Reserves		2,907,920	2,281,363
Equity attributable to owners of the Company		2,916,047	2,288,999
Non-controlling interests		111,297	129,061
TOTAL EQUITY		3,027,344	2,418,060

The consolidated financial statements on pages 52 to 172 were approved and authorised for issue by the board of directors on 18 March 2021 and are signed on its behalf by:

Mr. Tung Chi Fung
Director

Mr. Chen Jen-Tse
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	FVTOCI reserves RMB'000 (note i)	Share based-payments reserve RMB'000	Statutory reserves RMB'000 (note ii)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019	7,623	1,615,787	1,547	(1,680)	9,320	44,437	343,147	2,020,181	95,881	2,116,062
Profit for the year	–	–	–	–	–	–	280,343	280,343	14,782	295,125
Other comprehensive income for the year	–	–	–	3,805	–	–	–	3,805	1,248	5,053
Total comprehensive income for the year	–	–	–	3,805	–	–	280,343	284,148	16,030	300,178
Transfer to PRC statutory reserves (note ii)	–	–	–	–	–	35,565	(35,565)	–	–	–
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	17,150	17,150
Recognition of equity-settled share-based payments	–	–	–	–	10,006	–	–	10,006	–	10,006
Dividends recognised as distribution (note 14)	–	(30,905)	–	–	–	–	–	(30,905)	–	(30,905)
Exercise of share options	13	7,223	–	–	(1,667)	–	–	5,569	–	5,569
At 31 December 2019	7,636	1,592,105	1,547	2,125	17,659	80,002	587,925	2,288,999	129,061	2,418,060
Profit for the year	–	–	–	–	–	–	329,252	329,252	8,144	337,396
Other comprehensive expense for the year	–	–	–	(2,154)	–	–	–	(2,154)	(393)	(2,547)
Total comprehensive income for the year	–	–	–	(2,154)	–	–	329,252	327,098	7,751	334,849
Issue of new shares from placing (note 31)	484	338,361	–	–	–	–	–	338,845	–	338,845
Transaction costs attributable to issue of new shares from placing (note 31)	–	(4,770)	–	–	–	–	–	(4,770)	–	(4,770)
Deregistration of subsidiaries (note 40)	–	–	–	–	–	–	–	–	(19,984)	(19,984)
Transfer to PRC statutory reserves (note ii)	–	–	–	–	–	4,619	(4,619)	–	–	–
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	–	(5,531)	(5,531)
Recognition of equity-settled share-based payments	–	–	–	–	5,509	–	–	5,509	–	5,509
Dividends recognised as distribution (note 14)	–	(42,652)	–	–	–	–	–	(42,652)	–	(42,652)
Exercise of share options	7	3,908	–	–	(897)	–	–	3,018	–	3,018
Lapse of share options	–	–	–	–	(805)	–	805	–	–	–
At 31 December 2020	8,127	1,886,952	1,547	(29)	21,466	84,621	913,363	2,916,047	111,297	3,027,344

Notes:

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Profit for the year	337,396	295,125
Adjustment for:		
Taxation	49,692	67,367
Share of profit of a joint venture	–	(1,537)
Share of profit of associates	(14,706)	(4,240)
Depreciation of property and equipment	2,254	1,563
Depreciation of right-of-use assets	9,970	7,202
Amortisation of intangible assets	5,494	3,641
Impairment losses under ECL model, net of reversal	15,200	16,960
Loss on disposal of equipment	24	5
Loss (gain) on disposal of investments in associates	48	(377)
Rent concessions	(224)	–
Gain from modification of a borrowing	(859)	–
Gain from termination of a lease contract	(26)	–
Gain from changes in fair value of other financial assets at FVTPL	(33,251)	(88)
Net loss arising from changes in fair value of derivative financial instruments	16,127	1,785
Equity-settled share-based payments expense	5,509	10,006
Finance costs	126,721	110,606
Bank interest income	(2,890)	(2,736)
Interest income from a loan receivable	(1,190)	(1,584)
Interest income from loan to an associate	–	(64)
Exchange gain, net	(27,836)	(1,178)
Operating cash flows before movements in working capital	487,453	502,456
Decrease (increase) in factoring assets at FVTOCI	19,583	(1,026,331)
Increase in other financial assets at FVTPL – distressed debt assets	(32,366)	–
Increase in receivables from guarantee customers	(9,548)	(7,801)
Increase in trade receivables	(2,330)	(403)
(Increase) decrease in other receivables, prepayments and others	(3,540)	2,225
Increase in other payables and accrued charges	25,539	17,460
Increase (decrease) in contract liabilities	453	(2,114)
Increase in liabilities from guarantee contracts	10,540	11,258
Cash from (used in) operations	495,784	(503,250)
Enterprise Income Tax paid	(35,615)	(90,986)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	460,169	(594,236)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES			
Proceeds from disposal of other financial assets at FVTPL		**41,423**	201
Withdrawal of pledged bank deposits		**4,700**	–
Proceeds on disposal of a loan receivable	24	**11,499**	–
Repayment of pledged structured deposits		**9,000**	–
Proceeds on disposal of investments in associates		**5,603**	1,600
Dividends received from an associate		**4,383**	–
Repayment of security deposits for derivative financial instruments		**3,550**	–
Bank interest income received		**2,890**	2,736
Refundable rental deposits received		**2,295**	–
Interest received from a loan receivable		**1,410**	1,317
Repayment of a loan receivable		**1,325**	–
Proceeds from disposal of equipment		**86**	2
Repayments from loans to former shareholder of a subsidiary		**–**	27,500
Repayments from loans to associates		**–**	7,350
Interest received from loans to former shareholder of a subsidiary		**–**	202
Interest received from loans to associates		**–**	64
Loans to associates		**–**	(7,350)
Placement of pledged structured deposit		**–**	(9,000)
Net cash outflow on acquisition of a subsidiary	39	**–**	(24,240)
Payments for right-of-use assets		**(233)**	(345)
Payment for settlement of derivative financial instruments		**(909)**	(177)
Payments for refundable rental deposits		**(1,173)**	(3,626)
Payment for purchase of equipment and prepayments of a property		**(4,339)**	(4,447)
Security deposits paid for derivative financial instruments		**(9,187)**	(3,550)
Payment for development costs/expenses and purchase of other intangible assets		**(7,291)**	(10,294)
Net cash outflow arising on deregistration of subsidiaries	40	**(19,984)**	–
Investment in an associate		**(80,000)**	(9,000)
Purchases of other financial assets at FVTPL		**(76,450)**	(4,610)
Placement of pledged bank deposits		**(173,839)**	(77,586)
NET CASH USED IN INVESTING ACTIVITIES		**(285,241)**	(113,253)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTE	2020 RMB'000	2019 RMB'000
FINANCING ACTIVITIES	41		
New borrowings raised		**2,090,249**	1,991,288
Loans raised from related parties		**449,359**	666,398
Issue of placing shares		**334,075**	–
Repayment of security deposits for borrowings		**6,296**	–
Proceeds received on exercise of equity-settled share options		**3,018**	5,569
Capital contribution from non-controlling shareholders of the subsidiaries		**–**	17,150
Dividends paid to former shareholder of a subsidiary prior to acquisition		**–**	(2,721)
Security deposits paid for borrowings		**–**	(6,296)
Interest paid for bank overdraft		**(494)**	(361)
Interest paid for lease liabilities		**(1,487)**	(1,402)
Repayment of lease liabilities		**(8,831)**	(6,705)
Interest paid for loans from related parties		**(8,559)**	(11,265)
Dividends paid		**(41,650)**	(30,905)
Interest paid for borrowings		**(123,392)**	(85,620)
Repayment of loans from related parties		**(449,359)**	(647,798)
Repayment of borrowings		**(2,473,565)**	(1,047,627)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(224,340)**	839,705
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(49,412)**	132,216
Effect of foreign exchange rate changes		**27,836**	1,178
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**359,463**	226,069
CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by		**337,887**	359,463
Bank balances		**348,715**	377,327
Bank overdraft		**(10,828)**	(17,864)
		337,887	359,463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

Sheng Ye Capital 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 completed transfer of listing of its shares from GEM to the Main Board of the Stock Exchange with effective from 24 October 2019.

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 factoring and guarantee services in the PRC. Details of the Company's subsidiaries are set out in note 38.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

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

2.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the financial position and performance of the Group but affect the presentation and disclosures in the consolidated financial statements.

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

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

2.2 Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

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

The application of the amendment had no impact to the opening retained profits at 1 January 2020. A lessor in the PRC provided office premises rent concession to the Group through rent reductions of 100% from February 2020 to April 2020 and 50% from May 2020 to August 2020. The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of RMB224,000, which has been recognised as variable lease payments in profit or loss for the current year.

Except as described above, the early application of Amendment to HKFRS 16 *Covid-19-Related Rent Concessions* has had no other material impact on the amounts reported in the consolidated financial statements for the year ended 31 December 2020.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

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

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

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

[4] Effective for annual periods beginning on or after 1 January 2021.

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

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;

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

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

- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Group has several London Interbank Offered Rate ("LIBOR"), Hong Kong Interbank Offered Rate ("HIBOR") bank loans which will or may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

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

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

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

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

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

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

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

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

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

3.1 Basis of preparation of consolidated financial statements

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

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

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

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

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

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

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

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

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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 and other comprehensive income 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 intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

Changes in the Group's interests in existing subsidiaries

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

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

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

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Changes in the Group's interests in existing subsidiaries (continued)

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* ("HKFRS 9") 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

Effective from 1 January 2020, 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.

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

3.2 Significant accounting policies (continued)

Business combinations or asset acquisitions (continued)

Business combinations

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

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* 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.

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.

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

3.2 Significant accounting policies (continued)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

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

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

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

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

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

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

3.2 Significant accounting policies (continued)

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) 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 cash-generating unit (or group of cash-generating units) 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 cash-generating unit (or group of cash-generating units) 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 cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, 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 cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of a joint venture is described below.

Investments in associates and a joint venture

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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

3.2 Significant accounting policies (continued)

Investments in associates and a joint venture (continued)

The results and assets and liabilities of associates and the joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and the joint venture 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 or a joint venture 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 or joint venture. Changes in net assets of the associate/joint venture 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 or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 or joint venture.

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

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

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

3.2 Significant accounting policies (continued)

Investments in associates and a joint venture (continued)

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

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in OCI relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

Revenue recognition

Interest income from factoring services consists of interest income which is recognised in accordance with HKFRS 9.

Income from guarantee service for guarantee 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

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

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

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

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

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

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

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

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

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

For contracts that contain more than one performance obligations (information technology service and accounts receivable management service), 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.

Income from information technology service for system maintenance 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 or a point in time when services are rendered in accordance with contract terms.

Consulting service income is recognised at a point in time when performance obligation is completed and the entity has a present right to payment for the services performed.

Other services income 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

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

Output method

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

Leases

Definition of a lease

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

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

The Group as a lessee

Short-term leases

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

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

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

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

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

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

Lease modifications

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

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

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

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

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

3.2 Significant accounting policies (continued)

Covid-19-related rent concessions

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

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

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

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.

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".

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

3.2 Significant accounting policies (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

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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in a joint venture, 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.

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

3.2 Significant accounting policies (continued)

Taxation (continued)

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in OCI or directly in equity, in which case, the current and deferred tax are also recognised in OCI or directly in equity respectively.

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 accumulated impairment losses, if any.

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

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

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

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

3.2 Significant accounting policies (continued)

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.

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.

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.

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

3.2 Significant accounting policies (continued)

Impairment on property and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those 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 not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit 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 cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash generating unit or group of cash-generating units.

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 cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) 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 cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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

3.2 Significant accounting policies (continued)

Financial instruments

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

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

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.

Interest income arising from factoring service which is derived from the Group's ordinary course of business is presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

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

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

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

A financial asset is held for trading if:

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

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 factoring assets subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) Factoring assets classified as at FVTOCI

Subsequent changes in the carrying amounts for factoring 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 factoring 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 factoring 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 factoring assets had been measured at amortised cost. When these factoring assets are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets and financial guarantee contracts

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

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

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and financial guarantee contracts (continued)

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

(i) Significant increase in credit risk

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

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

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

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and financial guarantee contracts (continued)

(i) Significant increase in credit risk (continued)

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

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

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

(ii) Definition of default

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and financial guarantee contracts (continued)

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and financial guarantee contracts (continued)

(v) Measurement and recognition of ECL (continued)

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

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

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

Except for factoring assets that are measured at FVTOCI and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account. For factoring 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 factoring 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (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 factoring assets classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserves is reclassified to profit or loss.

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

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is held for trading if:

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

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

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

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at amortised cost

The Group's financial liabilities including other payables, borrowings and bank overdraft 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.

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.

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

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments

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

Offsetting a financial asset and a financial liability

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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.

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

Critical judgement in applying accounting policies (continued)

Derecognition of financial assets

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

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

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

During the year ended 31 December 2020, gain on sales of factoring assets at FVTOCI which met the derecognition criteria were RMB138,233,000 (2019: RMB156,242,000). Details of derecognition of factoring assets are disclosed in note 7.

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 factoring assets at FVTOCI and financial guarantee contracts

For factoring assets at FVTOCI and financial guarantee contracts that are assessed for impairment on ECL model, to measure the ECL, factoring 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 factoring 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 factoring assets at FVTOCI, financial guarantee contracts, and the ECL are disclosed in notes 20, 28 and 37.

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

Key sources of estimation uncertainty (continued)

Recognition of deferred taxation

As at 31 December 2020, a deferred tax asset of RMB25,210,000 (31 December 2019: RMB11,319,000) in relation to the deferred income, ECL provision and fair value adjustment have been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than or more than expected, a material reversal or recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or recognition takes place. Details of the deferred tax are disclosed in note 19.

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

As at 31 December 2020, certain of the Group's other financial assets at FVTPL classified as level 3, equity tranche, distressed debt assets and trust fund, amounting to RMB103,136,000 (31 December 2019: RMB4,497,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Whilst the Group considers these valuations are the best estimates, the ongoing Covid-19 pandemic has resulted in greater market volatility and may cause further disruptions to the investees'/issuer' businesses, which have led to higher degree of uncertainties in respect of the valuations in the current year. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 37 (c) for further disclosures.

5. SEGMENT INFORMATION

The chief operating decision maker ("CODM"), being the executive directors of the Company, have determined that no segment information is presented other than entity wide disclosures throughout the reporting period, as the Group is principally engaged in providing factoring and relevant 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 and major non-current assets are principally derived from or located in the PRC.

6. REVENUE

Revenue for the year represents income received and receivable mainly from the provision of factoring and relevant services in the PRC.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2020 RMB'000	2019 RMB'000
Customer A (note 35 (b))	**61,928**	N/A[1]
Customer B	**59,917**	N/A[1]

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

(i) An analysis of the Group's revenue for the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
Interest income from factoring service	**443,529**	429,214
Income from other services:		
– Information technology service	**25,286**	8,355
– Guarantee service	**17,324**	9,155
– Consulting service	**–**	661
– Other services (note)	**9,748**	3,036
	52,358	21,207
	495,887	450,421

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

6. REVENUE (continued)

(ii) Disaggregation of revenue from contracts with customers

	2020 RMB'000	2019 RMB'000
Timing of revenue recognition		
Over time		
– Information technology service	**11,981**	2,539
– Other services	**8,299**	2,640
	20,280	5,179
A point in time		
– Information technology service	**13,305**	5,816
– Consulting service	**–**	661
– Other services	**1,449**	396
	14,754	6,873
	35,034	12,052

All the Group's contracts with customers 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 2020 and 2019 is not disclosed.

7. SALES OF FACTORING ASSETS

For the years ended 2020 and 2019, the Group sold part of factoring assets to certain financial institutions mainly in the PRC. Sales of factoring assets gave rise to full derecognition of the factoring assets pursuant to the terms of sale agreements signed between the Group and relevant financial institutions.

	2020 RMB'000	2019 RMB'000
Gain on sales of factoring assets	**138,233**	156,242

8. OTHER INCOME/OTHER GAINS AND LOSSES

(a) Other income

	2020 RMB'000	2019 RMB'000
Government subsidies (note)	**19,942**	33,553
Bank interest income	**2,890**	2,736
Interest income from a loan receivable	**1,190**	1,584
Interest income from loans to associates (note 35)	**–**	64
Others	**45**	16
	24,067	37,953

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 for investment in factoring and other financial business based on certain taxes paid or payable by the Company's PRC subsidiaries in Dongjiang Port Zone of Tianjin City.

(b) Other gains and losses

	2020 RMB'000	2019 RMB'000
Gain from changes in fair value of other financial assets at FVTPL	**33,251**	88
Exchange gain, net	**27,836**	1,178
Gain from modification of a borrowing	**859**	–
Gain from termination of a lease contract	**26**	–
Loss on disposal of equipment	**(24)**	(5)
(Loss) gain on disposal of investments in associates (note 22)	**(48)**	377
Net loss arising from changes in fair value of derivative financial instruments	**(16,127)**	(1,785)
Others	**(2)**	(19)
	45,771	(166)

9. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2020 RMB'000	2019 RMB'000
Impairment losses recognised (reversed) on:		
– Factoring assets at FVTOCI	**11,830**	11,880
– Financial guarantee contracts	**7,152**	792
– Loan receivable	**(3,978)**	4,187
– Receivables from guarantee customers	**196**	101
	15,200	16,960

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

10. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on borrowings (note)	**116,181**	97,302
Interest on loans from related parties (note 35)	**8,559**	11,541
Interest on lease liabilities (note)	**1,487**	1,402
Interest on bank overdraft	**494**	361
	126,721	110,606

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

11. TAXATION

	2020 RMB'000	2019 RMB'000
The charge comprises:		
Current tax		
– PRC Enterprise Income Tax ("EIT")	38,040	35,995
– Withholding tax levied on interest income of Hong Kong subsidiaries	4,572	4,820
– Withholding tax levied on dividend declared of a PRC subsidiary	–	1,625
	42,612	42,440
Deferred tax (note 19)	7,080	24,927
	49,692	67,367

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

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. Certain PRC subsidiaries enjoy preferential tax rate according to approval from local tax bureau, including (i) a PRC subsidiary which enjoys preferential tax rate of 15% since year 2016 and applies a further preferential tax rate of 12.5% for the year 2020; (ii) a PRC subsidiary, located in Khorgos city in the PRC, was exempted from EIT in the first 5 years since set up in year 2018, according to "關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得税優惠政策的通知" (Caishui [2011] 112) issued by the State Administration of Taxation and the Ministry of Finance of the PRC.

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

	2020 RMB'000	2019 RMB'000
Profit before taxation	387,088	362,492
Tax at the domestic EIT rate of 25%	96,772	90,623
Tax effect of share of profit of a joint venture and associates	(3,676)	(1,444)
Tax effect of expenses not deductible for tax purposes	10,731	19,288
Effect of different tax rates of the subsidiaries	(23,527)	(8,950)
Effect of tax exemption granted to a PRC subsidiary	(50,229)	(50,475)
Tax effect of tax losses not recognised	4,618	3,869
Utilisation of tax losses previously not recognised	–	(1,740)
Tax benefit on research and development expenses	(2,660)	(1,976)
Withholding tax on distributable earnings of the PRC subsidiaries	17,663	18,172
Tax charge for the year	49,692	67,367

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

(a) Profit for the year

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

	2020 RMB'000	2019 RMB'000
Directors' emoluments (note 13)	**6,503**	5,536
Other staffs costs (excluding directors' emoluments)		
– Salaries, allowances and other staff benefits, including share option expenses	**116,194**	82,630
– Staffs' retirement benefit scheme contributions	**656**	4,201
Total staff costs	**123,353**	92,367
Less: amount capitalised in development costs	**(5,581)**	(9,188)
Less: staff costs recognised as research and development costs in other expenses	**(22,577)**	(13,596)
Staff costs recognised in administrative expenses	**95,195**	69,583
Total depreciation of property and equipment	**2,310**	1,694
Less: amount capitalised in development costs	**(56)**	(131)
Depreciation of property and equipment recognised in administrative expenses	**2,254**	1,563
Depreciation of right-of-use assets recognised in administrative expenses	**9,970**	7,202
Amortisation of intangible assets recognised in administrative expenses	**5,494**	3,641
Auditor's remuneration recognised in administrative expenses	**2,900**	2,520
Covid-19-related rent concessions (note 18)	**(224)**	–
Other expenses		
– Research and development costs	**23,466**	14,269
– Donation	**1,060**	1,964
Total other expenses	**24,526**	16,233

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

(b) Other comprehensive (expense) income

Income tax effect relating to other comprehensive (expense) income

	Year ended 31/12/2020			Year ended 31/12/2019		
	Before tax amount RMB'000	Tax (expense) benefit RMB'000	Net of income tax RMB'000	Before tax amount RMB'000	Tax benefit (expense) RMB'000	Net of income tax RMB'000
Items that may be reclassified subsequently to profit or loss:						
Fair value gain on factoring assets at FVTOCI (note 12(c))	**(13,565)**	**(3,285)**	**(16,850)**	(7,298)	570	(6,728)
Impairment losses for factoring assets at FVTOCI included in profit or loss	**11,830**	**3,194**	**15,024**	11,880	(1,554)	10,326
Fair value change, net of ECL, and reclassification of derecognition	**(1,735)**	**(91)**	**(1,826)**	4,582	(984)	3,598
Share of OCI of associates	**(721)**	**–**	**(721)**	1,423	–	1,423
Share of OCI of a joint venture	**–**	**–**	**–**	32	–	32
	(2,456)	**(91)**	**(2,547)**	6,037	(984)	5,053

(c) Changes in fair value of factoring assets at FVTOCI

For the year ended 31 December 2020, the Group recognised, net of ECL, fair value gains of RMB136.5 million on the factoring assets at FVTOCI, measured at the date of the reporting period end or the date of derecognition in OCI. The Group reclassified the accumulated gain previously recognised in OCI from FVTOCI reserves of RMB138.2 million to profit and loss in relation to factoring assets at FVTOCI derecognised during the year.

13. DIRECTORS' EMOLUMENTS AND TOP FIVE HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

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

Name of director	Director's fee RMB'000	Retirement benefit scheme contributions RMB'000	Other emoluments mainly salaries and other benefits RMB'000	Performance related bonuses RMB'000	Share-based payment RMB'000	Total RMB'000
For the year ended 31 December 2020						
Executive directors						
Mr. Tung Chi Fung	1,511	–	–	–	1,193	2,704
Mr. Chen Jen-Tse	107	3	828	252	1,035	2,225
Independent non-executive directors						
Mr. Hung Ka Hai Clement	320	–	–	–	236	556
Mr. Loo Yau Soon	160	–	–	–	236	396
Mr. Twoon Wai Mun,Benjamin	107	–	–	–	236	343
Mr. Fong Heng Boo	160	–	–	–	119	279
	2,365	3	828	252	3,055	6,503
For the year ended 31 December 2019						
Executive directors						
Mr. Tung Chi Fung	1,056	–	–	–	–	1,056
Mr. Chen Jen-Tse	106	54	1,095	195	1,679	3,129
Independent non-executive directors						
Mr. Hung Ka Hai Clement	317	–	–	–	204	521
Mr. Loo Yau Soon	158	–	–	–	204	362
Mr. Twoon Wai Mun,Benjamin	106	–	–	–	204	310
Mr. Fong Heng Boo	158	–	–	–	–	158
	1,901	54	1,095	195	2,291	5,536

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.

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

(a) Directors' emoluments (continued)

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

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

The Group has been providing accommodation, which is leased from third party, to Mr. Chen Jen-Tse for use by him and his family members at no charge. The estimated money value of the benefit in kind is approximately RMB110,000 (2019: RMB240,000).

(b) Five highest paid employees

The five highest paid employees of the Group during the year included one director (2019: 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 (2019: four) highest paid employees who are not a director of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and other benefits	7,162	4,043
Performance related bonuses	6,754	4,177
Share-based payment	1,843	3,725
Staffs' retirement benefit scheme contributions	29	122
	15,788	12,067

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:

	2020 No. of employees	2019 No. of employees
Hong Kong Dollars ("HK$") 2,000,001 to HK$3,000,000	1	1
HK$3,000,001 to HK$4,000,000	–	3
HK$4,000,001 to HK$5,000,000	2	–
HK$6,000,001 to HK$7,000,000	1	–
	4	4

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14. DIVIDENDS

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

	2020 HK$'000	2019 HK$'000
2019 final – HK5.3 cents (2019: 2018 final dividend HK4 cents) per share	**46,694**	35,154

	2020 RMB'000	2019 RMB'000
Shown in the consolidated financial statements	**42,652**	30,905

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of HK6.3 cents (2019: HK5.3 cents) per ordinary share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting of the Company.

15. EARNINGS PER SHARE

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

	2020 RMB'000	2019 RMB'000
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**329,252**	280,343

	2020 '000	2019 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**896,397**	879,176
Effect of dilutive potential ordinary shares:		
Share options	**2,327**	4,262
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**898,724**	883,438

16. PROPERTY AND EQUIPMENT

	Leasehold improvement RMB'000	Electronic equipment RMB'000	Furniture and office equipment RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Total RMB'000
COST						
At 1 January 2019	3,925	4,188	647	–	–	8,760
Additions	370	1,933	53	603	1,854	4,813
Disposals	–	–	(46)	–	–	(46)
At 31 December 2019	4,295	6,121	654	603	1,854	13,527
Additions	1,202	3,064	339	17	–	4,622
Disposals	(178)	(314)	(54)	–	–	(546)
At 31 December 2020	**5,319**	**8,871**	**939**	**620**	**1,854**	**17,603**
DEPRECIATION						
At 1 January 2019	3,507	2,117	408	–	–	6,032
Charge for the year	352	1,052	80	17	193	1,694
Eliminated on disposals	–	–	(39)	–	–	(39)
At 31 December 2019	3,859	3,169	449	17	193	7,687
Charge for the year	342	1,480	103	29	356	2,310
Eliminated on disposals	(178)	(220)	(38)	–	–	(436)
At 31 December 2020	**4,023**	**4,429**	**514**	**46**	**549**	**9,561**
CARRYING VALUES						
At 31 December 2020	**1,296**	**4,442**	**425**	**574**	**1,305**	**8,042**
At 31 December 2019	436	2,952	205	586	1,661	5,840

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

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

17. INTANGIBLE ASSETS

	Development costs RMB'000	Software system RMB'000	Total RMB'000
COST			
At 1 January 2019	13,057	1,495	14,552
Additions	9,795	339	10,134
At 31 December 2019	22,852	1,834	24,686
Additions	7,160	592	7,752
At 31 December 2020	**30,012**	**2,426**	**32,438**
AMORTISATION			
At 1 January 2019	561	524	1,085
Charge for the year	3,296	345	3,641
At 31 December 2019	3,857	869	4,726
Charge for the year	4,959	535	5,494
At 31 December 2020	**8,816**	**1,404**	**10,220**
CARRYING VALUES			
At 31 December 2020	**21,196**	**1,022**	**22,218**
At 31 December 2019	18,995	965	19,960

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

The above items of intangible assets are amortised on a straight-line basis at the following estimated useful lives:

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

18. RIGHT-OF-USE ASSETS

	Leased properties RMB'000
As at 31 December 2020	
Carrying amount	**24,680**
As at 31 December 2019	
Carrying amount	22,147
For the year ended 31 December 2020	
Depreciation charge	**9,970**
For the year ended 31 December 2019	
Depreciation charge	7,202

	2020 RMB'000	2019 RMB'000
Expense relating to short-term leases	**50**	276
Total cash outflow for leases	**10,601**	8,728
Additions to right-of-use assets	**12,503**	22,022

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 2 to 3.5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. The Group regularly entered into short-term leases for leased properties. As at 31 December 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in above. Besides, the Group and a lessor agreed to early terminate a lease contract, at the effective date of the termination, the Group derecognised the right-of-use assets and lease liabilities and recognised a gain from lease termination as disclosed in note 8 (b).

18. RIGHT-OF-USE ASSETS (continued)

In addition, as at 31 December 2020, lease liabilities of RMB25,250,000 (31 December 2019: RMB22,061,000) are recognised with related right-of-use assets of RMB24,680,000 (31 December 2019: RMB22,147,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

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

19. DEFERRED TAXATION

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

	31/12/2020 RMB'000	31/12/2019 RMB'000
Deferred tax assets	**25,210**	11,319
Deferred tax liabilities	**(56,449)**	(35,387)
	(31,239)	(24,068)

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 (note) RMB'000	Fair value adjustments RMB'000	Total RMB'000
At 1 January 2019	(18,840)	11,359	8,653	671	1,843
(Charge) credit to profit or loss	(16,547)	(7,424)	(1,336)	380	(24,927)
Charge to OCI	–	–	–	(984)	(984)
At 31 December 2019	(35,387)	3,935	7,317	67	(24,068)
(Charge) credit to profit or loss	(17,663)	1,301	5,031	4,251	(7,080)
Charge to OCI	–	–	–	(91)	(91)
At 31 December 2020	**(53,050)**	**5,236**	**12,348**	**4,227**	**(31,239)**

Note: At 31 December 2020, deferred tax assets of RMB12,348,000 (31 December 2019: RMB7,317,000) was recognised based on the deductible temporary differences associated with ECL provision. As a PRC subsidiary of the Group was exempted from EIT, the deferred tax asset of the ECL provision of RMB17,012,000 (31 December 2019: RMB22,303,000) out of RMB66,405,000 (31 December 2019: RMB51,571,000) has not been recognised.

19. 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%.

At 31 December 2020, the Hong Kong subsidiaries had cumulative unutilised tax losses of RMB35,501,000 (31 December 2019: RMB15,470,000). 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 2020, the PRC subsidiaries had cumulative unutilised tax losses of RMB5,254,000 (31 December 2019: RMB38,000). No deferred tax asset has been recognised due to the unpredictability of future profit stream. Some of the unused tax losses can be carried forward up to five years from the years in which the loss was originated to offset future taxable profits.

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

	31/12/2020 RMB'000	31/12/2019 RMB'000
2021	–	24
2022	–	2
2023	–	4
2024	1	8
2025	5,253	–
	5,254	38

20. FACTORING ASSETS AT FVTOCI

	31/12/2020 RMB'000	31/12/2019 RMB'000
Factoring assets at FVTOCI	**3,804,200**	3,837,348
Analysed for reporting purposes as:		
Current assets	**3,789,922**	3,837,348
Non-current assets	**14,278**	–
	3,804,200	3,837,348

As at 31 December 2020, the effective interest rates of the factoring assets range mainly from 5.80% to 17.5% (31 December 2019: 5.90% to 18.00%) per annum.

As at 31 December 2020, certain commercial acceptance bills are received from customers with fair value amounting of RMB571,106,000 (31 December 2019: RMB412,030,000) as pledged bills to the factoring assets. The bills can also be applied and used to settle any outstanding receivables of factoring assets for the corresponding contract if default occurs, otherwise the Company needs to return the bills if the outstanding factoring assets are settled. Until such time as default occurs and they are used to settle the factoring assets, the commercial acceptance bills are not recognised as an asset in the financial statements.

As at 31 December 2020, the gross carrying amount of factoring assets of RMB21,411,000 is past due (31 December 2019: nil). When analysing the credit quality of factoring assets at FVTOCI, the entire outstanding of balance of the factoring assets is classified as past due in the event that instalments repayment of a factoring asset at FVTOCI is past due.

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

	31/12/2020 RMB'000	31/12/2019 RMB'000
Past due by:		
31 – 60 days	**1,381**	–
61 – 90 days	**8,090**	–
Over 90 days	**11,940**	–
	21,411	–

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

21. OTHER FINANCIAL ASSETS AT FVTPL

	31/12/2020 RMB'000	31/12/2019 RMB'000
Equity tranche (note)	**91,980**	–
Distressed debt asset (note)	**7,782**	–
Trust fund	**3,374**	4,497
Structured deposit	**2,005**	–
	105,141	4,497
Analysed for reporting purposes as:		
Current assets	**30,878**	4,497
Non-current assets	**74,263**	–
	105,141	4,497

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

Note: Their fair values are determined by Fairdex Valuation Advisory Limited, an independent valuer, based on appropriate valuation techniques as detailed in note 37 (c).

22. INVESTMENTS IN ASSOCIATES

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

	31/12/2020 RMB'000	31/12/2019 RMB'000
Cost of investments in associates, unlisted	**130,000**	56,000
Share of post-acquisition profit, net of dividends declared	**19,374**	9,322
Share of post-acquisition OCI	**1,537**	2,258
	150,911	67,580

22. INVESTMENTS IN ASSOCIATES (continued)

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

Name of entity	Place of incorporation/ establishment	Particulars of authorised and paid up capital	Proportion of ownership interest/ voting rights held by the Group as at 31/12/2020	31/12/2019	Principal activity
Wuxi Guojin Factoring Limited # (無錫國金商業保理有限公司) ("WXGJ")	PRC	RMB300,000,000 RMB300,000,000	**40%**	40%	Provision of factoring service
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 factoring service
Shenzhen Sheng Ye Non-Financing Guarantee Limited # (深圳市盛業非融資性擔保有限責任公司) ("SYNFGL")	PRC	RMB30,000,000 RMB30,000,000	**N/A (note ii)**	20%	Provision of non-financing guarantee service
Shoujin Digital Information Technology (Beijing) Co., Ltd # (首金數科信息科技 (北京)有限公司)	PRC	RMB8,000,000 –	**40%**	N/A	Provision of IT Service

\# English translated name is for identification purpose only.

Notes:

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

(ii) In April 2020, the Group disposed all the investment in SYNFGL, an associate of the Group, to an independent third party at cash consideration of RMB6,203,000, which resulted in the Group recognising a loss of RMB48,000 in profit or loss.

Summarised financial information of the material associate

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

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

WXGJ

	31/12/2020 RMB'000	31/12/2019 RMB'000
Current assets	**1,180,198**	655,525
Non-current assets	**201,474**	145,416
Current liabilities	**1,036,306**	688,261

22. INVESTMENTS IN ASSOCIATES (continued)

Summarised financial information of the material associate (continued)

WXGJ (continued)

	2020 RMB'000	2019 RMB'000
Revenue	**103,556**	43,026
Profit before taxation	**45,504**	10,827
Profit for the year	**34,111**	8,102
OCI for the year	**(1,425)**	2,837
Total comprehensive income for the year	**32,686**	10,939
Dividends received from the associate during the year	**–**	–

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

	31/12/2020 RMB'000	31/12/2019 RMB'000
Net assets of WXGJ	**345,366**	112,680
Proportion of the Group's ownership investment in WXGJ	**40%**	40%
Carrying amount of the Group's investment in WXGJ	**138,146**	45,072

Aggregate information of associates that are not individually material

	2020 RMB'000	2019 RMB'000
The Group's share of profit from continuing operations	**1,062**	999
The Group's share of OCI	**(151)**	288
The Group's share of total comprehensive income	**911**	1,287
Aggregate carrying amount of the Group's investments in these associates	**12,765**	22,508

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets		Liabilities	
	31/12/2020 RMB'000	31/12/2019 RMB'000	31/12/2020 RMB'000	31/12/2019 RMB'000
Foreign currency option contracts	790	–	–	–
Cross currency swap contracts	–	700	8,397	2,359
Foreign currency forward contracts	–	51	9,219	–
	790	751	17,616	2,359

Analysed for financial reporting purpose based on maturity dates:

	Assets		Liabilities	
	31/12/2020 RMB'000	31/12/2019 RMB'000	31/12/2020 RMB'000	31/12/2019 RMB'000
Current	790	751	17,616	2,359

The above derivatives are measured at fair values at the end of the reporting period and changes in fair value are recognised in the profit or loss. Their fair values are determined by Fairdex Valuation Advisory Limited, an independent valuer, based on appropriate valuation techniques as detailed in note 37 (c).

At 31 December 2020, the security deposits of RMB9,187,000 (31 December 2019: RMB3,550,000) and bank deposits of RMB8,853,000 (31 December 2019: RMB6,904,000) were pledged as security for the derivative financial instruments. The balance of the security deposits and bank deposits can be applied and used to settle any outstanding payments for the corresponding contracts if default occurs.

Foreign currency option contracts

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

At 31 December 2020

Notional amount	Maturity date	Contracted exchange rate
Sell United States Dollars ("US$")3,000,000	01/03/2021	US$:RMB1:6.8059
Buy US$3,000,000	01/03/2021	US$:RMB1:6.8060
Sell US$80,000	01/03/2021	US$:RMB1:6.8008
Buy US$80,000	01/03/2021	US$:RMB1:6.8009

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cross currency swap contracts

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

At 31 December 2020

Notional amounts	Commencement dates	Maturity dates	Contracted swap rates	Interest rates
US$10,200,000	20/04/2020	23/03/2021	US$:RMB1:7.0800 US$ against RMB swap rates	From 3.31% per annum to 3 months LIBOR plus 2.0%
US$6,550,000	28/09/2020	24/08/2021	US$:RMB1:6.8250 US$ against RMB swap rates	From 4.78% per annum to 6 months LIBOR plus 2.0%
US$800,000	02/11/2020	24/08/2021	US$:RMB1:6.6950 US$ against RMB swap rates	From 4.97% per annum to 6 months Libor plus 2.0%
HK$50,000,000	11/12/2020	08/11/2021	HK$:RMB1:0.8433 HK$ against RMB swap rates	From 5.35% per annum to 3 months HIBOR plus 2.4%

At 31 December 2019

Notional amounts	Commencement dates	Maturity dates	Contracted swap rates	Interest rates
HK$70,000,000	12/07/2019	10/06/2020	HK$:RMB1:0.8784 HK$ against RMB swap rates	From 5.15% per annum to 3 months HIBOR plus 2.4%
HK$50,000,000	16/08/2019	01/07/2020	HK$:RMB1:0.8975 HK$ against RMB swap rates	From 5.13% per annum to 3 months HIBOR plus 2.4%
US$1,500,000	27/09/2019	31/08/2020	US$:RMB1:7.1281 US$ against RMB swap rates	From 4.06% per annum to 3 months LIBOR plus 1.4%
US$8,500,000	27/09/2019	31/08/2020	US$:RMB1:7.1043 US$ against RMB swap rates	From 4.00% per annum to 3 months LIBOR plus 1.4%
US$8,600,000	20/12/2019	26/11/2020	US$:RMB1:7.0150 US$ against RMB swap rates	From 4.07% per annum to 3 months LIBOR plus 1.5%

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Foreign currency forward contracts

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

At 31 December 2020

Notional amounts	Maturity date	Contracted exchange rate
Buy US$17,975,000	**30/06/2021**	**US$:RMB 1:7.0390**
Buy US$10,690,000	**24/08/2021**	**US$:RMB 1:6.8480**

At 31 December 2019

Notional amount	Maturity date	Contracted exchange rate
Buy Euros ("EUR€")1,400,000	03/09/2020	EUR€:RMB 1:7.9500

The Group entered into foreign currency option contracts to manage its foreign currency risk exposure arising from its bank borrowing denominated in US$.

The Group entered into cross currency swap contracts to manage its foreign currency risk exposures and interest risk exposures arising from certain of its variable-rate bank borrowings denominated in HK$ and US$.

The Group entered into foreign currency forward contracts to manage its foreign currency risk exposure arising from certain of its variable-rate borrowings denominated in US$ and EUR€.

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

24. LOAN RECEIVABLE

	31/12/2020 RMB'000	31/12/2019 RMB'000
Carrying amount receivable based on maturity set out in the loan agreement:		
– Within one year	–	13,410
Less: ECL allowance	–	(4,344)
	–	9,066

As at 31 December 2019, the guaranteed and unsecured loan receivable from a third party amounting of HK$15,000,000 (equivalent to RMB13,410,000) bearing a fixed interest rate of 14.5% per annum, was due on 5 March 2020. On 5 March 2020, the principal of HK$1,450,000 (equivalent to RMB1,325,000) was repaid and the remaining balance of HK$13,550,000 was extended to 5 September 2020.

The loan receivable was sold to a related party of the debtor, and independent third party of the Group, at the price of HK$13,550,000 (equivalent to RMB11,499,000), with the carrying amount of RMB11,499,000 after deducting an accumulated impairment of RMB366,000, and the consideration was fully settled in December 2020.

25. RECEIVABLES FROM GUARANTEE CUSTOMERS/TRADE RECEIVABLES/ OTHER RECEIVABLES, PREPAYMENTS AND OTHERS

(a) Receivables from guarantee customers

For provision of guarantee service which is in the scope of HKFRS 9, the Group recognises receivables from guarantee customers equal to the guarantee fees less amounts that the Group received from the customer.

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

	31/12/2020 RMB'000	31/12/2019 RMB'000
0 – 30 days	**17,052**	7,700

(b) Trade receivables

	31/12/2020 RMB'000	31/12/2019 RMB'000
Contracts with customers of information technology and other services	**2,733**	403

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

(b) Trade receivables (continued)

The following is an aged analysis of trade receivables presented based on the date of rendering of services.

	31/12/2020 RMB'000	31/12/2019 RMB'000
0 – 30 days	2,733	403

(c) Other receivables, prepayments and others

	31/12/2020 RMB'000	31/12/2019 RMB'000
Security deposits for derivative financial instruments (note 23)	9,187	3,550
Prepayments	3,016	1,900
Value-added tax recoverable	433	24
Refundable rental deposits	198	2,242
Security deposits for borrowings (note 29 (a))	–	6,296
Dividend receivable from an associate	20	–
Other receivables	3,987	2,101
	16,841	16,113

26. PLEDGED STRUCTURED DEPOSIT/PLEDGED BANK DEPOSITS/BANK BALANCES

The ranges of effective interest rates/market rates on the Group's pledged structured deposit/pledged bank deposits/bank balances are as follows:

	Range of interest rates (per annum)	
	31/12/2020 %	31/12/2019 %
Fixed-rate pledged bank deposits	0~1.28	0~2.40
Market rate bank balances	0~1.73	0~1.73
Fixed-rate pledged structured deposit	N/A	1.66

The pledged structured deposit of HK$10,000,000 (equivalent to RMB9,000,000) as at 31 December 2019 was released during the year ended 31 December 2020.

26. PLEDGED STRUCTURED DEPOSIT/PLEDGED BANK DEPOSITS/BANK BALANCES (continued)

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

	31/12/2020 RMB'000	31/12/2019 RMB'000
The bank deposits pledged for:		
– bank borrowings (note 29 (a))	**160,173**	59,446
– loan guarantee contracts in relation to third parties (note 28)	**78,044**	20,000
– derivative financial instruments (note 23)	**8,853**	6,904
– bank overdraft (note 29 (b))	**8,419**	–
	255,489	86,350

For the year ended 31 December 2020 and 2019, the Group performed impairment assessment on pledged structured deposit, pledged bank deposits and bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

The pledged structured deposit, pledged bank deposits and bank balances that are denominated in currencies other than the functional currencies of each entity are set out below:

	31/12/2020 RMB'000	31/12/2019 RMB'000
HK$	**98,868**	45,380
US$	**9,429**	719
Singapore Dollar ("S$")	**409**	–
Great Britain Pounds ("GBP￡")	**–**	13
	108,706	46,112

27. OTHER PAYABLES AND ACCRUED CHARGES

	31/12/2020 RMB'000	31/12/2019 RMB'000
Accrued charges	**43,017**	40,661
Other tax payables	**30,089**	27,197
Settlement payables to factoring customers	**18,481**	4,994
Deposits from factoring customers	**6,440**	–
Dividend payable to a non-controlling shareholder of a PRC subsidiary	**5,531**	–
Dividend payable to shareholders of the Company	**1,002**	–
Advance receipt from disposal of investment in an associate	**–**	600
Other payables	**992**	288
	105,552	73,740

28. LIABILITIES ARISING FROM GUARANTEE CONTRACTS

	31/12/2020			31/12/2019		
	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
Loan guarantee contracts in relation to:						
– third parties (note i)	**16,114**	**19,614**	**22,536**	8,299	6,276	8,914
– an associate (note ii)	**4,937**	**959**	**4,937**	2,070	1,069	2,247
Guarantee contracts to suppliers in relation to:						
– non-payment of payables (note iii)	**747**	**2,269**	**2,269**	889	653	889
	21,798	**22,842**	**29,742**	11,258	7,998	12,050

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

28. 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.

	31/12/2020 RMB'000	31/12/2019 RMB'000
Loan guarantee contracts in relation to		
– third parties (note i)	1,182,907	456,788
– an associate (note ii)	385,600	270,000
Guarantee contracts to suppliers in relation to non-payment of payables (note iii)	200,000	46,608
	1,768,507	773,396

Notes:

(i) As at 31 December 2020, the Group provided guarantee services for loan guarantee customers which are third parties of the maximum amount of RMB1,182,907,000 (31 December 2019: RMB456,788,000) and placed bank deposits of RMB78,044,000 (31 December 2019: RMB20,000,000) to lenders. The Group has to pay on behalf of loan guarantee customers to lenders when the customers defaulted in settlement of their outstanding liabilities with lenders when due, after deduction of the bank deposits placed to lenders.

As at 31 December 2020, an amount of RMB19,614,000 (31 December 2019: RMB6,276,000) has been estimated as a loss allowance, and an amount of RMB5,807,000 (2019: RMB615,000) loss allowance was recognised in the profit or loss because the premium received less cumulative amount of certain contracts were lower than the amount of loss allowance.

(ii) As at 31 December 2020, the Group provided guarantees to loans amounting to RMB964,000,000 (31 December 2019: RMB675,000,000), raised by an associate of the Group from the controlling shareholder, its related party of the associate and its lenders. The guaranteed amounts were approximately 40% of all sums payable by the associate.

For the loan guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was RMB385,600,000 (31 December 2019: RMB270,000,000). Fair value initially recognised in relation to the loan guarantees by the Group amounted to RMB21,314,000 (2019:RMB3,522,000). Their fair values are determined by Fairdex Valuation Advisory Limited, an independent valuer.

As at 31 December 2020, the directors of the Company have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. An amount of RMB959,000 has been estimated as a loss allowance as at 31 December 2020, and an amount of RMB177,000 loss allowance was reversed in the profit or loss during the year.

(iii) The Group provided guarantee services to independent third parties, which are the suppliers of the Group's customers of guarantee services. The Group has to pay on behalf of the customers to their suppliers when the customers defaulted in settlement of the outstanding payables when due. The maximum amount that the Group has guaranteed under the contracts was RMB200,000,000 as at 31 December 2020 (31 December 2019: RMB46,608,000).

As at 31 December 2020, the directors of the Company have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. An amount of RMB2,269,000 (31 December 2019: RMB653,000) has been estimated as a loss allowance as at 31 December 2020, and an amount of RMB1,522,000 (2019: nil) 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.

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

29. BORROWINGS/BANK OVERDRAFT

(a) Borrowings

	31/12/2020 RMB'000	31/12/2019 RMB'000
Bank borrowings	**765,501**	469,495
Entrusted loans	**124,738**	445,376
Bills discounted	**30,352**	31,107
Other loans	**555,322**	921,321
	1,475,913	1,867,299
Secured	**1,190,253**	560,633
Unsecured	**285,660**	1,306,666
	1,475,913	1,867,299
The carrying amounts of the above borrowings are repayable*:		
Within one year	**1,195,296**	1,475,574
The carrying amounts of the above borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	**280,617**	391,725
Amounts shown under current liabilities	**1,475,913**	1,867,299

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

The exposure of the Group's variable-rate borrowings and fixed-rate borrowings are as follows:

	31/12/2020 RMB'000	31/12/2019 RMB'000
Fixed-rate borrowings	**984,737**	1,502,030
Variable-rate borrowings	**491,176**	365,269
	1,475,913	1,867,299

The Group's variable-rate borrowings carry interest at Loan Prime Rate ("LPR"), HIBOR, LIBOR or Europe Interbank Offered Rate ("EURIBOR").

29. BORROWINGS/BANK OVERDRAFT (continued)

(a) Borrowings (continued)

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

	31/12/2020 %	31/12/2019 %
Range of fixed-rate borrowings interest rates (per annum)	**4.62~12.60**	4.00~10.00
Range of variable-rate borrowings interest rates (per annum)	**2.22~5.55**	2.30~5.35

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

	31/12/2020 RMB'000	31/12/2019 RMB'000
Carrying amount of borrowings secured by		
– factoring assets (note i)	**673,240**	167,073
– factoring assets and bank deposits (note i)	**216,593**	211,446
– bank deposits (note i)	**250,140**	81,858
– bills (note ii)	**30,352**	31,107
– bills and factoring assets (note i) (note ii)	**19,928**	–
– factoring assets and secured deposits (note i)	**–**	69,149
	1,190,253	560,633
Carrying amount of secured assets:		
– factoring assets (note 37 (d))	**678,658**	462,512
– bank deposits	**160,173**	59,446
– secured deposits	**–**	6,296
	838,831	528,254

Notes:

(i) The legal title and legal right to receive cash flows was transferred to the lenders.

(ii) As at 31 December 2020, the bills received from customers as pledged to factoring assets with par value of RMB31,074,000 (31 December 2019: RMB31,632,000) were discounted to the bank, and par value of RMB19,810,000 (31 December 2019: Nil) were pledged to a non-bank financial institution.

As at 31 December 2020, the Group's borrowings of RMB825,512,000 (31 December 2019: RMB418,490,000) were guaranteed by the Company, a PRC subsidiary and/or a Hong Kong subsidiary.

29. BORROWINGS/BANK OVERDRAFT (continued)

(a) Borrowings (continued)

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

	31/12/2020 RMB'000	31/12/2019 RMB'000
HK$	**321,118**	290,390
US$	**325,464**	171,863
EUR€	**–**	46,950
	646,582	509,203

(b) Bank overdraft

As at 31 December 2020, the bank overdraft amounted to HK$12,865,000 (equivalent to RMB10,828,000), which is repayable on demand, carrying interest rate per annum at the rate of the benchmark rate offered by the HIBOR plus 2.25% per annum, guaranteed by the Company and a PRC subsidiary and pledged by bank deposit amounting to HK$10,000,000 (equivalent to RMB8,419,000).

As at 31 December 2019, the bank overdraft amounted to HK$19,943,000 (equivalent to RMB17,864,000), which is repayable on demand, carrying interest rate per annum at the rate of the benchmark rate offered by the HIBOR plus 2.25% per annum, guaranteed by the Company and a PRC subsidiary and pledged by structured deposit amounting to HK$10,000,000 (equivalent to RMB9,000,000).

30. LEASE LIABILITIES

	31/12/2020 RMB'000	31/12/2019 RMB'000
Lease liabilities payable:		
Within one year	**11,913**	6,613
Within a period of more than one year but not more than two years	**11,272**	7,379
Within a period of more than two years but not more than five years	**2,065**	8,069
	25,250	22,061
Less: Amount due for settlement within 12 months shown under current liabilities	**(11,913)**	(6,613)
Amount due for settlement after 12 months shown under non-current liabilities	**13,337**	15,448

The weighted average incremental borrowing rates applied to lease liabilities range from 4.50% to 6.76% (2019: 6.76%).

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

	31/12/2020 RMB'000	31/12/2019 RMB'000
HK$	**1,822**	492

31. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

	Number of shares	Share capital HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019 and 31 December 2020	5,000,000,000	50,000,000

	Number of shares	Share capital HK$
Issued:		
At 1 January 2019	878,840,500	8,788,405
Exercise of share options (note 33)	1,475,500	14,755
At 31 December 2019	880,316,000	8,803,160
Issue of new shares from placing (note)	55,500,000	555,000
Exercise of share options (note 33)	780,000	7,800
At 31 December 2020	**936,596,000**	**9,365,960**

	31/12/2020 RMB'000	31/12/2019 RMB'000
Shown in the consolidated statement of financial position	**8,127**	7,636

Note: On 11 September 2020, the Company, Wisdom Cosmos Limited ("Wisdom Cosmos"), the immediate holding of the Company, BOCI Asia Limited ("BOCI"), DBS Asia Capital Limited ("DBS") and Macquarie Capital Limited ("Macquarie Capital") (BOCI, DBS and Macquarie Capital collectively referred to as the "Joint Placing Agents") entered into a placing agreement pursuant to which Wisdom Cosmos agreed to place, through the Joint Placing Agents on a best effort basis, a maximum of 55,500,000 existing placing shares at the placing price of HK$7.00 per placing share (the "Placing").

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

The Placing and the Subscription were completed on 15 September 2020 and 21 September 2020 respectively. An aggregate of 55,500,000 subscription shares (equal to the number of the placing shares successfully placed under the Placing) were subscribed by Wisdom Cosmos at the subscription price of HK$7.00 for each subscription share. The Company received total net proceeds of approximately HK$382.7 million (equivalent to approximately RMB334.1 million, net of transaction cost amount of RMB4.8 million) from the Placing and the Subscription. Details are set out in the Company's announcements dated 11 September 2020 and 21 September 2020.

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

32. CAPITAL COMMITMENTS

	31/12/2020 RMB'000	31/12/2019 RMB'000
Capital expenditure contracted for but not provided for in the consolidated financial statements		
– Investment in an associate	**3,200**	–
– Intangible assets	**80**	572
	3,280	572

33. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme"), was adopted pursuant to resolutions passed on 11 September 2017, 14 November 2018 and 15 July 2020 ("Option Grant Date") for the primary purpose of providing incentives to directors and eligible employees, and will expire on 10 September 2022, 13 November 2023 and 14 July 2025 respectively. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including executive directors and independent non-executive directors of the Company and the management of an associate of the Company, to subscribe for shares in the Company.

At 31 December 2020, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 29,203,000 (31 December 2019: 16,063,000), representing 3.12% (31 December 2019: 1.82%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be offered for acceptance for a period of not less than 28 days, upon payment of HK$1.00 by each of eligible employees determined by the board of directors of the Company. Options may be exercised at any time from 12 months from the date of grant of the share option to the 5 anniversary of the date of grant. The exercise price is determined by the directors of the Company, and shall be the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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	15/7/2020-14/7/2022	15/7/2022-14/7/2025	HK$6.68	15/7/2022
Tranche 8	15/7/2020	15/7/2020-14/7/2022	15/7/2022-14/7/2025	HK$6.68	15/7/2022
Tranche 9	15/7/2020	15/7/2020-14/7/2023	15/7/2023-14/7/2025	HK$6.68	15/7/2023

33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

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

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

Grantee	Exercise period	Outstanding at 1 January 2020	Granted during year	Forfeited during year	Exercised during year	Outstanding at 31 December 2020
Directors	11/9/2018-10/9/2022	500,000	–	–	–	500,000
	11/9/2019-10/9/2022	500,000	–	–	–	500,000
	11/9/2020-10/9/2022	1,000,000	–	–	–	1,000,000
	14/11/2019-13/11/2023	400,000	–	–	–	400,000
	14/11/2020-13/11/2023	400,000	–	–	–	400,000
	14/11/2021-13/11/2023	800,000	–	–	–	800,000
	15/7/2022-14/7/2025	–	1,150,000	–	–	1,150,000
	15/7/2022-14/7/2025	–	1,150,000	–	–	1,150,000
	15/7/2023-14/7/2025	–	2,300,000	–	–	2,300,000
		3,600,000	4,600,000	–	–	8,200,000
Exercisable at the end of the reporting period		1,400,000				2,800,000
Weighted average exercise price per share		5.40	6.68	–	–	6.12

Grantee	Exercise period	Outstanding at 1 January 2020	Granted during year	Forfeited during year	Exercised during year	Outstanding at 31 December 2020
Employees	11/9/2018-10/9/2022	1,061,000	–	–	(208,500)	852,500
	11/9/2019-10/9/2022	1,607,000	–	–	(521,500)	1,085,500
	11/9/2020-10/9/2022	3,770,000	–	(1,450,000)	(25,000)	2,295,000
	14/11/2019-13/11/2023	1,506,250	–	(426,250)	(25,000)	1,055,000
	14/11/2020-13/11/2023	1,506,250	–	(501,250)	–	1,005,000
	14/11/2021-13/11/2023	3,012,500	–	(902,500)	–	2,110,000
	15/7/2022-14/7/2025	–	3,200,000	(50,000)	–	3,150,000
	15/7/2022-14/7/2025	–	3,200,000	(50,000)	–	3,150,000
	15/7/2023-14/7/2025	–	6,400,000	(100,000)	–	6,300,000
		12,463,000	12,800,000	(3,480,000)	(780,000)	21,003,000
Exercisable at the end of the reporting period		4,174,250				6,293,000
Weighted average exercise price per share		5.51	6.68	5.76	4.29	6.22

33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

Grantee	Exercise period	Outstanding at 1 January 2019	Granted during year	Forfeited during year	Exercised during year	Outstanding at 31 December 2019
Directors	11/9/2018-10/9/2022	500,000	–	–	–	500,000
	11/9/2019-10/9/2022	500,000	–	–	–	500,000
	11/9/2020-10/9/2022	1,000,000	–	–	–	1,000,000
	14/11/2019-13/11/2023	400,000	–	–	–	400,000
	14/11/2020-13/11/2023	400,000	–	–	–	400,000
	14/11/2021-13/11/2023	800,000	–	–	–	800,000
		3,600,000	–	–	–	3,600,000
Exercisable at the end of the reporting period		500,000				1,400,000
Weighted average exercise price per share		5.40	–	–	–	5.40

Grantee	Exercise period	Outstanding at 1 January 2019	Granted during year	Forfeited during year	Exercised during year	Outstanding at 31 December 2019
Employees	11/9/2018-10/9/2022	1,958,500	–	–	(897,500)	1,061,000
	11/9/2019-10/9/2022	2,315,000	–	(130,000)	(578,000)	1,607,000
	11/9/2020-10/9/2022	4,630,000	–	(860,000)	–	3,770,000
	14/11/2019-13/11/2023	1,842,500	–	(336,250)	–	1,506,250
	14/11/2020-13/11/2023	1,842,500	–	(336,250)	–	1,506,250
	14/11/2021-13/11/2023	3,685,000	–	(672,500)	–	3,012,500
		16,273,500	–	(2,335,000)	(1,475,500)	12,463,000
Exercisable at the end of the reporting period		1,958,500				4,174,250
Weighted average exercise price per share		5.42	–	5.76	4.20	5.51

33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

Equity-settled share option scheme on 11 September 2017:

	Tranche 1	Tranche 2	Tranche 3
Grant date	11 September 2017	11 September 2017	11 September 2017
Fair value at grant date	HK$1.29	HK$1.42	HK$1.52
Share price	HK$4.09	HK$4.09	HK$4.09
Exercise price	HK$4.20	HK$4.20	HK$4.20
Expected volatility	45.00%	45.00%	45.00%
Expected life	5 years	5 years	5 years
Exercise period	11/9/2018-10/9/2022	11/9/2019-10/9/2022	11/9/2020-10/9/2022
Risk-free rate	1.00%	1.00%	1.00%
Expected dividend yield	–	–	–

Equity-settled share option scheme on 14 November 2018:

	Tranche 4	Tranche 5	Tranche 6
Grant date	14 November 2018	14 November 2018	14 November 2018
Fair value at grant date	HK$2.13	HK$2.31	HK$2.44
Share price	HK$6.87	HK$6.87	HK$6.87
Exercise price	HK$6.90	HK$6.90	HK$6.90
Expected volatility	43.00%	43.00%	43.00%
Expected life	5 years	5 years	5 years
Exercise period	14/11/2019-13/11/2023	14/11/2020-13/11/2023	14/11/2021-13/11/2023
Risk-free rate	2.25%	2.25%	2.25%
Expected dividend yield	1%	1%	1%

33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

Equity-settled share option scheme on 15 July 2020:

	Tranche 7	Tranche 8	Tranche 9
Directors			
Grant date	15 July 2020	15 July 2020	15 July 2020
Fair value at grant date	HK$2.27	HK$2.27	HK$2.27
Share price	HK$6.68	HK$6.68	HK$6.68
Exercise price	HK$6.68	HK$6.68	HK$6.68
Expected volatility	42.00%	42.00%	42.00%
Expected life	5 years	5 years	5 years
Exercise period	15/7/2021-14/7/2025	15/7/2022-14/7/2025	15/7/2023-14/7/2025
Risk-free rate	0.11%	0.11%	0.11%
Expected dividend yield	0.76%	0.76%	0.76%
Exercise multiple	2.8	2.8	2.8

	Tranche 7	Tranche 8	Tranche 9
Employees			
Grant date	15 July 2020	15 July 2020	15 July 2020
Fair value at grant date	HK$1.86	HK$2.04	HK$2.17
Share price	HK$6.68	HK$6.68	HK$6.68
Exercise price	HK$6.68	HK$6.68	HK$6.68
Expected volatility	42.00%	42.00%	42.00%
Expected life	5 years	5 years	5 years
Exercise period	15/7/2021-14/7/2025	15/7/2022-14/7/2025	15/7/2023-14/7/2025
Risk-free rate	0.11%	0.11%	0.11%
Expected dividend yield	0.76%	0.76%	0.76%
Exercise multiple	2.2	2.2	2.2

Expected volatility was adopted as of the valuation date with reference to the annualised standard deviation of the continuously compounded rates of return on the daily average adjusted share price of a set of comparable companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of RMB5,509,000 for the year ended 31 December 2020 (2019: RMB10,006,000) in relation to share options granted by the Company.

34. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Under the rule of MPF Scheme, the Group and its employees are each required to make a contribution to the MPF Scheme at 5% of the employees' relevant income subject to a cap of monthly relevant income as specified in the rules. No forfeited contribution is available to reduce the contribution payable in the future years.

The Group participates in a state-managed defined contribution retirement scheme organised by the relevant local government authority in the PRC. PRC employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The Group is required to make monthly contributions to the retirement scheme of the eligible employees at specified percentage, ranging from 13% to 16% of the payroll and the local government authority is responsible for the pension liabilities to these employees upon their retirement.

Total cost recognised in profit or loss and capitalised in development costs in respect of contributions paid or payable to the schemes by the Group for the year ended 31 December 2020 is RMB659,000 (2019: RMB4,255,000). As at 31 December 2020, contributions due in respect of the year ended 31 December 2020 had been paid over to the plans.

35. RELATED PARTY TRANSACTIONS

(a) Related party balances

(i) Factoring assets at FVTOCI

Name of Related Party	Relationship	31/12/2020 RMB'000	31/12/2019 RMB'000
HJ	Associate	623,481	181,472

The remaining balance of factoring assets at FVTOCI carries fixed-rate interest at the range of 6.80% to 12.33% (31 December 2019: 10.20% to 17.00%) with principal amount of RMB616,720,000 (31 December 2019: RMB180,879,000) within one year and RMB15,000,000 (31 December 2019: nil) within five years.

(ii) Trade receivables

Name of Related Party	Relationship	31/12/2020 RMB'000	31/12/2019 RMB'000
WXGJ	Associate	523	–
HJ	Associate	427	–
		950	–

35. RELATED PARTY TRANSACTIONS (continued)

(a) Related party balances (continued)

(iii) Contract liabilities

Name of Related Party	Relationship	31/12/2020 RMB'000	31/12/2019 RMB'000
WXGJ	Associate	**393**	393
HJ	Associate	**277**	279
		670	672

(iv) Liabilities arising from guarantee contracts

Name of Related Party	Relationship	31/12/2020 RMB'000	31/12/2019 RMB'000
WXGJ	Associate	**4,937**	2,247

(b) Related party transactions

(i) Revenue from related parties

Name of Related Party	Relationship	2020 RMB'000	2019 RMB'000
HJ	Associate	**61,928**	13,090
WXGJ	Associate	**2,319**	1,697
SYNFGL	Associate	**2,281**	1,289
Shenzhen Sheng Peng Non-Financing Guarantee Limited ("SPNFGL")	Associate	**–**	261
		66,528	16,337

35. RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

(ii) Interest income from loans to associates

Name of Related Party	Relationship	2020 RMB'000	2019 RMB'000
SPNFGL	Associate	–	33
SYNFGL	Associate	–	31
		–	64

(iii) Interest expenses on loans from related parties

Name of Related Party	Relationship	2020 RMB'000	2019 RMB'000
WXGJ (note)	Associate	8,559	11,187
Tianjin Zhuguang Shengye Enterprise Management Consulting Co., Ltd (former name as Zhu Guang Sheng Ye Factoring Limited) ("ZGSY")	Joint venture	–	280
HJ	Associate	–	74
		8,559	11,541

Note: During the year ended 31 December 2020, loans from WXGJ amounting of RMB449,359,000 (year ended 31 December 2019: RMB624,998,000) carrying interest at 8.70% (year ended 31 December 2019: 8.50% to 8.80%) were received and the loans were fully repaid together with interests of RMB8,559,000 (year ended 31 December 2019: RMB11,187,000).

(iv) Lease agreement

Relationship	Nature of balances/ transactions	As at/ For the year ended 31/12/2020 RMB'000	As at/ For the year ended 31/12/2019 RMB'000
Related company with controlling shareholder	Refundable rental deposit	415	496
	Lease liabilities	1,822	492
	Interest expenses on lease liabilities	91	96

35. RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

(iv) Lease agreement (continued)

In April 2018, the Group and Bondlink Investment Limited entered into a lease agreement over a property with a lease term that expires on 15 April 2020. Prior to maturity of the existing lease contract, the Group and Bondlink Investment Limited entered into a new lease contract over the same property for the period from 16 April 2020 until 15 April 2022, and the lease payment was changed. At the effective date of the modification, the Group remeasured the lease liability and the difference amounting to RMB3,009,000 between the carrying amount of the modified lease liability and the carrying amount of the lease liability immediately before the modification as an adjustment to the right-of-use asset.

(c) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the year is as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and other benefits	18,807	10,193
Performance related bonuses	10,525	5,245
Share-based payment	4,432	6,265
Retirement benefit scheme contributions	81	358
	33,845	22,061

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.

(d) Financial assets purchased from an associate

In January 2020, WXGJ sold factoring assets of RMB94,591,000 to the Group. WXGJ had transferred the significant risks and rewards relating to these factoring assets pursuant to the terms of sale agreements signed between WXGJ and the Group.

(e) Borrowing and guarantee

In September 2018, a related company of the controlling shareholder purchased bonds issued by the Group amounting of RMB700,000,000 and the interest of these bonds for the year ended 31 December 2019 was RMB33,621,000. The bonds were fully settled in September 2019.

Details of the guarantee to an associate are set out in note 28.

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the reporting period.

The capital structure of the Group consists of borrowings and bank overdraft as set out in note 29 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the share capital and borrowings, balances the Group's overall capital structure through new share issues and raise of new borrowings.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31/12/2020 RMB'000	31/12/2019 RMB'000
Financial assets		
Factoring assets at FVTOCI	**3,804,200**	3,837,348
At amortised cost	**641,220**	506,823
Other financial assets at FVTPL	**105,141**	4,497
Derivative financial instruments	**790**	751
Financial liabilities		
Amortised cost	**1,519,187**	1,890,445
Liabilities arising from guarantee contracts	**29,742**	12,050
Derivative financial instruments	**17,616**	2,359

(b) Financial risk management objectives and policies

The Group's major financial instruments include refundable rental deposits, factoring assets at FVTOCI, other financial assets at FVTPL, derivative financial instruments, loan receivable, receivables from guarantee customers, trade receivables, other receivables, pledged structured deposit, pledged bank deposits, bank balances, other payables, borrowings, bank overdraft, lease liabilities and financial guarantee contracts. Details of these instruments are disclosed in respective notes.

The risks associated with the financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and impairment assessment and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

37. 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 bank balances, pledged structured deposit, pledged bank deposits, loan receivable, other receivables, borrowings, bank overdraft and lease liabilities that are denominated in HK$, US$, S$, GBP£ and EUR€. In addition, the Group entered into foreign currency option 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	
	31/12/2020 RMB'000	31/12/2019 RMB'000	**31/12/2020 RMB'000**	31/12/2019 RMB'000
HK$	**99,283**	54,942	**331,946**	308,254
US$	**10,476**	2,772	**325,464**	171,863
S$	**409**	–	**–**	–
GBP£	**–**	13	**–**	–
EUR€	**–**	–	**–**	46,950

The following table details the Group's sensitivity to a 5% appreciation and depreciation in RMB against HK$, US$, S$, GBP£ and EUR€, 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.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

	31/12/2020 RMB'000	31/12/2019 RMB'000
HK$ impact:		
5% appreciation of RMB against HK$		
Increase in profit before taxation for the year	**11,633**	12,666
5% depreciation of RMB against HK$		
Decrease in profit before taxation for the year	**(11,633)**	(12,666)
US$ impact:		
5% appreciation of RMB against US$		
Increase in profit before taxation for the year	**15,749**	8,455
5% depreciation of RMB against US$		
Decrease in profit before taxation for the year	**(15,749)**	(8,455)
S$ impact:		
5% appreciation of RMB against S$		
Decrease in profit before taxation for the year	**(20)**	–
5% depreciation of RMB against S$		
Increase in profit before taxation for the year	**20**	–
GBP£ impact:		
5% appreciation of RMB against GBP£		
Decrease in profit before taxation for the year	**–**	(1)
5% depreciation of RMB against GBP£		
Increase in profit before taxation for the year	**–**	1
EUR€ impact:		
5% appreciation of RMB against EUR€		
Increase in profit before taxation for the year	**–**	2,348
5% depreciation of RMB against EUR€		
Decrease in profit before taxation for the year	**–**	(2,348)

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

In relation to foreign currency option contracts:

If the relevant exchange rate had been 5% higher and all other variables were held constant, the Group's profit before taxation for the year would decrease by approximately RMB1,005,000 (2019: nil).

If the relevant exchange rate had been 5% lower and all other variables were held constant, the Group's profit before taxation for the year would increase by approximately RMB1,005,000 (2019: nil).

In relation to foreign currency forward contracts:

If the relevant exchange rate had been 5% higher and all other variables were held constant, the Group's profit before taxation for the year would increase by approximately RMB9,276,000 (2019: RMB548,000).

If the relevant exchange rate had been 5% lower and all other variables were held constant, the Group's profit before taxation for the year would decrease by approximately RMB9,276,000 (2019: RMB548,000).

In relation to the cross currency swap contracts:

If the exchange rate relevant to the cross currency swap contracts had been 5% higher and all other variables were held constant, the Group's profit before taxation for the year would increase by approximately RMB7,965,000 (2019: RMB11,964,000).

If the exchange rate relevant to the cross currency swap contracts had been 5% lower and all other variables were held constant, the Group's profit before taxation for the year would decrease by approximately RMB7,965,000 (2019: RMB11,964,000).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end date exposure does not reflect the exposure during the reporting period.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate factoring assets (see note 20 for details), the cross currency swap contracts (see note 23 for details), loan receivable (see note 24 for details), fixed-rate borrowings (see note 29 for details) and lease liabilities (see note 30 for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings (see note 29 for details). The Group uses interest rate swap to reduce exposure to interest rate fluctuations associated with these floating-rate borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the LPR/HIBOR/LIBOR/EURIBOR rate arising from bank borrowings and cross currency swap contracts.

Management monitors the related interest exposure closely to ensure the interest rate risks are maintained at an acceptable level. The level of mismatch of interest rate repricing that may be undertaken is monitored closely.

The Group's exposures to interest rates on financial assets and liabilities are detailed in the liquidity risk management section of this note. These are excluded from sensitivity analysis as the directors of the Company consider that the exposure of fair value interest rate risk arising from fixed-rate factoring assets, loan receivable, fixed-rate borrowings and lease liabilities is insignificant.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates risk for variable-rate borrowings at the end of each reporting period. 50 basis points increase or decrease is used when reporting interest rate risk internally to key management and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by RMB1,349,000 (2019: RMB901,000).

If the forward interest rate curves for HIBOR and LIBOR as relevant for the cross currency swap contracts had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by approximately RMB423,000 (2019: RMB658,000).

The directors of the Company consider that the exposure of fair value interest rate risk arising from variable-rate borrowings is insignificant as the exposure is reduced by cross currency swap contracts of the Group.

In the opinion of the management, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk

The Group's other price risk is mainly concentrated on the factoring assets at FVTOCI. Details are set out in note 20.

For the outstanding factoring assets at FVTOCI, if the risk adjusted discount rate of the counterparties had been 1% (2019: 1%) increase/decrease, post-tax OCI for the year ended 31 December 2020 would decrease/increase by RMB12,447,000/RMB12,674,000 (2019:RMB9,932,000/RMB10,070,000) as a result of the changes in the market price of debt financing instrument.

Credit risk and impairment assessment

As at 31 December 2020, the Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

As at 31 December 2020, the Group's concentration of credit risk on factoring assets included five major counterparties accounting for 53% (31 December 2019: 47%) and the largest counterparty accounting for 16% (31 December 2019: 15%), of the aggregate outstanding balance at the respective year end date.

The Group has closely monitored the recoverability of the receivables (i.e. factoring assets and receivables from guarantee customers) to these counterparties, ensured adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances.

The Group is exposed to the concentration of geographical risk on revenue which is mainly generated from customers located in PRC. The Group has closely monitored the business performance of these customers in PRC and will consider diversifying its customer base as appropriate.

The carrying amount of the Group's financial assets at FVTPL best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

Except for financial assets at FVTPL, the Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

In order to minimise the credit risk in relation to factoring assets, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of the Group performs impairment assessment under ECL model upon application of HKFRS 9 based on internal credit rating. Details of past-due factoring assets are set out in note 20.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

For guarantee service provided to customers and the loan guarantee issued by the Group to an associate, the management had set up the credit limit and credit terms to delegated officers. Any further extension of credit beyond the approved limit has to be approved by the management of the Company. As at 31 December 2020, the maximum amount that the Group has guaranteed under the guarantee contracts was RMB1,768,507,000 (31 December 2019: RMB773,396,000). Details are set out in note 28.

In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

The credit risk on liquid funds (i.e. bank balances) is limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Factoring 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

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

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 2020

External/Internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000	Impairment loss allowance RMB'000
Factoring assets at FVTOCI				
Low risk	12m ECL	1.20%	3,820,764	45,958
Watch list	Lifetime ECL (not credit-impaired)	13.00%	18,289	2,377
Loss	Lifetime ECL (credit-impaired)	42.47%	23,143	9,829
			3,862,196	58,164

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

As at 31 December 2020 (continued)

External/Internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000	Impairment loss allowance RMB'000
Financial assets at amortised cost				
Pledged bank deposits				
AAA/BBB+ (note i)	12m ECL	N/A	255,489	–
Bank balances				
AAA/BBB+ (note i)	12m ECL	N/A	348,715	–
Receivables from guarantee customers				
Low risk	12m ECL	1.69%	17,240	292
Watch list	Lifetime ECL (not credit-impaired)	4.59%	109	5
Refundable rental deposits				
Low risk (note i)	12m ECL	N/A	3,839	–
Trade receivables				
Low risk (note i)	Lifetime ECL (not credit-impaired)	N/A	2,733	–
Other receivables				
N/A (note i) (note ii)	12m ECL		13,392	–
			641,517	297

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

As at 31 December 2020 (continued)

External/Internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000	Impairment loss allowance RMB'000
Other items				
Financial guarantee contracts (note iii)				
– Loan guarantee contracts in relation to third parties				
Low risk	12m ECL	1.63%	1,172,376	19,154
Watch list	Lifetime ECL (not credit-impaired)	4.37%	10,531	460
– Loan guarantee contracts in relation to an associate				
Low risk	12m ECL	0.25%	385,600	959
– Guarantee contracts to suppliers				
Low risk	12m ECL	1.13%	200,000	2,269
			1,768,507	22,842

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

As at 31 December 2019

External/Internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000	Impairment loss allowance RMB'000
Factoring assets at FVTOCI				
Low risk	12m ECL	1.19%	3,877,938	46,080
Watch list	Lifetime ECL (not credit-impaired)	6.61%	3,841	254
Loss	Lifetime ECL (credit-impaired)	N/A	–	–
			3,881,779	46,334
Financial assets at amortised cost				
Pledged bank deposits				
AAA/BBB+ (note i)	12m ECL	N/A	86,350	–
Pledged structured deposit				
BBB+ (note i)	12m ECL	N/A	9,000	–
Bank balances				
AAA/BBB+ (note i)	12m ECL	N/A	377,327	–
Loan receivable				
Watch list	Lifetime ECL (not credit-impaired)	32.39%	13,410	4,344
Receivables from guarantee customers				
Low risk	12m ECL	1.29%	7,801	101
Refundable rental deposits				
Low risk (note i)	12m ECL	N/A	2,788	–
Trade receivables				
Low risk (note i)	Lifetime ECL (not credit-impaired)	N/A	403	–
Other receivables				
N/A (note i) (note ii)	12m ECL	N/A	14,189	–
			511,268	4,445

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FOR THE YEAR ENDED 31 DECEMBER 2020

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

As at 31 December 2019 (continued)

External/Internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000	Impairment loss allowance RMB'000
Other items				
Financial guarantee contracts (note iii)				
– Loan guarantee contracts in relation to third parties				
Low risk	12m ECL	1.37%	456,788	6,276
– Loan guarantee contracts in relation to an associate				
Low risk	12m ECL	0.40%	270,000	1,069
– Guarantee contracts to suppliers				
Low risk	12m ECL	1.40%	46,608	653
			773,396	7,998

Notes:

(i) The directors of the Company reviewed and assessed the impairment under ECL model, considering that these financial assets were determined to have low credit risk as these financial assets have a low risk of default and the debtors have a strong capacity to meet their contractual cash flow obligations in the near term, and no loss allowance was recognised as the amount was immaterial.

(ii) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. As at 31 December 2020 and 2019, all of other receivables were not past due.

(iii) For financial guarantee contract, the amount represents the maximum amount the Group has guaranteed under the contract.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The measurement of ECL is a function of the PD, LGD and the exposure at default. The assessment of the PD and LGD is by referencing the external data adjusted by macroeconomic factors and forward-looking information related to the economic inputs and the future macroeconomic conditions such as consumer price index and producer price index.

The movements in the allowance for impairment in respect of factoring 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 2019	25,707	8,747	–	34,454
Changes due to factoring assets at FVTOCI recognised as at 1 January:				
– Impairment losses, net of reversal	(25,707)	(8,747)	–	(34,454)
New financial assets purchased, net of settlement	46,080	254	–	46,334
As at 31 December 2019	46,080	254	–	46,334
Changes due to factoring assets at FVTOCI recognised as at 1 January:				
– Impairment losses, net of reversal	**(46,080)**	**(254)**	**–**	**(46,334)**
New financial assets purchased, net of settlement	**45,958**	**2,377**	**9,829**	**58,164**
As at 31 December 2020	**45,958**	**2,377**	**9,829**	**58,164**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The movements in the gross carrying amount of factoring 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 2019	2,719,359	136,089	–	2,855,448
Changes due to factoring assets at FVTOCI recognised as at 1 January:				
– Settlement	(2,719,359)	(136,089)	–	(2,855,448)
New financial assets purchased	16,541,295	28,394	–	16,569,689
New financial assets settled	(12,663,357)	(24,553)	–	(12,687,910)
As at 31 December 2019	3,877,938	3,841	–	3,881,779
Changes due to financial instruments at FVTOCI recognised as at 1 January:				
– Settlement	**(3,877,938)**	**(3,841)**	**–**	**(3,881,779)**
New financial assets purchased	**13,309,338**	**22,018**	**42,633**	**13,373,989**
New financial assets settled	**(9,488,574)**	**(3,729)**	**(19,490)**	**(9,511,793)**
As at 31 December 2020	**3,820,764**	**18,289**	**23,143**	**3,862,196**

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The movements in the allowance for impairment in respect of loan receivable during the reporting period were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2019	157	–	–	157
Changes due to loan receivable recognised as at 1 January:				
– Transfer to lifetime ECL – not credit-impaired	(157)	157	–	–
– Impairment losses, net of reversal	–	4,187	–	4,187
As at 31 December 2019	–	4,344	–	4,344
Changes due to loan receivable recognised as at 1 January:				
– Transfer to lifetime ECL – credit-impaired	–	(4,344)	4,344	–
– Impairment losses, net of reversal	–	–	(3,978)	(3,978)
– Transfer to 12m ECL	366	–	(366)	–
– Disposal	(366)	–	–	(366)
As at 31 December 2020	–	–	–	–

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The movements in the gross carrying amount of loan receivable were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2019	13,143	–	–	13,143
Changes due to loan receivable recognised as at 1 January:				
– Transfer to lifetime ECL				
– not credit-impaired	(13,143)	13,143	–	–
Exchange adjustments	–	267	–	267
As at 31 December 2019	–	13,410	–	13,410
Changes due to loan receivable recognised as at 1 January:				
– Settlement	**–**	**(812)**	**(1,099)**	**(1,911)**
– Transfer to lifetime ECL				
– credit-impaired	**–**	**(12,598)**	**12,598**	**–**
– Transfer to 12m ECL	**11,499**	**–**	**(11,499)**	**–**
– Disposal	**(11,499)**	**–**	**–**	**(11,499)**
As at 31 December 2020	**–**	**–**	**–**	**–**

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The movements in the allowance for impairment in respect of receivables from guarantee customers during the reporting period were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Total RMB'000
As at 1 January 2019	–	–	–
New financial assets purchased, net of settlement	101	–	101
As at 31 December 2019	101	–	101
Changes due to receivables from guarantee customers recognised as at 1 January:			
– Impairment losses, net of reversal	(101)	–	(101)
New financial assets purchased, net of settlement	292	5	297
As at 31 December 2020	**292**	**5**	**297**

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The movements in the gross carrying amount of receivables from guarantee customers were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Total RMB'000
As at 1 January 2019	–	–	–
New financial assets purchased, net of settlement	7,801	–	7,801
As at 31 December 2019	7,801	–	7,801
Changes due to receivables from guarantee customers recognised as at 1 January:			
– Settlement	(7,801)	–	(7,801)
New financial assets purchased, net of settlement	17,240	109	17,349
As at 31 December 2020	**17,240**	**109**	**17,349**

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The movements in the allowance for impairment in respect of financial guarantee contracts during the reporting period were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2019	–	–	–	–
New financial guarantee contracts entered, net of settlement	7,998	–	–	7,998
As at 31 December 2019	7,998	–	–	7,998
Changes due to financial guarantee contracts recognised as at 1 January:				
– Transfer to lifetime ECL				
– not credit-impaired	(354)	354	–	–
– Transfer to lifetime ECL				
– credit-impaired	(225)	–	225	–
– Impairment losses, net of reversal	(7,419)	(354)	2,274	(5,499)
New financial guarantee contracts entered, net of settlement	22,382	460	17,541	40,383
Disposal	–	–	(20,040)	(20,040)
As at 31 December 2020	**22,382**	**460**	**–**	**22,842**

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The movements in the exposure of financial guarantee contracts were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2019	48,002	–	–	48,002
Changes due to financial guarantee contracts recognised as at 1 January:				
– Impairment losses, net of reversal	(48,002)	–	–	(48,002)
New financial guarantee contracts entered	1,084,845	–	–	1,084,845
New financial guarantee contracts settled	(311,449)	–	–	(311,449)
As at 31 December 2019	773,396	–	–	773,396
Changes due to financial guarantee contracts recognised as at 1 January:				
– Transfer to lifetime ECL				
– not credit-impaired	(9,209)	9,209	–	–
– Transfer to lifetime ECL				
– credit-impaired	(3,050)	–	3,050	–
– Settlement	(761,137)	(9,209)	–	(770,346)
New financial guarantee contracts entered	3,185,015	10,981	23,328	3,219,324
New financial guarantee contracts settled	(1,427,039)	(450)	–	(1,427,489)
Disposal	–	–	(26,378)	(26,378)
As at 31 December 2020	**1,757,976**	**10,531**	**–**	**1,768,507**

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group, and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial assets and financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial assets 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average effective interest rate %	On demand/ less than 1 month RMB'000	1 month to 3 months RMB'000	3 months to 1 year RMB'000	over 1 year RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2020							
Non-derivative financial assets							
Other financial assets at FVTPL		17,333	18,279	8,390	74,524	118,526	105,141
Factoring assets at FVTOCI	10.94	510,790	831,676	2,692,825	20,174	4,055,465	3,804,200
Refundable rental deposits		–	–	–	3,839	3,839	3,839
Receivables from guarantee customers		–	408	16,941	–	17,349	17,052
Trade receivables		2,733	–	–	–	2,733	2,733
Other receivables		1,302	8,386	3,704	–	13,392	13,392
Pledged bank deposits	0.87	–	78,182	178,330	–	256,512	255,489
Bank balances	0.67	348,715	–	–	–	348,715	348,715
		880,873	936,931	2,900,190	98,537	4,816,531	4,550,561
Non-derivative financial liabilities							
Borrowings	5.79	234,435	266,200	979,919	–	1,480,554	1,475,913
Bank overdraft	2.72	10,828	–	–	–	10,828	10,828
Other payables	–	26,051	1,662	4,733	–	32,446	32,446
Lease liabilities	6.57	1,144	2,076	10,008	13,914	27,142	25,250
		272,458	269,938	994,660	13,914	1,550,970	1,544,437
Maximum amount guaranteed (note)		40,000	283,779	1,264,328	180,400	1,768,507	29,742
Derivatives – gross settlement							
Foreign currency forward contracts							
– inflow		–	–	188,729	–	188,729	185,526
– outflow		–	–	(199,731)	–	(199,731)	(194,745)
Cross currency swap contracts							
– inflow		378	67,953	92,972	–	161,303	159,291
– outflow		(611)	(74,285)	(94,862)	–	(169,758)	(167,688)
Foreign currency option contracts							
– inflow		–	20,097	–	–	20,097	20,090
– outflow		–	(20,962)	–	–	(20,962)	(19,300)
		(233)	(7,197)	(12,892)	–	(20,322)	(16,826)

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average effective interest rate %	On demand/ less than 1 month RMB'000	1 month to 3 months RMB'000	3 months to 1 year RMB'000	over 1 year RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2019							
Non-derivative financial assets							
Other financial assets at FVTPL		2,200	–	2,210	–	4,410	4,497
Factoring assets at FVTOCI	13.00	560,111	1,097,932	2,421,830	–	4,079,873	3,837,348
Loan receivable	14.50	1,948	1,948	13,437	–	17,333	9,066
Refundable rental deposits		–	–	–	2,788	2,788	2,788
Receivables from guarantee customers		422	1,551	5,828	–	7,801	7,700
Trade receivables		403	–	–	–	403	403
Other receivables		2,091	1,567	10,531	–	14,189	14,189
Pledged structured deposit	1.66	–	9,038	–	–	9,038	9,000
Pledged bank deposits	1.32	10,570	19,064	56,855	–	86,489	86,350
Bank balances	0.56	377,327	–	–	–	377,327	377,327
		955,072	1,131,100	2,510,691	2,788	4,599,651	4,348,668
Non-derivative financial liabilities							
Borrowings	6.02	273,967	101,151	1,547,573	–	1,922,691	1,867,299
Bank overdraft	5.19	17,916	–	–	–	17,916	17,864
Other payables		5,282	–	–	–	5,282	5,282
Lease liabilities	6.76	792	979	6,242	16,592	24,605	22,061
		297,957	102,130	1,553,815	16,592	1,970,494	1,912,506
Maximum amount guaranteed (note)		1,953	24,146	773,875	–	799,974	12,050
Derivatives – gross settlement							
Foreign currency forward contracts							
– inflow	3.13	–	–	10,931	–	10,931	10,953
– outflow	3.13	–	–	(11,130)	–	(11,130)	(10,902)
Cross currency swap contracts							
– inflow	3.15	726	1,624	241,689	–	244,039	239,314
– outflow	3.15	(798)	(1,921)	(243,010)	–	(245,729)	(240,973)
		(72)	(297)	(1,520)	–	(1,889)	(1,608)

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.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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.

(c) Fair value measurements of financial instruments

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

Some of the Group's financial assets are measured at fair value at the end of reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Set out below is the information about how the fair values of the Group's financial instruments that are measured at fair value are determined, including the valuation techniques and inputs used:

Fair value hierarchy as at 31/12/2020

	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:			
Other financial assets at FVTPL	2,005	103,136	105,141
Factoring assets at FVTOCI	–	3,804,200	3,804,200
Derivative financial instruments	790	–	790
	2,795	3,907,336	3,910,131
Financial liabilities:			
Derivative financial instruments	17,616	–	17,616

37. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

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

Fair value hierarchy as at 31/12/2019

	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:			
Other financial assets at FVTPL	–	4,497	4,497
Factoring assets at FVTOCI	–	3,837,348	3,837,348
Derivative financial instruments	751	–	751
	751	3,841,845	3,842,596
Financial liabilities:			
Derivative financial instruments	2,359	–	2,359

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37. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

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

Financial assets/ liabilities	Fair value 2020 RMB'000	Fair value 2019 RMB'000	Fair value hierarchy	Significant valuation technique(s) and key input(s)	Unobservable input(s)
Foreign currency option contracts	Assets – 790	Assets – –	Level 2	Garman-Kohlhagen Model Spot exchange rate (from observable exchange rate at the end of the reporting period), risk-free rate (from observable risk-free rates at the end of the reporting period) and exchange rate volatility (from observable implied exchange rate volatility at the end of the reporting period) are the key inputs.	N/A
Cross currency swap contracts	Assets – – Liabilities – 8,397	Assets – 700 Liabilities – 2,359	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, as well as forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
Foreign currency forward contracts	Assets – – Liabilities – 9,219	Assets – 51 Liabilities –	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
Other financial assets at FVTPL – structured deposit	Assets – 2,005	Assets – –	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
Factoring assets at FVTOCI	Assets – 3,804,200	Assets – 3,837,348	Level 3	Discounted cash flow. Risk-adjusted discount rate and cash flow are key inputs	The higher discount rate, the lower fair value
Other financial assets at FVTPL – equity tranche	Assets – 91,980	Assets – –	Level 3	Discounted cash flow. Discount rate and cash flows are key inputs	The higher discount rate, the lower fair value The higher cash flows, the higher fair value
Other financial assets at FVTPL – distressed debt assets	Assets – 7,782	Assets – –	Level 3	Discounted cash flow. Risk-adjusted discount rate and cash flow are key inputs	The higher discount rate, the lower fair value
Other financial assets at FVTPL – trust fund	Assets – 3,374	Assets – 4,497	Level 3	Discounted cash flow. Risk-adjusted discount rate and cash flow are key inputs	The higher discount rate, the lower fair value

37. 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 of financial assets

	Other financial assets at FVTPL RMB'000	Factoring assets at FVTOCI RMB'000
At 1 January 2019	–	2,818,315
Purchases	4,610	16,569,689
Settlements	(201)	(15,543,358)
Fair value changes through OCI, net of reclassification adjustment to profit or loss (note)	–	(7,298)
Fair value changes through profit or loss	88	–
At 31 December 2019	4,497	3,837,348
Purchases	**106,816**	**13,373,989**
Settlements	**(41,423)**	**(13,393,572)**
Fair value changes through OCI, net of reclassification adjustment to profit or loss (note)	**–**	**(13,565)**
Fair value changes through profit or loss	**33,246**	**–**
At 31 December 2020	**103,136**	**3,804,200**

All gains and losses included in OCI relate to factoring assets at FVTOCI are reported as changes of FVTOCI reserves.

Note: Details of the amount recognised in OCI to profit and loss in relation to factoring assets at FVTOCI derecognised during the year are set out in note 12(c).

37. FINANCIAL INSTRUMENTS (continued)

(d) Transfers of financial assets

The following were the Group's factoring assets that were transferred to banks, non-bank financial institutions and companies by discounting those factoring 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 factoring assets, it continues to recognise the full carrying amount of the factoring assets and has recognised the cash received on the transfer as borrowings (note 29).

	Factoring assets	
	31/12/2020 RMB'000	31/12/2019 RMB'000
Carrying amount of transferred assets	678,658	462,512
Carrying amount of associated liabilities	909,761	447,668
Net position	(231,103)	14,844

38. PARTICULARS OF SUBSIDIARIES

As at 31 December 2020, the Company has direct and indirect shares/equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment/ operations	Particulars of issued/registered capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December		Principal activity
			2020	2019	
Directly owned					
Sheng Ye International Capital Limited (盛業國際資本有限公司)	British Virgin Islands ("BVI") 24 September 2013	US$100,000,000	100%	100%	Investment holding
Ever Giant Global Limited (永巨環球有限公司)	BVI 20 January 2016	US$1	100%	100%	Investment holding
Talent Group Global Limited (智連環球有限公司)	BVI 1 November 2016	US$2	100%	100%	Investment holding
Indirectly owned					
Sheng Ye International Finance Limited (盛業國際金融有限公司)	Hong Kong 9 October 2013	HK$1	100%	100%	Investment holding
Nice Day Corporation Limited (麗日有限公司)	Hong Kong 1 December 2015	HK$1	100%	100%	Investment holding
Sheng Ye International Supply Chain Finance Limited (盛業國際供應鏈金融有限公司)	Hong Kong 30 October 2018	HK$1	100%	100%	Investment holding
Sheng Ye Overseas Finance Limited (盛業海外金融有限公司)	BVI 9 August 2018	US$1	100%	100%	Investment holding

38. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiary	Place and date of incorporation/ establishment/ operations	Particulars of issued/registered capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December 2020	2019	Principal activity
Sheng Ye Capital (2018-01) Limited (盛業資本 (2018-01)有限公司) ("SYC 2018") (note 40)	Cayman Islands 15 August 2018	HK$1	N/A	100%	Investment holding
Alpha-10 SY (2019-01) Limited	Hong Kong 3 September 2019	HK$1	100%	100%	Investment holding
SY International Capital Pte. Ltd (Former name as Shengyefintech Singapore PTE.LTD)	Singapore 2 December 2019	S$1	100%	100%	Provision of supply chain finance management service
Vast Talent International Limited (博智國際有限公司)	BVI 8 October 2020	US$1	100%	N/A	Investment holding
Robust Elite Holdings Limited (盛萃控股有限公司)	BVI 12 November 2020	US$1	100%	N/A	Investment holding
Fully Mark Investment Limited (誌豐投資有限公司)	Hong Kong 5 November 2020	HK$1	100%	N/A	Investment holding
Wisemax Enterprise Limited (盛智企業有限公司)	Hong Kong 5 November 2020	HK$1	100%	N/A	Investment holding
SY Factoring Limited* (盛業商業保理有限公司#)	PRC 26 December 2013	US$200,000,000	100%	100%	Provision of factoring service
Sheng Ye (Shenzhen) Factoring Limited (盛業 (深圳)商業保理有限公司#)	PRC 21 March 2016	RMB85,000,000	51%	51%	Provision of factoring service
Sheng Nuo Factoring Limited (盛諾商業保理有限公司#) ("SNF") (note 40)	PRC 18 September 2016	RMB50,000,000	N/A	60%	Provision of factoring service
Tianjin Sheng Zhuo Enterprise Management Consulting Co., Ltd (天津盛卓企業管理咨詢有限公司#) (Former name as Sheng Zhuo Factoring Limited (盛卓商業保理有限公司))	PRC 30 March 2017	RMB50,000,000	51%	51%	Provision of management service
Tianjin Sheng Peng Enterprise Management Consulting Co., Ltd (天津盛鵬企業管理咨詢有限公司#) (Former name as Sheng Peng Factoring Limited (盛鵬商業保理有限公司))	PRC 19 January 2017	RMB50,000,000	51%	51%	Provision of management service
Khorgos Yong Zhuo Factoring Limited (霍爾果斯永卓商業保理有限公司#)	PRC 7 March 2018	RMB50,000,000	100%	100%	Provision of factoring service
Sheng Ye InformationTechnology Service (Shenzhen) Co., Limited* (盛業信息科技服務 (深圳)有限公司#)	PRC 11 March 2016	HK$5,000,000	100%	100%	Provision of IT service
Tianjin Shengye Investment Management Limited (天津盛業投資管理有限公司#)	PRC 2 November 2017	RMB25,000,000	100%	100%	Investment

38. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiary	Place and date of incorporation/ establishment/ operations	Particulars of issued/registered capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December		Principal activity
			2020	2019	
ZGSY (note 39)	PRC 28 March 2017	RMB50,000,000	**100%**	100%	Provision of factoring service
Sheng Long InformationTechnology Service (Ningbo) Co., Limited (盛隆信息科技服務 (寧波)有限公司#)	PRC 9 July 2019	RMB10,000,000	**60%**	60%	Provision of IT service
Yi Lian Shu Ke (Shenzhen) Co., Limited (易聯數科 (深圳)有限責任公司#)	PRC 19 November 2019	RMB50,000,000	**60%**	60%	Provision of IT service
Sheng Ye Financing Guarantee Limited (盛業融資擔保有限公司#)	PRC 14 August 2020	RMB100,000,000	**100%**	N/A	Provision of guarantee service
Sheng Ye (Shenzhen) Digital Technology Co., Ltd (盛業(深圳)數字科技有限公司#) ("SYDT")	PRC 16 March 2020	RMB1,000,000	**N/A (note)**	N/A	Provision of IT service
Qixi Information Technology Service (Shanghai) Co., Limited (企熙信息科技服務 (上海)有限公司#)	PRC 5 November 2020	RMB5,000,000	**100%**	N/A	Provision of IT service

38. PARTICULARS OF SUBSIDIARIES (continued)

English translated name is for identification purpose only.

* The entities are wholly foreign owned enterprise established in the PRC.

Note: In August 2020, an indirect wholly-owned subsidiary of the Company acquired 100% equity interest of SYDT at nil consideration through a series of contractual arrangements which are designed to provide the Company with the right and power to control over and the right to enjoy the economic benefits generated by SYDT. The assets and liabilities of SYDT at acquisition date is insignificant.

All subsidiaries now comprising the Group are limited liability companies and have adopted 31 December as their financial year end date.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during both years.

39. ACQUISITION OF A SUBSIDIARY

In July 2019, the Group acquired 49% of the issued share capital of ZGSY, a joint venture at 31 December 2018, for consideration of RMB24,802,000. This acquisition has been accounted for using the purchase method. ZGSY, engaging in the provision of factoring services, was acquired for further development of factoring customers of the Group. For the acquisition of ZGSY, no goodwill was recognised in the consolidated financial statements.

Consideration transferred:

	RMB'000
Cash	24,802

39. ACQUISITION OF A SUBSIDIARY (continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	2019 RMB'000
Bank balances	562
Loans to shareholders	56,583
Dividend payable	(5,552)
Other payables and accrued charges	(269)
Income tax payable	(707)
	50,617
Goodwill arising on acquisition:	
Cash consideration transferred	24,802
Plus: interest in a joint venture (51% in ZGSY)	25,815
Less: net assets acquired	(50,617)
Goodwill arising on acquisition	–
Net cash outflow on acquisition of ZGSY:	
Cash consideration paid	24,802
Less: cash and cash equivalents balances acquired	(562)
	24,240

Included in the profit for the year is RMB915,000 attributable to the additional business generated by ZGSY. Revenue for the year includes RMB13,000 generated from ZGSY.

Had the acquisition been completed on 1 January 2019, revenue for the year of the Group would have been RMB2,480,000, and profit for the year of the Group would have been RMB3,928,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

40. DEREGISTRATION OF SUBSIDIARIES

In April and December 2020, the Group de-registered its investment in SNF and SYC 2018, subsidiaries of the Company. There were no profit or loss and cash flows of SNF and SYC 2018 recognised on the consolidated financial statements for the current year.

The net assets of SNF and SYC 2018 at the dates of deregistration were as follows:

	2020 RMB'000
Bank balances	50,002
Net assets deregistration of	50,002
Gain on deregistration of subsidiaries:	
Cash distributed to the Group received	30,018
Net assets deregistration of	(50,002)
Non-controlling interests	19,984
Gain on deregistration of SNF and SYC 2018	–
Net cash outflow arising on deregistration:	
Cash distributed to the Group	30,018
Less: bank balances deregistration of	(50,002)
	(19,984)

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings RMB'000	Interest on bank overdraft RMB'000	Lease liabilities RMB'000	Loans from related parties RMB'000	Dividend payable RMB'000	Total RMB'000
As at 1 January 2019	911,956	–	7,089	10,005	–	929,050
Financing cash flows	858,041	(361)	(8,107)	7,335	(33,626)	823,282
Arising from acquisition of a subsidiary	–	–	–	(28,881)	2,721	(26,160)
Dividends declared	–	–	–	–	30,905	30,905
New leases entered/lease modified	–	–	21,677	–	–	21,677
Interest expenses	97,302	361	1,402	11,541	–	110,606
At 31 December 2019	1,867,299	–	22,061	–	–	1,889,360
Financing cash flows	(506,708)	(494)	(10,318)	(8,559)	(41,650)	(567,729)
Dividends declared	–	–	–	–	48,183	48,183
New leases entered/lease modified	–	–	12,244	–	–	12,244
Modification of a borrowing	(859)	–	–	–	–	(859)
Covid-19-related rent concessions	–	–	(224)	–	–	(224)
Interest expenses	116,181	494	1,487	8,559	–	126,721
At 31 December 2020	1,475,913	–	25,250	–	6,533	1,507,696

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31/12/2020 RMB'000	31/12/2019 RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	813,658	810,226
Amounts due from a subsidiary	792,477	863,712
	1,606,135	1,673,938
CURRENT ASSETS		
Loans to subsidiaries	357,726	613,373
Other receivables, prepayments and others	1,378	2,388
Amounts due from subsidiaries	4,371	24,621
Bank balances	21,590	1,766
	385,065	642,148
CURRENT LIABILITIES		
Borrowings	42,214	676,039
Accrued charges	2,267	14,549
	44,481	690,588
NET CURRENT ASSETS (LIABILITIES)	340,584	(48,440)
NET ASSETS	1,946,719	1,625,498
CAPITAL AND RESERVES		
Share capital	8,127	7,636
Reserves	1,938,592	1,617,862
TOTAL EQUITY	1,946,719	1,625,498

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Movement in reserves

	Share premium RMB'000	Share-based payments reserve RMB'000	Retained profits/ (Accumulated losses) RMB'000	Total RMB'000
At 1 January 2019	1,615,787	9,367	(166)	1,624,988
Profit for the year	–	–	8,217	8,217
Recognition of equity-settled share-based payments	–	10,006	–	10,006
Dividends recognised as distribution	(30,905)	–	–	(30,905)
Exercise of share options	7,223	(1,667)	–	5,556
At 31 December 2019	1,592,105	17,706	8,051	1,617,862
Profit for the year	–	–	21,318	21,318
Issue of new shares from placing	338,361	–	–	338,361
Transaction costs attributable to issue of new shares from placing	(4,770)	–	–	(4,770)
Recognition of equity-settled share-based payments	–	5,462	–	5,462
Dividends recognised as distribution	(42,652)	–	–	(42,652)
Exercise of share options	3,908	(897)	–	3,011
Lapse of share options	–	(805)	805	–
At 31 December 2020	**1,886,952**	**21,466**	**30,174**	**1,938,592**

43. EVENT AFTER THE REPORTING PERIOD

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