



盛業資本
SHENG YE CAPITAL

盛業資本有限公司 SHENG YE CAPITAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6069



2021

INTERIM REPORT

CONTENTS

PAGE(S)

2	PERFORMANCE HIGHLIGHTS
3	CORPORATE INFORMATION
4	MANAGEMENT DISCUSSION AND ANALYSIS
17	CORPORATE GOVERNANCE AND OTHER INFORMATION
29	REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30	CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
32	CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
34	CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
35	CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
37	NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



2 PERFORMANCE HIGHLIGHTS

For the six months ended 30 June 2021

- Total cumulative assets under management was approximately RMB115 billion as of 30 June 2021, representing an increase of approximately 39% as compared to approximately RMB83 billion as of 30 June 2020.
- In line with the Group's platform-based strategy, total cumulative platform users were over 8,200 as of 30 June 2021, representing an increase of approximately 72% as compared to over 4,700 as of 30 June 2020. Total funding partners increased by 82% to 62 over that for the corresponding period in 2020.
- Income from digital financing solutions for the six months ended 30 June 2021 was RMB200.6 million representing a decrease of approximately 13%, as compared to RMB231.6 million for the six months ended 30 June 2020.
- Income from platform-based services for the six months ended 30 June 2021 was RMB23.3 million representing an increase of approximately 39%, as compared to RMB16.7 million for the six months ended 30 June 2020. Within this segment, income from loan facilitation services increased by approximately 3 times over that of the same period last year.
- Profit after taxation for the six months ended 30 June 2021 was RMB167.0 million representing a decrease of approximately 9%, as compared to the profit after tax of RMB182.7 million for the six months ended 30 June 2020. Excluding gains from changes in fair value of investments in equity tranche, adjusted net profit in the first half of 2021 was RMB144.1 million, an increase of RMB3.0 million or 2% year-on-year.
- The Directors do not recommend the payment of a dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).



CORPORATE INFORMATION 3

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. Tsoon Wai Mun, Benjamin
Mr. Fong Heng Boo

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Mr. Tung Chi Fung (Chairman)
Mr. Tsoon 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

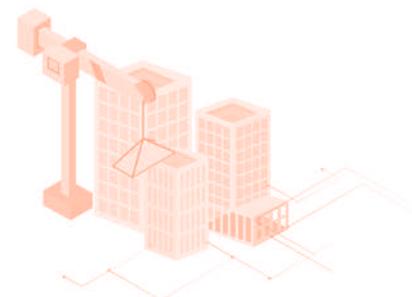
Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway, Hong Kong

LEGAL ADVISER

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

STOCK CODE

6069



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. About Sheng Ye Capital

Sheng Ye Capital (the “Group” or “SY Capital”) is a leading supply chain fintech platform providing data-driven efficient and inclusive financing solutions for companies across the Asia-Pacific. Amidst the surge in connectivity and digitalization shaping the future of economies and businesses, the Group strategically positions itself as the one-stop supply chain Software-as-a-Service (“SaaS”) and fintech solution for enterprises and financial institutions, driving supply chain efficiency and making finance more inclusive.

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

In line with this strategy upgrade, the Group re-classified its business segments into (i) digital financing solutions (ii) platform-based services and (iii) supply chain technology services, which reflects the distinctive nature of each segment. By re-organizing these key verticals, the Group aims to align its resources and competencies to better serve the needs of various stakeholders in the supply chain ecosystem while ensuring competitiveness within the marketplace.

Digital Financing Solutions

SY Capital leverages its technology platform to offer a range of flexible supply chain financing solutions including account receivable (“AR”)-based lending as well as loan guarantee services to meet the vast financing needs of underserved small, medium, and micro enterprises (“SMEs”) in the Asia Pacific region. For the six months period ending June 2021, over 95% of digital financing solutions were delivered to SMEs. Through its technology platform, the Group analyzes and reviews multidimensional data to validate the creditworthiness of the underlying transactions relating to the supply chain financing, the collection of AR on behalf of customers, including periodic customer reporting relating to their supply chain financing.

The Group’s proprietary fintech platform, known as “Easy Factoring”, is cloud-enabled and blockchain-ready, incorporating a comprehensive suite of technologies such as electronic signatures, optical character recognition (“OCR”), natural language processing (“NLP”), big data analytics, video authentication and facial recognition, to automate and facilitate the Group’s risk management system, as well as to ensure a seamless customer experience for online application and the approval process.

Platform-based Services

In recent years, the Group’s technological capabilities has also been instrumental in driving its capital light platform-based businesses. Under this category, the Group provides AR management and asset origination services as part of its loan facilitation business, enabling banks and other financial institutions to tap on additional customer acquisition channels. This approach also enables the Group to capitalize on the rapid digitalization of the economy and its operating track record, allowing it to effectively connect quality assets to funding providers within the supply chain ecosystem. As of 30 June 2021, the Group’s total number of funding partners stood at 62, an increase of 82% over the previous period of 34 as of 30 June 2020.

As part of its platform-based offering, the Group also facilitates the issuance of asset-backed financial products including asset-backed securities (“ABS”) and asset-backed notes (“ABN”) by large corporations through providing information technology support, AR securitization and asset management services.



MANAGEMENT DISCUSSION AND ANALYSIS 5

Supply Chain Technology Services

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

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

These supply chain technology services not only increase the operating efficiency of the enterprises but also allow the Group to improve its big data and customer acquisition capabilities, broaden its product and service offerings with core enterprises, SMEs and financial institutions, effectively positioning the Group as the go-to partner within the supply chain ecosystem.

The Group has been proactively engaging in strategic discussions with various parties. It has signed a collaboration agreement with one of the largest healthcare distribution groups in China to deploy SPD services to hospitals and recently secured a contract to provide smart construction solutions to one of the largest construction groups in China.

2. First Half 2021 Performance

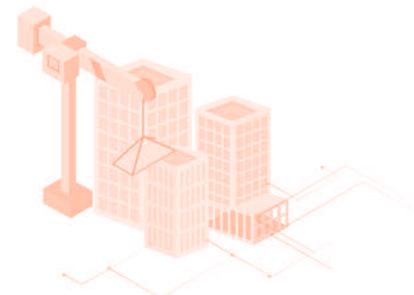
The Group continues to see robust growth in the supply chain segment driven by demand for SME financing as well as rapid digitalization and innovation driven by the Chinese Government’s emphasis on pursuing an “innovation-driven development and accelerating modernization of the industrial system¹”. This strategic direction reinforces SY Capital’s leading position within the supply chain financing market and reaffirms the Group’s commitment towards cementing its technology leadership within the supply chain ecosystem.

Platformisation in Full Force on All Fronts

The Group’s business model remains fundamentally sound. By driving growth in industrial technology and digital finance innovation under its Dual Engine One Platform strategy, the Group achieved total cumulative assets under management of approximately RMB115 billion as of 30 June 2021, representing an increase of approximately 39% as compared to approximately RMB83 billion as of 30 June 2020. The robustness of the Group’s technology-powered platform continues to be highly recognized by key stakeholders in the supply chain ecosystem, with coverage of 11 core enterprise ecosystem, spanning over 1,600 entities, total platform users of over 8,200 and 62 funding partners.

One of the notable funding partnerships sealed by the Group included a two-year RMB525 million syndicated loan led by Mega International Commercial Bank and Bank SinoPac in March 2021, which was also the first-ever offshore syndicated loan within China’s factoring market. This first-of-its kind landmark deal and the continued growth in the number of funding partners further underscores the credibility and robustness of the Group’s technology platform.

¹ http://english.www.gov.cn/premier/news/202103/13/content_WS604b9030c6d0719374afac02.html



6 MANAGEMENT DISCUSSION AND ANALYSIS

Loan Facilitation Continues to Grow

The Group continued to see resilient and stable loan growth during the first half of the year, supported by heightened activity within the SME segment as well as strong economic recovery emerging from the pandemic. During the first half of 2021, the daily average balance of the Group's loan facilitation business increased to RMB1,177 million from RMB413 million, representing a 185% increase over the same period during the previous year.

This increase is in line with the Group's technology-enabled platform-driven strategy and meaningful diversification of revenue towards platform origination. The increase in loan facilitation activity is also driven partly by supportive government policies to ramp up inclusive financing to SME businesses by large commercial banks as mentioned in the Chinese Government's work report delivered at the Fourth Session of the 13th National People's Congress of the People's Republic of China on March 5, 2021².

Strengthening Industrial Technology Capabilities through Strategic Investments

As part of the Dual-Engine, One-Platform strategy, the Group entered into agreements with several strategic parties in the industrial technology space which includes the infrastructure and healthcare sub-segments, to further solidify its market leadership within the supply chain ecosystem.

In June 2021, SY Capital completed a strategic investment into Shanghai LinkedCare Information Technology Co Ltd., a leading consumer healthcare SaaS provider. This collaboration is highly aligned with the Group's efforts to deepen its foray into the healthcare segment which in turn will also further enhance its big data analytics and integrated supply chain service capabilities.

In August 2021, the Group, together with Guangxi Tencent Venture Capital Co.,Ltd, completed an investment into Beijing Mengcheng Technology Co. Ltd., a leading SaaS provider of engineering project management solutions for the infrastructure industry, as part of its series B financing round. This initiative not only supports the digitalization and upgrade of the infrastructure sector, but also underscores the Group's expansion into the area of smart construction, allowing it to unlock further synergies from this strategic collaboration.

Notable Strategic Collaboration Initiatives

SY Capital continues to strengthen its position in the market through forging strategic relationships with leading blue-chip enterprises.

In February 2021, the Group signed a cooperation agreement with China Railway Capital Commercial Factoring, a subsidiary of China Railway Capital to leverage the digital platform capabilities of the Group to serve the SME suppliers within the infrastructure supply chain.

In July 2021, the Group signed a strategic partnership with Lianren Digital Health Technology Co., Ltd., a digital health-technology company backed by China Mobile. Under the partnership, both parties will jointly promote the application of big data which includes analytics, digitalization of the medical sector, IoT technology and supply chain digital financing solutions.



MANAGEMENT DISCUSSION AND ANALYSIS

7

During the same month, the Group also inked a digital supply chain collaboration with China Construction Eighth Engineering Division First Company to further enhance the operational efficiency of its ecosystem based on its “Smart Inspection and Acceptance System”. The integration with its smart SaaS procurement platform not only allowed suppliers to save up to 90% of supply chain financing application time, but also streamlined procurement and inspection processes, thereby reducing costs and providing more stability to its overall supply chain.

As part of its expansion into the IIoT space, the Group also landed a cooperation with Tencent Cloud in July 2021 for exploring initiatives within the IIoT ecosystem. The initiative will combine both SY Capital’s supply chain management capabilities and Tencent Cloud’s expertise in cloud computing and big data, to promote the model of “Smart Construction + Digital Supply Chain” in an increasingly digitalized economy powered by AI, blockchain and IoT.

SY Capital Receives Inaugural “A” ESG Rating by MSCI ESG Research

The inaugural “A” ESG rating received by the Group attests to its outstanding performance in delivering environmental, social and governance (“ESG”) best practices. The rating also benchmarks the Group alongside some of the largest industry peers, outperforming other major technology and fintech companies, especially in the area of corporate governance, whereby SY Capital ranks among the top 20% of companies globally and top 5% within China.

Inclusion into the Hang Seng Corporate Sustainability Benchmark Index

In recognition of its continued efforts in ESG, the Group was also selected as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index effective 6 September 2021. The selection criteria include a comprehensive assessment undertaken by the Hong Kong Quality Assurance Agency and covering areas such as Corporate Governance, Human Rights, Labour Practices, Environment, Fair Operating Practices, Consumer Issues, and Community Involvement and Development.



8 MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's total revenue decreased by 9.9% year-on-year to RMB223.8 million for the six months ended 30 June 2021, compared to RMB248.4 million for the same period last year, mainly due to the fact that the Group is focusing more on its capital-light platform-based services under the strategic transformation. In particular, the interest income from digital financing solutions decreased, which was offset, however, to a certain extent by the rapid growth of income from platform-based services. The following table sets forth the comparative figures for the six months ended 30 June 2021 and 2020.

	Six months ended 30 June				
	2021			2020	
	RMB'000	% of total revenue	Year-on-year	RMB'000	% of total revenue
Revenue					
<i>Digital financing solutions</i>					
– Interest income	192,896	86.2%	-14.7%	226,130	91.1%
– Guarantee fee	7,690	3.4%	39.8%	5,500	2.2%
Subtotal	200,586	89.6%	-13.4%	231,630	93.3%
<i>Platform-based services</i>					
– Loan facilitation services	17,400	7.8%	270.5%	4,696	1.9%
– Technology service for asset-backed securitisation products	3,130	1.4%	-62.3%	8,296	3.3%
– Other services (note)	2,731	1.2%	-27.2%	3,753	1.5%
Subtotal	23,261	10.4%	38.9%	16,745	6.7%
Total	223,847	100.0%	-9.9%	248,375	100.0%

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.



MANAGEMENT DISCUSSION AND ANALYSIS 9

Digital Financing Solutions

Revenue from digital financing solutions comprises interest income received from providing flexible financing solutions and guarantee services fees arising mainly from the Group's loan facilitation business. Revenue from digital financing services decreased by 13.4% year-on-year to RMB200.6 million for the six months ended 30 June 2021, compared to RMB231.6 million for the same period last year, mainly due to (i) the lower interest yields on factoring assets as a part of the national policies to keep market interest rates low and support financing of the SME community; and (ii) change in product mix.

Platform-based Services

Revenue from platform-based services comprises (i) services fees received from customers by providing loan facilitation services through Easy Factoring Cloud platform, (ii) technology service fees that the Group charged for facilitating the issuance of ABS/ABN by large core enterprises, and (iii) services fees received from customers by providing AR management services. Revenue from platform-based services significantly increased by 38.9% year-on-year to approximately RMB23.3 million for the six months ended 30 June 2021, compared to approximately RMB16.7 million for the same period last year, mainly driven by the expansion of its loan facilitation business, due to the Group's push towards a platform-based transformation, providing SMEs and core enterprises with convenient supply chain SaaS solutions and one-stop financing services.

Gain On Sales of Factoring Assets

The Group may sell rights of factoring assets as a way to improve cash flow and manage its factoring receivables portfolio. Gain from this business segment is equal to the excess of the consideration received and receivable over the carrying amount of the factoring assets. The gain on sales of factoring assets slightly increased by 0.4% year-on-year to RMB75.4 million for the six months ended 30 June 2021, compared to RMB75.1 million for the same period last year.

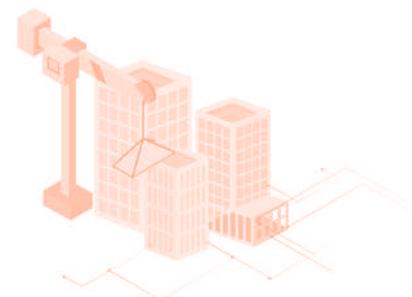
Other Gains and Losses

The Group booked other gains of RMB22.0 million in the first half of 2021, a decrease of RMB19.8 million or 47.4% year-on-year, which was mainly due to the decrease in net gain from changes in fair value of other financial assets at fair value through profit or loss ("FVTPL"). The decrease in gain from changes in fair value of other financial assets at FVTPL was mainly due to the decrease in gains from changes in fair value of investments in equity tranche of ABS and ABN issued by large 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.

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 first half of 2021 was RMB88.3 million, a slightly increase of 0.1% year-on-year. R&D costs recognised in other expenses amounted to RMB10.8 million, representing an increase of RMB1.7 million or 18.4% year-on-year, mainly for strengthening its fintech solutions and its Easy Factoring Cloud platform. The number of IT engineers remained stable during the period, accounting for approximately one-third of the total staff at the end of the first half of 2021.

The operational cost-to-income ratio for the first half of 2021 was 29.3% as compared with 26.5% in the same period of 2020, excluding one-time expenses. The increase in operational cost-to-income ratio was mainly due to the decrease in total revenue.

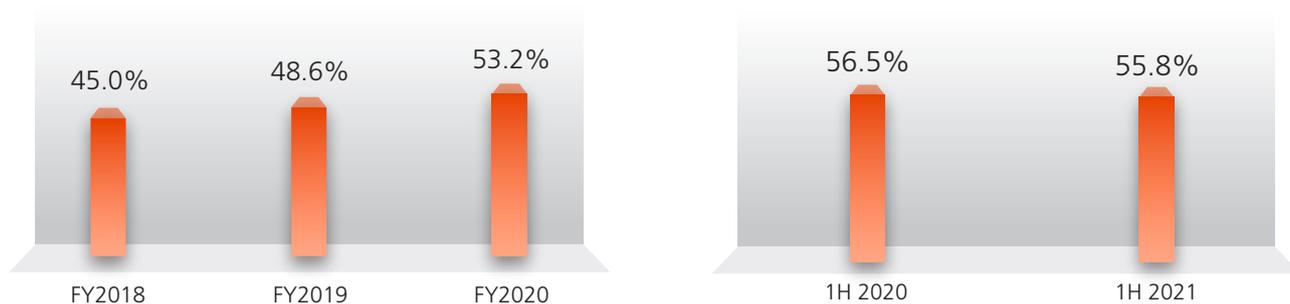


10 MANAGEMENT DISCUSSION AND ANALYSIS

Net Profit

Net profit in the first half of 2021 was RMB167.0 million, a decrease of RMB15.7 million or 8.6% year-on-year. Net profit margin was 55.8%, which was 0.7 percentage points lower than that of the same period last year, and 6.0 percentage points higher than that of the second half of 2020. Excluding gains from changes in fair value of investments in equity tranche, adjusted net profit in the first half of 2021 was RMB144.1 million, an increase of RMB3.0 million or 2% year-on-year. Adjusted net profit margin was 48.1%, approximately 4.5 percentage points higher than that of the same period last year.

Net Profit Margin



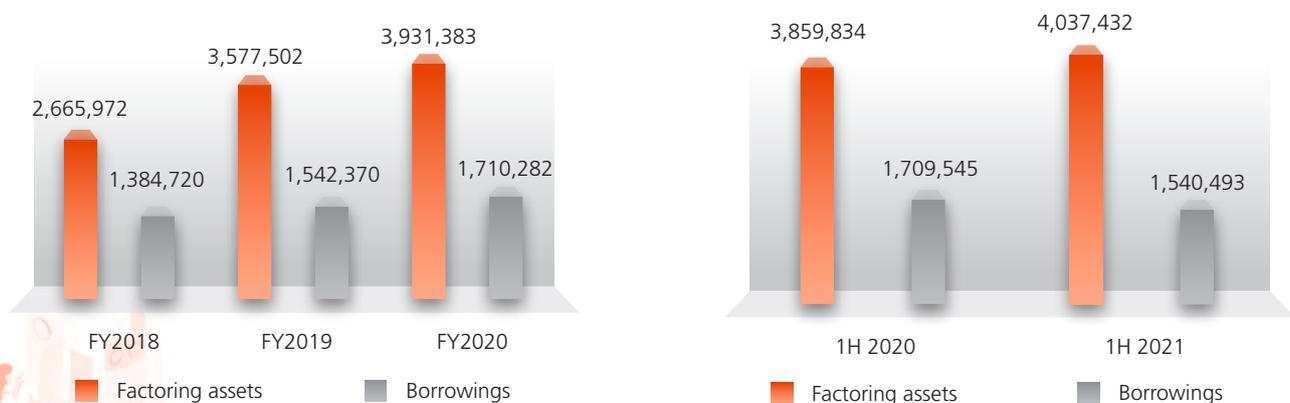
Factoring Assets at Fair Value through Other Comprehensive Income ("FVTOCI")

Factoring assets at FVTOCI as of 30 June 2021 were RMB4,267.7 million, a 8.1% increase year-on-year. Daily average factoring assets over the first half of 2021 were RMB4,037.4 million, a 4.6% increase over the same period in 2020. Based on daily average factoring assets, interest yield on factoring assets in the first half of 2021 was 9.6%, which was 2.1 percentage points lower year-on-year, mainly due to (i) the lower market interest rates as part of the national policies for promoting financial inclusion and supporting the real economy since second half of 2020; (ii) change in product mix; and (iii) encourage inclusive financing for the SME segment.

Borrowings

Borrowings, including loans from related parties and bank overdraft, as of 30 June 2021 was RMB2,091.9 million, a 11.1% increase year-on-year. Daily average borrowings over the first half of 2021 was RMB1,540.5 million, a 9.9% decrease year-on-year. The decrease in finance cost of RMB13.7 million year-on-year was mainly due to the decrease in daily average borrowings and borrowings interest rate.

Daily Average Balance (RMB'000)



MANAGEMENT DISCUSSION AND ANALYSIS 11

Taxation

Income tax expenses represent the tax expense arising from the assessable profit generated by the Group in the PRC, withholding tax levied on interest income of Hong Kong subsidiaries, withholding tax levied on dividend declared of a PRC subsidiary and deferred tax. Except for certain PRC subsidiaries that enjoy preferential tax rates, PRC enterprise income tax is calculated at 25% of the estimated assessable profits for both six months ended 30 June 2021 and 2020. The decrease in effective tax rate from 14.4% for the six months ended 30 June 2020 to 11.0% for six months ended 30 June 2021 was mainly attributable to the increase in the profit before taxation for certain PRC subsidiaries that enjoy preferential tax rates.

For the six months ended 30 June 2021, income tax expenses amounted to approximately RMB20.6 million (for the six months ended 30 June 2020: RMB30.8 million).

BUSINESS OUTLOOK AND PROSPECTS

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

Against this backdrop, SY Capital will capitalize on the digitalization of the economy to provide enhanced industrial technology and fintech solutions as part of supporting the development of large enterprises, SMEs and other stakeholders within the supply chain ecosystem. This strategy not only allows the Group to support the financing needs of its customers, but also enables it to increase customer stickiness by entrenching itself within their ecosystems, becoming a one-stop comprehensive supply chain solution provider.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

During the six months ended 30 June 2021, the Group's main source of funds was the cash generated from its daily operation, and proceeds from new borrowings. As at 30 June 2021, the Group had bank balances and cash of RMB301.3 million (31 December 2020: RMB348.7 million), of which 80.0%, 18.2% and 1.5% were denominated in RMB, US dollars and HK dollars respectively. Net cash used in operating activities was RMB266.2 million in the first half of 2021 (for the six months ended 30 June 2020: net cash from operating activities was RMB143.9 million), an decrease of RMB410.1 million year-on-year was mainly due to the increase in net cash used in factoring assets at FVTOCI from RMB110.3 million for the six months ended 30 June 2020 to RMB464.8 million for the six months ended 2021.

As at 30 June 2021, the Group had interest-bearing borrowings, bank overdraft and loans from related parties which amounted to RMB2,091.9 million (31 December 2020: RMB1,486.7 million). Its gearing ratio, expressed as total liabilities over total equity was 0.75 as at 30 June 2021 (31 December 2020: 0.58).



12 MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the period ended 30 June 2021 (2020: Nil).

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).



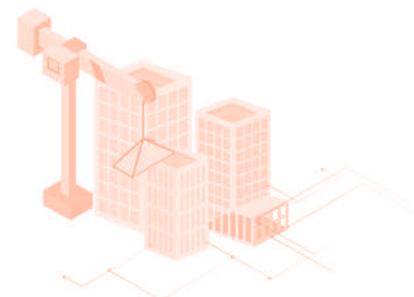
MANAGEMENT DISCUSSION AND ANALYSIS 13

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 and six months ended 30 June 2021, details of the use of proceeds of the placements 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)	Actual use of net proceeds during the six months ended 30 June 2021 (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.
Develop 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.
Expand 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.
Enhance the online factoring platform, SaaS capabilities and data-driven risk control system of the Group	19.1	-	-	18.0	1.1	The amount of the net proceeds for enhancing the online factoring platform, SaaS capabilities and data-driven risk control system of the Group have been fully utilised.



14 MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 30 June 2021, the capital commitments of the Group comprised of purchase of intangible assets of approximately RMB4.2 million, purchase of equipment of approximately RMB0.9 million and investment in an associate of approximately RMB0.2 million (31 December 2020: purchase of intangible assets of approximately RMB0.1 million and investment in an associate of approximately RMB3.2 million).

CONTINGENT LIABILITIES

Save as disclosed in note 21 of the “Notes to the condensed consolidated financial statements”, the Group did not have any other guarantees or other material contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2021, the Group had pledged bank deposits of RMB320.5 million, security deposits of RMB64.2 million, and certain factoring assets with an aggregate carrying amount of RMB1,544.6 million to banks, third parties and an associate for facilities, loan facilitation platform in partnership with banks and derivative financial instruments (31 December 2020: pledged bank deposits of RMB255.5 million, security deposits of RMB9.2 million, and certain 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).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

In January 2021 and May 2021, the Group de-registered its investment in Tianjin Sheng Peng Enterprise Management Consulting Co., Ltd (“**SP**”) and Tianjin Zhuguang Shengye Enterprise Management Consulting Co., Ltd (“**ZGSY**”), subsidiaries of the Company. There were no profit or loss and cash flows of SP and ZGSY recognised on the condensed consolidated financial statements for the reporting period.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 30 June 2021, the Group did not make any significant investments.



MANAGEMENT DISCUSSION AND ANALYSIS 15

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

FOREIGN EXCHANGE RISKS

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

EMPLOYEES AND REMUNERATION POLICY

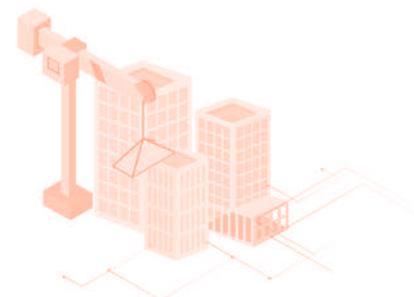
As at 30 June 2021, the Group had a total of 298 staff (As at 31 December 2020: 287 staff). Total staff costs (including Directors’ emoluments) were approximately RMB57.5 million (including share option benefits RMB6.1 million) for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB55.3 million (including share option benefits RMB0.3 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, Singapore and the PRC, respectively.

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

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

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

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



16 MANAGEMENT DISCUSSION AND ANALYSIS

RECENT DEVELOPMENT OF REGULATORY FRAMEWORK

On 10 June 2021, the Data Security Law of the People's Republic of China (the "**Data Security Law**") was adopted at the 29th session of the Standing Committee of the 13th National People's Congress. The Data Security Law will come into force on 1 September 2021. The Data Security Law will govern how enterprise data security is managed, risk is assessed, and regulate the transmission of data overseas, but also supports research on data development and utilization, including the promotion of business and technical innovation in relevant products and sectors. China's "14th Five-Year Plan", "new infrastructure" and other policies will continue to enhance the security and commercialization of data, as well as improving the quality of social data resources. The introduction and implementation of the Data Security Law will spur the economy.

The Directors confirm that the Group will be able to comply with the above-mentioned relevant requirements and has established a professional and comprehensive data security working group to continuously optimize the management and protection mechanism for the data security life cycle. The Group will be committed to building a data security system that is in line with its strategic development, protect the interests of users, and fulfil the necessary regulatory requirements to ensure the sustainable development of its platform-based strategy.



CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2021, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to provisions set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), to be notified to the Company and the Stock Exchange, were as follows:

Interest in the Company

Name of Director	Capacity/nature of interest	Number and class of securities interested	Percentage of shareholding
Mr. Tung Chi Fung (“Mr. Tung”) (Note 1)	Beneficiary of a trust and settlor of a discretionary trust	558,294,460 (L) (Note 2)	59.52%
	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. Tsoon 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 558,294,460 shares of the Company, representing approximately 59.52% 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 30 June 2021, none of the Directors or chief executive of the Company or their associates (as defined in the Listing Rules) had any interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to provisions set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange.



18 CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2021, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity/nature of interest	Number and class of securities interested (Note 1)	Percentage of shareholding
TMF Trust (Note 2)	Trustee	558,294,460 (L)	59.52%
Eander (Note 2)	Interest in a controlled corporation	558,294,460 (L)	59.52%
Wisdom Cosmos (Note 2)	Beneficial owner	558,294,460 (L)	59.52%

Notes:

- The letter "L" denotes long position of the shares of the Company.
- Wisdom Cosmos, a company incorporated in the BVI, is the beneficial owner of 558,294,460 shares of the Company, representing approximately 59.52% 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 30 June 2021, the Directors are not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.



CORPORATE GOVERNANCE AND OTHER INFORMATION 19

SHARE OPTION SCHEME

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

(a) Purpose of the Share Option Scheme

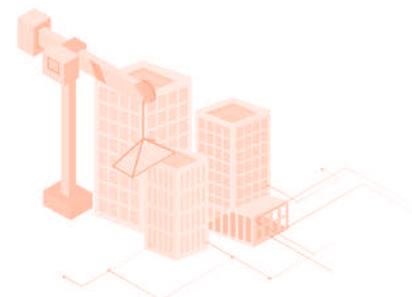
The Share Option Scheme enables the Company to grant options to subscribe for Shares granted pursuant to the Share Option Scheme (the “**Options**”) to any full-time or part-time employee of the Company or any member of the Group, including any Executive, Non-executive Directors and Independent Non-executive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

(b) Who may join and basis of eligibility

The Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with 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, quarter year period or any other interim period (whether or not required under the Listing Rules), and (b) the deadline for the Company to publish an report of its results for any year, half-year, quarter-year period or any interim period (whether or not required under the Listing Rules), and ending on the date of the results report, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of results report. The Directors may not grant any Option to an Eligible Person during the periods or times in which Directors of the Company are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 prescribed by the Listing Rules) or any corresponding code or securities dealing restrictions adopted by the Company.



20 CORPORATE GOVERNANCE AND OTHER INFORMATION

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

(d) Price of Shares

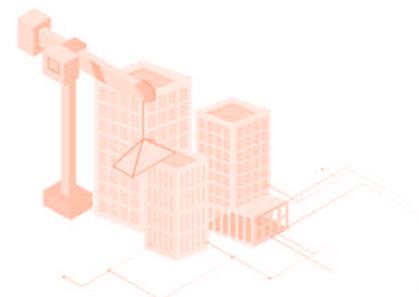
The subscription price for the Shares subject to Options will be a price determined by the Board and notified to each Participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the Options, which must be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



CORPORATE GOVERNANCE AND OTHER INFORMATION 21

(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 7.89% 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.



22 CORPORATE GOVERNANCE AND OTHER INFORMATION

(f) Time of exercise of Option

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

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

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

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

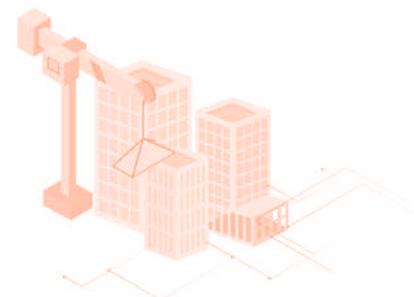
The grant of granted options to the abovementioned Director has been approved by the INEDs pursuant to the Listing Rules. Save as disclosed above, none of the other grantees is a Director, chief executive or substantial shareholder (as defined under the Listing Rules) of the Company or any of their respective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



CORPORATE GOVERNANCE AND OTHER INFORMATION 23

The following shows the outstanding position as at 30 June 2021 with respect to their granted options granted under the Share Option Scheme:

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2021	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2021
Mr. Chen Jen-Tse	11 September 2017	HK\$4.20	11/9/2018-10/9/2022	500,000	-	-	-	500,000
			11/9/2019-10/9/2022	500,000	-	-	-	500,000
			11/9/2020-10/9/2022	1,000,000	-	-	-	1,000,000
				2,000,000	-	-	-	2,000,000
Employees	11 September 2017	HK\$4.20	11/9/2018-10/9/2022	852,500	-	(422,000)	-	430,500
			11/9/2019-10/9/2022	1,085,500	-	(308,000)	-	777,500
			11/9/2020-10/9/2022	2,295,000	-	(432,000)	-	1,863,000
				4,233,000	-	(1,162,000)	-	3,071,000
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



24 CORPORATE GOVERNANCE AND OTHER INFORMATION

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2021	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2021
Mr. Twoon Wai Mun, Benjamin	14 November 2018	HK\$6.90	14/11/2019-13/11/2023	50,000	-	-	-	50,000
			14/11/2020-13/11/2023	50,000	-	-	-	50,000
			14/11/2021-13/11/2023	100,000	-	-	-	100,000
				200,000	-	-	-	200,000
Employees	14 November 2018	HK\$6.90	14/11/2019-13/11/2023	1,055,000	-	(130,000)	(37,500)	887,500
			14/11/2020-13/11/2023	1,005,000	-	(130,000)	(37,500)	837,500
			14/11/2021-13/11/2023	2,110,000	-	-	(150,000)	1,960,000
				4,170,000	-	(260,000)	(225,000)	3,685,000
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



CORPORATE GOVERNANCE AND OTHER INFORMATION 25

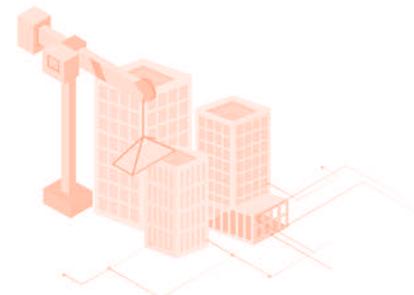
	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2021	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2021
Mr. Loo Yau Soon	15 July 2020	HK\$6.68	15/7/2022-14/7/2025	75,000	-	-	-	75,000
			15/7/2022-14/7/2025	75,000	-	-	-	75,000
			15/7/2023-14/7/2025	150,000	-	-	-	150,000
				300,000	-	-	-	300,000
Mr. Tsoon 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
Employees	15 July 2020	HK\$6.68	15/7/2022-14/7/2025	3,150,000	-	-	(287,500)	2,862,500
			15/7/2022-14/7/2025	3,150,000	-	-	(287,500)	2,862,500
			15/7/2023-14/7/2025	6,300,000	-	-	(575,000)	5,725,000
				12,600,000	-	-	(1,150,000)	11,450,000

During the six months ended 30 June 2021, i) 26,406,000 granted options were outstanding under the Share Option Scheme; ii) 1,422,000 granted options were exercised; iii) 1,375,000 granted options were lapsed; and iv) no granted options were cancelled.

Save for the grants of share options on 11 September 2017, 14 November 2018 and 15 July 2020 as disclosed in the announcements on the same date respectively, no new share options have been granted nor any existing share option schemes have been adopted by the Company as at 30 June 2021.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.



26 CORPORATE GOVERNANCE AND OTHER INFORMATION

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

For the six months ended 30 June 2021, the Directors are not aware of any business or interest of the Directors, the substantial shareholders of the Company and their respective associates (as defined in the Listing Rules) that competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person has or may have with the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with the provisions set out in Appendix 10 of the Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions adopted by the Company during the period from the Listing Date to the date of this report.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of Directors of the Company required to be disclosed are shown as follows:

1) Mr. Hung Ka Hai Clement, Independent Non-executive Director

Mr. Hung was appointed as an independent non-executive director of Hong Kong Aerospace Technology Group Limited (stock code: 1725) since 16 July 2021 and retired from the position of independent non-executive director of Tibet Water Resources Ltd. (stock code: 1115) on 30 June 2021.

2) Mr. Fong Heng Boo, Independent Non-executive Director

Mr. Fong was appointed as an independent non-executive director of Bonvest Holdings Limited, a company listed on the Singapore Exchange (stock code: B28) on 1 July 2021.

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



CORPORATE GOVERNANCE AND OTHER INFORMATION 27

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.

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 six months ended 30 June 2021 and thereafter up to the date of this report.

CORPORATE GOVERNANCE

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

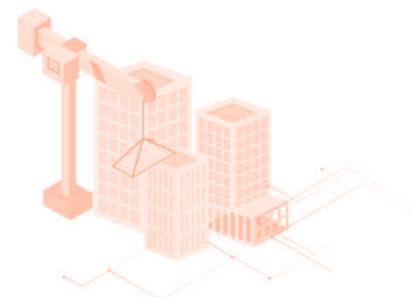
The shares of the Company were successfully listed on GEM on 6 July 2017 and were transferred to the Main Board on 24 October 2019. To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the period from the Listing Date to 30 June 2021.

AUDIT COMMITTEE

The Company established the Audit Committee on 19 June 2017 with written terms of reference in compliance with Rules 3.21 to 3.24 of the Listing Rules and paragraph C.3 of the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of the external auditors; review the financial statements and provide material advice in respect of financial reporting; and oversee the internal control and risk management procedures of the Company. The Audit Committee currently consists of three members, namely Mr. Hung Ka Hai Clement, Mr. Tsoon Wai Mun, Benjamin, and Mr. Loo Yau Soon. The Chairman of the Audit Committee is Mr. Hung Ka Hai Clement.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2021 and the interim report have been reviewed by the Audit Committee. The Board is of the opinion that such financial information has been prepared in compliance with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

The Company's independent auditor, Deloitte Touche Tohmatsu, has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".



28 CORPORATE GOVERNANCE AND OTHER INFORMATION

EVENT AFTER THE REPORTING PERIOD

In July 2021, the Group de-registered its investment in Yi Lian Shu Ke (Shenzhen) Co., Limited (易聯數科(深圳)有限責任公司), a subsidiary of the Company.

Save as disclosed above, the Company had no other significant subsequent event after reporting period.

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

Hong Kong, 26 August 2021

As at the date of this report, the Board comprises two Executive Directors: Mr. Tung Chi Fung and Mr. Chen Jen-Tse; and four Independent Non-executive Directors: Mr. Hung Ka Hai, Clement, Mr. Loo Yau Soon, Mr. Tsoon Wai Mun, Benjamin and Mr. Fong Heng Boo.

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

Unless otherwise stated, translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 to HK\$1.20 for information purpose only. Such translation should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.

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



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF SHENG YE CAPITAL LIMITED

盛業資本有限公司

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Sheng Ye Capital Limited (the “Company”) and its subsidiaries set out on pages 30 to 84, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

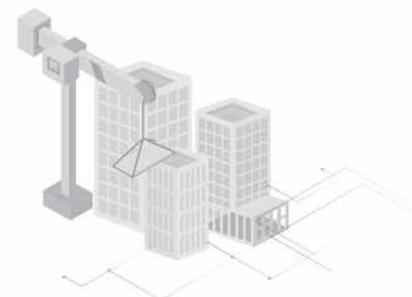
Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

26 August 2021



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

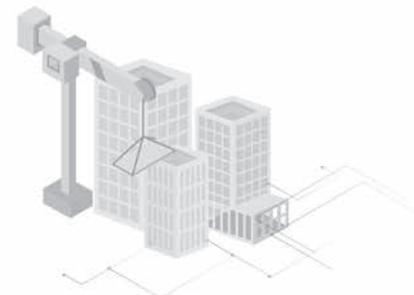
	NOTES	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	3		
<i>Digital financing solutions</i>			
– Interest income		192,896	226,130
– Guarantee fee		7,690	5,500
<i>Platform-based services</i>			
– Contracts with customers		23,261	16,745
Total revenue		223,847	248,375
Gain on sales of factoring assets	4	75,427	75,105
		299,274	323,480
Other income	5(a)	12,196	12,726
Other gains and losses	5(b)	22,047	41,889
Impairment losses under expected credit loss (“ECL”) model, net of reversal	17	(16,587)	(16,806)
Administrative and other expenses	9(a)	(88,321)	(88,199)
Share of profit of associates		9,518	4,732
Finance costs	6	(50,595)	(64,317)
Profit before taxation		187,532	213,505
Taxation	7	(20,573)	(30,846)
Profit for the period	9(a)	166,959	182,659



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	NOTES	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Other comprehensive income (expense) ("OCI"):	9(b)		
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		16	–
Fair value gain, net of ECL, and reclassification of fair value through OCI ("FVTOCI") reserves upon derecognition on:			
– factoring assets at FVTOCI		8,823	4,258
Income tax relating to items that may be reclassified subsequently		(1,326)	(1,979)
Share of other comprehensive income (expense) of associates, net of related income tax		1,912	(930)
OCI for the period, net of income tax		9,425	1,349
Total comprehensive income for the period		176,384	184,008
Profit for the period attributable to:			
– Owners of the Company		160,589	179,210
– Non-controlling interests		6,370	3,449
		166,959	182,659
Total comprehensive income for the period attributable to:			
– Owners of the Company		169,747	180,920
– Non-controlling interests		6,637	3,088
		176,384	184,008
Earnings per share	11		
– Basic (RMB cents)		17	20
– Diluted (RMB cents)		17	20



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

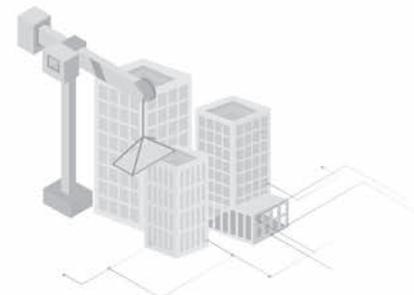
	NOTES	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
Non-current assets			
Property and equipment	12	8,220	8,042
Intangible assets	12	25,494	22,218
Right-of-use assets	12	19,259	24,680
Factoring assets at FVTOCI	15	14,677	14,278
Other financial assets at fair value through profit or loss ("FVTPL")	16	122,989	74,263
Investments in associates	13	162,541	150,911
Prepayments for non-current assets		1,990	637
Deferred tax assets	14	31,562	25,210
Refundable rental deposits		3,931	3,839
		390,663	324,078
Current assets			
Factoring assets at FVTOCI	15	4,253,048	3,789,922
Other financial assets at FVTPL	16	126,357	30,878
Derivative financial instruments	18	–	790
Receivables from guarantee customers	19(a)	12,466	17,052
Trade receivables	19(b)	14,260	2,733
Other receivables, prepayments and others	19(c)	72,460	16,841
Pledged bank deposits		320,522	255,489
Bank balances		301,333	348,715
		5,100,446	4,462,420



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2021

	NOTES	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
Current liabilities			
Loans from related parties	28	65,220	–
Other payables and accrued charges	20	103,796	105,552
Derivative financial instruments	18	4,900	17,616
Contract liabilities		2,683	1,125
Income tax payable		25,650	36,679
Liabilities arising from guarantee contracts	21	35,760	29,742
Borrowings	22(a)	1,562,469	1,475,913
Bank overdraft	22(b)	–	10,828
Lease liabilities		12,337	11,913
		1,812,815	1,689,368
Net current assets			
		3,287,631	2,773,052
Non-current liabilities			
Borrowings	22(a)	464,175	–
Lease liabilities		7,511	13,337
Deferred tax liabilities	14	63,426	56,449
		535,112	69,786
Net assets			
		3,143,182	3,027,344
Capital and reserves			
Share capital	23	8,139	8,127
Reserves		3,040,149	2,907,920
Equity attributable to owners of the Company		3,048,288	2,916,047
Non-controlling interests		94,894	111,297
Total equity			
		3,143,182	3,027,344



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to owners of the Company											
	Share capital	Share premium	Capital reserves	FVTOCI reserves	Translation reserves	Share-based payments			Retained profits	Total	Non-controlling interests	Total
						reserves	reserves	reserves				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2021 (unaudited)	8,127	1,886,952	1,547	(29)	-	21,466	84,621	913,363	2,916,047	111,297	3,027,344	
Profit for the period	-	-	-	-	-	-	-	160,589	160,589	6,370	166,959	
Other comprehensive income for the period	-	-	-	9,142	16	-	-	-	9,158	267	9,425	
Total comprehensive income for the period	-	-	-	9,142	16	-	-	160,589	169,747	6,637	176,384	
Deregistration of subsidiaries (note 8)	-	-	-	-	-	-	-	-	-	(23,040)	(23,040)	
Recognition of equity-settled share-based payments	-	-	-	-	-	6,102	-	-	6,102	-	6,102	
Dividends recognised as distribution (note 10)	-	(49,146)	-	-	-	-	-	-	(49,146)	-	(49,146)	
Exercise of share options	12	7,399	-	-	-	(1,873)	-	-	5,538	-	5,538	
Lapse of share options	-	-	-	-	-	(147)	-	147	-	-	-	
At 30 June 2021 (unaudited)	8,139	1,845,205	1,547	9,113	16	25,548	84,621	1,074,099	3,048,288	94,894	3,143,182	
At 1 January 2020 (audited)	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 period	-	-	-	-	-	-	-	179,210	179,210	3,449	182,659	
Other comprehensive income (expense) for the period	-	-	-	1,710	-	-	-	-	1,710	(361)	1,349	
Total comprehensive income for the period	-	-	-	1,710	-	-	-	179,210	180,920	3,088	184,008	
Deregistration of a subsidiary (note 8)	-	-	-	-	-	-	-	-	-	(19,984)	(19,984)	
Recognition of equity-settled share-based payments	-	-	-	-	-	251	-	-	251	-	251	
Dividends recognised as distribution (note 10)	-	(42,652)	-	-	-	-	-	-	(42,652)	-	(42,652)	
Exercise of share options	6	3,419	-	-	-	(781)	-	-	2,644	-	2,644	
At 30 June 2020 (unaudited)	7,642	1,552,872	1,547	3,835	-	17,129	80,002	767,135	2,430,162	112,165	2,542,327	

Notes:

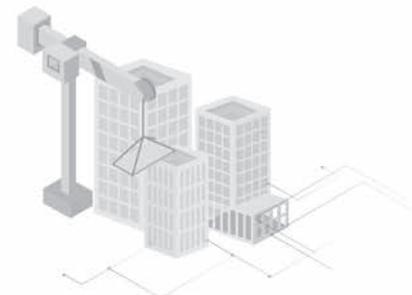
- (i) FVTOCI reserves attributable to owners of the Company represent (i) net effect of fair value changes on FVTOCI after tax; (ii) share of FVTOCI reserves of associates.
- (ii) Pursuant to the articles of association of the subsidiaries established in the People's Republic of China ("PRC"), they are required to appropriate 10% of their profit after taxation in accordance with the relevant accounting rules and financial regulations of the PRC before any distribution of dividends to owners each year to the statutory reserves until the balance reaches 50% of their registered capital.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(266,200)	143,944
INVESTING ACTIVITIES		
Proceeds from disposal of other financial assets at FVTPL	54,265	4,811
Repayment of security deposits for derivative financial instruments	7,280	–
Withdrawal of pledged bank deposits for derivative financial instruments	5,488	2,774
Bank interest income received	1,975	1,368
Refundable rental deposits received	200	2,295
Proceeds from disposal of equipment	3	1
Proceeds on disposal of investments in associates	–	5,603
Dividend received from an associate	–	4,383
Repayment from a loan receivable	–	1,325
Interest received from a loan receivable	–	410
Advances to related parties	–	(241)
Payments for refundable rental deposits	(99)	(614)
Payments for right-of-use assets	(144)	–
Investment in an associate	(200)	(80,000)
Purchase of equipment	(2,414)	(1,264)
Placement of pledged bank deposits for derivative financial instruments	(3,689)	(91,976)
Security deposits paid for derivative financial instruments	(6,366)	(8,160)
Payment for development costs and purchase of other intangible assets	(7,976)	(2,240)
Payment for settlement of derivative financial instruments	(22,902)	(115)
Net cash outflow arising on deregistration of subsidiaries (note 8)	(24,500)	(19,984)
Purchase of other financial assets at FVTPL	(171,612)	(1,100)
NET CASH USED IN INVESTING ACTIVITIES	(170,691)	(182,724)



36 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
FINANCING ACTIVITIES		
New borrowings raised	1,372,815	765,741
Loans raised from related parties	155,126	214,922
Repayment of pledged bank deposits for borrowings	41,381	–
Repayment of pledged bank deposits for bank overdraft	8,419	–
Proceeds received on exercise of equity-settled share options	5,538	2,644
Interest paid for bank overdraft	(79)	(323)
Interest paid for lease liabilities	(751)	(708)
Interest paid for loans from related parties	(986)	(3,132)
Dividends paid to a non-controlling shareholder of a PRC subsidiary	(5,531)	–
Repayment of lease liabilities	(5,806)	(3,961)
Security deposits paid for loans from an associate	(20,000)	–
Dividends paid to the shareholders of the Company	(49,158)	(42,364)
Interest paid for borrowings	(56,479)	(49,810)
Repayment of loans from related parties	(90,126)	(98,575)
Pledged bank deposits paid for borrowings	(146,600)	(8,427)
Repayment of borrowings	(814,164)	(893,870)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	393,599	(117,863)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(43,292)	(156,643)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	337,887	359,463
Effect of foreign exchange rate changes	6,738	(7,877)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by	301,333	194,943
Bank balances	301,333	211,448
Bank overdraft	–	(16,505)
	301,333	194,943



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from the application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

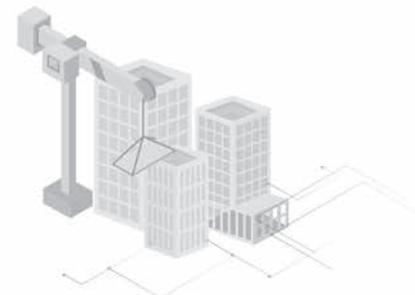
Amendments to HKFRS 9, HKAS 39 HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
---	--

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

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

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

The Group has early applied the amendment in the current interim period. The application of this amendment has had no material impact on the Group’s financial positions and performance for the current and prior periods.



38 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of amendments to HKFRSs (continued)

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

2.2.1 Accounting policies

Financial instruments

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

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

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

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

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

2.2.2 Transition and summary of effects

As at 1 January 2021, the Group has several financial liabilities and derivatives, the interest of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

The following table shows the total amounts of outstanding contracts. The amounts of financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of amendments to HKFRSs (continued)

2.2 Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2" (continued)

2.2.2 Transition and summary of effects (continued)

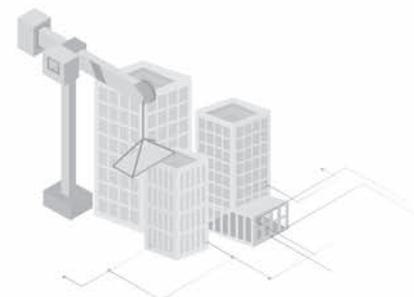
	HKD Hong Kong Interbank Offered Rate ("HIBOR") RMB'000	USD London Interbank Offered Rate ("LIBOR") RMB'000
Financial liabilities		
– Borrowings	292,335	114,923
– Bank overdraft	10,828	–
	303,163	114,923
Derivative financial instruments		
– Cross currency swap contracts	42,165	122,276

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for borrowings and bank overdrafts measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending 31 December 2021.

3. REVENUE AND SEGMENT INFORMATION

Revenue for the reporting period represents income received and receivable mainly from the provision of digital financing solutions and platform-based services in the PRC.

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 digital financing solutions and platform-based services mainly in the PRC, and the CODM, reviews the condensed consolidated financial position and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group.



40 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

3. REVENUE AND SEGMENT INFORMATION (continued)

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.

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<i>Digital financing solutions</i>		
– Interest income	192,896	226,130
– Guarantee fee	7,690	5,500
	200,586	231,630
<i>Platform-based services</i>		
– Loan facilitation services	17,400	4,696
– Technology service for asset-backed securitisation products	3,130	8,296
– Other services (note)	2,731	3,753
	23,261	16,745
	223,847	248,375

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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

3. REVENUE AND SEGMENT INFORMATION (continued)

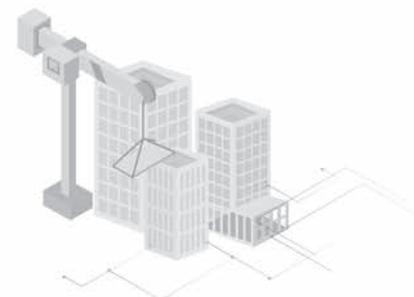
(ii) Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Timing of revenue recognition		
Over time		
– Loan facilitation services	17,400	4,696
– Other services	2,232	3,199
	19,632	7,895
A point in time		
– Technology service for asset-backed securitisation products	3,130	8,296
– Other services	499	554
	3,629	8,850
	23,261	16,745

4. SALES OF FACTORING ASSETS

For the six months ended 30 June 2021 and 2020, 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.

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Gain on sales of factoring assets	75,427	75,105



42 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

5. OTHER INCOME/OTHER GAINS AND LOSSES

(a) Other income

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Government subsidies (note)	10,201	10,421
Bank interest income	1,975	1,368
Interest income from a loan receivable	–	923
Others	20	14
	12,196	12,726

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

(b) Other gains and losses

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Net gain from changes in fair value of other financial assets at FVTPL	27,773	47,482
Exchange gain (loss), net	6,722	(7,743)
(Loss) gain from termination of a lease contract	(1)	26
Loss on disposal of equipment	(11)	(2)
Loss on deregistration of subsidiaries (note 8)	(1,460)	–
Net (loss) gain arising from changes in fair value of derivative financial instruments	(10,976)	2,343
Loss on disposal of investment in an associate	–	(48)
Others	–	(169)
	22,047	41,889



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

6. FINANCE COSTS

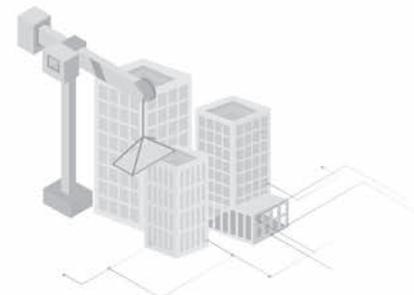
	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest on borrowings	48,559	59,096
Interest on loans from related parties (note 28)	1,206	4,190
Interest on lease liabilities (note)	751	708
Interest on bank overdraft	79	323
	50,595	64,317

Note: Details of the interest on lease liabilities in relation to a related party are set out in note 28.

7. TAXATION

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
The charge comprises:		
Current tax		
– PRC Enterprise Income Tax (“EIT”)	17,689	14,795
– Withholding tax levied on interest income of Hong Kong subsidiaries	2,085	2,383
– Withholding tax levied on dividend declared of a PRC subsidiary	1,500	–
	21,274	17,178
Deferred tax (note 14)	(701)	13,668
	20,573	30,846

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



44 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

7. TAXATION (continued)

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods. Certain PRC subsidiaries enjoy preferential tax rate according to approval from local tax bureau, including (i) a PRC subsidiary which enjoys preferential tax rate of 15% since 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稅優惠政策的通知" (Caishui [2011] 112) issued by the State Administration of Taxation and the Ministry of Finance of the PRC.

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

8. DEREGISTRATION OF SUBSIDIARIES

In January 2021, May 2021, and April 2020, the Group de-registered its investment in Tianjin Sheng Peng Enterprise Management Consulting Co., Ltd ("SP"), Tianjin Zhuguang Shengye Enterprise Management Consulting Co., Ltd ("ZGSY"), and Sheng Nuo Factoring Limited ("SNF"), subsidiaries of the Company. There were no profit or loss and cash flows of SP, ZGSY and SNF recognised on the condensed consolidated financial statements for the reporting period.

The net assets of SP, ZGSY and SNF at the date of deregistration were as follows:

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Bank balances	100,000	49,960
Net assets upon deregistration of subsidiaries	100,000	49,960
Loss on deregistration of subsidiaries:		
Cash distributed to the Group received	75,500	29,976
Net assets upon deregistration of subsidiaries	(100,000)	(49,960)
Non-controlling interests	23,040	19,984
Loss on deregistration of subsidiaries	(1,460)	-
Net cash outflow arising on deregistration:		
Cash distributed to the Group	75,500	29,976
Less: bank balances upon deregistration of subsidiaries	(100,000)	(49,960)
	(24,500)	(19,984)



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

(a) Profit for the period

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Directors' emoluments	3,999	2,380
Other staff costs (excluding directors' emoluments)		
– Salaries, allowances and other staff benefits, including share option expenses	49,904	52,382
– Staff's retirement benefit scheme contributions	3,562	519
Total staff costs	57,465	55,281
Less: amount capitalised in development costs	(4,459)	(1,750)
Less: staff costs recognised as research and development costs in other expenses	(10,507)	(8,969)
Staff costs recognised in administrative expenses	42,499	44,562
Total depreciation of property and equipment	1,621	1,001
Less: amount capitalised in development costs	(17)	(32)
Depreciation of property and equipment recognised in administrative expenses	1,604	969
Depreciation of right-of-use assets recognised in administrative expenses	5,968	4,827
Amortisation of intangible assets recognised in administrative expenses	3,625	2,583
Covid-19-related rent concessions (note 12)	–	(224)
Other expenses		
– Research and development costs	10,818	9,138
– Donation	700	245
Total other expenses	11,518	9,383



46 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

(b) Other comprehensive income (expense)

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Other comprehensive income (expense) includes: <i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of financial statements of foreign operations:		
– Exchange gain arising during the period	16	–
Factoring assets measured at FVTOCI		
– Fair value changes during the period, net	84,250	79,363
– Reclassification adjustment to profit or loss on derecognition	(75,427)	(75,105)
Income tax relating to items that may be reclassified subsequently	(1,326)	(1,979)
	7,497	2,279
Share of other comprehensive income (expense) of associates, net of related income tax	1,912	(930)
	9,425	1,349

10. DIVIDENDS

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

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
2020 final – HK6.3 cents (2020: 2019 final dividend HK5.3 cents) per share	59,064	46,694



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

10. DIVIDENDS (continued)

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Shown in the condensed consolidated financial statements	49,146	42,652

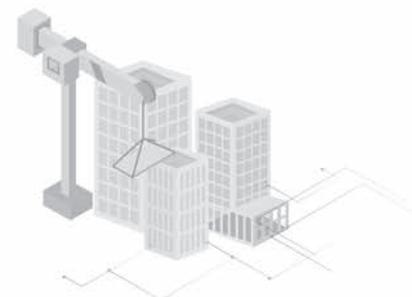
The directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2021.

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	160,589	179,210

	Six months ended 30 June	
	2021 '000 (Unaudited)	2020 '000 (Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	936,998	880,799
Effect of dilutive potential ordinary shares:		
Share options	2,046	2,613
Weighted average number of ordinary shares for the purpose of diluted earnings per share	939,044	883,412



48 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

During the current interim period, the Group acquired property and equipment of RMB1,813,000 (six months ended 30 June 2020: RMB1,125,000).

During the current interim period, the Group incurred costs directly associated with intangible assets of RMB6,901,000 (six months ended 30 June 2020: RMB2,127,000).

During the current interim period, the Group entered into several new office lease agreements with lease term ranged from 1 to 2 years. On lease commencement, the Group recognised right-of-use assets of RMB554,000 (six months ended 30 June 2020: RMB7,744,000) and lease liabilities of RMB410,000 (six months ended 30 June 2020: RMB7,744,000). 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 loss from lease termination as disclosed in note 5(b).

During the six months ended 30 June 2020, a lessor provided office premises rent concession that occurred as a direct consequence of the Covid-19 pandemic 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 six months ended 30 June 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.

13. INVESTMENTS IN ASSOCIATES

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cost of investments in associates, unlisted	130,200	130,000
Share of post-acquisition profit, net of dividend received	28,892	19,374
Share of post-acquisition OCI	3,449	1,537
	162,541	150,911



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

13. INVESTMENTS IN ASSOCIATES (continued)

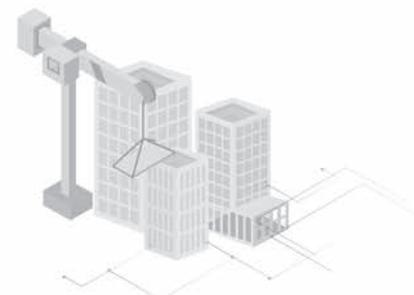
Details of the Group's associates at the end of the reporting period are as follow:

Name of entity	Place of incorporation/ establishment	Particulars of authorised and paid up capital	Proportion of ownership interest/voting rights held by the Group as at		Principal activity
			30.6.2021	31.12.2020	
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
Guangxi Maojing Trading Co., Ltd# (廣西茂景商貿有限公司)	PRC	RMB2,000,000 RMB1,000,000	20%	N/A	Provision of trade service
Shoujin Digital Information Technology (Beijing) Co., Ltd # (首金數科信息科技(北京)有限公司)	PRC	RMB8,000,000 -	N/A (note ii)	40%	Provision of IT service

English translated name is for identification purpose only.

Notes:

- (i) The Group is able to exercise significant influence over the entity because it has the power to appoint one out of three directors of the entity under the articles of association of the entity.
- (ii) In June 2021, Shoujin Digital Information Technology (Beijing) Co., Ltd, an associate of the Group, was de-registered.



50 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

14. DEFERRED TAXATION

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Deferred tax assets	31,562	25,210
Deferred tax liabilities	(63,426)	(56,449)
	(31,864)	(31,239)

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

	Undistributed earnings of PRC subsidiaries RMB'000	Deferred income RMB'000	ECL provision RMB'000 (note)	Fair value adjustments RMB'000	Total RMB'000
At 1 January 2020 (audited)	(35,387)	3,935	7,317	67	(24,068)
(Charge) credit to profit or loss (note 7)	(11,497)	2,383	1,664	(6,218)	(13,668)
Charge to OCI	–	–	–	(1,979)	(1,979)
At 30 June 2020 (unaudited)	(46,884)	6,318	8,981	(8,130)	(39,715)
(Charge) credit to profit or loss	(6,166)	(1,082)	3,367	10,469	6,588
Credit to OCI	–	–	–	1,888	1,888
At 31 December 2020 (audited)	(53,050)	5,236	12,348	4,227	(31,239)
(Charge) credit to profit or loss (note 7)	(7,142)	4,811	4,115	(1,083)	701
Charge to OCI	–	–	–	(1,326)	(1,326)
At 30 June 2021 (unaudited)	(60,192)	10,047	16,463	1,818	(31,864)

Note: At 30 June 2021, a deferred tax asset of RMB16,463,000 (31 December 2020: RMB12,348,000) was recognised based on the deductible temporary differences associated with ECL provision. As a PRC subsidiary of the Group was exempted from EIT, the deferred tax asset of the ECL provision of RMB16,122,000 (31 December 2020: RMB17,012,000) out of RMB81,974,000 (31 December 2020: RMB66,405,000) has not been recognised.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

At 30 June 2021, the Hong Kong subsidiaries had cumulative unutilised tax losses of RMB54,018,000 (31 December 2020: RMB35,501,000). No deferred tax asset has been recognised due to the unpredictability of future profit stream. Some of the unused tax losses can be carried forward indefinitely from the years in which the loss was originated to offset future taxable profits.

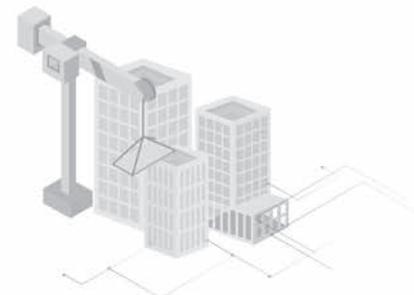
At 30 June 2021, the PRC subsidiaries had cumulative unutilised tax losses of RMB14,429,000 (31 December 2020: RMB5,254,000). No deferred tax asset has been recognised due to the unpredictability of future profit stream. Some of the unused tax losses can be carried forward up to five years from the years in which the loss was originated to offset future taxable profits.

15. FACTORING ASSETS AT FVTOCI

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Factoring assets at FVTOCI	4,267,725	3,804,200
Analysed for reporting purposes as:		
Current assets	4,253,048	3,789,922
Non-current assets	14,677	14,278
	4,267,725	3,804,200

As at 30 June 2021, the effective interest rates of the factoring assets at FVTOCI range mainly from 5.00% to 14.00% (31 December 2020: 5.80% to 17.50%) per annum.

As at 30 June 2021, certain commercial acceptance bills have been received from customers with fair value amounting of RMB792,326,000 (31 December 2020: RMB571,106,000) 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 condensed consolidated financial statements.



52 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

15. FACTORING ASSETS AT FVTOCI (continued)

As at 30 June 2021, the gross carrying amount of factoring assets of RMB20,177,000 is past due (31 December 2020: RMB21,411,000). 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.

Details of impairment assessment are set out in note 17.

16. OTHER FINANCIAL ASSETS AT FVTPL

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Equity tranche (note)	198,586	91,980
Unlisted equity investment	40,000	–
Distressed debt assets (note)	9,339	7,782
Trust fund	1,421	3,374
Structured deposit	–	2,005
	249,346	105,141
Analysed for reporting purposes as:		
Current assets	126,357	30,878
Non-current assets	122,989	74,263
	249,346	105,141

The financial assets were classified as FVTPL due to fact that the contractual cash flows do not represent solely payments of principal and interest on the principal amount outstanding.

Note: Their fair values are determined by APAC Appraisal and Consulting Limited, an independent valuer, based on appropriate valuation techniques as detailed in note 26.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

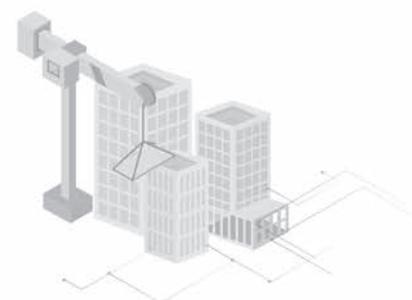
17. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Impairment losses recognised (reversed) on:		
– Factoring assets at FVTOCI	11,105	4,188
– Financial guarantee contracts	5,599	7,998
– Receivables from guarantee contracts	(117)	178
– Loan receivable	–	4,442
	16,587	16,806

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

As at 30 June 2021

External/Internal credit rating	12-month or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000 (Unaudited)	Impairment loss allowance RMB'000 (Unaudited)
Factoring assets at FVTOCI				
Low risk	12-month ECL	1.14%	4,231,585	48,396
Watch list	Lifetime ECL (not credit-impaired)	13.08%	79,342	10,375
Loss	Lifetime ECL (credit-impaired)	59.03%	16,059	9,480
			4,326,986	68,251



54 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

As at 30 June 2021 (continued)

External/Internal credit rating	12-month or lifetime ECL	Average loss rate	Gross carrying amount/exposure RMB'000 (Unaudited)	Impairment loss allowance RMB'000 (Unaudited)
Financial assets at amortised cost				
<i>Pledged bank deposits</i>				
AAA/BBB+ (note i)	12-month ECL	N/A	320,522	–
<i>Bank balances</i>				
AAA/BBB+ (note i)	12-month ECL	N/A	301,333	–
<i>Receivables from guarantee customers</i>				
Low risk	12-month ECL	1.35%	12,327	167
Watch list	Lifetime ECL (not credit-impaired)	4.08%	319	13
<i>Refundable rental deposits</i>				
Low risk (note i)	12-month ECL	N/A	3,931	–
<i>Trade receivables</i>				
Low risk (note i)	Lifetime ECL (not credit-impaired)	N/A	14,260	–
<i>Other receivables</i>				
N/A (note i) (note ii)	12-month ECL	N/A	70,048	–
			722,740	180



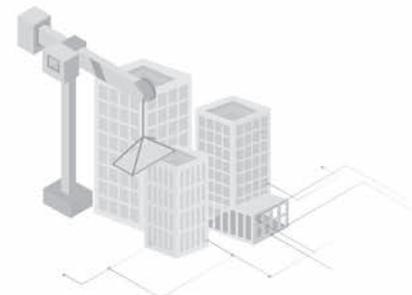
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

As at 30 June 2021 (continued)

External/Internal credit rating	12-month or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000 (Unaudited)	Impairment loss allowance RMB'000 (Unaudited)
Other items				
<i>Financial guarantee contracts</i>				
<i>(note iii)</i>				
<i>– guarantee contracts in relation to third parties</i>				
Low risk	12-month ECL	1.36%	1,706,202	23,236
Watch list	Lifetime ECL (not credit-impaired)	6.54%	23,145	1,513
<i>– guarantee contracts in relation to an associate</i>				
Low risk	12-month ECL	0.81%	607,781	4,898
			2,337,128	29,647



56 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

As at 31 December 2020

External/Internal credit rating	12-month or lifetime ECL	Average loss rate	Gross carrying amount/exposure RMB'000 (Audited)	Impairment loss allowance RMB'000 (Audited)
Factoring assets at FVTOCI				
Low risk	12-month ECL	1.20%	3,820,764	45,958
Watch list	Lifetime ECL (not credit-impaired)	13.00%	18,289	2,377
Loss	Lifetime ECL (credit-impaired)	42.47%	23,143	9,829
			3,862,196	58,164
Financial assets at amortised cost				
<i>Pledged bank deposits</i>				
AAA/BBB+ (note i)	12-month ECL	N/A	255,489	–
<i>Bank balances</i>				
AAA/BBB+ (note i)	12-month ECL	N/A	348,715	–
<i>Receivables from guarantee customers</i>				
Low risk	12-month ECL	1.69%	17,240	292
Watch list	Lifetime ECL (not credit-impaired)	4.59%	109	5
<i>Refundable rental deposits</i>				
Low risk (note i)	12-month ECL	N/A	3,839	–
<i>Trade receivables</i>				
Low risk (note i)	Lifetime ECL (not credit-impaired)	N/A	2,733	–
<i>Other receivables</i>				
N/A (note i) (note ii)	12-month ECL		13,392	–
			641,517	297



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

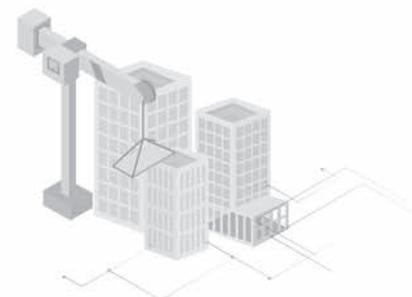
17. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL (continued)

As at 31 December 2020 (continued)

External/Internal credit rating	12-month or lifetime ECL	Average loss rate	Gross carrying amount/exposure RMB'000 (Audited)	Impairment loss allowance RMB'000 (Audited)
Other items				
<i>Financial guarantee contracts</i>				
<i>(note iii)</i>				
<i>– guarantee contracts in relation to third parties</i>				
Low risk	12-month ECL	1.56%	1,372,376	21,423
Watch list	Lifetime ECL (not credit-impaired)	4.37%	10,531	460
<i>– guarantee contracts in relation to an associate</i>				
Low risk	12-month ECL	0.25%	385,600	959
			1,768,507	22,842

Notes:

- (i) The directors of the Company reviewed and assessed the impairment under ECL model, considering that these financial assets were determined to have low credit risk as these financial assets have a low risk of default and the debtors have a strong capacity to meet their contractual cash flow obligations in the near term, and no loss allowance was recognised as the amount of ECL 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 30 June 2021 and 31 December 2020, all of other receivables were not past due.
- (iii) For financial guarantee contract, the amount represents the maximum amount the Group has guaranteed under the contract.



58 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

The movements in the allowance for impairment in respect of factoring assets at FVTOCI during the reporting period were as follows:

	12-month ECL RMB'000	Lifetime ECL not credit- impaired RMB'000	Lifetime ECL credit- impaired RMB'000	Total RMB'000
As at 1 January 2021 (unaudited)	45,958	2,377	9,829	58,164
Changes due to financial instruments recognised as at 1 January:				
– Transfer to lifetime ECL – not credit-impaired	(343)	1,361	(1,018)	–
– Transfer to lifetime ECL – credit-impaired	(33)	–	33	–
– Impairment losses, net of reversal	(36,045)	(526)	636	(35,935)
– Disposal	–	(1,018)	–	(1,018)
New financial assets purchased, net of settlement	38,859	8,181	–	47,040
As at 30 June 2021 (unaudited)	48,396	10,375	9,480	68,251
As at 1 January 2020 (audited)	46,080	254	–	46,334
Changes due to financial instruments recognized as at 1 January:				
– Transfer to lifetime ECL – not credit-impaired	(14)	14	–	–
– Impairment losses, net of reversal	(41,127)	(216)	–	(41,343)
New financial assets purchased, net of settlement	43,444	2,087	–	45,531
As at 30 June 2020 (unaudited)	48,383	2,139	–	50,522



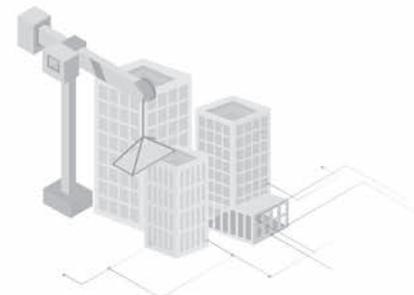
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

The movements in the allowance for impairment in respect of financial guarantee contracts during the reporting period were as follows:

	12-month ECL RMB'000	Lifetime ECL not credit- impaired RMB'000	Total RMB'000
As at 1 January 2021 (unaudited)	22,382	460	22,842
Changes due to financial instruments recognised as at 1 January:			
– Transfer to lifetime ECL – not credit-impaired	(171)	171	–
– Impairment losses, net of reversal	(16,635)	(57)	(16,692)
New financial guarantee contracts entered, net of settlement	22,558	939	23,497
As at 30 June 2021 (unaudited)	28,134	1,513	29,647
As at 1 January 2020 (audited)	7,998	–	7,998
Changes due to financial instruments recognised as at 1 January:			
– Transfer to lifetime ECL – not credit-impaired	(353)	353	–
– Impairment losses, net of reversal	(4,500)	1,326	(3,174)
New financial guarantee contracts entered, net of settlement	11,209	2,629	13,838
As at 30 June 2020 (unaudited)	14,354	4,308	18,662



60 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

18. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2021		31 December 2020	
	Assets RMB'000 (Unaudited)	Liabilities RMB'000 (Unaudited)	Assets RMB'000 (Audited)	Liabilities RMB'000 (Audited)
Cross currency swap contracts	–	4,900	–	8,397
Foreign currency option contracts	–	–	790	–
Foreign currency forward contracts	–	–	–	9,219
	–	4,900	790	17,616

Analysed for financial reporting purpose based on maturity dates:

	30 June 2021		31 December 2020	
	Assets RMB'000 (Unaudited)	Liabilities RMB'000 (Unaudited)	Assets RMB'000 (Audited)	Liabilities RMB'000 (Audited)
Current	–	4,900	790	17,616

The above derivatives are measured at fair values at the end of the reporting period and changes in fair value are recognised in the profit or loss. Their fair values are determined by APAC Appraisal and Consulting Limited, an independent valuer, based on appropriate valuation techniques as detailed in note 26.

At 30 June 2021, the security deposits of RMB8,273,000 (31 December 2020: RMB9,187,000) and bank deposits of RMB7,054,000 (31 December 2020: RMB8,853,000) were pledged as security for the derivative financial instruments. The balance of the security deposits and bank deposits can be applied and used to settle any outstanding payments for the corresponding contracts if default occurs.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Foreign currency option contracts

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

At 31 December 2020

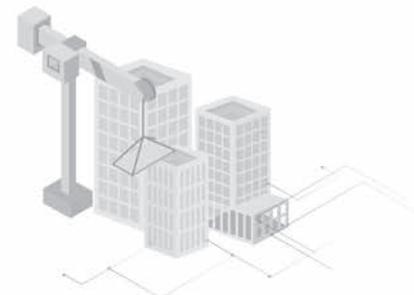
Notional amount	Maturity date	Contracted exchange rate
Sell United States Dollars ("US\$")3,000,000	01/03/2021	US\$:RMB1:6.8059
Buy US\$3,000,000	01/03/2021	US\$:RMB1:6.8060
Sell US\$80,000	01/03/2021	US\$:RMB1:6.8008
Buy US\$80,000	01/03/2021	US\$:RMB1:6.8009

Cross currency swap contracts

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

At 30 June 2021

Notional amounts	Commencement dates	Maturity dates	Contracted swap rates	Interest rates
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%
HK\$70,000,000	08/01/2021	25/10/2021	HK\$:RMB1:0.8339 HK\$ against RMB swap rates	From 5.08% per annum to 3 months HIBOR plus 2.4%
US\$8,800,000	28/04/2021	01/04/2022	US\$:RMB1:6.4860 US\$ against RMB swap rates	From 4.93% per annum to 6 months LIBOR plus 2.0%



62 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cross currency swap contracts (continued)

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%

Foreign currency forward contracts

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

At 31 December 2020

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

The Group entered into foreign 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\$.

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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

(a) Receivables from guarantee customers

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

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

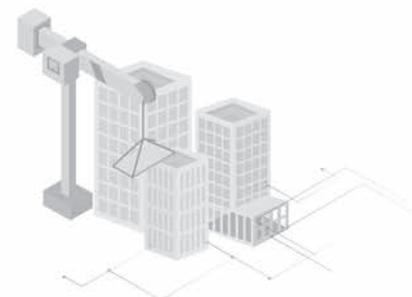
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0-30 days	12,466	17,052

(b) Trade receivables

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracts with customers of platform-based services	14,260	2,733

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0-30 days	14,260	2,733



64 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

(c) Other receivables, prepayments and others

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Security deposits for guarantee service (note 28)	35,945	–
Security deposits for loans from an associate (note 28)	20,000	–
Security deposits for derivative financial instruments (note 18)	8,273	9,187
Prepayments	1,979	3,016
Value-added tax recoverable	433	433
Dividend receivable from an associate	20	20
Refundable rental deposits	5	198
Other receivables	5,805	3,987
	72,460	16,841

20. OTHER PAYABLES AND ACCRUED CHARGES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Other tax payables	36,816	30,089
Settlement payables to factoring customers	27,169	18,481
Deposits from factoring customers	25,110	6,440
Accrued charges	12,019	43,017
Dividend payable to shareholders of the Company	990	1,002
Dividend payable to a non-controlling shareholder of a PRC subsidiary	–	5,531
Other payables	1,692	992
	103,796	105,552



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

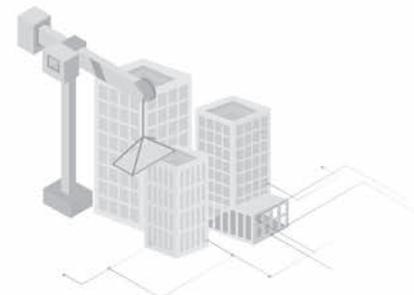
21. LIABILITIES ARISING FROM GUARANTEE CONTRACTS

	30 June 2021			31 December 2020		
	Premium less accumulated amortisation RMB'000 (Unaudited)	ECL provision RMB'000 (Unaudited)	Carrying amount RMB'000 (Unaudited)	Premium less accumulated amortisation RMB'000 (Audited)	ECL provision RMB'000 (Audited)	Carrying amount RMB'000 (Audited)
Guarantee contracts in relation to:						
– third parties (note i)	12,960	24,749	26,296	16,861	21,883	24,805
– an associate (note ii)	9,257	4,898	9,464	4,937	959	4,937
	22,217	29,647	35,760	21,798	22,842	29,742

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

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Guarantee contracts in relation to		
– third parties (note i)	1,729,347	1,382,907
– an associate (note ii)	607,781	385,600
	2,337,128	1,768,507



66 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

21. LIABILITIES ARISING FROM GUARANTEE CONTRACTS (continued)

Notes:

- (i) As at 30 June 2021, the Group provided guarantee services for guarantee customers which are third parties of the maximum amount of RMB1,729,347,000 (31 December 2020: RMB1,382,907,000) and placed deposits to lenders or suppliers, including bank deposits of RMB48,076,000 (31 December 2020: RMB78,044,000) and security deposits of RMB35,945,000 (31 December 2020: nil). The Group has to pay on behalf of guarantee customers to lenders or suppliers when the customers defaulted in settlement of their outstanding liabilities with lenders or payables with suppliers when due, after deduction of the security deposits placed to lenders or suppliers.

As at 30 June 2021, an amount of RMB24,749,000 (31 December 2020: RMB21,883,000) has been estimated as a loss allowance, an amount of RMB5,392,000 (six months ended 30 June 2020: RMB8,173,000) 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 30 June 2021, the Group provided guarantees to loans amounting to RMB1,519,453,000 (31 December 2020: RMB964,000,000), raised by an associate of the Group from its related parties and 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 RMB607,781,000 (31 December 2020: RMB385,600,000). Fair value initially recognised in relation to the loan guarantees by the Group amounted to RMB11,097,000 (31 December 2020: RMB8,526,000). Their fair values are determined by APAC Appraisal and Consulting Limited, an independent valuer.

As at 30 June 2021, 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 12-month ECL. An amount of RMB4,898,000 (31 December 2020: RMB959,000) has been estimated as a loss allowance as at 30 June 2021, and an amount of RMB207,000 loss allowance was recognised (six months ended 30 June 2020: RMB175,000 was reversed) in the profit or loss during the period.

- (iii) Details of impairment assessment are set out in note 17.

22. BORROWINGS/BANK OVERDRAFT

(a) Borrowings

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Bank borrowings	1,386,994	765,501
Entrusted loans	123,178	124,738
Bills discounted	96,949	30,352
Other loans	419,523	555,322
	2,026,644	1,475,913
Secured	1,741,371	1,190,253
Unsecured	285,273	285,660
	2,026,644	1,475,913



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

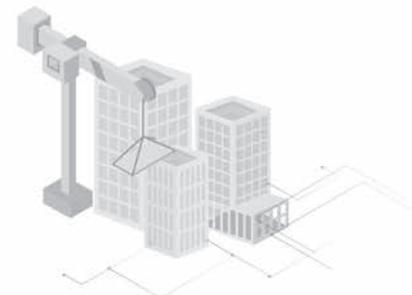
FOR THE SIX MONTHS ENDED 30 JUNE 2021

22. BORROWINGS/BANK OVERDRAFT (continued)

(a) Borrowings (continued)

	Bank borrowings		Other borrowings	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
The carrying amounts of the above borrowings are repayable*:				
Within one year	822,579	664,349	566,976	530,947
Within a period of more than one year but not exceeding two years	464,175	–	–	–
The carrying amounts of the above borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:				
Within one year	100,240	101,152	72,674	179,465
	1,386,994	765,501	639,650	710,412
Less: Amounts due within one year shown under current liabilities	922,819	765,501	639,650	710,412
Amounts shown under non-current liabilities	464,175	–	–	–

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



68 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

22. BORROWINGS/BANK OVERDRAFT (continued)

(a) Borrowings (continued)

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

	30 June 2021 % (Unaudited)	31 December 2020 % (Audited)
Range of fixed-rate borrowings interest rates (per annum)	3.70~9.60	4.62~12.60
Range of variable-rate borrowings interest rates (per annum)	2.20~5.72	2.22~5.55

Details of the transfer of financial assets are set out in note 27.

(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 structured deposit amounting to HK\$10,000,000 (equivalent to RMB8,419,000).

23. SHARE CAPITAL

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

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2020, 1 January 2021 and 30 June 2021 (unaudited)	5,000,000,000	50,000,000



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

23. SHARE CAPITAL (continued)

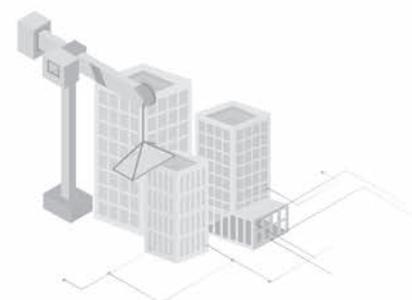
	Number of shares	Share capital HK\$
Issued:		
At 1 January 2020	880,316,000	8,803,160
Issue of new shares from placing (note)	55,500,000	555,000
Exercise of share options	780,000	7,800
At 31 December 2020	936,596,000	9,365,960
Exercise of share options (note 25)	1,422,000	14,220
At 30 June 2021 (unaudited)	938,018,000	9,380,180
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Shown in the condensed consolidated statement of financial position	8,139	8,127

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



70 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

24. CAPITAL COMMITMENTS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Capital expenditure contracted for but not provided for in the condensed consolidated financial statements		
– intangible assets	4,213	80
– equipment	903	–
– investments in associates	200	3,200
	5,316	3,280

25. 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 30 June 2021, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 26,406,000 (31 December 2020: 29,203,000), representing 2.82% (31 December 2020: 3.12%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

25. 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:

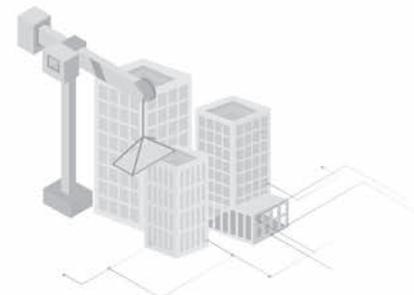
	Date of grant	Vesting period	Exercise period	Exercise Price	Exercise dates
Tranche 4	14/11/2018	14/11/2018-13/11/2019	14/11/2019-13/11/2023	HK\$6.90	14/11/2019
Tranche 5	14/11/2018	14/11/2018-13/11/2020	14/11/2020-13/11/2023	HK\$6.90	14/11/2020
Tranche 6	14/11/2018	14/11/2018-13/11/2021	14/11/2021-13/11/2023	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

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

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

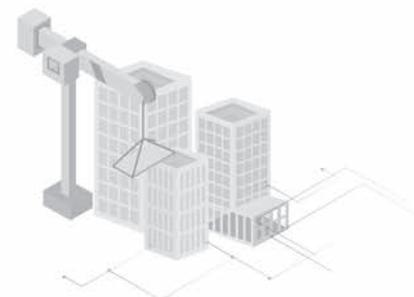
FOR THE SIX MONTHS ENDED 30 JUNE 2021

25. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

Grantee	Exercise period	Outstanding at 1 January 2020	Granted during period	Forfeited during period	Exercised during period	Outstanding at 30 June 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
		3,600,000	-	-	-	3,600,000
Exercisable at the end of the reporting period		1,400,000				1,400,000
Weighted average exercise price per share		5.40	-	-	-	5.40

Grantee	Exercise period	Outstanding at 1 January 2020	Granted during period	Forfeited during period	Exercised during period	Outstanding at 30 June 2020
Employees	11/9/2018-10/9/2022	1,061,000	-	-	(196,000)	865,000
	11/9/2019-10/9/2022	1,607,000	-	-	(500,000)	1,107,000
	11/9/2020-10/9/2022	3,770,000	-	(1,450,000)	-	2,320,000
	14/11/2019-13/11/2023	1,506,250	-	(420,000)	-	1,086,250
	14/11/2020-13/11/2023	1,506,250	-	(420,000)	-	1,086,250
	14/11/2021-13/11/2023	3,012,500	-	(840,000)	-	2,172,500
		12,463,000	-	(3,130,000)	(696,000)	8,637,000
Exercisable at the end of the reporting period		4,174,250				3,058,250
Weighted average exercise price per share		5.51	-	5.65	4.20	5.56



74 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

25. 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%



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

25. SHARE-BASED PAYMENT TRANSACTIONS (continued)

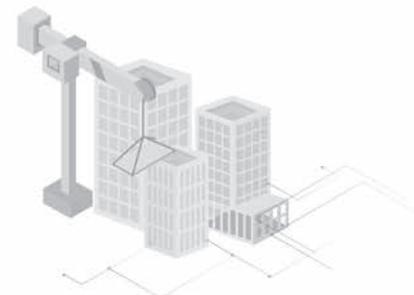
Equity-settled share option scheme of the Company (continued)

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
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 RMB6,102,000 for the period ended 30 June 2021 (30 June 2020: RMB251,000) in relation to share options granted by the Company.



76 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable:

Financial assets/liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)			
Cross currency swap contracts	Liabilities – 4,900	Liabilities – 8,397	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 option contracts	Assets – –	Assets – 790	Level 2	Garman-Kohlhagen Model Spot exchange rate (from observable exchange rate at the end of the reporting period), risk-free rate (from observable risk-free rates at the end of the reporting period) and exchange rate volatility (from observable implied exchange rate volatility at the end of the reporting period) are the key inputs.	N/A



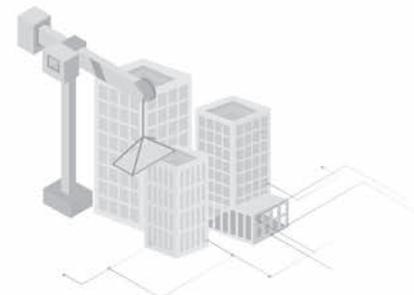
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

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

Financial assets/liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)			
Foreign currency forward contracts	Liabilities – –	Liabilities – 9,219	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counter parties.	N/A
Other financial assets at FVTPL – structured deposit	Assets – –	Assets – 2,005	Level 2	Discounted cash flow. Future cash flows are estimated based on exchange rates (from observable exchange rates at the end of the reporting period).	N/A
Other financial assets at FVTPL – unlisted equity investment	Assets – 40,000	Assets – –	Level 2	Recent transaction price	N/A
Factoring assets at FVTOCI	Assets – 4,267,725	Assets – 3,804,200	Level 3	Discounted cash flow. Risk-adjusted discount rate and cash flow are key inputs	The higher discount rate, the lower fair value
Other financial assets at FVTPL – equity tranche	Assets – 198,586	Assets – 91,980	Level 3	Discounted cash flow. Discount rate and cash flows are key inputs	The higher discount rate, the lower fair value The higher cash flows, the higher fair value.



78 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

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

Financial assets/liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)			
Other financial assets at FVTPL – distressed debt assets	Assets – 9,339	Assets – 7,782	Level 3	Discounted cash flow. Risk-adjusted discount rate and cash flow are key inputs	The higher discount rate, the lower fair value The higher cash flows, the higher fair value.
Other financial assets at FVTPL – trust fund	Assets – 1,421	Assets – 3,374	Level 3	Discounted cash flow. Risk-adjusted discount rate and cash flow are key inputs	The higher discount rate, the lower fair value

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 2021	103,136	3,804,200
Purchases	98,612	6,727,746
Settlements	(20,121)	(6,262,957)
Fair value changes (note)	–	(1,264)
Fair value changes through profit or loss	27,719	–
At 30 June 2021	209,346	4,267,725



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Reconciliation of Level 3 fair value measurements of financial assets (continued)

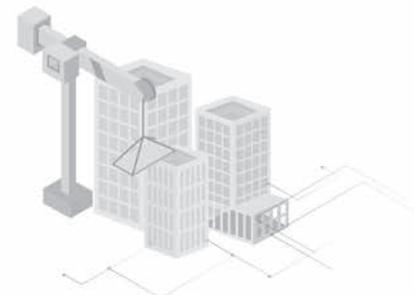
	Other Financial assets at FVTPL RMB'000	Factoring assets at FVTOCI RMB'000
At 1 January 2020	4,497	3,837,348
Purchases	1,100	6,520,026
Settlements	(4,811)	(6,409,748)
Fair value changes (note)	–	70
Fair value changes through profit or loss	47,482	–
At 30 June 2020	48,268	3,947,696

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 period are set out in note 9(b).

Fair value of financial instruments that are recorded at amortised cost

The fair values of financial assets and financial liabilities at amortised cost of the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in condensed consolidated financial statements approximate their fair values.



80 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

27. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's factoring assets that were transferred to banks, non-bank financial institutions, companies and an associate by discounting those factoring assets on a full recourse basis. As the Group has not transferred the significant 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 22) and loans from related parties (note 28).

	Factoring assets	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Carrying amount of transferred assets	1,544,609	678,658
Carrying amount of associated liabilities	1,513,126	909,761
Net position	31,483	(231,103)

28. RELATED PARTY DISCLOSURES

Save as disclosed in the condensed consolidated financial statements, the Group had the following balances which were outstanding at the end of the reporting period and the following transactions with related parties during both periods.

(a) Related party balances

(i) Refundable rental deposits

Name of Related Party	Relationship	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Bondlink Investment Limited	Related company with controlling shareholder	410	415



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

28. RELATED PARTY DISCLOSURES (continued)

(a) Related party balances (continued)

(ii) Trade receivables

Name of Related Party	Relationship	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
HJ	Associate	10,083	427
WXGJ	Associate	104	523
		10,187	950

(iii) Factoring assets at FVTOCI

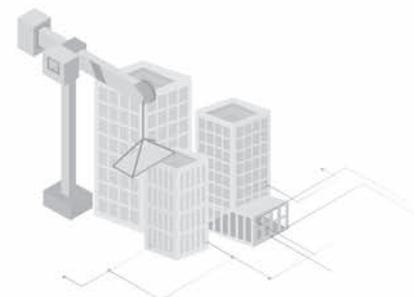
Name of Related Party	Relationship	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
HJ	Associate	1,005,102	623,481

(iv) Loans from related parties

Name of Related Party	Relationship	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
TUNG CHI FUNG (note i)	Controlling shareholder	45,151	–
WXGJ (note ii)	Associate	20,069	–
		65,220	–

Notes:

- (i) The amounts represent an unsecured loan, due within one year, and carry interest at the rate of 5.50% per annum.
- (ii) The amounts represent the loans, due within one year, and carry interest at the rate of 9.60% per annum. The loans were secured by certain factoring assets of the Group with an aggregate carrying values of RMB17,012,000, in respect of which the legal title and legal right to receive cash flows was also transferred to the lender. Details of the transfer of financial assets are set out in note 27.



82 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

28. RELATED PARTY DISCLOSURES (continued)

(a) Related party balances (continued)

(v) Other receivables

Name of Related Party	Relationship	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
WXGJ	Associate	55,945	–
HJ	Associate	20	20
		55,965	20

(vi) Contract liabilities

Name of Related Party	Relationship	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
WXGJ	Associate	393	393
HJ	Associate	–	277
		393	670

(vii) Liabilities arising from guarantee contracts

Name of Related Party	Relationship	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
WXGJ	Associate	9,464	4,937

(viii) Lease liability

Name of Related Party	Relationship	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Bondlink Investment Limited	Related company with controlling shareholder	1,116	1,822



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

28. RELATED PARTY DISCLOSURES (continued)

(a) Related party balances (continued)

(viii) Lease liability (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.

(b) Related party transactions

(i) Revenue from related parties

Name of Related Party	Relationship	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
HJ	Associate	37,009	31,086
WXGJ	Associate	621	827
Shenzhen Sheng Ye Non-Financing Guarantee Limited	Associate	–	2,272
		37,630	34,185

(ii) Interest expenses on loans from related parties

Name of Related Party	Relationship	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
WXGJ	Associate	1,055	4,190
TUNG CHI FUNG	Controlling shareholder	151	–
		1,206	4,190



84 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

28. RELATED PARTY DISCLOSURES (continued)

(b) Related party transactions (continued)

(iii) Interest expenses on a lease liability

Name of Related Party	Relationship	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Bondlink Investment Limited	Related company with controlling shareholder	34	40

(iv) Compensation of key management personnel

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Salaries and other allowances	9,188	7,653
Share-based payment	5,018	144
Performance related bonuses	939	4,864
Retirement benefit scheme contributions	195	50
	15,340	12,711

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.

(c) 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.

(d) Guarantee

Details of the guarantee to an associate are set out in note 21.

29. EVENTS AFTER THE END OF THE REPORTING PERIOD

In July 2021, the Group de-registered its investment in Yi Lian Shu Ke (Shenzhen) Co., Limited (易聯數科(深圳)有限責任公司), a subsidiary of the Company.

