富道
WEALTHY WAY

Wealthy Way Group Limited
富道集團有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 3848

2020 ANNUAL REPORT

CONTENTS

This annual report is printed on environmentally friendly paper

Corporate Information

COMPANY NAME

Wealthy Way Group Limited

STOCK CODE

03848

BOARD OF DIRECTORS

Executive Directors

Mr. LO Wai Ho *(Chairman)*
Ms. CHAN Shuk Kwan Winnie
Mr. XIE Weiquan (Re-designated on 2 January 2020)

Independent Non-Executive Directors

Mr. HA Tak Kong
Mr. IP Chi Wai
Mr. KAM Wai Man (appointed on 2 January 2020)

AUDIT COMMITTEE

Mr. HA Tak Kong *(Chairman)*
Mr. IP Chi Wai
Mr. KAM Wai Man (appointed on 2 January 2020)

REMUNERATION COMMITTEE

Mr. HA Tak Kong *(Chairman)*
Mr. LO Wai Ho
Mr. IP Chi Wai

NOMINATION COMMITTEE

Mr. HA Tak Kong *(Chairman)*
Mr. LO Wai Ho
Mr. IP Chi Wai

COMPANY SECRETARY

Ms. FOK Chau Tung

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3402, 34/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

COMPANY WEBSITE

http://www.cwl.com

AUDITOR

Moore Stephens CPA Limited
801–806 Silvercord, Tower 1
30 Canton Road
Tsimshatsui, Kowloon
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 BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

China Exim Bank
No. 30, FuXingMen Nei Street
Xi Cheng District
Beijing
PRC

Agricultural Bank of China
No. 69, Jianguomen Nei Avenue
Dongcheng District
Beijing
PRC

Guangdong Huaxing Bank
No. 533, Tian He Street
Tian He District, Guangzhou
Guangdong Province
PRC

KEY DATES

15 June 2021 (Tuesday) to 18 June 2021 (Friday)
(both dates inclusive)
Closure of Register of Members
(for Annual General Meeting)

18 June 2021
Annual General Meeting

Chairman's Statement

On behalf of the board of directors (the "Board") of Wealthy Way Group, I am pleased to present the annual results of the Group for the year ended 31 December 2020 to our shareholders. During the year, we continued to strive for long-term sustainable business growth and development through the acquisition of the remaining shares of Shenzhen Haosen Credit Joint Stock Limited (深圳市浩森小額貸款股份有限公司), which will become a wholly-owned subsidiary of the Company upon the completion of the transaction, thereby boosting our business research, development and investment in the small loan sector as a complement to the existing financial leasing business.

In 2020, the global and domestic economic environments were increasingly complicated. The foundation of global economic recovery remained shaky as COVID-19 seriously affected the economy of both China and the world. Grand China Air, an important customer of the Company, has also been hard-hit in this pandemic, causing a tremendous impact on our performance, and in turn resulting in the first loss-making year since our listing. In 2021, the Company will proactively maximise shareholders' interests by flexibly adjusting the existing financial leasing and small loan businesses according to the changing operating environment while disinvesting from the Grand China Air project. In particular, with respect to the financial leasing business, the Company will pour its resources into the provision of flexible financial leasing services to small and micro enterprises in the Greater Bay Area in order to support the development of the processing and manufacturing industries. It will also boost its risk control by upholding its risk diversification strategy. As for the small loan business, the Company will shift the focus of its business portfolio from credit loans to flexible secured loans targeting at property owners in Shenzhen and the surrounding areas.

As the impact of the outbreak of COVID-19 on the economy lingers on, the global and domestic business environments will continue to fluctuate. As such, the Company will strive to adjust its operating strategies in a flexible way in response to the changing economic environment. Under the complicated economic environment, we aim to develop the Company at a steady pace by strengthening our resource allocation, realising synergy between subsidiaries and remaining prudent in seeking new customers. I would like to express my heartfelt gratitude to all employees for their efforts and contributions made towards the development of the Company, as well as our business partners and customers for their relentless support.

Maintaining good corporate governance is crucial to the sustainable and healthy development of a company. We will continue to improve and optimise our corporate governance by meeting best practices and stakeholders' expectations. We will implement our corporate governance system and incorporate the optimisation of departmental functions and authorisation management in our business execution so as to ensure the long-term stability and effectiveness of our corporate governance structure. We will remain focused on developing healthy and friendly relationships with our customers and business partners with our current prudent approach.

LO Wai Ho
Wealthy Way Group Limited
Chairman and Chief Executive Officer

Hong Kong, 30 March 2021

Management Discussion and Analysis

BUSINESS OVERVIEW

The macro environment was full of challenges for the PRC in 2020. The outbreak of COVID-19 pandemic seriously affected the economy of both the PRC and the world, and the air airline transport industry has been among some of the first industries to bear the brunt of the decline. Grand China Air Co., Ltd* (大新華航空有限公司) ("GCA"), an important customer of the Group, has also been hard-hit in this pandemic, causing a tremendous impact on the business, and in turn resulting in the loss, of the Group.

Apart from GCA, most customers of the Group are small and medium enterprises ("SMEs"), and all SMEs have been affected in this pandemic, albeit to different degrees. The management will continue to monitor the impacts of relevant factors on our business, and strengthen risk management measures accordingly. In the said reporting period, revenue of the Group was mainly derived from financial leasing interest income, factoring service income, loan facilitation service income, loan interest income and advisory services income, interest income from margin financing, and commission and brokerage income which accounted for approximately RMB36.6 million, RMB23.4 million, RMB35.2 million, RMB76.9 million, RMB1.1 million, RMB1.4 million and RMB1.3 million of the total revenue of the Group, respectively. The financial leasing and factoring businesses of the Group are mainly carried out in the Greater Bay Area focusing on providing flexible and fast financial leasing and factoring services to SMEs in cities like Shenzhen, Dongguan, Guangzhou and Foshan, where the manufacturing industry is thriving. The small loan business of the Group also has a clientele comprising mainly the SMEs and individuals in Shenzhen, offering flexible short-term loan facilities. Following the implementation of the new Civil Code of the PRC and the mortgage system in the PRC, the Group will develop the real estate second mortgage business in Shenzhen. The real estate mortgage business will remain a main target of the development for the Company's small loan business. The securities dealing business of the Group is mainly conducted through providing customers with securities dealing services in Hong Kong by Grand Partners Securities Limited, a wholly-owned subsidiary by the Group. The provision of financial leasing, factoring and advisory services to different customers and the granting of small loans to personal customers and other small private companies have been beneficial to the expansion of our client base. The Group will provide flexible financing services targeting potential customers of various scales in different industries.

FINANCIAL REVIEW

The following discussion and analysis pertains to the financial information of the Group.

Revenue

The Group's revenue was derived from (i) interest income from financial leasing; (ii) interest income from factoring; (iii) financial leasing related advisory services income; (iv) other financial advisory services income; (v) loan facilitation service income; (vi) interest income from small loans and other loans; (vii) commission and brokerage income from security dealing; and (viii) interest income from margin financing. The Group's financial leasing services include sale-leaseback as well as direct financial leasing.

The revenue recorded a decrease by approximately RMB20.5 million, or approximately 10.4%, from approximately RMB196.6 million for the year ended 31 December 2019 to approximately RMB176.1 million for the year ended 31 December 2020. The decrease was mainly resulted from the slowdown of the economy in the PRC under the impact of COVID-19 resulting in less new origination of loan facilitation and contracts. For the year ended 31 December 2020, the interest income from financial leasing contributed approximately RMB36.6 million with a drop (2019: approximately RMB42.5 million). The interest income from financial leasing related factoring contributed approximately RMB23.4 million for the year ended 31 December 2020 with a slight rise (2019: approximately RMB18.0 million).

The Group's advisory services mainly include financial leasing advisory services, and other financial advisory services, which contributed at aggregate of approximately RMB1.0 million for the year ended 31 December 2020 (2019: approximately RMB2.3 million). Moreover, the Group continued to provide loan facilitation service which contributed approximately RMB35.2 million to the revenue for the year ended 31 December 2020 (2019: approximately RMB43.5 million).

The Group also derived interest income from small loans through our non-wholly owned subsidiary, Shenzhen Haosen Credit Joint Stock Limited ("Shenzhen Haosen"), contributing at aggregate of approximately RMB73.2 million (2019: approximately RMB88.1 million) and interest income from other loans of approximately RMB3.6 million (2019: approximately RMB1.1 million) was contributed by our wholly owned subsidiary, Grand Partners Finance Limited, for the year ended 31 December 2020. The Group also recorded commission and brokerage income from security dealing contributing approximately RMB1.3 million (2019: approximately RMB0.3 million), while the interest income from margin financing also contributed approximately RMB1.3 million (2019: approximately RMB0.7 million) from our wholly owned subsidiary, Grand Partners Securities Limited, for the year ended 31 December 2020.

The Directors intend to remain focused on the financial leasing services, factoring and microlending in the future.

Other income

Other income increased by approximately RMB3.7 million, or approximately 38.5%, from approximately RMB9.7 million for the year ended 31 December 2019 to approximately RMB13.4 million for the year ended 31 December 2020, mainly arising from the dividend income derived from financial assets at FVOCI of approximately RMB10.4 million.

Employee benefit expenses

Employee benefit expenses included primarily employee salaries and costs associated with other benefits. The employee benefit expenses increased by approximately RMB9.2 million, or approximately 40.7%, from approximately RMB22.6 million for the year ended 31 December 2019 to approximately RMB31.9 million for the year ended 31 December 2020, mainly due to the grant of share options and the increase in the commission paid for securities dealing business.

Other operating expenses

Other operating expenses mainly consisted of (i) audit fee of approximately RMB0.9 million (2019: approximately RMB0.9 million); (ii) building management fee of approximately RMB1.0 million (2019: approximately RMB1.0 million); (iii) commission fee of approximately RMB13.6 million (2019: approximately RMB13.5 million) which mainly comprised of (a) commission paid for loan referral of approximately RMB2.8 million (2019: approximately RMB10.3 million), (b) service charge of loan collection of approximately RMB7.6 million (2019: approximately RMB3.2 million) in relation to the small loan business, and (c) asset management in relation to factoring services of approximately RMB3.2 million (2019: Nil); (iv) equity settled share-based payment of approximately RMB1.4 million (2019: approximately RMB6.9 million) which referred to the grant of share option to external consultants on 22 January 2020; (v) legal and professional fee of approximately RMB2.7 million (2019: approximately RMB2.7 million); (vi) bad debt written off of approximately RMB6.8 million (2019: approximately RMB8.9 million); (vii) exchange difference of approximately RMB0.9 million (2019: Nil); and (viii) sundry items of approximately RMB9.9 million (2019: approximately RMB7.3 million).

Finance cost

The finance cost decreased by approximately RMB6.8 million, or approximately 11.0%, from approximately RMB61.9 million for the year ended 31 December 2019 to approximately RMB55.1 million for the year ended 31 December 2020 mainly due to the repayment of bank and other borrowings during the year.

Loss for the year attributable to the owners of the Company

References are made to the announcements of the Company dated 1 February 2021, 16 March 2021 and 29 March 2021, due to the default of repayment in principle and interest from GCA and significant increase in credit risks of certain debtors, loss for the year attributable to the owners of the Company for the year ended 31 December 2020 was approximately RMB106.8 million after an allowance for the expected credit losses on loan and account receivables of approximately RMB196.6 million and an impairment loss on intangible assets amounted to RMB5.3 million has also been recorded, whereas profit for the year ended 31 December 2019 was approximately RMB41.4 million.

Dividend

The Board does not recommend the payment of a final dividend to shareholders of the Company for the year ended 31 December 2020 (2019: HK5 cents).

Liquidity, financial resources and capital resources

As at 31 December 2020, the cash and cash equivalents were approximately RMB118.6 million (2019: approximately RMB42.7 million). The working capital (current assets less current liabilities) and the total equity of the Group were approximately RMB544.6 million (2019: approximately RMB865.0 million) and approximately RMB673.9 million (2019: approximately RMB794.3 million), respectively. The drop in working capital is due to the additional allowance of expected credit losses ("ECLs") made for the loan receivables relating to GCA.

As at 31 December 2020, the Group's bank borrowings with maturity within one year amounted to approximately RMB420.3 million (2019: approximately RMB221.4 million) and the Group's bank borrowings with maturity exceed one year decreased to approximately RMB84.7 million (2019: approximately RMB354.0 million). There was no remaining portion of the indebtedness representing unsecured other borrowings (2019: approximately RMB151.8 million). The decrease in bank borrowings was brought by the repayment of bank borrowings.

Gearing ratio (total bank and other borrowings/total equity) as at 31 December 2020 was approximately 75.0% (2019: approximately 91.5%). Such decrease was due to the early repayment of bank borrowings.

Loan and account receivables

Loan and account receivables consisted of (i) financial leasing receivables including the principal and interest of financial leasing; (ii) factoring loan receivables; (iii) small loan receivables; (iv) other loan receivables and (v) account receivables in respect of securities dealing and broking services, financial advisory and loan facilitation services. As at 31 December 2020, the loan and account receivables were approximately RMB1,006.5 million (2019: approximately RMB1,524.9 million), and this decrease was mainly due to the additional allowance for ECL of approximately RMB167.7 million made for the default airline customer, GCA during the year.

As at 31 December 2020, the total allowance for expected credit loss on GCA was amounted to approximately RMB183.2 million (2019: RMB15.5 million) which represents the net of the outstanding balance of the financial receivables and the recoverable amount which is based on the consideration of assignment of creditor's right and the indicative consideration of a non-recourse factoring agreement.

Based on the financing arrangements entered into by the Group and the independent third party (the "Assignee") subsequent to the year end, the rights, ancillary rights, titles and benefits (the "Creditor's Rights") of two financial leasing receivables with amounts outstanding as at 31 December 2020 of approximately RMB215.6 million were assigned to the Assignee at an aggregate cash consideration of approximately RMB131 million. The transaction was completed on 16 March 2021 and the consideration was fully settled on 19 March 2021.

Further, the Group and another independent third party (the "Factoring Company") were under negotiation of a non-recourse factoring agreement to factor the Creditor's Rights of the remaining financial leasing receivables with amount outstanding as at 31 December 2020 of approximately RMB197.6 million at an indicative consideration of approximately RMB99 million in cash. The transaction is not completed at the date of this report.

For the above transactions, the Group is not required to reimburse the Assignee or the Factoring Company for any loss incurred resulting from the default in payment by GCA. The considerations were determined after arm's length negotiation with reference to the valuation performed by the independent valuer.

Capital commitments

Further Acquisitions of Shenzhen Haosen

As disclosed in the announcement of the Company dated 27 April 2020 and circular of the Company dated 28 May 2020, Wealthy Way International Finance Limited (富道國際金融有限公司) (the "Purchaser"), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, entered into an agreement with, among others, Guangdong Hengfeng Investment Group Limited* (廣東恒豐投資集團有限公司), Mr. Lei Ting* (雷霆) and Ms. Kang Jing* (康靜) (the "Vendors"), and Mr. Lu Nuanpei.

As additional time is required for the fulfillment of the conditions precedent as set out in the Agreement, the Vendors and the Purchaser (collectively, the "Parties") entered into a supplemental agreement to extend the long stop date to 30 June 2021 (or such other date as may be agreed among the Parties in writing).

Pursuant to the agreement, the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire remaining 45% equity interests in Shenzhen Haosen at the consideration of RMB180,000,000 (subject to adjustment, where applicable). For details, please refer to the announcements of the Company dated 27 April 2020 and 24 December 2020, and the circular of the Company dated 28 May 2020.

As at 31 December 2020, a deposit of RMB103,000,000 has been paid to Vendors and the outstanding capital commitment shall be RMB77,000,000.

Upon completion of the aforesaid acquisition, the Group will hold 100% equity interests in Shenzhen Haosen.

Employees and remuneration policy

As at 31 December 2020, the Group employed 139 full time employees (2019: 144) for its principal activities. Employees' benefits expenses (including Directors' emoluments) amounted to approximately RMB31.9 million for the year ended 31 December 2020 (2019: approximately RMB22.6 million). The Group recognises the importance of retaining high calibre and competent staff and continues to provide remuneration packages and incentives to employees with reference to the performance of the Group, the performance of individuals and prevailing market rates so that the increase was mainly due to commission of approximately RMB0.7 million incurred to stimulate the growth in our securities dealing business. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company. Share award scheme has also been adopted and awarded shares will be granted to eligible employees of the Group in accordance with the terms of the share award scheme.

RISK MANAGEMENT

The Group's business operations are conducted in the financial leasing market in the PRC. Accordingly, the Group's business, financial position, results of operations and prospects are significantly affected by economic, political and legal developments in the PRC.

Being a financial leasing service provider, the Group has implemented a risk management system to mitigate the risks arising from its daily operations. The risk management structure of the Group consists of the risk control committee at the top, under which are (i) the risk management department, (ii) the business development department, and (iii) the accounting and finance department. Potential business opportunities are assessed by the business development department based on the potential customer's background, credit records, financial position and the underlying assets. The risk management department reviews all given information meticulously and considers relevant risk factors. Where necessary, external legal advisors may be engaged to evaluate potential legal issues. The Group's accounting and finance department also works closely with the risk management department to assist in risk assessment by providing financial and tax opinions. The risk control committee as the final decision maker has the ultimate authority to approve each project. The Group also periodically conducts post-leasing management on the customers and monitors financial leasing receivables to review the ongoing risk exposure of the Group.

The Directors take both macro and micro economic conditions into account before making business decisions. Under the impact of COVID-19, the Group has taken closer monitoring to assess risks of existing customers to respond to the fast changing market. Moreover, given the recent volatility in the economy and financial market of the PRC, the Group has been more prudent in the selection of high-quality customers. The Group will continue to raise its risk management standards with better allocation of resources and fine-tuning its operational process, such as the introduction of credit assessment and approval procedures, to enhance the customer selection process.

In addition, the Group intends to improve the information technology system to assist in the collection of information with better accuracy and the review of the financial and operational status of the customers with better efficiency. The Group will also continue to expand the risk management team to handle the additional work arising from our expanding business operations, and allocate sufficient manpower to maintain an appropriate risk reward balance.

SHARE OPTION SCHEME

On 19 June 2017, the Company conditionally approved and adopted the share option scheme (the "Share Option Scheme") in accordance with the provision of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to enable the Company to grant options to the employee, advisor, consultant, service provider, agent, customer, partner or joint venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in full-time or part time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the Board, has contributed or may contribute to the Group (the "Participants") as incentive or reward for their contribution to the Group to subscribe for the Shares thereby linking their interest with that of the Group. On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules (in particular as to grant of options to Directors, chief executives and substantial shareholders of the Company or their respective associates), the Board shall be entitled at any time within 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of an option to any participant as the Board may determine. The number of Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme is 15,552,300 shares of the Company in total.

On 4 July 2018, under the Share Option Scheme, 4,320,000 share options to subscribe for an aggregate of 4,320,000 ordinary shares of HK$0.01 each of the Company were granted to certain employees with validity period of the options from 4 July 2018 to 4 July 2019, and exercise price of HK$6.02. All options have been exercised. On 24 April 2019, under the Share Option Scheme, 10,075,000 share options to subscribe for an aggregate of 10,075,000 ordinary shares of HK$0.01 each of the Company were granted to certain employees or other eligible participants under the Share Option Scheme with validity periods of the options vary from (i) 24 April 2019 to 23 April 2022; (ii) 24 April 2019 to 23 April 2020; (iii) 24 April 2020 to 23 April 2021; and (iv) 24 April 2021 to 23 April 2022, and exercise price of HK$7.00.

On 22 January 2020, under the Share Option Scheme, 10,200,000 share options to subscribe for an aggregate of 10,200,000 ordinary shares of HK$0.01 each of the Company were granted to certain employees or other eligible participants under the Share Option Scheme with validity period of the options from 22 January 2020 to 21 January 2023, and exercise price of HK$6.12 and no options have been exercised up to 31 December 2020.

For options granted under the Share Option Scheme under 4 July 2018, 24 April 2019 and 22 January 2020, the exercise price in relation to each option was determined by the Board, but in any event would not be less than the highest of (i) the closing price of the Company's shares as stated in the Exchange's daily quotations sheet on the date of grant, which must be a business day; or (ii) the average of the closing prices of the Company's shares as stated in the Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; or (iii) the par value of a share of the Company. For further details of the grant of share option, please refer to the announcements of the Company published on the websites of the Company and the Exchange on 4 July 2018, 24 April 2019 and 22 January 2020.

Set out below are details of the outstanding options under the Share Option Scheme as at 31 December 2020:

				Number of share options				
Name of Grantee	**Grant date**	**Exercise period**	**Exercise price**	**Outstanding as at 1.1.2020**	**Granted during the year ended**	**Exercised during the year ended**	**Lapsed during the year ended**	**Outstanding as at 31.12.2020**
Director of the Company or its subsidiary								
XIE Weiquan	24 April 2019	24 April 2019 – 23 April 2020	HK$7.00	30,000	–	–	(30,000)	–
	24 April 2019	24 April 2020 – 23 April 2021	HK$7.00	30,000	–	–	–	30,000
	24 April 2019	24 April 2021 – 23 April 2022	HK$7.00	40,000	–	–	–	40,000
Senior Management of the Company or its subsidiary								
Shi Lei	24 April 2019	24 April 2019 – 23 April 2020	HK$7.00	30,000	–	–	(30,000)	–
	24 April 2019	24 April 2020 – 23 April 2021	HK$7.00	30,000	–	–	–	30,000
	24 April 2019	24 April 2021 – 23 April 2022	HK$7.00	40,000	–	–	–	40,000
Xie Zhouchou	24 April 2019	24 April 2019 – 23 April 2020	HK$7.00	22,500	–	–	(22,500)	–
	24 April 2019	24 April 2020 – 23 April 2021	HK$7.00	22,500	–	–	–	22,500
	24 April 2019	24 April 2021 – 23 April 2022	HK$7.00	30,000	–	–	–	30,000
Shi Yumei	24 April 2019	24 April 2019 – 23 April 2020	HK$7.00	22,500	–	–	(22,500)	–
	24 April 2019	24 April 2020 – 23 April 2021	HK$7.00	22,500	–	–	–	22,500
	24 April 2019	24 April 2021 – 23 April 2022	HK$7.00	30,000	–	–	–	30,000
Wong Mun Po	24 April 2019	24 April 2019 – 23 April 2020	HK$7.00	30,000	–	–	(30,000)	–
	24 April 2019	24 April 2020 – 23 April 2021	HK$7.00	30,000	–	–	–	30,000
	24 April 2019	24 April 2021 – 23 April 2022	HK$7.00	40,000	–	–	–	40,000
Other employees of the Company or its subsidiary or other eligible participants under the Share Option Scheme								
	24 April 2019	24 April 2019 – 23 April 2022	HK$7.00	847,000	–	–	–	847,000
	24 April 2019	24 April 2019 – 23 April 2020	HK$7.00	472,500	–	–	(472,500)	–
	24 April 2019	24 April 2020 – 23 April 2021	HK$7.00	472,500	–	–	(67,500)	405,000
	24 April 2019	24 April 2021 – 23 April 2022	HK$7.00	630,000	–	–	(90,000)	540,000
	22 January 2020	22 January 2020 – 21 January 2023	HK$6.12	–	10,200,000	–	(1,500,000)	8,700,000
				2,872,000	10,200,000	–	(2,265,000)	10,807,000

Share Award Scheme

The Company has adopted a share award scheme on 6 November 2019 (the "Share Award Scheme") for the purposes of, amongst others, effectively recognising employee's contribution to the Group and/or providing an incentive to employee to remain with or join the Group, for participation in the Scheme as a selected employee and determine the purchase, subscription and/or allocation of awarded shares according to the terms of the Share Sward Scheme. However, until so selected, no Employee shall be entitled to participate in the scheme.

The Share Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from that date, i.e., 6 November 2029.

Since the adoption of the Share Award Scheme and up to the date of this annual report, none of the issued Shares has been purchased or issued nor any awards have been granted under the Share Award Scheme.

EVENTS AFTER THE REPORTING PERIOD

As set out in the announcement of the Company dated 1 February 2021, the Group has become aware that an application regarding a customer, GCA, together with its subsidiaries in the PRC has been filed to and accepted by the Hainan Higher People's Court* (海南省高級人民法院) for debt restructuring and reorganisation (the "Debt Structuring and Reorganisation") by its debtors. The customer is a private airline operator based in Hainan Province, the PRC, which is the largest shareholder of a Hainan airline operator listed on The Shanghai Stock Exchange.

In light of the Debt Restructuring and Reorganisation, the Board is of the view that the Debt Restructuring and Reorganisation is likely to have significant impact on the Group's business or financial condition, after taking into consideration of the chance of success of recovering the respective receivables with legal advice from the Group's legal advisers and market value of the corresponding collaterals assessed by an independent valuer. As such, the Group is actively taking appropriate action to minimise the financial impact to the Group.

On 16 March 2021, the Group entered into arrangements with an independent third party (the "Assignee") to sell and assign the rights, ancillary rights, titles and benefits of two financial leasing receivables agreements (the "Creditor's Rights") at an aggregate cash consideration of RMB131,000,000 representing a discount of 39.2% to the principal amount outstanding as at 31 December 2020. The discount is determined based after arm's length negotiation with the Assignee with reference to the valuation of the Creditor's Rights conducted by the independent valuer engaged by the Group which have been taking into consideration (i) weighting of difference scenarios towards durations to realise rights to the relevant financial leasing receivable; (ii) likelihood of recovery outcomes; and (iii) market value of the respective leased assets. The Assignee is principally engaged in investment holding. Details of the assignment of Creditor's Rights are set out in the Company's announcements dated 16 March 2021 and 29 March 2021.

Under the assignment's agreements, the Group is not required to reimburse the Assignee for any loss incurred resulting from the default in payment by GCA. The assignment was completed on 16 March 2021 and the cash consideration was fully settled by Assignee on 19 March 2021.

Upon the abovementioned assignment, the corresponding bank borrowings with aggregate principal amount of RMB220,800,000 have been fully repaid.

Other than the events disclosed above, the Group does not have any material subsequent event after 31 December 2020 and up to the date of this annual report.

OUTLOOK AND PLANS

In 2021, the Group will properly handle the impact arising from the bankruptcy and restructuring of GCA, while refocusing on the financial leasing business for the SMEs in the Greater Bay Area and the real estate mortgage business. It will continue to exercise prudence for effective cost control and when developing business with high-quality customers, in order to brace itself for the current challenging environment. The Group will continue to strengthen its risk management capabilities and do business with current and new customers that have good development potential in their respective industries. The Directors consider that in future, the Company will focus on enhancing its internal informatisation and strengthen its risk management abilities with the functions of its systems. More effective measures to cut costs and increase income will also be adopted. Reasonable cost controls will be put in place while capitalising on the advantages of its existing businesses to increase the profitability of the Company. The Company will continue to enhance its financing capacity and develop more partners to enhance its comprehensive service-ability. The major customers of the Company are in the PRC. The Company will continue to pay close attention to the situations of its customers and adjust its business strategies in a flexible manner. The Directors consider that the promotion of digitalisation of business through strengthening the integration of resources among the Group's business departments and the synergy among its subsidiaries will be a main focus of the Company and an effective approach for the Company to tackle with the complicated economic environment.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lo Wai Ho (盧偉浩), aged 51, is an executive Director, the founder, chairman and chief executive officer of the Group. He is mainly responsible for the overall strategic planning and management of the Group.

Mr. Lo has over 24 years of experience in the areas of corporate management, finance and property development. From July 1993 to December 1997, Mr. Lo was the deputy general manager of Heng Feng Investments (China) Development Company Limited ("Heng Feng") (formerly known as Stable Profit Industries Limited and Heng Feng Investments (China) Development Company Limited). Heng Feng is principally engaged in the business of property development projects in the PRC. Mr. Lo was responsible for the corporate management, finance and the PRC property projects of Heng Feng. In January 1998, he was appointed as a director of Heng Feng.

Since the beginning of 2012 after Mr. Lo founded the Group, he has been primarily responsible for overall strategy of Heng Feng. He has not been involved in its day-to-day operations.

Mr. Lo has also been one of the directors of (i) Grand Partners Asset Management Limited since June 2011, a corporation licensed under the SFO to carry out type 9 (asset management) regulated activities; (ii) Grand Partners Investment Consultants Limited since August 2015, a corporation licensed under the SFO to carry out type 4 (advising on securities) regulated activities; and (iii) Grand Partners Securities Limited since October 2015, a corporation licensed under the SFO to carry out type 1 (dealing in securities) regulated activities. Mr. Lo is not involved in their day-to-day operations and his primary responsibilities are to preside over and participate in board meetings, provide strategic advice and guidance to the management of Grand Partners Asset Management Limited, Grand Partners Investment Consultants Limited and Grand Partners Securities Limited.

Mr. Lo is the uncle of Mr. Xie Weiquan (the Group's non-executive Director) and Mr. Xie Zhuochou (a member of the Group's senior management). Other than disclosed in this annual report, Mr. Lo is not connected with any other Directors, members of the senior management, substantial shareholders or controlling shareholders of the Company.

Ms. Chan Shuk Kwan Winnie (陳淑君), aged 55, is an executive Director and is mainly responsible for the overall strategy planning of the Group. She joined the Group on 12 May 2016. She has over 20 years of experience in the banking and finance industry in Hong Kong, and specializes in credit analysis and loan administration. From January 1989 to August 1990, Ms. Chan was a credit analyst of OTB Card Company Limited, a company which was principally engaged in the credit card business. From August 1990 to August 1992, she was employed as credit analyst in the loans department of Sumitomo Mitsui Trust (Hong Kong) Limited (formerly known as The Sumitomo Trust Finance (H.K.) Limited), a company which was principally engaged in the business of debt investment, provision of securities, investment advisory and fund management services. From February 1996 to July 2013, Ms. Chan worked in Industrial & Commercial Bank of China (Asia) Limited (formerly known as Belgian Bank and Fortis Bank Asia HK), a licensed bank registered with the Hong Kong Monetary Authority and her last position was credit manager in the credit department.

In April 1988, Ms. Chan obtained a degree of Bachelor of Science from University of South Florida, USA.

Ms. Chan is not connected with any other Directors, members of the senior management, substantial shareholders or other controlling shareholders of the Company.

Mr. Xie Weiquan (謝偉全), aged 39, was appointed as non-executive Director on 12 May 2016 and has been re-designated from non-executive Director to executive Director on 2 January 2020 and is mainly responsible for advising on business opportunities for investment, development and expansion of the Group. He joined the Group on 1 January 2013 in charge of the finance and risk management, human resources and general administration of CWW Leasing and CWW Services. Mr. Xie has been re-designated as the consultant of CWW Leasing and CWW Services since 12 May 2016 to render advices particularly relating to finance and risk management.

Mr. Xie has extensive experience in finance, investment and asset management. From July 2006 to July 2009, Mr. Xie worked at 中國平安人壽保險股份有限公司 (China Ping An Life Insurance Co., Ltd.), which is an insurance company and he was primarily responsible for the development of investment management system and procurement. From September 2009 to December 2012, he was the manager of finance of 廣東恒豐投資集團有限公司 (GD Hengfeng Investment Group Co. Limited*), a limited liability company incorporated in the PRC which is principally engaged in the business of property investment and development. Mr. Xie has been a representative and member of the investment committee of Grand Partners Asset Management Limited since February 2014, and has been its Responsible Officer since 21 April 2017. Mr. Xie has also been a representative of Grand Partners Investment Consultants Limited since October 2016. Mr. Xie is primarily responsible for the business operations and marketing of Grand Partners Asset Management Limited and Grand Partners Investment Consultants Limited.

In July 2004, Mr. Xie graduated from 哈爾濱工業大學 (Harbin Institute of Technology), PRC with a degree of Bachelor of Management in Science and Engineering. In July 2006, Mr. Xie graduated from 哈爾濱工業大學 (Harbin Institute of Technology) PRC, with a degree of Master of Management in Science and Engineering. In November 2015, he obtained a degree of Master of Business Administration in Finance from The Chinese University of Hong Kong.

Mr. Xie is the nephew of Mr. Lo (the Group's founder, chairman, chief executive officer, an executive Director and a Controlling Shareholder) and cousin of Mr. Xie Zhuochou (a member of the Group's senior management). Other than disclosed in this annual report, Mr. Xie is not connected with any other Directors, members of the senior management, substantial shareholders or controlling shareholders of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ha Tak Kong (夏得江), aged 52, was appointed as an INED on 19 June 2017. He is mainly responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company. He has over 27 years of experience in financial accounting and auditing. Between June 2004 to September 2015, Mr. Ha was appointed as an independent non-executive director of China Investment and Finance Group Limited (中國投融資集團有限公司) (formerly known as Garron International Limited) (stock code: 1226). Between September 2007 and October 2008, Mr. Ha was an independent non-executive director of Seamless Green China (Holdings) Limited (無縫綠色中國(集團)有限公司) (formerly known as Fast Systems Technology (Holdings) Limited (東光集團有限公司)) (stock code: 8150). Since December 1992, Mr. Ha has been employed as the chief financial officer of World Wide (Hardware) Industrial Co., an export/import trading company.

In December 2002, Mr. Ha graduated with a degree of Bachelor of Accounting from the University of Hong Kong.

Mr. Ha has been admitted as an associate of the Association of International Accountants since November 2003, an associate of The Taxation Institute of Hong Kong since March 2004 and a member of The Hong Kong Institute of Certified Public Accountants since July 2004.

Mr. Ip Chi Wai (葉志威), aged 53, was appointed as an INED on 19 June 2017. He is mainly responsible for providing independent judgement on the issues of strategy, performance, resources and standard of conduct of the Company. Mr. Ip has been an independent non-executive director of Asia Standard Hotel Group Limited (泛海酒店集團有限公司) (stock code: 292) and Dingyi Group Investment Limited (鼎億集團投資有限公司) (stock code: 508) since December 2003 and March 2016 respectively.

In December 1990, Mr. Ip graduated from the University of Hong Kong with a degree of Bachelor of Laws in December. He was admitted as a solicitor in Hong Kong in 1993 and has over 27 years of experience in the legal profession.

Mr. Kam Wai Man (甘偉民), aged 45, was appointed as an INED on 2 January 2020 and has over 15 years of working experience in corporate finance. Mr. Kam has served as a managing director of Innovax Capital Limited ("Innovax Capital") since February 2017. He has been a responsible officer of Innovax Capital for Type 6 regulated activities (advising on corporate finance) under the SFO since April 2017 and Mr. Kam is one of the sponsor principals of Innovax Capital Limited. From April 2003 to November 2005, he served as a licensed representative at Kingsway Capital Limited. He then worked at China Everbright Capital Limited from November 2005 to February 2017 with his last position being the managing director and head of the corporate finance department. He has been an independent non-executive director of Duiba Group Limited (Stock code: 1753), a company listed on the Stock Exchange, since April 2019. Mr. Kam obtained a bachelor of arts (honors) in business studies from City University of Hong Kong in November 1997 and a Postgraduate Diploma in Professional Accountancy from the Chinese University of Hong Kong in December 2004. He is a member of the Hong Kong Institute of Certified Public Accountants and a CFA Institute charterholder.

SENIOR MANAGEMENT

Mr. Shi Lei (石磊), aged 42, joined the Group on 1 September 2014 as the general manager of CWW Leasing and the deputy general manager of CWW Services. He is mainly responsible for the Group's overall business development.

Mr. Shi has over 15 years of experience in the financial leasing industry in the PRC. Mr. Shi obtained a bachelor degree in financial management from 中央財經大學 (Central University of Finance and Economics), PRC in June 2001. From July 2001 to March 2005, he had been employed as accounting officer, project manager of the leasing and finance departments, head of the capital department and head of the investment banking department at China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司) (formerly known as Shenzhen Finance Leasing Co. Ltd. (深圳金融租賃有限公司)). Mr. Shi was mainly responsible for overseeing its leasing and finance, capital and investment banking department. During March 2005 to September 2011, Mr. Shi had been the deputy general manager of the accounting and finance department and the general manager of the leasing department of 南方國際租賃有限公司 (South China International Leasing Co. Ltd.). Mr. Shi was mainly responsible for overseeing its finance and leasing department. From October 2011 to September 2014, Mr. Shi was the deputy general manager of 深圳市永泰融資租賃有限公司 (Shenzhen Win Time Financial Leasing Company Limited). Mr. Shi was mainly responsible for overseeing its business section.

Mr. Xie Zhuochou (謝灼疇), aged 37, joined the Group as the head of the risk management department of CWW Leasing on 1 February 2019. He is responsible for overseeing the risk management department.

Mr. Xie graduated from 華南理工大學 (South China University of Technology) in 2006 with a bachelor's degree in business management. Prior to joining the Group, Mr. Xie 深圳恒豐海悦國際酒店有限公司 (Hengfeng Haiyue International Hotel Company Limited*) as the general manager of the finance department during August 2006 to February 2007. From March 2007 to March 2008, Mr. Xie worked as the project manager for 深圳恒豐房地產有限公司 (Shenzhen Hengfeng Real Estate Co. Limited*). From March 2008 to December 2017, Mr. Xie worked as the head of accounting and finance department of 廣東恒豐集團有限公司 (GD. Hengfeng Group Co. Ltd.*).

Mr. Xie is the nephew of Mr. Lo (the Group's founder, chairman, chief executive officer, an executive Director and a Controlling Shareholder) and cousin of Mr. Xie Weiquan (the Group's executive Director). Other than disclosed in this annual report, Mr. Xie is not connected with any other Directors, members of the senior management, substantial shareholders or controlling shareholders of the Company.

Ms. Shi Yumei (史玉梅), aged 36, joined the Group on 30 November 2012 as the head of accounting and finance department of CWW Leasing and CWW Services. She is mainly responsible for the accounting and finance of CWW Leasing and CWW Services.

Ms. Shi has over 9 years of experience in financial accounting in the PRC. She was the head of the accounting and finance department of 深圳市三智通信技術有限公司 (Shenzhen City Sanzhi Telecommunications Technology Company Limited) from January 2008 to December 2012. Ms. Shi obtained a bachelor degree in accounting from 延安大學 (Yanan University), the PRC in July 2007. She has been qualified as an intermediate accountant in the PRC in October 2012.

Mr. Wong Mun Po (王文波) aged 52, joined the Group on 1 July 2013 as the general manager of Shenzhen Haosen Credit Limited ("Haosen") and resigned on 28 February 2021. He is mainly responsible for Haosen's overall business development.

Mr. Wong has over 30 years in microloan markets in both Hong Kong and PRC. Mr. Wong obtained a degree of Business Administration from the Prima Bestari Institute of Higher Education, Malaysia in 2011. After leaving Prime Credit Limited (Hong Kong) as the area manager in June 2007, Mr Wong devoted to utilise his professional knowledge in the microloan market in PRC. Prior to joining the Group, Mr. Wong was the general manager of 重慶博達小額貸款股份有限公司 (Chongqing Boda Credit Limited) from February 2010 to April 2013. During that period, Mr. Wong had successfully established the profitable microloan business segment from scratch. Furthermore, Mr. Wong is experienced in corporate management, customer relations and liaison with banks and regulators.

COMPANY SECRETARY

Ms. Fok Chau Tung (霍秋彤), aged 33, was appointed as company secretary of the Company on 21 January 2019. She holds a Bachelor of Commerce Degree from the University of Melbourne, Australia. She has been admitted as a member of the CPA Australia since March 2014 and the member of Hong Kong Institute of Certified Public Accountants since March 2016. She has over 8 years of experience in accounting, audit, company secretarial and financial reporting fields. She has been working in audit firm since June 2010 and worked for the Group since September 2015 as the finance manager.

Corporate Governance Report

The Board hereby presents to the Shareholders the corporate governance report for the year ended 31 December 2020.

The Group is committed to promoting good corporate governance and has set up procedures on corporate governance that comply with the principles in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules of the Stock Exchange. For the year ended 31 December 2020, the Board of the Company have performed the corporate governance duties which include the following: (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and (v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

BOARD OF DIRECTORS

Composition

During the Reporting Period and up to the date of this report, the composition of the Board is as follow:

Executive Director, Chairman and Chief Executive Officer

Mr. LO Wai Ho

Executive Directors

Ms. CHAN Shuk Kwan Winnie
Mr. XIE Weiquan (Re-designated on 2 January 2020)

Independent Non-Executive Directors ("INEDs")

Mr. HA Tak Kong
Mr. IP Chi Wai
Mr. KAM Wai Man (Appointed on 2 January 2020)

Responsibilities of the Board

The functions and duties of the Board include, but are not limited to, convening general meetings, reporting on the performance of the Group at general meetings, implementing resolutions passed at general meetings, formulating business and investment plans, preparing annual budget and final accounts, preparing proposals on profit distribution and increasing or decreasing the registered capital, as well as exercising other authorities, functions and responsibilities in accordance with the Articles of Association. The biographies of the Directors are set out on pages 14 to 17 of this annual report under the "Biographical Details of Directors and Senior Management".

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lo Wai Ho, the Chairman of the Company is responsible for the overall strategic planning and management of the Group. Code provision A.2.1 requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lo, being the Chairperson of the Board, has also been appointed as the Chief Executive Officer of the Group who will keep provided strong and consistent leadership to achieve strategic business growth of the Group to enable a better execution of long-term strategies. All the Board members will be ensured to keep abreast of adequate, complete and reliable information by Mr. Lo on issues to be discussed at Board meetings. Moreover, the three independent Non-Executive Directors (the "INEDs") provide independent and professional opinion on issues addressed at Board meetings and therefore, the Board believes that there is a balance of power and authority governed by the current Board structure with half of them being the INEDs and does not intend to make any change in the composition of the Board. The Board will continue to review the Board composition from time to time and shall make necessary changes when appropriate in a timely manner accordingly and inform the Company's shareholders.

Mr. Lo is the uncle of Mr. Xie. Other than disclosed in this annual report, Mr. Lo is not connected with any other Directors of the Company.

EXECUTIVE DIRECTOR

The Executive Director of the Company, Mr. Xie Weiquan has been redesignated and appointed for a specific term which may be extended as each of the Executive Director and the Company may agree, unless previously terminated in accordance with the terms and conditions of the relevant letter of appointment or director's service contract.

Mr. Xie is the nephew of Mr. Lo (the Group's founder, chairman, chief executive officer, an executive Director and a Controlling Shareholder). Other than disclosed in this annual report, Mr. Xie is not connected with any other Directors of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period, the Board at all times complied with Rules 3.10(1), (2) and 3.10A of the Listing Rules relating to the appointment of at least three INEDs representing at least one-third of the Board with at least one of them has possessed relevant professional qualifications or accounting or related financial management expertise. A written annual confirmation of their independence satisfied with guidelines set out in Rule 3.13 of the Listing Rules have been received from each of the INEDs and the Company considers each of them to be independent. The Company is of the opinion that the INEDs with their wide spectrum of knowledge and extensive business experience, will objectively scrutinise the Company's performance. Each of the INEDs will inform the Company in writing as soon as practicable if there is any change of circumstances which may affect his independence. The INEDs are also subject to rotation at annual general meetings pursuant to the articles of association of the Company.

The Company has maintained an updated list of its directors identifying their roles and functions on websites of the Company and the Stock Exchange. Independent non-executive directors are identified in all corporate communications that disclose the names of directors.

Appointment and Rotation of Directors

Pursuant to Articles, at each annual general meeting one-third of the Directors for the time being, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

In accordance with Appendix 14 of the Listing Rules, Code Provision A1.1 prescribes that at least four regular Board meetings should be held each year at approximately quarterly intervals with actively participation of a majority of the Directors, either in person or through other electronic means of communication.

During the year, the Board held a total of ten regular board meetings. Each Director's attendance record for the Board meetings, Board committee meetings and general meetings is set out as follow:

Board Meetings and Attendance

	Annual General meeting	Extra-ordinary General meeting	Regular board meeting	Nomination Committee	Remuneration Committee	Audit Committee
Executive Director, Chairman and Chief Executive Officer						
Mr. LO Wai Ho	1/1	1/1	7/7	2/2	2/2	–
Executive Directors						
Ms. CHAN Shuk Kwan Winnie	1/1	1/1	7/7	–	–	–
Mr. XIE Weiquan (Re-designated on 2 January 2020)	1/1	1/1	7/7	–	–	–
Independent non-executive Directors						
Mr. HA Tak Kong	1/1	1/1	7/7	2/2	2/2	2/2
Mr. Ip Chi Wai	1/1	1/1	7/7	2/2	2/2	2/2
Mr. Kam Wai Man (Appointed on 2 January 2020)	1/1	1/1	7/7	2/2	2/2	2/2

The Board having considered the attendance records of the Directors is satisfied that each Director spends sufficient time performing his responsibilities.

BOARD COMMITTEES

We have established the following committees under the Board: the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee"). The committees operate in accordance with the terms of reference established by the Board. The terms of reference of the Audit committee, Nomination Committee and Remuneration Committee are posted on the Company's website and the Stock Exchange.

Audit Committee

The Company established the Audit Committee in accordance with Rule 3.21 of the Listing Rules pursuant to a resolution of the Board passed on 19 June 2017 with written terms of reference in compliance with paragraph C3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Corporate Governance Code"). The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and provide advice in respect of financial reporting and oversee the internal control procedures and risk management of the Group. The Audit Committee currently comprises of three INEDs, namely Mr. Ha Tak Kong, Mr. Ip Chi Wai and Mr. Kam Wai Man. Mr. Ha Tak Kong is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are available at the Company's website and on the website of the Stock Exchange.

During the year, the Company has held two meetings of Audit Committee in March 2020 and August 2020.

Up to the date of this report, the Audit Committee has reviewed with the management team and the external auditors the accounting principles and practices adopted by the Group and discussed auditing internal controls and financial reporting matters and results of the Group of the Reporting Period and proposed adoption of the same by the Directors.

Remuneration Committee

The Company established the Remuneration Committee in accordance with Rule 3.25 of the Listing Rules pursuant to a resolution of the Board passed on 19 June 2017 with written terms of reference in compliance with paragraph B1 of the Corporate Governance Code. The primary functions of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management, review performance based remuneration and ensure none of Directors determine their own remuneration. The Remuneration Committee comprises of two INEDs and one executive Director, namely Mr. Ha Tak Kong, Mr. Ip Chi Wai and Mr. Lo Wai Ho. Mr. Ha Tak Kong is the chairman of the Remuneration Committee.

During the year, the Company has held two meetings of Remuneration Committee in March and August 2020, in which the Remuneration Committee had reviewed the current directors' fee, the current remuneration policy of the Board and made recommendations to the Board.

Nomination Committee

The Company established the Nomination Committee pursuant to a resolution of the Board passed on 19 June 2017 with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code. The primary duties of the Nomination Committee include reviewing the structure, size, and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors. The Nomination Committee comprises of two INEDs and one executive Director, namely Mr. Ha Tak Kong, Mr. Ip Chi Wai and Mr. Lo Wai Ho. Mr. Ha Tak Kong is the chairman of the Nomination Committee.

During the year, the Company has held two meetings of Nomination Committee in March and August 2020, in which the Nomination Committee had reviewed the current Board's structure, size and composition and made recommendations of appointment of the Board.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiries with all of the Directors, each of whom has confirmed that he has, throughout the Reporting Period, complied with the required standards set out therein.

Directors' Remuneration

The Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group.

The remuneration paid to and/or entitled by each of the Directors for the year ended 31 December 2020 is set out in Note 10 to the consolidated financial statements.

Board Diversity policy

This Policy aims to set out the approach to achieve diversity on the board of directors (the "Board") of Wealthy Way Group Limited (the "Company").

Vision

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

Policy Statement

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates of the Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and any other factors that the Board may consider relevant and applicable from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board and also the needs of the Board without focusing on a single diversity aspect. The Board's composition will be disclosed in the corporate governance report of the Company annually in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Nomination Committee will review the Policy, as appropriate, to ensure the effectiveness of the Policy. The Nomination Committee will discuss any revisions to the Policy that may be required, and recommend any such revisions to the Board for consideration and approval.

Dividend policy

Under the Dividend Policy, in circumstances that the Group is profitable and without affecting the normal operations and future growth of the Group, the Company may consider declaring and paying dividends to its shareholders. Such declaration and payment of dividends shall remain to be determined at the sole discretion of the Board and subject to all applicable requirements under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Articles of Association of the Company. According to the Dividend Policy, while the Company intends to declare and pay dividends in the future, the payment and the amount of any dividends will depend on a number of factors, including but not limited to: (i) the Group's actual and expected financial performance; (ii) the Group's expected working capital requirements and future development plans; (iii) the Group's liquidity position; (iv) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; (v) shareholders' interests; (vi) any restrictions on payment of dividends; (vii) and other factors that the Board deems appropriate. The Board endeavors to strike a balance between the shareholders' interests and prudent capital management with a sustainable dividend policy and the Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as the Board deems fit and necessary. There can be no assurance that the Company will be able to declare or distribute any dividend in the amount set out in any of the plans or at all.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The company has appointed Moore Stephens CPA Limited ("Moore") as the Company's external auditor during the year. The Audit Committee considered that these audit and non-audit services have no adverse effect on the independence of Moore. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of Moore. During the year, Moore has rendered audit services to the Group and the remuneration paid/payable for the year ended 31 December 2020 is set out as follows:

Amount of Fees

Types of services provided by Moore	RMB$'000
Audit services	783

DIRECTORS' AND AUDITORS' RESPONSIBILITY OF FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Company for each financial year with a true and fair view of the financial position of the Group.

The Directors consider that the consolidated financial statements of the Company are prepared in accordance with all statutory requirements and appropriate accounting standards are applied consistently.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The statement by the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" of this report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledged that it is its responsibility to ensure the Company maintains an effective risk management and internal control system to minimize risks in our business activities and to protect the long-term interests of the Group and the Shareholders. During the financial year, a review of the effectiveness of the risk management and internal control system of the Company in respect of the Group's financial, operational and compliance controls had been conducted through the effort of the Board, the Audit Committee and the management. The Company has established internal audit function. The Board acknowledged that adequate internal control system was implemented to ensure the effectiveness functioning of financial, operational and compliance controls.

COMPANY SECRETARY

Ms. Fok Chau Tung was appointed as company secretary of the Company on 21 January 2019. During the Reporting Period, Ms. Fok has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' COMMUNICATION POLICY

The Company has established a shareholders' communication policy and the Board reviews it regularly to ensure its effectiveness. Under this policy, the Company communicates with its shareholders and the investment community mainly through various means: (i) the holding of annual general meetings and other general meetings; (ii) the timely publication of the Company's announcements, interim and annual financial reports, and/or circulars as required under the Listing rules and (iii) the availability of all the disclosures submitted to the Stock Exchange and any of the Company's corporate communications and publications on the Company's website at cwl.com.

Shareholders and investors are welcome to visit the Company's website to raise enquiries through the Investor Relations Department whose contact details are available on the Company's website and the "Corporate Information" of this annual report.

The Company shall provide shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Company's articles and the Listing Rules and Shareholders are encouraged to attend and participate in general meetings. The Chairman of the Board and the chairperson/chairman of the Board committees, or their delegates and the external auditors will attend the upcoming annual general meeting to answer any questions from shareholders. Notice of the Annual General Meeting, setting out details of each proposed resolution, voting procedures and other relevant information, is sent to all shareholders at least 30 days prior to the date of the meeting.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene meetings

Pursuant to Article 64 of the Articles, one or more shareholder(s) holding not less than 10% of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the board of directors or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition (the "Requisition").

The Requisition shall be made either in hard copy form by post to the Company's principal place of business in Hong Kong at Room 3402, 34/F, China Resources Building, 26 Harbour Road, Wanchai for the attention of the Board of Directors/ Company Secretary or via email to wealthyway@cwl.com.

Procedures for shareholders to put through proposals at general meetings

Any shareholder who wishes to put forward proposals at a general meeting of the Company shall submit such proposals to the Board in writing for the Board's consideration either via mail to the Company's principal place of business in Hong Kong at Room 3402, 34/F, China Resources Building, 26 Harbour Road, Wanchai or via email to wealthyway@cwl.com not less than seven days prior to the date of the general meeting.

Procedures for shareholders to put forward enquiries to the Board

To put forward any enquiries to the Board, shareholders shall send their written enquiries to the Company. The Company will normally not deal with verbal or anonymous enquiries.

Address: Room 3402, 34/F, China Resources Building, 26 Harbour Road, Wanchai, for the attention of the Board of Directors/Company Secretary

Email: wealthyway@cwl.com

Constitutional Documents

The amended and restated memorandum and articles of association of the Company (the "Amended and Restated M&A") was adopted on 20 July 2017 and took effect from the Listing Date 21 July 2017. A copy of the Amended and Restated M&A is available on both the websites of the Company at cwl.com and the Stock Exchange at www.hkexnews.hk.

Report of the Directors

The Directors of the Company hereby presents the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Group are (i) provision of financial leasing, factoring and financial advisory services in the People's Republic of China (the "PRC"); (ii) provision of small loans and related loan facilitation services in the PRC; and (iii) provision of investment management and advisory services, securities dealing and broking services and other financial services in Hong Kong.

FINANCIAL RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of comprehensive income in this annual report. The Board of Directors did not recommend the declaration of a final dividend (2019: HK$0.05 per share) for the year ended 31 December 2020.

SUMMARY OF FINANCIAL INFORMATION

A summary of the financial results and the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, are set out on page 184. This summary does not form part of the audited consolidated financial statements.

CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, our five largest customers accounted for approximately 19.4% (2019: approximately 19.0%) of the Group's total revenue and our largest customer accounted for approximately 8.8% (2019: approximately 11.6%) of our total revenue.

Due to the nature of our business, we do not have any significant contribution from major suppliers during the normal course of our business. However, we relied substantially on interest-bearing bank loans to operate our business and we have established strong relationships with various national and local commercial banks.

For the year ended 31 December 2020, to the knowledge of the Directors, none of the Directors or their respective close associates as defined in the Listing Rules or any of the Shareholders of the Company who own more than 5% of the Company's issued shares has any interest in any of the Group's five largest customers or suppliers or lenders.

MAJOR SUBSIDIARIES

Particulars of major subsidiaries of the Company are set out in note 46 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are set out in note 14 to the consolidated financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2020 are set out in note 29 to the consolidated financial statements.

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 year ended 31 December 2020.

RESERVES AND DISTRIBUTABLE RESERVES

As at 31 December 2020, details of movements in the reserves of the Group is set out in the consolidated statement of changes in equity on page 56. Details of movements in the reserves of the Company during the year ended 31 December 2020 are set out in note 35 to the consolidated financial statements. Distributable reserves of the Company at 31 December 2020, calculated under the Companies Law of Cayman Islands amounted to approximately RMB166.6 million (31 December 2019: RMB180.8 million).

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2020 are set out in note 33 to the consolidated financial statements.

DIRECTORS AND SERVICE CONTRACTS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. LO Wai Ho
Ms. CHAN Shuk Kwan, Winnie
Mr. XIE Weiquan (re-designated on 2 January 2020)

Independent Non-Executive Directors

Mr. HA Tak Kong
Mr. IP Chi Wai
Mr. KAM Wai Man (Appointed on 2 January 2020)

Pursuant to Articles, at each annual general meeting one-third of the Directors for the time being, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election at the Annual General Meeting.

The Company has received, from each of the Independent Non-Executive Directors, a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and five highest paid individuals for the year ended 31 December 2020 are set out in note 10 to the consolidated financial statements.

The remuneration of the Directors is subject to Shareholders' approval at general meetings. No Directors, or any of their respective associates, was involved in deciding his/her own remuneration for the year ended 31 December 2020.

There was no arrangement under which a director waived or agreed to waive any remuneration for the year ended 31 December 2020.

Emoluments paid or payable to members of senior management who are not directors were within the following band:

	2020	2019
Nil to HK$1,000,000 (equivalent to approximately RMB889,000)	**3**	3
HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB889,001 to RMB1,334,000)	**1**	1

No Director and Senior management has waived or has agreed to waive any emoluments during the year ended 31 December 2020.

SERVICE CONTRACTS WITH DIRECTORS

The Company has entered into service contracts with all Directors and Supervisors, with the maximum term of three years. No service contract that cannot be terminated by the Group within one year without paying any compensation (other than the statutory compensation) was entered or is to be entered into between Directors or Supervisors and members of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors of the Company had any interest in any business which was in competition or was likely to compete, directly or indirectly with the business of the Company and its subsidiaries.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the date of this report, the interests or short positions in the Shares, underlying Shares and debentures of the Company or associated corporations (within the meaning of Part XV of the SFO as defined below) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange; were as follows:

Long positions in shares ("Shares")/underlying Shares of the Company

Name of Director	Nature of interest	Number of shares directly and beneficially held	Percentage of the Company's issued share capital
Mr. Lo Wai Ho (Notes 1, 2)	Interest of controlled corporation	101,974,000	65.57%
Mr. Xie Weiquan	Personal interest	360,000	0.23%

Notes:

(1) Mr. Lo Wai Ho is the beneficial owner of 100% of the issued share capital of Wealthy Rise Investment Limited. Mr. Lo Wai Ho is deemed to be interested in 101,974,000 shares of the Company held by Wealthy Rise Investment Limited under the SFO.

(2) On 9 July 2019, a charge over shares was executed to charge 10,000,000 ordinary shares in the issued share capital of the Company by Wealthy Rise Investment Limited in favour of The Export-Import Bank of China as security. For details, please refer to the announcements of the Company dated 15 July 2019 and 17 July 2019 and the notice of disclosure of interests dated 9 July 2019 of The Export-Import Bank of China filed with the Stock Exchange.

Save as disclosed above, as at the date of this report, none of the Directors and chief executives of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or to the Model Code of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the date of this report, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares ("Shares")/underlying Shares of the Company

Name of substantial shareholders	Capacity/nature of Interest	Number of Shares/ underlying Shares	Approximate percentage of the issued share (%)
Wealthy Rise Investment Limited (Note 3)	Beneficial owner	101,974,000	65.57%
Mr. Lo Wai Ho (Notes 1,3)	Interest in a controlled corporation	101,974,000	65.57%
Ms. Lin Yihong (Notes 2,3)	Interest of spouse	101,974,000	65.57%
The Export-Import Bank of China (Note 3)	Party with security interest over the shares	10,000,000	6.43%

Notes:

(1) Mr. Lo Wai Ho is the beneficial owner of 100% of the issued share capital of Wealthy Rise Investment Limited. Mr. Lo Wai Ho is deemed to be interested in 101,974,000 shares of the Company held by Wealthy Rise Investment Limited under the SFO.

(2) Ms. Lin Yihong is the spouse of Mr. Lo Wai Ho. Under the SFO, Ms. Lin Yihong is deemed to be interested in the same number of Shares in which Mr. Lo Wai Ho is interested.

(3) On 9 July 2019, a charge over shares was executed to charge 10,000,000 ordinary shares in the issued share capital of the Company by Wealthy Rise Investment Limited in favour of The Export-Import Bank of China as security. For details, please refer to the announcements of the Company dated 15 July 2019 and 17 July 2019 and the notice of disclosure of interests dated 9 July 2019 of The Export-Import Bank of China filed with the Stock Exchange.

Saved as disclosed above, as at the date of this report, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

The Directors confirm that the Group's related party transactions as set out in note 39 to the consolidated financial statements were continuing connected transactions, which were exempt from all disclosure requirements, annual review and independent shareholder's approval requirements under Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2020.

NON-COMPETITION UNDERTAKING

The Company's controlling shareholders (each a "Covenantor" and collectively, the "Covenantors"), namely, Mr. LO Wai Ho ("Mr. Lo") and Wealthy Rise Investment Limited entered into the deed of non-competition (the "Deed of Non-Competition") in favour of the Company (for the Company itself and as trustee for each of the Company's subsidiaries), under which each of the Covenantors has irrevocably and unconditionally, jointly and severally, undertakes to and covenants with the Company (for the Company itself and as trustee for each of the Company's subsidiaries) that:

(a) he/it shall not, and shall procure each of his/its close associates and/or companies controlled by him/it (excluding any member of the Group) not to, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as an investor, a shareholder, partner, principal, agent, director, employee, consultant or otherwise and whether for profit, reward, interest or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by the Group in Hong Kong, the PRC and any other country or jurisdiction to which the Group provides such services and/or products and/or in which any member of the Group carries on business mentioned above from time to time (the "Restricted Business");

(b) if he/it and/or any of his/its close associates and/or companies controlled by he/it (excluding any member of the Group) is offered or becomes aware of any project or new business opportunity ("New Business Opportunity") that relates to the Restricted Business, whether directly or indirectly, he/it shall give the Company a first right of refusal to participate or engage in such New Business Opportunity by: (i) promptly within ten (10) business days notify or procure the relevant close associate and/or the companies controlled by him/it to notify the Group in writing of such New Business Opportunity and provide such information as is reasonably required by the Group in order to enable the Group to come to an informed assessment of such New Business Opportunity; and (ii) use his/its best endeavours to procure that such New Business Opportunity is offered to the Group on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its close associates and/or companies controlled by him/it;

(c) he/it shall provide the Group and the Directors (including the independent non-executive directors (the "INEDs")) with all information necessary, including but not limited to monthly turnover records and any other relevant documents considered necessary by the INEDs from time to time, for the annual review by the INEDs with regard to compliance and enforcement of the terms of Deed of Non-Competition;

(d) (i) he/it will not and will procure that none of his/its close associates and/or companies controlled by him/it (excluding any member of the Group) will solicit or entice away from any member of the Group any existing or then existing directors, employees or customers of the Group; and (ii) he/it will not without the consent from the Company, make use of any information pertaining to the business of the Group which may have come to his/its knowledge in his/its capacity as the controlling shareholder (within the meaning of the Listing Rules) of the Company for any purposes.

The non-competition undertaking will take effect from the date on which dealings in the shares first commence on the Stock Exchange and will cease to have any effect upon the earliest of the date on which (a)(i) such Covenantor, and his/its close associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital of the Company directly or indirectly or cease to be deemed as a controlling shareholder and do not have power to control the board of directors or there is at least one other independent shareholder other than the Covenantors and his/its close associates holding more shares than the Covenantors and his/its close associates taken together; and (ii) Mr. Lo ceases to be a director; or (b) the shares cease to be listed and traded on the Stock Exchange or other recognised stock exchange.

Each of the Covenantors has provided to the Company a written confirmation in respect of his/its full compliance with the Deed of Non-Competition for the year ended 31 December 2020.

The INEDs of the Company have reviewed the written confirmation made by the Covenantors of the compliance by each of the Covenantors with the undertakings in the Deed of Non-Competition and have confirmed that, as far as they can ascertain, there is no breach of any of the undertakings in the Deed of Non-Competition given by the Covenantors.

As of the date of this annual report, the Company is not aware of any other matters regarding the compliance of the undertakings in the Deed of Non-Competition and there has not been any change in the terms of the Deed of Non-Competition since the Company's listing of its shares on the Stock Exchange.

SHARE OPTION SCHEME

On 19 June 2017, the Company conditionally approved and adopted the share option scheme (the "Share Option Scheme").

Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to the employee, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the Board, has contributed or may contribute to the Group ("the Eligible Participants") as incentive or reward for their contribution to the Group to subscribe for the Shares thereby linking their interest with that of the Group.

Grant and acceptance of options

Subject to the terms of the Share Option Scheme, the Directors may, in its absolute discretion make offer to any Eligible Participant. An offer shall be made to an Eligible Participant in writing in such form as the Directors may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of 21 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the adoption date of the Share Option Scheme or the termination of the same.

An offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant, together with a non-refundable remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within 21 days from the date of offer or within such other period of time as may be determined by the Board pursuant to the Listing Rules.

Any offer may be accepted or deemed to have been accepted by an Eligible Participant in respect of less than the total number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof.

Subscription price of Shares

The subscription price for Shares under the Share Option Scheme shall be determined at the discretion of the Directors but in any event will not be less than the highest of (a) the closing price of the Shares on the Stock Exchange as stated in the daily quotations sheet issued by the Stock Exchange on the offer date of the particular option, which must be a business day; (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five consecutive business days immediately preceding the offer date of that particular option; and (c) the nominal value of a Share on the offer date of the particular option.

Maximum number of Shares

The maximum number of Shares in respect of which options may be granted at any time under the Share Option Scheme together with options which may be granted under any other share option schemes for the time being of the Group shall not in aggregate exceed 10 per cent of the issued share capital of the Company at the Listing Date. On the basis of a total of 155,523,000 Shares in issue as at the date of the 2019 AGM, the relevant limit will be 15,523,000 Shares which represent 10 per cent of the issued Shares at the date of the 2019 AGM.

The Company may seek approval of Shareholders in general meeting to renew the 10 per cent limit provided that the total number of Shares available for issue upon exercise of all options which may be granted under the Share Option Scheme and any other schemes of the Group in these circumstances must not exceed 10 per cent of the issued share capital of the Company at the date of approval of renewing such limit.

Exercise of options

An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than ten years from the date of grant.

Present status of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of an option to any Participant as the Board may determine.

On 24 April 2019, under the Share Option Scheme, 10,075,000 share options to subscribe for an aggregate of 10,075,000 ordinary shares of HK$0.01 each of the Company were granted to certain employees or other eligible participants under the Share Option Scheme with validity periods of the options vary from (i) 24 April 2019 to 23 April 2022; (ii) 24 April 2019 to 23 April 2020; (iii) 24 April 2020 to 23 April 2021; and (iv) 24 April 2021 to 23 April 2022, and exercise price of HK$7.00.

On 22 January 2020, under the Share Option Scheme, 10,200,000 share options to subscribe for an aggregate of 10,200,000 ordinary shares of HK$0.01 each of the Company were granted to certain employees or other eligible participants under the Share Option Scheme with validity period of the options from 22 January 2020 to 21 January 2023, and exercise price of HK$6.12 and no options have been exercised up to 31 December 2020.

As at the date of this annual report, 10,807,000 shares are issuable for options granted under the Share Option Scheme, representing approximately 6.9% of the total number of issued shares at that date and none is lapsed under the Share Option Scheme. The Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme shall not exceed 10% of the aggregate of the Shares in issue, being 15,552,300 Shares in total.

Information in relation to share options disclosed in accordance with the Listing Rules was as follow:

(1) Movement of share options during the year ended 31 December 2020

Name	Date of Grant	Outstanding as at 1 January 2020	Granted	Exercised	Lapsed	Outstanding as at 31 December 2020
XIE Weiquan	24 April 2019	100,000	–	–	(30,000)	70,000
Aggregate of other Employees	24 April 2019	1,200,000	–	–	(517,500)	682,500
	22 January 2020	–	7,700,000	–	(1,500,000)	6,200,000
Other participants	24 April 2019	1,572,000	–	–	(217,500)	1,354,500
	22 January 2020	–	2,500,000	–	–	2,500,000

SHARE AWARD SCHEME

On 7 November 2019 (the "Adoption Date"), the Company conditionally approved and adopted the share award scheme (the "Share Award Scheme").

The major terms of the Share Award Scheme are summarized as follows:

Purpose of the Share Award Scheme

The purposes of the Share Award Scheme are to effectively recognise employee's contribution to the Group and/or providing an incentive to employee to remain with or join the Group, for participation in the Scheme as a selected employee and determine the purchase, subscription and/or allocation of awarded shares according to the terms of the Share Award Scheme.

Eligible persons

Pursuant to the Scheme Rules, the Board shall select the Selected Employee(s) and determine the number of shares to be awarded. The Board shall cause to pay the Trustee the purchase price and the related expenses from the Company's resources. However, until so selected, no Employee shall be entitled to participate in the scheme.

Awards

The Trustee shall purchase from the market the relevant number of Shares awarded and shall hold such Shares until they are vested in accordance with the Scheme Rules. The Trustee shall purchase/subscribe for further Shares for the selected employees to be funded by the proceeds of the sale of any non-cash distributions.

Granting of Awards

When the selected employee has satisfied all vesting conditions specified by the Board at the time of making the award and become entitled to the Shares forming the subject of the award, the Trustee shall transfer the relevant vested Shares (awarded Shares, related scrip distribution and further Shares acquired or subscribed out of the income derived therefrom) to that employee.

Maximum Number of Shares to be Awarded

The maximum number of Shares, whether they are new Shares to be allotted and issued by the Company, or Award Shares that are not vested and/or are forfeited and held by the independent trustee to be applied towards future awards, or existing shares to be purchased on the market by the independent trustee, underlying all grants made pursuant to the Share Award Scheme (excluding Award Shares which have been forfeited in accordance with the Share Award Scheme) shall not exceed 3% (i.e. 4,665,690 Shares) of the total number of issued Shares as at the Adoption Date.

Since the adoption of the Share Award Scheme and up to the date of this report, none of the issued Shares has been purchased or issued nor any awards have been granted under the Share Award Scheme. As at 31 December 2020, 4,665,690 Shares are available for grant of awards in the future under the Share Award Scheme, representing approximately 0.15% of the Shares in issue.

The above limit can be renewed or refreshed subject to approval of Shareholders within 10 years from the Adoption Date.

Limited for Each Participant

Under the Share Award Scheme, there is a limit of 1% on the maximum number of Award Shares which may be granted to a single eligible person but unvested under the Share Award Scheme.

Termination

Subject to any early termination as may be determined by the Board, the Share Award Scheme will be valid and effective for 10 years commencing on the Adoption Date.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors and officers of the Group has been in force throughout the year under review.

The Group has arranged for appropriate directors' and officers' liability insurance coverage providing indemnity against liabilities, including liability in respect of legal actions against the Directors and officers of the Group, thereby sustained or incurred arising from or incidental to execution of duties of his/her offices.

EQUITY-LINKED AGREEMENTS

Except as disclosed under the sections headed "Share Option Scheme" and "Share Award Scheme" above in this annual report, no equity-linked agreements were entered into during the year ended 31 December 2020.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group persists in maintaining good corporate governance and operating in compliance with the laws and integrity through abidance by relevant laws and regulations, industry regulations and business ethics. For the year ended 31 December 2020 and up to the date of this annual report, the Company had not been and were not a party to any material legal, arbitral or administrative proceedings, and the Company was not aware of any pending or threatened legal, arbitral or administrative proceedings against the Company or any of the Directors which could have a material adverse effect on the Company's operations or financial condition.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained a sufficient public float for the issued Shares as required under the Listing Rules.

MATERIAL LEGAL PROCEEDINGS

For the year ended 31 December 2020, to the best information, knowledge and belief of the Directors after making all reasonable enquiries, the Company was not involved in any legal litigation or arbitration of material importance in which it served as a defendant.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent (31 December 2019: contingent consideration payable of RMB19,600,000 in relation of acquisition to Shenzhen Haosen).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the "Corporate Governance Report" on pages 38 to 44 of this annual report.

AUDIT COMMITTEE

The Company established the Audit Committee in accordance with Rule 3.21 of the Listing Rules pursuant to a resolution of our Board passed on 19 June 2017 with written terms of reference in compliance with paragraph C3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Corporate Governance Code"). The primary duties of the Audit Committee are mainly to make recommendations to our Board on the appointment and removal of the external auditor, review the financial statements and provide advice in respect of financial reporting and oversee the internal control procedures and risk management of our Group.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters, which include the review of the consolidated annual results of the Group for the year ended 31 December 2020.

AUDITOR

The financial statements have been audited by Moore Stephens CPA Limited who has remained as the Company's auditor for the year ended 31 December 2020. A resolution will be proposed for approval by Shareholders at the forthcoming annual general meeting of the Company.

Environmental, Social and Governance Report

ABOUT THE GROUP

Wealthy Way Group Limited (the "Company") together with its subsidiaries (the "Group") affirms its commitment towards the idea of sustainability, with the publication of the Environmental, Social and Governance Report. The report has been prepared in accordance with ESG Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for disclosures.

The Environmental, Social and Governance report of the Group (the "ESG Report") has been presented into two subject areas: environmental and social and each subject area will have various aspects to disclose the relevant policies and the status of compliance with relevant laws and regulations as addressed by the ESG Guide. The Board confirms the report has been reviewed and approved to ensure all material issues and impacts are fairly presented.

This report will present mainly policies, initiatives and performance of the Group for the year ended 31 December 2020 and highlight material aspects identified during the period from 1 January 2020 to 31 December 2020 (the "Reporting Period").

APPROACH AND STRATEGY

WE, Wealthy Way Group Limited, believe in delivering long term sustainable value creation to our shareholders. In doing so, while we carry on our business, we make choices that bring positive impacts to the communities. We have adopted a sustainability policy which covers employment and labour practices, business integrity, the environment and the community. The Company is committed to support good environmental standards and to ensure implementation of environmental friendly measures.

ENVIRONMENTAL

Emissions

The Group understands and appreciates the key aspects of the PRC government's environmental protection efforts, such as reduction on pollutions, utilization on resources and social education on environmental issues. The Group has the obligation to minimise the environmental impact on daily operations and be accountable for the consumption of resources and materials. The Company does not produce hazardous wastes as it does not deal with any industrial production activities. Greenhouse gases produced by energy consumption and traffic are the Company's major emissions. For the year ended 31 December 2020, there is no material non-compliance issue with relevant laws and regulations related to the environment.

Air pollutants and greenhouse gas emissions

At making re-fuelling decision, the Group concerns about the use of fuel has adverse effect to the environment and so they would car-pool wherever possible, use tele-conference or video conference in place of face to face meetings. During the process of combustion of fuels, other air pollutants, such as nitrogen oxides, sulphur oxides and particulate matters are also produced.

Electricity used on the business premises is the major contributor to greenhouse gas footprint. Apart from electricity consumption, the use of motor vehicles for local commutation and flights for business trips also led to the indirect emissions of greenhouse gas.

The table below shows the emissions of air pollutants and greenhouse gases ("GHG") for the reporting period:

		Emission	
Type of Emissions	**Unit**	**2020**	2019
Air pollutants			
Nitrogen oxides	g	**6,350**	3,436
Sulphur oxides	g	**101**	75
Particular matters	g	**467**	253
Greenhouse gas			
Scope 1	Kg	**18,617**	13,810
Scope 2	Kg	**86,569**	67,925
Scope 3	Kg	**6,465**	9,550
Total emission	Kg	**106,971**	91,285
Emission intensity	Kg/million RMB of revenue	**635**	464

Waste management

Waste production was mainly attributed to the discarded packaging materials and domestic wastes of office. Therefore, the waste disposed is immaterial and non-hazardous. During the reporting year, the Group did not notice any non-compliance issue about waste disposal. Measures for reducing and recycling the waste were put in place.

Use of resources

Conservation of natural resources

The Group is committed to upholding high environmental standards in order to promote environmental friendliness. Throughout the Group, the following actions have been taken to reduce carbon and energy footprints:

– maintain the indoor temperature of offices at 26°C;

– minimise the use of motor vehicles during peak hours;

– choosing environmental friendly materials and energy saving lightings and electrical appliances;

– idle electrical appliances are switched off;

– regular maintenance and repair for electrical appliances to lower energy waste;

– duplex printings and reuse single-sided printed papers; and

– encourage staff to report all leaking faucets or pipes to relevant department and turn off all taps when not in use.

The operation of the Group does not produce any tangible products that require packaging, hence no packaging materials were used while only incurred a limited usage of natural resources.

		Consumption		**Intensity (million dollar of revenue)**	
Use of natural resources	**Unit**	**2020**	2019	**2020**	2019
Electricity	kWh	**104,139**	81,529	**591**	415
Water	tonne	**181**	81	**1**	0.4
Paper	kg	**454**	271	**3**	1
Unleaded petrol	L	**6,875**	5,100	**39**	26

Environmental and natural resources

Due to the nature of the business, the Group does not have any direct and significant impacts on the environment and natural resources during its operation. By taking the green initiatives mentioned above, the Group is committed to mitigate the environmental impact and acting in a manner that is both environmentally and socially responsible.

EMPLOYMENT AND LABOUR PRACTICES

Employment

The Group regards employees as one of the most valuable assets of the Group and regards the personal development of its employees as highly important. Staff is the most important asset that drive the long-term development and sustainability of the Group.

As at 31 December 2020, the Group had 139 (2019: 144) full time staff. The significant increase of workforce was attributed to the acquisition of the financial acquisition in Hong Kong during the year. The staff turnover rate of the Group is approximately 37% (2019: 27%). The Group will continue to explore ways to improve employee turnover, enhance employee benefits and strengthen communication with employees.

The diverse workforce of the Group in terms of gender, age group, region and the length of service period, which is shown as below:

	No. of staff	Staff turnover rate (%)
Gender		
Male	66	37
Female	73	37
Age Group		
21–30	63	32
31–40	46	37
41–50	22	52
51 or above	7	38
Region		
PRC	121	40
Hong Kong	18	19
Service period		
Less than 2 years	100	44
2 to 4 years	16	36
Above 4 years	22	12

Staff are remunerated according to the job nature, market trends and individual performance. Apart from medical insurance and mandatory provident fund, discretionary bonuses are rewarded to employees based on individual performance. Appraisal and self-assessment systems have been implemented to better identify human resources need and to support our human resources development.

Employment in P.R.C are subject to the Labour Law and the Employment Contract Law of the People's Republic of China 《中華人民共和國勞動法及勞動合同法》. Employment in Hong Kong is subject to the Employment Ordinance, the Minimum Wage Ordinance and the Employees' Compensation Ordinance. In 2020, there were no confirmed non-compliance incidents or grievances in relation to human rights and labour practices standards and regulations that would have a significant impact on the Group.

Equal opportunities

Being an equal opportunities employer, the Group is committed to creating a working environment with fairness, openness and mutual trust. The Group opposes to any consideration which involves discrimination not related to work and prohibits all forms of workplace discrimination, employee of the same position is remunerated on an equal basis no matter of what gender they are, thus the rights of female employees are well-protected.

The Group adopts equal employment opportunity policies and treats all the employees equally. Employment, remuneration and promotion are not under the influence of social identities, such as ethnicity, race, nationality, gender, religion, age, sexual orientation, political faction and marital status.

Health and safety

The Group aims to provide a safe and healthy working environment to the employees and promotes the ideal of "Work happily, Live healthily". The Group organises recreational activities, such as badminton races and basketball match, for employees regularly. Holding recreational activity not only able to build up the sense of belonging and team spirits among employees, but also promote the message of the importance of work-life balance to all staff. The group also provide free body check up to all staff before admission and annually.

Occupational health and safety statistics	2020	2019
Number of lost days	Nil	Nil
Number of work-related fatalities	Nil	Nil
Number of work incidents	Nil	Nil

During the reporting period, there were no cases of non-compliance with the laws and regulations in respect of the provision of a safe working environment and the protection of employees from occupational hazards.

Development and training

The Group encourages employees to participate in on-the job training and continuing education to create opportunity for career development. On-the-job training is tailored to equip our workplace with the necessary knowledge and skills relevant to work. The Group also invites scholars and experts to introduce the management skills and latest industry information to employees from time to time.

Other than providing diversified on-the-job training to employees and ensure employees able to meet the changing demands in the Group and the market. By providing continuous training, employees gain satisfaction and enjoyment from fullfilling their roles and boost morale. To promote continuous and life-long learning, the Group joined an annual program from an external training organisation in 2020. Staff can enrol to the courses held by the organisation for unlimited times.

To ensure every employee in different sectors of the Group receive sufficient training, training had been divided into 4 main streams:

- risk management;
- sales and marketing;
- customer due diligence; and
- assets management.

Training details of staff in the operation of financial leasing for the year ended 31 December 2020:

	Male	**Female**
No. of training hours attended	52	77
No. of staff attended training	8	11
Percentage of staff attended training	12%	15%

Labour standard

The operation team of the Group require sophisticated training in the field of Finance or extensive exposure to the finance business. Hence the Group does not rely on labour or involve in any labour-intensive work. As such, it is almost certain that the Group would not be involved in child or forced labour. Further, the employment policies of the Group focus on the capabilities of the individual regards of personal traits such as gender or ethnic groups.

The Group has strictly complied with Labour Contract Law of the People's Republic of China 《中華人民共和國勞動合同法》. According to the Employment Ordinance of Hong Kong and the Provisions on the Prohibition of Using Child Labour and the Law of the People's Republic of China on the Protection of Minors 《中華人民共和國禁止使用童工規定及保護未成年人法》 and as stipulated by the Labour Law of the People's Republic of China 《中華人民共和國勞動法》 in terms of employment management, there is neither child nor forced labour in the Group's operation.

Group also has policies to protect staff's labour rights with a complaint system for staff to report their concerns and any violations of labour rights. Undoubtedly, at the year ended 31 December 2020, the Group did not aware of any non-compliance with laws and regulations regarding child labour and forced labour.

Supply chain management

The Group's business nature is service oriented. The main suppliers are mainly third-party services providers, such as property management services, information technology services, legal and consulting services and office equipment and printing suppliers.

The Group expects all their suppliers to embrace corporate social responsible value since the supply chain management is an essential part of the corporate social responsibility. As majority of their suppliers are established banks and financial institutes the Group could assess their corporate social responsibilities without much difficulties. In making decisions for procurement, factors including historical price quotations, product offering, service offering, performance and environmental and social policies by suppliers are all taken into consideration, so that suppliers adhering to similar notions and offering reasonable prices are selected.

In choosing new supplier, the Group has a preference on selecting recycled and environmentally friendly products in order to minimize the environmental impacts. To provide a fair overview of supplier selection, the Group opt to select more than one supplier for comparison purpose during the primary engagement process.

Product responsibility

The Group is principally engaged in the provision of integrated financing services and related management and consultancy services. Internal control and compliance procedures are in place to ensure compliance with all relevant laws and regulations by the Group's frontline staff members. The Group also provides relevant trainings to its employees, thereby ensuring that employees apprehend the nature and risks underlying financial services and that they are equipped with professional knowledge sufficient for them to provide the most suitable advice to their customers under all circumstances.

The Group has obtained licences, qualifications and permits required of its business operations. The compliance department is responsible for ensuring that business operations comply with laws and regulations. Updates on relevant laws and regulations are notified to relevant operating units and employees from time to time. During the year, the Group did not aware of any violation of any laws or regulations regarding to the products and services we provided.

Customer satisfaction

The Group has earned trusted relationships with its broad customer base through providing dedicated customer services. In order to provide quality service to our clients, the Group communicates with our customers and confirms their expectation and direction prior to project commencement and actively coordinated with customers in the process of providing service.

When customers lodge a complaint, the Group would make every effort to investigate and resolve the disputes fairly and promptly. During the year, no complaint on our services concerning financial advisory, factoring, leasing and dealing in securities are reported.

Consumer data protection and privacy policies

Being a service provider of a range of financial services, the Group has access to significant financial information and personal data of the lessee, clients and potential customers, therefore, ensuring the privacy of customer information is one the issues the Group cares the most.

Personal Data (Privacy) Ordinance/Privacy Policy Statement are made available on the website of subsidiary which provides security brokerage services. The Group has formulated a set of privacy principal in collection, retention, use, security, openness and accessibility of information to ensure all lessees' information received is only for its intended purpose and to prevent information leakage, such as:

- Access control to all information of lessees;
- Requiring employees not to retain and disclose any confidential information about the Group's business and other sensitive confidential data to any third party; and
- Requiring employees not to obtain any unnecessary information from the lessees and its associated parties.

During the Year, the Group did not notice any violations of laws or regulations regarding customer data protection and advertising relating to the services provided.

Anti-corruption

The Group is aware that any events of corruption will bring irreparable damage to the Group, therefore the Group upholds a high standard of business integrity throughout its operations. A system with good moral integrity and anti-corruption mechanism is seen to be the cornerstone of the sustainable and healthy development of the Group.

With compliance with relevant laws and regulations of Criminal law of the People's Republic of China 《中華人民共和國刑法》 and the Anti-Unfair Competition Law of the People's Republic of China 《中華人民共和國不正當競爭法》, the Group has established a comprehensive mechanism in reporting and investigation procedures of related issues. The Group would terminate the employment contract with immediate effect with employees who accept any benefits from customers and suppliers. Employees are asked to notify their respective division head for any suspicious transactions. If any employee is found to be in violation of corruption after investigation, the Group will take disciplinary actions to the employee involved, including the termination of labour contracts with immediate effect. During the year 2020, no legal cases associated with corrupt practices brought against the Group and our employees.

Money laundering

The Group strictly implements a series of policies and procedures to prevent and detect money laundering and terrorist financing. Following measures have been taken to prevent and detect money laundering and terrorist financing:

- carries out know-your client procedures by verifying customers' identity with reference to reliable and independent source of documents;
- reports any suspicious transactions to the relevant government department;
- maintain all essential information of customers with Personal Data (Privacy) Ordinance;
- repayments are only made by cheque, bank transfer with customers' bank accounts; and
- provide professional training relating to current legislation and practices to employees.

During the year ended 31 December 2020, the Group did not aware of any non-compliances relating to dishonest and corruption activities according the Prevention of Bribery Ordinance 《防止賄賂條例》 and other regulations relating to corruption, fraud, money laundering and bribery in Hong Kong and China.

Community investment

The Group recognised the importance of corporate social responsibility and encourages employees to contribute to the community. The Group would from time to time make other charitable donations as deemed necessary. In the future, the Group will seek opportunities to contribute to the community.

Independent Auditor's Report

MOORE

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大華馬施雲
會計師事務所有限公司

To the Shareholders of
Wealthy Way Group Limited
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Wealthy Way Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 183, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at and for the year ended 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Expected credit losses ("ECLs") on loan and account receivables (Refer to Notes 4, 5 and 22 to the consolidated financial statements)	
As at 31 December 2020, the gross loan and account receivables and its related ECLs allowance amounted to approximately RMB1,260,031,000 (2019: RMB1,609,317,000) and RMB253,488,000 (2019: RMB84,433,000) respectively. At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group determines the ECLs to be recognised in the consolidated financial statements taking into consideration various factors, including the value of any underlying collaterals and/or credit enhancements, deposits received, repayment history, current creditworthiness and significant changes in credit quality of the borrowers as well as subsequent settlements and other relevant information. The Group considered reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. Such exposures are assessed individually or collectively by taking into account the quantitative and qualitative information and also, forward-looking analysis.	Our key procedures to address the matter included: – We obtained an understanding of the Group's credit risk management and practices and assessed the Group's ECLs impairment policy in accordance with the requirement of HKFRS 9 Financial Instruments including an evaluation of management judgement on: (i) the level of disaggregation of portfolios for ECLs assessment; (ii) the use of reasonable and supportable credit risk information that is available without undue cost or effort; and (iii) the staging criteria of determining if a significant increase in credit risk has occurred. – We tested the basis for classification of exposures into the 3 stages. The testing included the checking to loan overdue information, loan-to-value percentage or other related information, and considering the stage classification determined by the Group. – We evaluated and tested the effectiveness of design and implementation of key controls over the origination, ongoing internal credit quality assessments, recording and monitoring of loan and account receivables. – We assessed the application of ECLs methodology and checked the assumptions and parameters to external data sources when available.

Expected credit losses ("ECLs") on loan and account receivables (Refer to Notes 4, 5 and 22 to the consolidated financial statements) (continued)	
We have identified the management's ECLs assessments of the recoverability of its loan and account receivables as a key audit matter because the carrying amount of the loan and account receivables as at 31 December 2020 was significant and the ECLs assessment of these receivables required significant management judgement and involved high level of uncertainty.	Our key procedures to address the matter included: (continued) – We assessed the ECLs allowance made by the Group by examining the loan credit files and underlying documentation, deposits received and other evidence supporting the repayment records, the value of collateral and/or credit enhancement, information regarding the current creditworthiness and any significant changes in credit quality of the borrowers, evidence of subsequent settlement and other relevant information and other sources of cash flows, and developed a reasonable range of expected cash shortfall for comparison with the Group's assessment. – We assessed the effectiveness and marketability of collaterals, including considering independent legal opinion obtained by the Company, fair values of collaterals and timing required for converting collaterals into cash in the case of default. – We assessed the reasonableness and relevancy of the external information used by the Group as the forward looking information including economic data and forecasts published by government bodies and monetary authorities, such as GDP growth rates, unemployment rates, etc. – We evaluated the reasonableness on how the management factored the impact of pandemic in when assessing the forward looking information. – We evaluated the adequacy and appropriateness of the disclosures of credit risk and ELCs allowances of loan and account receivables.

Expected credit losses ("ECLs") on loan and account receivables (Refer to Notes 4, 5 and 22 to the consolidated financial statements) (continued)

Our key procedures to address the matter included: (continued)

In assessing the credit risk of significant customers individually,

- We obtained the valuation reports as prepared by independent valuer for the recoverable amount of certain loan receivables and underlying collaterals as at the end of the reporting period.
- We assessed the independence, competence, capabilities and relevant experiences of the independent valuer in conducting valuation of certain loan receivables and underlying collaterals.
- We discussed the rationale and process of estimating the recoverable amount of certain loan receivables and underlying collaterals with the management and the independent valuer.
- We assessed the appropriateness and reasonableness of the valuation methodology and assumptions used in determining the recoverable amount of certain loan receivables and underlying collaterals and compared sources and market data used in the underlying assumptions.
- We obtained the independent legal opinion regarding the likelihood of recovery of certain loan receivables and underlying collaterals from the customers under the debt restructuring and the possible outcomes of the different ways of recovery and evaluated the management's assessment on plans and measures undertaken.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report for the year ended 31 December 2020 other than the consolidated financial statements and our auditor's report thereon (the "Other Information").

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

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

RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The audit committee assists the directors of the Company in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

Moore Stephens CPA Limited
Certified Public Accountants

Hung, Wan Fong Joanne
Practising Certificate Number: P05419

Hong Kong, 30 March 2021

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	7	**176,094**	196,617
Other income	7	**13,381**	9,658
Employee benefit expenses	9	**(31,865)**	(22,649)
Depreciation	9	**(4,416)**	(5,293)
Other operating expenses		**(37,232)**	(32,727)
Fair value loss on contingent consideration payable	28	**–**	(3,416)
Impairment loss on intangible assets	16	**(5,307)**	–
Allowance for expected credit losses ("ECLs") on loan and account receivables, net	22	**(196,554)**	(14,494)
Finance cost	8	**(55,083)**	(61,911)
(Loss)/profit before income tax	9	**(140,982)**	65,785
Income tax credit/(expense)	11	**34,149**	(24,421)
(Loss)/profit for the year		**(106,833)**	41,364
(Loss)/profit for the year attributable to:			
Equity holders of the Company		**(111,642)**	36,270
Non-controlling interests	46(b)	**4,809**	5,094
		(106,833)	41,364
Other comprehensive (expenses)/income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operation		**189**	1,728
Item that will not be reclassified to profit or loss:			
Fair value (loss)/gain on financial asset at fair value through other comprehensive income ("FVOCI")	17	**(231)**	5,684
Other comprehensive (expenses)/income for the year, net of income tax		**(42)**	7,412
Total comprehensive (expenses)/income for the year		**(106,875)**	48,776
Total comprehensive (expenses)/income for the year attributable to:			
Equity holders of the Company		**(111,684)**	43,682
Non-controlling interests	46(b)	**4,809**	5,094
		(106,875)	48,776
(Loss)/earnings per share attributable to equity holders of the Company	13		
Basic and Diluted		**(71.78) cents**	23.90 cents

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**2,855**	4,136
Right-of-use assets	15	**5,154**	5,153
Intangible assets	16	**3,309**	8,847
Financial asset at FVOCI	17	**33,196**	49,684
Deposits for acquisition of investment properties	18	**–**	22,000
Deposits for further acquisition of interest in a non-wholly owned subsidiary and acquisition of interest in a company	19	**133,000**	–
Other assets	20	**400**	382
Loan and account receivables	22	**52,408**	244,493
Prepayments, deposits and other receivables	21	**435**	1,289
Deferred tax assets	32	**62,559**	20,240
		293,316	356,224
Current assets			
Loan and account receivables	22	**954,135**	1,280,391
Prepayments, deposits and other receivables	21	**2,799**	31,212
Amounts due from related parties	23	**4**	146
Cash and cash equivalents	24	**118,633**	42,666
		1,075,571	1,354,415
Current liabilities			
Account payables	25	**24,572**	6,626
Deposits from financial leasing customers	26	**3,495**	11,829
Accruals and other payables	27	**33,276**	45,623
Amounts due to related parties	23	**220**	3,572
Lease liabilities	15	**2,265**	2,708
Dividend payable		**12,927**	392
Contingent consideration payable	28	**–**	19,600
Bond payable	31	**33,681**	17,879
Bank and other borrowings	29	**420,340**	373,198
Tax payable		**180**	7,933
		530,956	489,360
Net current assets		**544,615**	865,055
Total assets less current liabilities		**837,931**	1,221,279

	Notes	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Deposits from financial leasing customers	26	**4,222**	3,495
Lease liabilities	15	**3,047**	2,549
Bank and other borrowings	29	**84,736**	353,972
Promissory note	30	**72,050**	66,922
		164,055	426,938
Net assets		**673,876**	794,341
EQUITY			
Share capital	33	**1,349**	1,349
Reserves	34	**501,901**	615,094
Total equity attributable to equity holders of the Company		**503,250**	616,443
Non-controlling interests	46(b)	**170,626**	177,898
Total equity		**673,876**	794,341

The accompanying notes form an integral part of the consolidated financial statements.

The consolidated financial statements on pages 53 to 183 were approved and authorised for issue by the Board of Directors on 30 March 2021 and were signed on its behalf by:

Lo Wai Ho
Executive Director

Xie Weiquan
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital RMB'000 (Note 33)	Proposed final dividend# RMB'000 (Note 12)	Share premium# RMB'000 (Note 34(i))	Share-based payment reserve# RMB'000 (Note 34(ii))	Exchange reserve# RMB'000 (Note 34(iii))	Other reserve# RMB'000 (Note 34(iv))	Statutory surplus reserve# RMB'000 (Note 34(v))	Financial asset at FVOCI reserve* RMB'000 (Note 34(vi))	Retained profits# RMB'000	Total RMB'000	Non-controlling interests RMB'000 (Note 46(b))	Total equity RMB'000
At 1 January 2019	1,248	3,795	159,928	4,080	(2,730)	239,741	16,766	–	80,817	503,645	172,804	676,449
Comprehensive income:												
Profit for the year	–	–	–	–	–	–	–	–	36,270	36,270	5,094	41,364
Other comprehensive income:												
Exchange differences arising on translating foreign operations	–	–	–	–	1,728	–	–	–	–	1,728	–	1,728
Fair value gain on financial asset at FVOCI (Note 17)	–	–	–	–	–	–	–	5,684	–	5,684	–	5,684
Total comprehensive income for the year	–	–	–	–	1,728	–	–	5,684	36,270	43,682	5,094	48,776
Transactions with equity holders of the Company:												
Equity settled share options payment (Note 44)	–	–	–	6,936	–	–	–	–	–	6,936	–	6,936
Issue of shares upon exercise of share options (Note 33)	101	–	75,184	(9,145)	–	–	–	–	–	66,140	–	66,140
Arising from acquisition of subsidiaries (Note 37)	–	–	–	–	–	142	–	–	–	142	–	142
	101	–	75,184	(2,209)	–	142	–	–	–	73,218	–	73,218
Final dividend (Note 12)	–	(3,795)	(307)	–	–	–	–	–	–	(4,102)	–	(4,102)
Proposed final dividend (Note 12)	–	6,952	(6,952)	–	–	–	–	–	–	–	–	–
Transferred to statutory surplus reserve	–	–	–	–	–	–	21,055	–	(21,055)	–	–	–
At 31 December 2019 and at 1 January 2020	**1,349**	**6,952**	**227,853**	**1,871**	**(1,002)**	**239,883**	**37,821**	**5,684**	**96,032**	**616,443**	**177,898**	**794,341**
Comprehensive (expenses)/income:												
(Loss)/profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(111,642)**	**(111,642)**	**4,809**	**(106,833)**
Other comprehensive expenses:												
Exchange differences arising on translating foreign operations	**-**	**-**	**-**	**-**	**189**	**-**	**-**	**-**	**-**	**189**	**-**	**189**
Fair value loss on financial asset at FVOCI (Note 17)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(231)**	**-**	**(231)**	**-**	**(231)**
Total comprehensive (expenses)/income for the year	**-**	**-**	**-**	**-**	**189**	**-**	**-**	**(231)**	**(111,642)**	**(111,684)**	**4,809**	**(106,875)**
Transactions with equity holders of the Company:												
Equity settled share options payment (Note 44)	**-**	**-**	**-**	**5,443**	**-**	**-**	**-**	**-**	**-**	**5,443**	**-**	**5,443**
Share options lapsed (Note 44)	**-**	**-**	**-**	**(1,178)**	**-**	**-**	**-**	**-**	**1,178**	**-**	**-**	**-**
	-	**-**	**-**	**4,265**	**-**	**-**	**-**	**-**	**1,178**	**5,443**	**-**	**5,443**
Final dividend (Note 12)	**-**	**(6,952)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,952)**	**-**	**(6,952)**
Dividend to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(12,081)**	**(12,081)**
Transferred to statutory surplus reserve	**-**	**-**	**-**	**-**	**-**	**-**	**10,000**	**-**	**(10,000)**	**-**	**-**	**-**
At 31 December 2020	**1,349**	**-**	**227,853**	**6,136**	**(813)**	**239,883**	**47,821**	**5,453**	**(24,432)**	**503,250**	**170,626**	**673,876**

These reserves accounts comprise the consolidated reserves of approximately RMB501,901,000 (2019: RMB615,094,000) in the consolidated statement of financial position.

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
(Loss)/profit before income tax		**(140,982)**	65,785
Adjustments for:			
Bank interest income	7	**(209)**	(246)
Dividend income	7	**(10,422)**	–
Write-off of other payable	7	**(642)**	–
Interest expense	8	**55,083**	61,911
Depreciation of property, plant and equipment	9	**1,303**	1,544
Depreciation of right-of-use assets	9	**3,113**	3,749
Impairment loss on intangible assets	16	**5,307**	–
Allowance for ECLs on loan and account receivables, net	22	**196,554**	14,494
Reversal of ECLs on other receivables	21(c)	**–**	(7,643)
Written off of prepayment	9	**100**	–
Bad debts written off of loan and account receivables, net	9	**6,684**	8,921
Equity-settled share-based payments	44	**5,443**	6,936
Fair value loss on contingent consideration payable	28	**–**	3,416
Loss/(gain) on disposal of property, plant and equipment	9	**16**	(32)
Gain on modification of lease	7	**–**	(79)
Operating profit before working capital changes		**121,348**	158,756
Decrease/(increase) in loan and account receivables		**313,435**	(51,742)
Decrease/(increase) in prepayments, deposits and other receivables		**125,778**	(10,413)
Increase in clients' monies in segregated account		**(18,945)**	(4,804)
Increase/(decrease) in accounts payables		**19,361**	(9,834)
Decrease in accruals and other payables		**(15,964)**	(440)
Decrease in deposits from financial leasing customers		**(7,607)**	(16,100)
Cash generated from operations		**537,406**	65,423
Income tax paid		**(15,985)**	(18,779)
Net cash generated from operating activities		**521,421**	46,644
Cash flows from investing activities			
Deposit refunded from/(paid to) acquire investment properties	18	**22,000**	(22,000)
Deposits paid to further acquire of interest in a non-wholly owned subsidiary and acquisition of interest in a company	19	**(133,000)**	–
Deposits paid for other assets		**(41)**	–
Purchase of financial assets at FVOCI	17	**–**	(20,000)
Refund from capital reduction of financial assets at FVOCI	17	**16,257**	–
Dividend income received from financial assets at FVOCI	17	**10,422**	–
Interest received from bank deposits	7	**209**	246
Purchase of property, plant and equipment	14	**(170)**	(2,282)
Repayment of contingent consideration payable	28	**(19,600)**	(19,600)
Repayment from a related party		**–**	144
Proceeds from disposal of property, plant and equipment		**–**	61
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	37, 38	**(96,500)**	(24,339)
Net cash used in investing activities		**(200,423)**	(87,770)

	Notes	2020 RMB'000	2019 RMB'000
Cash flows from financing activities			
Interest paid		**(44,662)**	(51,209)
Proceeds from bank loans		**226,000**	276,000
Repayment of bank loans		**(448,094)**	(257,045)
(Repayment to)/advance from related parties		**(3,314)**	2,635
Repayment of lease liabilities (including interest paid)	15	**(3,414)**	(4,118)
Repayment of promissory note	30	**–**	(15,000)
Proceeds from issuance of bonds	31	**17,787**	17,630
Proceeds from issuance of shares upon exercise of share options	33	**–**	66,140
Dividend paid		**(6,451)**	(17,478)
Net cash (used in)/generated from financing activities		**(262,148)**	17,555
Net increase/(decrease) in cash and cash equivalents		**58,850**	(23,571)
Cash and cash equivalents at beginning of the year		**37,862**	61,201
Effect of foreign exchange rate changes		**(541)**	232
Cash and cash equivalents at end of the year		**96,171**	37,862
Analysis of cash and cash equivalents			
Bank balances and cash in hand			
– general account and cash	24	**96,171**	37,862

The accompanying notes form an integral part of the consolidated financial statements.

1. GENERAL INFORMATION

Wealthy Way Group Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 10 December 2015 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing") by way of placing and public offer of shares on 21 July 2017. The registered office of the Company changed from P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands to P.O. Box 1350, Regatta Office Park, Windward 3, Grand Cayman KY1-1108, Cayman Islands, effective from 16 December 2020. The Company's principal place of business is at Room 02, 34/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are (i) provision of financial leasing, factoring and financial advisory services in the People's Republic of China (the "PRC"); (ii) provision of small loans and related loan facilitation services in the PRC; and (iii) provision of investment management and advisory services, securities dealing and broking services and other financial services in Hong Kong. In the opinion of the directors of the Company, the ultimate holding company of the Group is Wealthy Rise Investment Limited ("Wealthy Rise"), a company incorporated in the British Virgin Island ("BVI") which is wholly owned by Mr. Lo Wai Ho ("Mr. Lo").

2. BASIS OF PREPARATION AND PRESENTATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements also comply with applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

These consolidated financial statements have been prepared on historical cost basis except for certain financial instruments that are measured at fair value at the end of reporting period, as explained in the accounting policies set out below. The consolidated financial statements are presented in Renminbi ("RMB"). All values are rounded to the nearest thousand except when otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the consolidated financial statements for the year ended 31 December 2019 except for the adoption of certain new or amendments to HKFRSs that are relevant to the Group and effective from the current period as set out in Note 3.

It should be noted that accounting estimates and assumptions have been used in preparation of these consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are set out in Note 5 "Significant accounting judgements and estimates".

3. ADOPTION OF NEW OR AMENDMENTS TO HKFRSs

New or amendments to HKFRSs in issue and effective

In the current year, the Group has adopted, for the first time, the following new or amendments to HKFRSs issued by the HKICPA, which are relevant and mandatorily effective for the accounting period beginning on 1 January 2020 for the preparation of the Group's consolidated financial statements:

HKAS 1 and HKAS 8 Amendments	Definition of Material
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKFRS 3 Amendments	Definition of a Business
HKFRS 9, HKAS 39 and HKFRS 7 Amendments	Interest Rate Benchmark Reform

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

Further, the Group has early adopted Amendments to HKFRS 16 COVID-19-Related Rent Concessions ("HKFRS 16 Amendments") which are mandatorily effective for annual periods beginning on or after 1 June 2020 in preparing the consolidated financial statements for the year ended 31 December 2020.

HKFRS 3 Amendments

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The adoption of the amendments had no impact on the consolidated financial statements in the current year as similar conclusion would have been reached without applying the optional concentration test.

3. ADOPTION OF NEW OR AMENDMENTS TO HKFRSs (Continued)

New or amendments to HKFRSs in issue and effective (Continued)

HKFRS 16 Amendments

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

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

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

The adoption of the amendment had no impact to the opening retained profits at 1 January 2020 and financial performance and position for and as of the year ended 31 December 2020.

3. ADOPTION OF NEW OR AMENDMENTS TO HKFRSs (Continued)

New or amendments to HKFRSs in issue but not yet effective

The Group has not early adopted any of the following new or amendments to HKFRSs, which have been issued but are not yet effective, in these consolidated financial statements:

		Effective for annual reporting periods beginning on or after
Amendments to HKAS 28 and HKFRS 10	Sale or Contribution of Assets between an Investor and its associate or Joint Venture	To be determined*
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contacts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
HKFRS 17	Insurance contracts and related Amendments	1 January 2023

* The amendments were original intended to be effective for annual periods beginning on or after 1 January 2019. The effective date has now been deferred. Early adoption of the amendments continues to be permitted.

The Group has already commenced an assessment of the related impact of adopting the above new or amendments to HKFRSs. So far, it has concluded that the above new or amendments to HKFRSs will be adopted at the respective effective dates and the adoption of them is unlikely to have a significant impact on these consolidated financial statements of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. Control is achieved when the Company has power over the investee, that expose or give rights to variable returns from its involvement with the investee, and the Company is able to use its power to affect the amount of returns from the investee. Generally, control is achieved with a shareholding of more than one half of the voting rights over the relevant activities of the investee. The existence and effect of potential voting rights that are exercisable or convertible are considered when assessing whether the Company controls another entity. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Basis of consolidation (Continued)

Business combinations

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any investment retained and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The Group's share of components previously recognised in other comprehensive income is reclassified to the consolidated income statement or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Basis of consolidation (Continued)

Business combinations (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 Financial Instruments ("HKFRS 9") in the profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of changes in equity.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective.

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

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the recoverable amount of the asset is estimated. An asset's recoverable amount is the higher of the value in use of the asset or cash-generating unit to which it belongs and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

4.3 Property, plant and equipment

Property, plant and equipment are stated at cost, less provision for depreciation and impairment losses, if any.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the item has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to profit or loss in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the item and the cost of such item can be measured reliably, the expenditure is capitalised as an additional cost of the item.

Depreciation is calculated using the straight-line method to allocate their costs to their residual value over the estimated economic useful life of the individual assets, as follows:

Leasehold improvements	The shorter of the lease terms and 3 to 5 years
Right-of-use assets	The lease terms
Furniture and office equipment	3 to 10 years
Motor vehicles	3 to 10 years

The assets' residual values and useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

Right-of-use assets for buildings are depreciated over their expected useful lives on the same basis as owned. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the lease term.

When an item of property, plant and equipment is sold, its cost and accumulated depreciation are derecognised and any gain or loss resulting from the disposal, being the difference between the net disposal proceeds and the carrying amount of the asset, is included in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(A) As a lessee

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. The Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The cost of right-of-use assets

The cost of right-of-use assets includes:

– the amount of the initial measurement of lease liability;

– any lease payments made at or before the commencement date, less any lease incentives received;

– any initial direct costs incurred by the Group; and

– where applicable, an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the underlying the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, discounted to their present value under HKAS 37 "Provisions, contingent liabilities and contingent assets".

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Lease (Continued)

(A) As a lessee (Continued)

The cost of right-of-use assets (Continued)

The right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses (see Note 4.2), and adjusted for any remeasurement of lease liabilities, other than adjustments to lease liabilities resulting from COVID-19-Related rent concessions in which the Group applied the practical expedient.

The right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

– fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;

– variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;

– the amount expected to be payable by the Group under residual value guarantees;

– the exercise price of purchase options, if the Group is reasonably certain to exercise the option; and

– payments of penalties for terminating the lease, if the lease term reflects the Group exercising of an option to terminate the lease.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Lease (Continued)

(A) As a lessee (Continued)

Lease liabilities (Continued)

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability right-of-use assets, and are recognised as expense in the accounting period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

– the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

– the lease payments changes due to changes in market rental rates following a market rent review or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

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

Lease modifications

Except for COVID-19-Related rent concession in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

– the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

– the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discounted rate at the effective date of the modification. The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Lease (Continued)

(A) As a lessee (Continued)

COVID-19-Related rent concessions

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

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

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

(B) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

Amounts due from lessees under finance leases are recorded as loan and account receivables at the commencement date at the amount of the Group's net investment in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Financial leasing income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Allocation of consideration to components of a contract

The Group applies HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Lease (Continued)

(B) As a lessor (Continued)

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in consideration of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Sale and leaseback transaction

For a transfer of asset that does not satisfy the requirements of HKFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a loan receivable equal to the transfer proceeds within the scope HKFRS 9.

4.5 Intangible assets

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

The Group's intangible assets represent the trading rights to dealing of securities in the Stock Exchange and the licences granted by Securities and Futures Commission (the "SFC").

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible asset with finite useful life is provided on a straight-line basis over its estimated useful life. Intangible assets with indefinite useful lives are not amortised. The useful life of an intangible asset with an indefinite life is revised annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment form being indefinite to finite is accounted for on a prospective basis.

Intangible assets are tested for impairment as described in Note 4.2 to the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

The short-term employee benefits are accrued in the year in which the associated services are rendered by employees.

The Group participates in defined contribution retirement benefit schemes for those employees who are eligible to participate. Contributions are charged to profit or loss as they are paid/become payable in accordance with the rules of the scheme.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The employees of the subsidiaries within the Group which operate in the PRC are required to participate in the central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme as specified by the local municipal government. The Group has no legal or construction obligations to pay further contributions after payment of the fixed contributions.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4.7 Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2019. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVPL are recognised immediately in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") and FVPL.

The Group assesses the classification and measurement of a financial asset based on the contractual cash flows characteristics of the asset and the Group's business model for managing the asset.

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

– the financial asset is held within a business model whose objective is to collect contractual cash flows; and

– the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

– the financial asset is held within a business model whose objective is to collect contractual cash flows and selling; and

– the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

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

Financial assets are classified as FVPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of business combination to which HKFRS applies; (ii) held for trading; or (iii) it is designated at FVPL.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

Financial assets (Continued)

A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near term; or

– on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective hedging instrument.

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

Financial assets at amortised cost

For an asset to be classified and measured at amortised cost, its contractual terms should give rise to cash flows that are SPPI.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business model for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregate rather than on instrument-by-instrument basis.

The Group's business models for managing its financial instrument reflects how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (Continued)

The Group considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Group does not reasonably expect to occur, such as so-called "worst case" or "stress case" scenarios. The Group takes into account all relevant evidence available such as:

– how the performance of the business model and the financial assets held within the business model are evaluated and reported to the entity's key management personnel;

– the risks that affect the performance of the business model and, in particular, the way in which these risks are managed.

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassesses its business models each reporting period to determine whether the business models have changed since the preceding period.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to the expected credit loss ("ECL") assessment.

Effective interest method

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

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

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income which are derived from the Group's ordinary course of business are recognised in profit or loss and included in the "Revenue" line item.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVOCI

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group subsequently measures all equity investments at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the "Financial asset at FVOCI reserve". Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated income statement as "Other income" when the Group's right to receive payments is established.

For the investment in debt instruments, they are subsequently measured at fair value. Interest income calculated using effective interest method. Impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Financial assets at FVPL

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

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

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including loan and account receivables, deposits and other receivables, amounts due from related parties and cash and cash equivalents) The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment under ECL model (Continued)

The Group always recognises simplified approach and recorded lifetime ECLs for the financial leasing receivable and account receivables from financial advisory and loan facilitation services and securities dealing and broking business (arising from cash clients and clearing house) and contract assets (if any) that result from transactions within the scope of HKFRS 15 and the ECL on these assets are assessed individually for debtors with significant balances.

For other financial assets, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on financial assets has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in this likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial assets being credit-impaired at the reporting date or an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, government bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– an actual or expected significant adverse change in regulatory, economic or technological environment of the debtor that results in a significant decrease in debtor's abilities to meet the debt obligations; and

– past due information.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment under ECL model (Continued)

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For account receivables from margin client, the Group will also consider there has been a significant increase in credit risk when clients cannot meet the margin call requirement and uses the loan-to-collateral value ("LTV") to make its assessment.

Depending on the nature of the financial assets, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial assets are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

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

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

Definition of default

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

Irrespective of the above, the Group considers that default has occurred when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

However, in certain case, the Group may also consider a margin client receivable to be in default when there is a margin shortfall which indicates the Group is unlikely to receive the outstanding contractual amounts in full taking into account the pledged securities held by the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment under ECL model (Continued)

Credit-impaired financial assets

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

– significant financial difficulty of the issuer or the borrower;

– a breach of contract, such as a default or past due event;

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

– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

When assessing the likelihood of the borrower to pay its credit obligation, the Group takes into account both quantitative and qualitative indicators. Qualitative indicator, such as the breach of covenants, and quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group uses a variety of sources of information to assess credit-impaired which are either developed internally or obtained from external sources.

It may not be possible to identify a single discrete event – instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group reassesses whether the financial assets measured at amortised cost are credit-impaired at each reporting date.

Write-off policy

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment under ECL model (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, these are represented by the assets' gross carrying amount at the reporting date.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For financial leasing receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

– nature of financial instruments (i.e. the Group's loan and account receivables, deposits and other receivables are each assessed as a separate group. Advance to a related party are assessed for ECLs on an individual basis);

– past-due status;

– nature, size and industry of debtors; and

– external credit ratings where available.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-m ECL at the current reporting date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

Financial assets (Continued)

Impairment under ECL model (Continued)

Measurement and recognition of ECL (Continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Derecognition of financial assets

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

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity instruments

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

Equity instruments

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

The Group classifies its financial liabilities at initial recognition, as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fee paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Financial liabilities subsequently measured at amortised cost

After initial recognition, the financial liabilities including account payables, deposits from financial leasing customers, dividend payable, accruals and other payables, lease liabilities, amounts due to related parties, the debt components of bond payable and promissory note and bank and other borrowings are subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Financial liabilities measured at FVPL

Financial liabilities at FVPL include (1) contingent consideration of an acquirer in a business combination, (2) held- for-trading, or (3) designated as at FVPL. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequently to initial recognition, the changes in fair value of the financial liabilities measured at fair value is recognised in profit or loss in the period in which they arise.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are recognised as financial liability at the time the guarantee is issued, and are initially measured at their fair values, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies over the guarantee period.

The fair value of financial guarantee is determined based on the present value of the differences in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Share-based payments

The Group operates a share option scheme for remuneration of its employees (including the directors of the Company) and other eligible participants.

The employee services received in exchange for the grant of any share options are measured at their fair value. These are indirectly determined by reference to the share options granted. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

For the services received from the parties other than employees, there shall be a rebuttable presumption that the fair value of the services received can be estimated reliably. The fair value shall be measured at the date the counterparties render service. If the entity rebuts the presumptions because it cannot estimate reliably the fair value of the services received, the entity shall measure the services received, indirectly by reference to the fair value of the share options awarded.

All services received in exchange for the grant of share options is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in "Share-based payment reserve" within equity. If service or non-market performance conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market performance and service conditions are included in assumptions about the number of share options that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

Where a grant of share options is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the grant is recognised immediately. This includes any grant where non-vesting conditions within the control of either the Group or the employee are not met.

At the time when the share options are exercised, the amount previously recognised in share-based payment reserve and the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

4.9 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and demand deposits, and short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

4.11 Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carried forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carried forward unused tax credits and unused tax losses can be utilised, except in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Income tax (Continued)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4.12 Fair value measurement

The Group measures its financial instruments at fair value at the end of reporting period. Fair value is the price that will be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that will use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3: Based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers in an amount the reflects the consideration to which the entity expects to be entitled in exchange for those services. Specially, the Group uses a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligation in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligation in the contract

Step 5: Recognised revenue when (or as) the entity satisfies a performance obligation

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

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

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

– the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

– the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

– direct measurements of the value transferred by the Group to the customer; or

– the Group's efforts or inputs to the satisfaction of the performance obligation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Revenue recognition (Continued)

If a contract involves multiple services, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for ECL in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to a contract are accounted for a presented on a net basis.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing incremental costs to obtain contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Costs to fulfil a contract

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

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

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

– the costs are expected to be recovered.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Revenue recognition (Continued)

Costs to fulfil a contract (Continued)

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. The customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(a) Interest income

Interest income from financial asset is recognised as revenue in profit or loss over the terms of the contracts, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's amortised cost.

(b) Financial advisory fee income

The Group provides customised financial advisory services to its customers. The Group conducts feasibility studies on various financing solutions, design financing structures and solutions based on the credit profiles of its customers. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognised progressively over time using the cost-to-cost method, i.e. input method based on the proportion of the actual staff costs incurred relative to the estimated total staff costs because the Group has the right to be paid for work done to date if the customer were to cancel the service agreement before the consulting services was fully completed.

(c) Loan facilitation service income

The total service fees are collected partially upfront at the inception of the loan and the remaining fees are collected subsequently on a monthly basis over the loan period. The consideration received from the borrowers generally includes the services fees for facilitating loan origination (matching of investors and borrowers and facilitating the execution of loan agreements) and for providing ongoing monthly services (cash processing services and collection services). The service fee of upfront loan facilitation is recognised as revenue upon execution of loan agreements while the service fee of post loan facilitation services is deferred and recognised over the period of the loan on a straight-line method, which approximates the pattern of when the underlying services are performed. When the cash received is different from the revenue recognised, a "Contract Asset" or "Contract Liability" shall be recognised in the consolidated statement of financial position.

(d) Commission and brokerage income from security dealing

The Group provides broking services to customers on securities trading. Commission and brokerage income at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trade executed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Revenue recognition (Continued)

Costs to fulfil a contract (Continued)

(e) Placing and underwriting service income

The Group provides underwriting, sub-underwriting and placing services to customers. Revenue is recognised at a point in time when the relevant underwriting, sub-underwriting and placing activities are completed. Payments are received in accordance to the completion of relevant underwriting, sub-underwriting and placing activities as specified in the agreement. The period from satisfaction of the performance obligation to receipt of consideration is usually within one year or less.

4.14 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.15 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under "Other income" in the consolidated statement of comprehensive income.

4.16 Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Hong Kong dollars ("HK$'000"). The consolidated financial statements is presented in RMB since most of the companies comprising the Group are operating in RMB environment and the functional currency of most of the companies comprising the Group is RMB.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Foreign currencies (Continued)

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rate at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates or at the average rate over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

4.17 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the parent of the Company.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires the directors of the Company to make judgements, estimates and assumptions that affect the adoption of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

(i) Timing of satisfaction of performance obligation for financial advisory and loan facilitation services

The recognition of the financial advisory and post loan facilitation services income requires judgements by the directors of the Company in determining the timing of satisfaction of performance obligations.

In making their judgement, the directors of the Company considered the detailed criteria for recognition of revenue set out in HKFRS 15 and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the details of the terms of transaction as stipulated in the contracts entered into with its customers and counterparties.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(i) Timing of satisfaction of performance obligation for financial advisory and loan facilitation services (Continued)

Regarding the financial advisory services, the directors of the Company have assessed that the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date pursuant to the PRC laws and regulations. Therefore, the directors of the Company have satisfied that the performance obligation in respect of the financial advisory service fee income is satisfied over time and have recognised such income over the period of services.

The Group considers the loan facilitation services and ongoing management monthly services as distinct performance obligations. In respect of the upfront facilitation services, the directors of the Company have assessed that the customers consume benefits only after the Group performed the obligation (i.e. successfully matched the lenders and the customers and facilitated the execution of agreements), the service fee income is satisfied at a point in time and is recognised as revenue upon the dispatch of loans to customers. In respect of the post loan facilitation services, the directors of the Company have assessed that the customers simultaneously receive and consume benefit provided by the Group's performance as the Group performs. The Group is required to provide the necessary services to the customers over the loan period. Therefore, the directors of the Company have satisfied that the performance obligation in respect of the service fee income is satisfied over time and have recognised such income over the loan period.

Despite the loan facilitation services and ongoing management monthly services are distinct performance obligations, the Group does not provide these services separately, and the third-party evidence of selling price does not exist either, as public information is not available regarding the amount of fees competitors charge for these services. As a result, the Group uses the expected-cost-plus-a-margin approach to determine its best estimate of selling prices of the different deliverables as the basis for allocation. When estimating the selling prices, the Group considers the cost related to such services, profit margins, customers demand, effect of competition, and other market factors, if applicable.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(ii) Allowance for ECLs on loan receivables

The allowance for ECLs on the loan receivables are estimated based on assumptions about the risk of default and credit risk of respective receivables. The loss allowance amount is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective receivables. Such assessment involves high degree of estimation and uncertainty. When the actual future cash flows are less or more than expected, a material ECLs or material reversal of ECLs may arise, accordingly.

The following significant judgements are required in applying the accounting requirements for measuring the ECL:

Significant increase of credit risk

As explained in Note 4.7, ECL are measured as an allowance equal to 12-m ECL or lifetime ECL for respective receivables. An asset will use lifetime ECL when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account quantitative and qualitative reasonable and supportable forward looking information including available customers' historical data and existing and forecast market conditions.

Model and assumptions used

ECLs on the loan receivables which are not assessed to be credit impaired are estimated using a calculation model using observable data as at the end of the reporting period, including the difference between (i) the effective interest rates of interest charged by the Group for similar categories of the loans and the risk-free rate of respective regions; (ii) administrative service cost of the Group; and (iii) the weighting of the loan receivables under different categories of loan receivables at each of the reporting dates, and GDP growth and unemployment rate, etc. Judgements is applied in identifying the most appropriate ECL model as well as for determining the assumption used in the model, including those relate to key drivers of credit risk.

The Group's allowance for ECLs on loan receivables may also take into account the subsequent settlement, collateral valuation and the management's judgement on the effectiveness and marketability of the collateral properties and customers' capability of payment at the estimated valuation and the actual valuation may differ from the estimation.

(iii) Estimated impairment of non-financial assets

The Group and the Company review the non-financial assets including the intangible assets annually, or when there is an indications of impairment at the end of each reporting period according to accounting policies set out in Note 4.

Determining whether non-financial assets are impaired requires an estimation of the recoverable amount of the cash-generating units ("CGUs") to which non-financial assets have been allocated. The recoverable amount calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value or recent transactions prices of similar assets when they are available, for assets. Where the estimation of recoverable amount is different, there will be a material impact to the Group's profit or loss.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(iv) Estimation of current tax and deferred tax

The Group is subject to income taxes in jurisdictions in which the group entities operates. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is subject to the final approval of annual tax return the group entities filed with the relevant tax authorities. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(v) Determination of estimated incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions). The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

(vi) Fair value measurement of financial instruments

One of the Group's financial instruments is measured at fair value for the financial reporting purpose. The best evidence of fair value is the published price quotations in an active market. In the absence of such information, the fair value is determined by the management with the assistance of an independent professional valuer. Such valuation is subject to limitations of the valuation models adopted and the uncertainty in estimates used by management in the assumptions. A degree of judgement is also required including consideration of parameters such as liquidity risk, credit risk, size premium and volatility. Should the estimates and the relevant parameters of the valuation models be changed, there would be material changes in the fair value of certain financial instruments without quoted prices. Detailed information in relation to the fair value measurement of the respective financial instruments are set out in the applicable notes.

6. SEGMENT INFORMATION

HKFRS 8, Operating Segments, required identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the chief operating decision maker (the "CODM") of the Group, being the executive directors of the Company, for the purpose of resources allocation and performance assessment.

The Group's operating and reportable segments under HKFRS 8 are as follows:

(i)	Finance lease and factoring related services	–	Provision of (a) direct finance leasing; (b) sale and leaseback; (c) factoring; and (d) related advisory services in the PRC.
(ii)	Micro credit and loan facilitation related services	–	Provision of (a) micro-credit; and (b) loan facilitation related services in the PRC.
(iii)	Securities dealing and broking and other financial services	–	Provision of securities brokerage, share placing and margin financing and other financial services in Hong Kong.

During the year, the Group has changed the way in how operating segments are presented and reported internally to CODM. "Money lending" segment has been split into "Finance lease and factoring related services" segment, "Micro credit and loan facilitation related services" segment and the money lending business in Hong Kong included in "Money lending" segment is reallocated to "Securities dealing and broking and other financial services" for the year ended 31 December 2020.

Certain comparative figures of segment information were therefore restated to conform with current year's presentation.

The Group's operating segments are strategic business units that offer different services. They are managed separately because each business requires different marketing strategies.

6. SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

	Finance lease and factoring related services RMB'000	Micro credit and loan facilitation related services RMB'000	Securities dealing and broking and other financial services RMB'000	Total RMB'000
For the year ended 31 December 2020				
Revenue				
External income	61,027	108,455	6,612	176,094
Segment results	(144,195)	32,241	(6,770)	(118,724)
Unallocated corporate income				978
Unallocated corporate expenses				(23,236)
Loss before income tax				(140,982)
Income tax credit				34,149
Loss for the year				(106,833)

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	Finance lease and factoring related services RMB'000	Micro credit and loan facilitation related services RMB'000	Securities dealing and broking and other financial services RMB'000	Total RMB'000
For the year ended 31 December 2019 (restated)				
Revenue				
External income	62,789	131,640	2,188	196,617
Segment results	42,892	45,809	4,943	93,644
Unallocated corporate income				1
Unallocated corporate expenses				(24,444)
Fair value loss on contingent consideration payable				(3,416)
Profit before income tax				65,785
Income tax expense				(24,421)
Profit for the year				41,364

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results represents profit earned by or loss incurred from each segment without allocation of certain other income, fair value loss on contingent consideration payable and certain other operating expenses. This is the measure reported to the CODM of the Company, for the purposes of resources allocation and assessment of segment performance. There were no inter-segment sales for the year.

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's segment assets and segment liabilities by operating and reportable segment:

	Finance lease and factoring related services RMB'000	Micro credit and loan facilitation related services RMB'000	Securities dealing and broking and other financial services RMB'000	Total RMB'000
As at 31 December 2020				
Segment assets	557,231	507,717	64,245	1,129,193
Deferred tax assets				62,559
Financial asset at FVOCI				33,196
Deposits for further acquisition of interest in a non-wholly owned subsidiary and acquisition of interest in a company				133,000
Unallocated corporate assets				10,939
Consolidated total assets				1,368,887
Segment liabilities	430,218	121,991	25,342	577,551
Tax payable				180
Promissory note				72,050
Bond payable				33,681
Unallocated corporate liabilities				11,549
Consolidated total liabilities				695,011

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

	Finance lease and factoring related services RMB'000	Micro credit and loan facilitation related services RMB'000	Securities dealing and broking and other financial services RMB'000	Total RMB'000
As at 31 December 2019 (restated)				
Segment assets	838,639	689,523	84,471	1,612,633
Deferred tax assets				20,240
Financial asset at FVOCI				49,684
Deposits for acquisition of investment properties				22,000
Unallocated corporate assets				6,082
Consolidated total assets				1,710,639
Segment liabilities	468,798	295,052	7,180	771,030
Tax payable				7,933
Contingent consideration payable				19,600
Promissory note				66,922
Bond payable				17,879
Unallocated corporate liabilities				32,934
Consolidated total liabilities				916,298

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

For the purpose of monitoring segment performances and allocating resources between segments:

– All assets are allocated to operating segments other than financial asset at FVOCI, deposits for acquisition of investment properties, deposits for further acquisition of interest in a non-wholly owned subsidiary and acquisition of interest in a company, deferred tax assets and unallocated corporate assets.

– All liabilities are allocated to operating segments other than contingent consideration payable, promissory note, bond payable, tax payable and unallocated corporate liabilities.

Other segment information

Amounts included in the measure of segment results or segment assets:

	Finance lease and factoring related services RMB'000	Micro credit and loan facilitation related services RMB'000	Securities dealing and broking and other financial services RMB'000	Unallocated RMB'000	Total RMB'000
For the year ended 31 December 2020					
Additions to non-current assets*	–	515	–	–	515
Depreciation of property, plant and equipment	(127)	(513)	(6)	(657)	(1,303)
Depreciation of right-of-use assets	(526)	(1,559)	(94)	(934)	(3,113)
Impairment loss on intangible assets	–	–	(5,307)	–	(5,307)
Bad debts written off of loan and account receivables, net	(1,403)	(5,281)	–	–	(6,684)
Written off of prepayment	(100)	–	–	–	(100)
Allowance for ECLs on loan and account receivables, net	(173,855)	(18,676)	(4,023)	–	(196,554)
Loss on disposal of property, plant and equipment	(14)	(2)	–	–	(16)
Write-off of other payable	–	–	–	642	642

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

	Finance lease and factoring related services RMB'000	Micro credit and loan facilitation related services RMB'000	Securities dealing and broking and other financial services RMB'000	Unallocated RMB'000	Total RMB'000
For the year ended 31 December 2019 (restated)					
Additions to non-current assets*	2,315	873	–	1,748	4,936
Depreciation of property, plant and equipment	(129)	(765)	(23)	(627)	(1,544)
Depreciation of right-of-use assets	(410)	(2,356)	(47)	(936)	(3,749)
Bad debts written off of loan and account receivables, net	–	(8,921)	–	–	(8,921)
Allowance for ECLs on loan and account receivables, net	9,824	(20,804)	(3,514)	–	(14,494)
Reversal of ECLs on other receivables	–	–	7,643	–	7,643
Fair value loss on contingent consideration payable	–	–	–	(3,416)	(3,416)
Gain on modification of lease	–	79	–	–	79
Gain on disposal of property, plant and equipment	–	32	–	–	32

* Non-current assets included property, plant and equipment and right-of-use assets for the reporting period.

6. SEGMENT INFORMATION (Continued)

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers. Information about the Group's non-current assets other than financial instruments and deferred tax assets, is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets as at 31 December	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
The PRC	**169,482**	193,107	**4,330**	6,511
Hong Kong	**6,612**	3,510	**6,988**	11,625
	176,094	196,617	**11,318**	18,136

Information about major customers

None of the customers of the Group individually contributed10% or more of total revenue of the Group for the year ended 31 December 2020. One customer contributed to 10% or more of the total revenue of Group for the year ended 31 December 2019, which amounted to approximately RMB22,802,000.

7. REVENUE AND OTHER INCOME

An analysis of the Group's revenue and other income is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Point in time		
– Upfront loan facilitation service income	–	3,261
– Commission and brokerage income from securities dealing	1,345	341
– Placing and underwriting service income	218	6
– Financial advisory services income		
– Financial leasing advisory services income	–	64
– Other financial advisory service income	–	2,203
Over time#		
– Post loan facilitation service income	35,200	40,265
– Financial advisory services income		
– Financial leasing advisory services income	1,039	–
– Other financial advisory service income	44	–
	37,846	46,140
Revenue from other sources*		
– Interest income from financial leasing	36,578	42,525
– Interest income from factoring	23,410	17,997
– Interest income from small loans	73,255	88,113
– Interest income from margin financing	1,377	747
– Interest income from other loans	3,628	1,095
	138,248	150,477
Total revenue	176,094	196,617
Other income		
Bank interest income	209	246
Other taxes refund (Note (a))	709	9,097
Dividend income from financial assets at FVOCI (Note 17)	10,422	–
Gain on disposal of property, plant and equipment	–	32
Gain on modification of lease (Note 15)	–	79
Government grant (Note (b))	621	–
Refund of unemployment insurance premium (Note (c))	322	–
Write-off of other payable	642	–
Sundry income	456	204
	13,381	9,658

* Interest income were calculated using the effective interest income according to HKFRS 9. All the interest income disclosed in the above came from financial assets not at FVPL.

\# The Group applies the practical expedient in paragraph 21 of HKFRS 15 and does not disclose information about remaining performance obligation that have original expected duration of one year or less.

7. REVENUE AND OTHER INCOME (Continued)

Notes:

(a) The amount represented the one-off refund of excess input value added tax ("VAT"). Following the announcements issued by the China's State Council concerning the VAT, the Ministry of Finance and the State Administration of Taxation promulgated the implementation rules of (i) transition from business tax to VAT and (ii) the change in VAT rates. Such changes were applied to several sectors including finance lease industry, and the Group has an unconditional right to the above refund when the application is approved by the relevant authorities.

(b) Government grants of approximately RMB576,000 (equivalent to HK$648,000) (2019: Nil) have been received in June and September 2020 in respect of subsidy for staff costs according to the Employment Support Scheme ("ESS") launched by The Government of the Hong Kong Special Administrative Region ("HKSAR"), which aims to provide time-limited financial support to the Group for the period from June to November 2020 to retain employees who may otherwise redundant. The amount has been recognised as other income during the year ended 31 December 2020 due to the Group has fulfilled conditions and other contingencies attached to the receipts.

Government grants of RMB45,000 (equivalent to HK$50,000) (2019: Nil) have been received in June 2020 in respect of one-off non-accountable subsidiary for eligible participants of the Stock Exchange of Hong Kong ("SEHK") and/or participants of the Hong Kong Futures Exchange ("HKFE") launched by HKSAR, which aims to alleviate the participants' operating burden and pressure. The amount has been recognised as other income upon receipt.

(c) Refund of unemployment insurance premiums have been received by the Group in respect of one of the measures launched by PRC to reduce the financial burden on enterprises affected by the coronavirus epidemic. The amount has been recognised as other income during the year ended 31 December 2020 due to the Group has met certain criteria which to make no or limited redundancies.

8. FINANCE COST

	2020 **RMB'000**	2019 RMB'000
Interest on bank and other borrowings	**43,473**	50,845
Interest on lease liabilities (Note 15)	**354**	552
Interest on bond payable (Note 31)	**2,814**	599
Interest on promissory note (Note 30)	**8,442**	9,915
	55,083	61,911

9. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging/(crediting):

	2020 RMB'000	2019 RMB'000
Auditor's remuneration		
– Audit services	**783**	775
Depreciation charged on:		
– property, plant and equipment (Note 14)	**1,303**	1,544
– right-of-use assets (Note 15)	**3,113**	3,749
	4,416	5,293
Impairment loss on intangible assets (Note 16)	**5,307**	–
Acquisition-related costs incurred (Note 37)	**–**	536
Employee benefit expenses (including directors' remuneration (Note 10))		
– Salaries, allowances and benefits in kind	**26,196**	18,758
– Retirement benefit scheme contributions	**1,661**	3,108
– Equity settled share-based payment	**4,008**	783
	31,865	22,649
Equity settled share-based payment (Note 44)		
– Employee benefit expenses (as above)	**4,008**	783
– Referral fees/Consultancy fees	**1,435**	6,153
	5,443	6,936
Commission paid	**13,562**	13,522
Operating lease expenses	**366**	442
Foreign exchange difference, net	**917**	23
Loss on disposal of property, plant and equipment	**16**	–
Reversal of ECLs on other receivables (Note 21(c))	**–**	(7,643)
Bad debts written off of loan and account receivables, net	**6,684**	8,921
Written off of prepayment	**100**	–

10. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT

(a) Directors and chief executive emoluments

Details of emoluments paid and payable by the entities comprising the Group to the directors of the Company (including emoluments for his/her services as the employees/directors of the Group entities prior to becoming the directors of the Company) during the year are as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Equity settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2020					
Executive directors					
Mr. Lo (Note (i))	**534**	**–**	**16**	**–**	**550**
Ms. Chan Shuk Kwan, Winnie ("Ms. Chan")	**534**	**–**	**16**	**–**	**550**
Mr. Xie Weiquan ("Mr. Xie") (Note (ii))	**107**	**446**	**32**	**40**	**625**
Independent non-executive directors					
Mr. Ha Tak Kong ("Mr. Ha")	**160**	**–**	**–**	**–**	**160**
Mr. Ip Chi Wai ("Mr. Ip")	**160**	**–**	**–**	**–**	**160**
Mr. Kam Wai Man ("Mr. Kam) (Note (iii))	**160**	**–**	**–**	**–**	**160**
	1,655	**446**	**64**	**40**	**2,205**
Year ended 31 December 2019					
Executive directors					
Mr. Lo (Note (i))	529	–	16	–	545
Ms. Chan	529	–	16	–	545
Mr. Xie (Note (ii))	106	299	36	60	501
Independent non-executive directors					
Mr. Ha	106	–	–	–	106
Mr. Ip	106	–	–	–	106
Ms. Hung Siu Woon Pauline ("Ms. Hung") (Note (iii))	88	–	–	–	88
	1,464	299	68	60	1,891

10. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT (Continued)

(a) Directors and chief executive emoluments (Continued)

Notes:

(i) Mr. Lo, one of the executive directors of the Company, is also the chairman and the chief executive officer of the Group.

(ii) Mr. Xie was re-designated from non-executive director to executive director on 2 January 2020.

(iii) Following the passing away of Ms. Hung on 19 October 2019, Mr. Kam was appointed as an independent non-executive director on 2 January 2020.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group and the non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

There was no arrangement under which a director waived or agreed to waive any remuneration for the year ended 31 December 2020 (2019: Nil).

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, nil (2019: two) was a director. The emolument of the remaining five (2019: three) non-director individuals, one (2019: two) individuals whose remuneration fell within the band of Nil to HK$1,000,000 (equivalent to approximately RMB889,000) and four (2019: one) individuals whose remuneration fell within the band of HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB889,000 to RMB1,334,000) were as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries, allowances and benefits in kind	**2,309**	2,940
Retirement benefit scheme contributions	**121**	208
Equity settled share-based payments	**2,126**	165
	4,556	3,313

During the year, no emolument was paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil).

10. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT (Continued)

(c) Senior management's emoluments

The number of senior management (excluding the directors of the Company) whose remuneration fell within the following bands is as follows:

	2020 **RMB'000**	2019 RMB'000
Nil to HK$1,000,000 (equivalent to approximately RMB889,000)	**3**	3
HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB889,001 to RMB1,334,000)	**1**	1

11. INCOME TAX (CREDIT)/EXPENSE

	Notes	**2020** **RMB'000**	2019 RMB'000
The charge comprises:			
Current tax – PRC Enterprise Income Tax ("EIT")	(c)		
– current year provision		**10,361**	21,301
– overprovision in prior years		**(2,335)**	–
Current tax – Hong Kong Profits Tax	(d)		
– current year provision		**216**	–
Deferred tax (credit)/expense, net	32	**(42,391)**	3,120
		(34,149)	24,421

Notes:

(a) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which entities in the Group are domiciled and operated.

(b) Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax under these jurisdictions.

(c) PRC EIT is calculated at 25% (2019: 25%) of the estimated assessable profits of subsidiaries operating in the PRC except for two subsidiaries of the Company as mentioned below. In accordance with relevant laws and regulations in the PRC, enterprises established in the Qianhai Shenzhen-Hong Kong Modern Services Industry Cooperation Zone ("Zone") are eligible for a reduced EIT rate of 15%, provided that the enterprise is engaged in projects that fall within the Catalogue for EIT Preferential Treatments of the Zone. One of the subsidiaries is entitled to the 15% preferential tax rate for the years 2018 to 2020.

Besides, according to the Notice on Implementing the Policy of Inclusive Tax Relief for Small and Micro Enterprises ("SMEs"), released by the Ministry of Finance on January 2019, qualified SMEs with annual taxable income below RMB1 million per year entitled to a preferential EIT rate of 20% on 25% of their income. Whereas, qualified SMEs with taxable income from RMB1 to 3 million entitled to a preferential EIT rate of 20% on 50% of their income. One of the subsidiaries is entitled to the preferential tax rate for the years 2020 to 2021.

11. INCOME TAX (CREDIT)/EXPENSES (Continued)

Notes: (Continued)

(d) Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits of the qualifying group entities will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million (2019: the Group did not generate any assessable profits arising in Hong Kong).

The income tax expense for the year can be reconciled to the accounting (loss)/profit before income tax per the consolidated statement of comprehensive income as follows:

	2020 RMB'000	2019 RMB'000
(Loss)/profit before income tax	**(140,982)**	65,785
Tax calculated at the rates applicable to the tax jurisdiction concerned	**(35,252)**	17,013
Tax effect of non-taxable income	**(3,039)**	(1)
Tax effect of non-deductible expenses	**6,256**	7,415
Utilisation of tax losses previously not recognised	**(30)**	(25)
Tax effect of tax losses not recognised	**251**	16
Prior years' overprovision	**(2,335)**	–
Others	**–**	3
Income tax expense	**(34,149)**	24,421

12. DIVIDEND

(a) Dividend attributable to the year

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: proposed final dividend amounted to RMB6,952,000 at HK5 cents per ordinary share).

(b) Dividend attributable to the previous financial year, approved and paid during the year

	2020 RMB'000	2019 RMB'000
Final dividend in respect of the previous financial year of HK5 cents (2019: HK3 cents) per ordinary share	**6,952**	3,795
Adjustment to the final dividend (Note)	**–**	307
	6,952	4,102

Note: The adjustment was made due to shares issued prior to the record date of the final dividend, and, therefore, the related shares ranked for this dividend payment.

13. (LOSS)/EARNINGS PER SHARE

	2020	2019
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(111,642)**	36,270
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share (in '000)	**155,523**	151,764
Effect of dilutive potential ordinary shares – share options (in '000)	**–**	–
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share (in '000)	**155,523**	151,764

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 31 December 2020, the dilutive potential ordinary shares of the Company are share options (2019: share options) (Note 44). The calculation of share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the year ended 31 December 2020, no adjustment had been made to the basic loss per share amounts presented in respect of a dilution as the impact of the potential dilutive ordinary shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented for the year. For the year ended 31 December 2019, the assumed conversion of potential ordinary shares in relation to the share option has an anti-dilutive effect to the basic earnings per share as the exercise price of the options exceeds the average market price of ordinary shares.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2020				
Opening net carrying amount	**246**	**552**	**3,338**	**4,136**
Additions	**39**	**21**	**110**	**170**
Disposals	**–**	**(17)**	**(37)**	**(54)**
Depreciation (Note 9)	**(254)**	**(187)**	**(862)**	**(1,303)**
Exchange realignment	**(2)**	**(2)**	**(90)**	**(94)**
Closing net carrying amount	**29**	**367**	**2,459**	**2,855**
At 31 December 2020				
Cost	**3,925**	**898**	**3,838**	**8,661**
Accumulated depreciation	**(3,896)**	**(531)**	**(1,379)**	**(5,806)**
Net carrying amount	**29**	**367**	**2,459**	**2,855**
Year ended 31 December 2019				
Opening net carrying amount	809	492	2,058	3,359
Acquisition of subsidiaries (Note 37)	–	31	–	31
Additions	79	244	1,959	2,282
Disposals	–	(4)	(25)	(29)
Depreciation (Note 9)	(647)	(212)	(685)	(1,544)
Exchange realignment	5	1	31	37
Closing net carrying amount	246	552	3,338	4,136
At 31 December 2019				
Cost	3,917	919	3,871	8,707
Accumulated depreciation	(3,671)	(367)	(533)	(4,571)
Net carrying amount	246	552	3,338	4,136

15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As a lessee

The Group has lease contracts for the office premises and branches used for its operation. Those leases generally run for an initial period of one to five years. There are no lease contracts that include variable lease payments.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	2020 RMB'000	2019 RMB'000
As at 1 January	**5,153**	–
– Upon application of HKFRS 16	**–**	7,525
Additions	**345**	2,654
Acquisition of subsidiaries (Note 37)	**–**	407
Modification of lease (Note)	**2,899**	(1,696)
Depreciation charged (Note 9)	**(3,113)**	(3,749)
Exchange realignment	**(130)**	12
As at 31 December	**5,154**	5,153

(b) Lease liabilities

The carrying amounts of the lease liabilities and the movements during the year are as follows:

	2020 RMB'000	2019 RMB'000
As at 1 January	**5,257**	–
– Upon application of HKFRS 16	**–**	7,525
Additions	**345**	2,654
Acquisition of subsidiaries (Note 37)	**–**	407
Modification of lease (Note)	**2,899**	(1,775)
Accretion of interest recognised (Note 8)	**354**	552
Payments	**(3,414)**	(4,118)
Exchange realignment	**(129)**	12
As at 31 December	**5,312**	5,257
Analysed into:		
Current portion	**2,265**	2,708
Non-current portion	**3,047**	2,549
	5,312	5,257

15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

As a lessee (Continued)

(b) Lease liabilities (Continued)

Note: During the year ended 31 December 2019, the Group re-negotiated certain leases with the landlords to reduce the space of office premises and entered into renewed lease agreements. Such decrease in scope of the leases is accounted for as lease modifications at the date when both parties agreed for the change (i.e. the date of renewed agreement), and the difference between the proportionate decrease in the carrying amount of right-of-use assets and lease liabilities was recorded as gain on the modification of lease in profit or loss (Note 7).

During the year ended 31 December 2020, the Group re-negotiated certain leases with the landlords to extend the lease term and lease payments and entered into renewed lease agreements. Such changes in lease term and lease payments is accounted for as lease modifications at the date when both parties agreed for the change (i.e. the date of renewed agreement).

As at 31 December 2020, included in the Group's current and non-current lease liabilities, RMB673,000 and RMB1,495,000 (2019: RMB637,000 and RMB2,168,000) were the amount due to a related company. Further details of the transaction are disclosed in Note 39 to the consolidated financial statements.

The total cash outflow for leases and the maturity analysis of the lease liabilities are disclosed in Notes 47(c) and 42(c) to the consolidated financial statements, respectively.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 **RMB'000**	2019 RMB'000
Interest on lease liabilities (Note 8)	**354**	552
Depreciation charged on right-of-use assets (Note 9)	**3,113**	3,749
Expenses relating to short-term leases and other leases with remaining lease terms ended on or before the reporting date (Note 9)	**366**	442
Total amounts recognised in profit or loss	**3,833**	4,743

Leases committed

As at 31 December 2020, the Group did not enter into any new leases that are not yet commenced (2019: Nil).

16. INTANGIBLE ASSETS

	Trading rights RMB'000
Year ended 31 December 2020	
Opening net carrying amount	**8,847**
Impairment loss (Note 9)	**(5,307)**
Exchange realignment	**(231)**
Closing net carrying amount	**3,309**
At 31 December 2020	
Cost	**8,333**
Accumulated amortisation and impairment	**(5,024)**
Net carrying amount	**3,309**
Year ended 31 December 2019	
Acquisition of subsidiaries (Note 37)	8,733
Exchange realignment	114
Closing net carrying amount	8,847
At 31 December 2019	
Cost	8,847
Accumulated amortisation and impairment	–
Net carrying amount	8,847

Trading rights represents rights that confer eligibility of the Group to trade on the Stock Exchange which was acquired by the Group as part of the acquisition of Wealth Ton Finance Group Limited and its subsidiaries (collectively, "Wealth Ton Group") (Note 37) during the year ended 31 December 2019. The trading rights have no foreseeable limit to period that the Group can use to generate net cash flows, accordingly, the trading rights are considered as having an indefinite useful lives. The trading rights is tested for impairment annually and whenever there is an indication that it may be impaired.

16. INTANGIBLE ASSETS (Continued)

As the trading right is not transferable, the recoverable amounts of the trading right held by the Group has been determined with reference to the recoverable amounts based on a value-in-use approach by using the cash flow projections. That cash flow projections based on financial budgets approved by management covering a 5-year period and at a pre-tax discount rate of 13.6% (2019: 12.3%) and growth rates ranged from 3% to 7% (2019: 3% to 7%). Management determined the budgeted revenue and costs based on past performance and its expectations for the market development. The cash flows projections beyond the 5-year period are extrapolated using a steady 3% (2019: 3%) growth rate. Based on the estimated recoverable amount which has been determined to be approximately RMB3,309,000, impairment loss on intangible assets of approximately RMB5,307,000 (2019: Nil) was recognised during the year.

17. FINANCIAL ASSET AT FVOCI

	2020 **RMB'000**	2019 RMB'000
Equity investment designated at FVOCI (non-recycling)		
– Unlisted equity securities	**33,196**	49,684

The unlisted equity securities represented 4.6448% (2019: 4.6448%) equity interests in Guotou Chuangxin (Beijing) Investment Fund Corporation Limited, a private company with limited liability established in the PRC and engaged in investment management. Such investment is not held for trading, instead, it is held for long-term strategic purposes. The directors of the Company have elected to designate this investment in equity instruments as at FVOCI as they believe that recognising short-term fluctuations in the investment's fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run. Dividend income amounted to approximately RMB10,422,000 (Note 7) was received on this investment during the year (2019: Nil).

As at 31 December 2019, the Group has settled partial consideration and the remaining consideration payable of RMB24,000,000 was recorded in "Other payables" in Note 27(b) to the consolidated financial statements. The amount has been fully settled during the year ended 31 December 2020.

During the year ended 31 December 2020, upon the reduction in capital of the unlisted equity securities, the Group has received refund of approximately RMB16,257,000 (2019: Nil). There is no change in the Group's interest after the capital reduction.

As at 31 December 2020, the management estimated the fair value of unlisted equity securities with the assistance of an independent and registered professional firm of valuers by using the asset approach. Fair value was recorded at approximately RMB33,196,000 (2019: approximately RMB49,684,000) at the end of reporting period and a fair value loss of approximately RMB231,000 (2019: fair value gain of approximately RMB5,684,000) was recognised as other comprehensive expenses (2019: other comprehensive income).

17. FINANCIAL ASSETS AT FVOCI (Continued)

The inputs into the valuation were as follows:

	2020	2019
Discount for lack of marketability ("DLOM")	**22.7%–31.4%**	27.7%–49.0%

The fair value of unlisted equity securities is measured using valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy and significant unobservable inputs are as follows:

Significant unobservable inputs	**Relation of unobservable inputs with the fair value**
Increase in market price of underlying investment portfolio	The higher market value of underlying investment portfolio, the higher fair value of the equity investment, and vice versa.
DLOM	The higher DLOM, the lower fair value of the equity investment, and vice versa.

18. DEPOSITS FOR ACQUISITION OF INVESTMENT PROPERTIES

	2020 **RMB'000**	2019 RMB'000
Deposits paid to acquire investment properties	**–**	22,000

During the year ended 31 December 2019, the Group entered into a non-legally binding memorandum of understanding with an independent third party, pursuant to which the Group proposed to acquire the office premises for the cash consideration of not less than RMB70,000,000. As at 31 December 2019, the Group has paid the deposit of RMB22,000,000 and such deposit would be entirely refunded to the Group within 30 days of receipt of the written request. The deposit is neither past due nor impaired. Deposits relate to counterparty for which there were no recent history of default.

During the year ended 31 December 2020, no formal agreement has been entered into between the Group and the independent third party, the non-legally binding memorandum of understanding has automatically lapsed and ceased to have any effect. The entire refundable deposits have been received by the Group during the year.

19. DEPOSITS FOR FURTHER ACQUISITION OF INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY AND ACQUISITION OF INTEREST IN A COMPANY

The deposits paid comprises of further acquisition of a non-wholly owned subsidiary, Shenzhen Haosen Credit Joint Stock Limited ("Shenzhen Haosen") and acquisition of 100% of equity interest in a company named Huizhou Heng Feng He Fu Industrial Corporation Limited (惠州市恒豐合富實業有限公司) ("Huizhou Heng Feng").

(a) On 24 April 2020, Wealthy Way International Finance Limited ("CWW Finance"), an indirectly wholly-owned subsidiary of the Group entered into a sale and purchase agreement with a related company which Mr. Lu Nuanpei ("Mr. Lu"), the sibling of Mr. Lo, is the controlling shareholder of the related company, Mr. Lei Ting and Ms. Kang Jing (collectively known as the "Vendors"), pursuant to which CWW Finance conditionally agreed to acquire 45% of equity interests in Shenzhen Haosen at a cash consideration of RMB180,000,000. The Group owns as to 55% equity interest in Shenzhen Haosen prior to this acquisition (Note 46).

The acquisition is not completed as at 31 December 2020 and the completion is conditional upon and subject to certain conditions set out in the announcements and circular of the Company dated 27 April 2020, 28 May 2020 and 24 December 2020. Pursuant to the announcement on 24 December 2020, as additional time is required for the fulfillment of the conditions precedent, supplemental agreement has entered into for (i) extension of the long stop date to 30 June 2021 or such other date as may be agreed among the Vendors and the Group in writing and (ii) vary of the payment term of the remaining balance of consideration.

Deposit of RMB103,000,000 has been paid to Vendors as at 31 December 2020. Pursuant to the sale and purchase agreement, in case the aforesaid acquisition is not completed, the deposits would be fully refundable to the Group by the Vendors.

(b) During the year ended 31 December 2020, the Group entered into a non-legally binding memorandum of understanding with an independent third party, pursuant to which the Group proposed to acquire 100% equity interest of Huizhou Heng Feng, which engaged in property investment. As at 31 December 2020, the Group has paid the deposit of RMB30,000,000 and such deposit would be entirely refunded to the Group within 30 days of receipt of the written request. Subsequent to the reporting period, the deposits have been fully refunded upon withdrawal from the memorandum by the Group.

The deposits are neither past due nor impaired. Deposits relate to counterparty for which there were no recent history of default.

20. OTHER ASSETS

	2020 RMB'000	2019 RMB'000
The Stock Exchange		
– Compensation Fund deposits	**42**	45
– Fidelity Fund deposits	**42**	45
– Stamp duty deposits	**25**	2
Hong Kong Securities Clearing Company Limited ("HKSCC")		
– Admission fees	**42**	45
– Guarantee Fund contribution	**42**	45
– Mainland Security deposits	**207**	200
	400	382

Balances represent statutory deposit with the Stock Exchange and HKSCC which are non-interest bearing and have no fixed repayment terms.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Prepayments	**167**	531
Contract costs (Note a)	**443**	1,942
Deposits (Note b)	**1,889**	1,798
Other receivables (Note c)	**735**	28,230
	3,234	32,501
Analysed into:		
Non-current portion	**435**	1,289
Current portion	**2,799**	31,212
Total	**3,234**	32,501

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes:

(a) The contract costs primarily related to the incremental costs of obtaining a contract with a customer, which represent sales commission and bonuses paid or payable to the external parties, that are recognised as contract costs in the consolidated statement of financial position. Such costs are recognised as part of "commissions paid" in profit or loss in period in which the relevant revenue recognised.

The management of the Company expects that the incremental cost paid to the external parties as a result of obtaining the loan contracts are recoverable. The Group has therefore capitalised these costs as contract costs in the amount of approximately RMB443,000 (2019: RMB1,942,000) at 31 December 2020. During the year ended 31 December 2020, the amount of amortisation was approximately RMB2,778,000 (2019: RMB10,311,000) and no impairment loss on contract cost was made (2019: Nil).

(b) As at 31 December 2020, the balance included an amount of RMB1,000,000 representing the security deposit in respect of credit enhancement services offered by the independent third party. The security deposit is held under the name of the independent third party for the contract period of 5 years to 15 May 2024. Such deposit is refundable upon the expiration of the underlying contract. During the year ended 31 December 2020, the Group has applied through written request for refund of the deposits as the level of total corporate guarantee (Note 40) has fallen below the minimum requirement. As such, the full amount of the deposits was treated as current portion as at 31 December 2020.

(c) As at 31 December 2019, included in the other receivables are the non-interest bearing receivables with gross amount of approximately RMB25,327,000 which had no fixed repayment terms, the directors of the Company considered that the ECL is minimal at the end of reporting period and the allowance for ECLs made for such receivables amounting to approximately RMB7,643,000 (Note 9) should be reversed as the balance was fully recovered during the year ended 31 December 2020.

None of the above assets is either past due or impaired at the end of the reporting period and financial assets relate to deposits and other receivables for which there was no recent history of default or which are due from independent debtors that have a good relationship with the Group.

22. LOAN AND ACCOUNT RECEIVABLES

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Financial leasing receivables	(a)	**69,293**	248,223
Small loans receivables	(c)	**4,731**	8,601
		74,024	256,824
Less: Allowance for ECLs		**(21,616)**	(12,331)
		52,408	244,493
Current assets			
Financial leasing receivables	(a)	**435,423**	434,676
Factoring loan receivables	(b)	**182,849**	162,987
Small loan receivables	(c)	**532,439**	708,109
Other loan receivables	(d)	**23,478**	29,718
Account receivables	(e)	**11,818**	17,003
		1,186,007	1,352,493
Less: Allowance for ECLs	(f)	**(231,872)**	(72,102)
		954,135	1,280,391
Total loan and account receivables, net		**1,006,543**	1,524,884

The directors of the Company consider that the fair values of current portion of loan receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception. The fair value of the non-current portion of loan receivables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. As such, the amortised cost of the non-current portion approximates its fair value.

Information about the loan and account receivables and the Group's exposure to interest rate risk and credit risk can be found in Note 42(a) and (b).

Notes:

(a) Financial leasing receivables

For financial leasing receivables, the customers are obliged to settle the amounts according to the terms set out in the relevant contracts, and must acquire the leased assets at the end of the lease period. The period for financial leasing contract are normally ranging from 0.2 to 8 years in 2020 (2019: 0.5 to 8 years).

The Group's financial leasing receivables are denominated in RMB which is the functional currency of the relevant group entity. The effective interest rates of the finance leases range from 5.3% to 20.1% (2019: 4.9% to 20.1%) per annum as at 31 December 2020.

22. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(a) Financial leasing receivables (Continued)

As at 31 December 2020, the Group's financial leasing receivables with gross carrying amount of approximately RMB61,797,000 (2019: RMB156,653,000) were carried at fixed-rate and the remaining balances of approximately RMB442,919,000 (2019: RMB526,246,000) were carried at variable-rate.

The ageing analysis of financial leasing receivables, determined based on the schedule to repay of the receivables since the effective dates of the relevant lease contracts, as at the end of the reporting period, is as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Financial leasing receivables comprise of:				
Within one year	**449,231**	460,477	**435,423**	434,676
More than one year but not exceeding two years	**60,294**	209,056	**57,356**	199,878
More than two years but not exceeding three years	**12,123**	40,474	**11,937**	38,670
More than three years but not exceeding four years	**–**	9,805	**–**	9,675
	521,648	719,812	**504,716**	682,899
Less: Unearned finance income	**(16,932)**	(36,913)	**–**	–
Present value of minimum lease payments	**504,716**	682,899	**504,716**	682,899

Financial leasing receivables are mainly secured by the lessees' deposits (Note 26), certain guarantees and leased assets which are equipment and machinery used in industries such as airline, real estate, manufacturing, construction and hotel. Additional collateral may be obtained from customers to secure their repayment obligations under financial leasing and such collateral include vehicle licence. As at 31 December 2020, the financial leasing receivables were collateralised by the leased assets with fair values of approximately RMB709,794,000 (2019: RMB1,347,168,000).

22. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(a) Financial leasing receivables (Continued)

At the end of each reporting period, the gross carrying amounts of each of the categories of financial leasing receivables based on the industries of the lessees are as follows:

	2020 RMB'000	2019 RMB'000
Airline	**413,184**	463,312
Real estate	**20,728**	69,423
Manufacturing	**19,996**	64,069
Telecommunication and information technology	**8,598**	–
Trading	**5,564**	20,064
Construction	**5,929**	35,027
Hotel	**198**	12,030
Others		
– Leasing of equipment	**6,640**	–
– Energy saving equipment provider	**7,983**	5,867
– Logistic service provider	**5,777**	7,779
– Research and developments	**1,652**	–
– Miscellaneous (Note)	**8,467**	5,328
	504,716	682,899

Note: Miscellaneous included corporate customers mainly engaged in health care service provider, printing services, sanitations service provider and laboratory testing and analysis.

The following is a credit quality analysis of financial leasing receivables. In the event that an instalment repayment is overdue, the entire outstanding balance of financial leasing receivables is classified as overdue.

	2020 RMB'000	2019 RMB'000
Neither overdue nor credit-impaired	**76,198**	188,563
Overdue but not credit-impaired		
– overdue within 30 days	**–**	4,586
– overdue within 31 to 90 days	**–**	3,179
Overdue and credit-impaired (Note g)	**428,518**	486,571
	504,716	682,899
Less: Allowance for ECLs	**(195,282)**	(34,649)
	309,434	648,250

22. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(a) Financial leasing receivables (Continued)

Movement of allowance for ECLs on financial leasing receivables are as follows:

	12-m ECL RMB'000	Lifetime ECL – not credit impaired RMB'000	Lifetime ECL – credit impaired RMB'000	Total RMB'000
As at 1 January 2019	–	8,927	26,935	35,862
Transfer to Lifetime ECL – credit impaired	–	(3,494)	3,494	–
Net re-measurement of loss allowance	–	(5,433)	1,552	(3,881)
New financial assets originated	–	–	2,668	2,668
As at 31 December 2019 and 1 January 2020	–	–	34,649	34,649
Bad debts written off (Note)	–	–	(7,079)	(7,079)
Net re-measurement of loss allowance	–	–	167,712	167,712
As at 31 December 2020	–	–	195,282	195,282

The changes in the loss allowance was mainly due to significant decrease in fair value of collaterals at the reporting date under the ECL model (Note f).

In relation to the Group's financial leasing receivables, the Group has taken legal actions against four (2019: four) customers with regards to the overdue instalment repayment. As at 31 December 2020, the total balance of outstanding principal and interest was amounted to approximately RMB15,480,000 (2019: RMB15,480,000), of which the whole balance (2019: RMB14,877,000) was considered as overdue instalment. Up to the date of this report, all final decision made by the court in respect of the legal proceedings, which all results were in favor of the Group. The directors of the Company, after taking the legal advice into consideration, were of the view that the balances could be fully recovered by the way of enforcement measurement according to the Civil Procedure Law of the PRC, except for two customers who being declared bankruptcy by order of court, which the balances with aggregate gross carrying amount of approximately RMB8,482,000 have been written off.

(b) Factoring loan receivables

The credit period granted to each of the customers is generally for a period of 0.3 to 1 years (2019: 1 to 2 years). The effective interest rate of the above factoring loan receivables is ranging from 9.9% to 24.5% (2019: 5.9% to 20.1%) per annum as at 31 December 2020.

As at 31 December 2020, the factoring loan receivables were collateralised by the customers' accounts receivables with fair value of approximately RMB247,065,000 (2019: RMB259,884,000).

22. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(b) Factoring loan receivables (Continued)

The ageing analysis of factoring loan receivables, determined based on the schedule to repay of receivable since the effective dates of relevant loan contracts, as at the end of the reporting period, is as follows:

	2020 RMB'000	2019 RMB'000
0 to 30 days	119,508	29,509
31 to 90 days	43,341	63,423
91 to 365 days	20,000	70,055
Over 365 days	–	–
	182,849	162,987
Less: Allowance for ECLs	(6,143)	–
	176,706	162,987

The following is a credit quality analysis of factoring loan receivables. In the event that an instalment repayment is overdue, the entire outstanding balance of factoring loan receivables is classified as overdue.

	2020 RMB'000	2019 RMB'000
Neither overdue nor credit-impaired	48,524	103,570
Overdue but not credit-impaired		
– overdue within 30 days	13,320	44,417
– overdue within 31–90 days	103,744	–
Overdue and credit-impaired (Note g)	17,261	15,000
	182,849	162,987
Less: Allowance for ECLs	(6,143)	–
	176,706	162,987

22. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(b) Factoring loan receivables (Continued)

Movement of allowance for ECLs on factoring loan receivables are as follows:

	12-m ECL RMB'000	Lifetime ECL – not credit impaired RMB'000	Lifetime ECL – credit impaired RMB'000	Total RMB'000
As at 1 January 2019	8,610	–	–	8,610
Transfer to Lifetime ECL – not credit impaired	(120)	120	–	–
Transfer to Lifetime ECL – credit impaired	(1,491)	–	1,491	–
Net re-measurement of loss allowance	(6,999)	(120)	(1,491)	(8,610)
As at 31 December 2019 and 1 January 2020	–	–	–	–
Net re-measurement of loss allowance	–	–	6,143	6,143
As at 31 December 2020	–	–	6,143	6,143

The changes in loss allowance was mainly due to the significant increase in credit risk of the factoring loan receivables at the reporting date under the ECL model (Note f).

(c) Small loan receivables

It primarily represented the micro-credit loans and guaranteed loans granted to the customers. The loan periods granted to each of the customers is generally for a period of 3 months to 3 years (2019: 3 months to 3 years). The effective interest rate of the above small loans receivables is ranging from 8.0% to 27.8% (2019: 12.0% to 27.8%) per annum as at 31 December 2020.

As at 31 December 2020, certain loan receivables are mainly secured by (i) real estates such as buildings with fair values of approximately RMB21,767,000 and (ii) motor vehicles with fair values of approximately RMB509,000 (2019: (i) real estates such as buildings with fair values of approximately RMB34,851,000 and (ii) equity interests with fair values of approximately RMB10,144,000).

22. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(c) Small loan receivables (Continued)

The ageing analysis of small loan receivables, determined based on the schedule to repay of receivable since the effective dates of relevant loan contracts, as at the end of the reporting period, is as follows:

	2020 RMB'000	2019 RMB'000
0 to 30 days	**67,520**	92,993
31 to 90 days	**96,305**	135,546
91 to 365 days	**368,614**	479,570
Over 365 days	**4,731**	8,601
	537,170	716,710
Less: Allowance for ECLs	**(43,699)**	(43,793)
	493,471	672,917

The following is a credit quality analysis of small loan receivables. In the event that an instalment repayment is overdue, the entire outstanding balance of small loan receivables is classified as overdue.

	2020 RMB'000	2019 RMB'000
Neither overdue nor credit-impaired	**490,335**	649,982
Overdue but not credit-impaired		
– overdue within 30 days	**3,688**	16,170
– overdue within 31 to 90 days	**4,695**	6,528
Overdue and credit-impaired (Note g)	**38,452**	44,030
	537,170	716,710
Less: Allowance for ECLs	**(43,699)**	(43,793)
	493,471	672,917

22. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(c) Small loan receivables (Continued)

Movement of allowance for ECLs on small loan receivables are as follows:

	12-m ECL RMB'000	Lifetime ECL – not credit impaired RMB'000	Lifetime ECL – credit impaired RMB'000	Total RMB'000
As at 1 January 2019	8,146	10,086	22,879	41,111
Bad debts written-off	(156)	(555)	(15,392)	(16,103)
Transfer to Lifetime ECL – not credit impaired	(299)	299	–	–
Transfer to Lifetime ECL – credit impaired	(651)	(1,021)	1,672	–
Net re-measurement of loss allowance	(6,910)	(19,388)	15,484	(10,814)
New financial assets originated	2,378	18,981	8,240	29,599
As at 31 December 2019	2,508	8,402	32,883	43,793
Bad debts written-off	(41)	(168)	(19,685)	(19,894)
Transfer to Lifetime ECL – not credit impaired	(566)	566	–	–
Transfer to Lifetime ECL – credit impaired	(296)	(478)	774	–
Net re-measurement of loss allowance	(1,364)	(7,829)	16,998	7,805
New financial assets originated	1,028	8,032	2,935	11,995
As at 31 December 2020	1,269	8,525	33,905	43,699

The changes in loss allowance was mainly due to (i) release of loss allowance on bad debts written-off and (ii) significant increase in credit risk of the small loan receivables at the reporting date under the ECL model (Note f).

During the year ended 31 December 2020, gross carrying amount of small loan receivables amounted to approximately RMB29,195,000 (2019: RMB27,121,000) were written off as bad debts because these were either overdue for 1 year or above which are still subject to enforcement activities. The respective allowance for ECLs has been reversed and the remaining balance is charged to profit or loss directly.

(d) Other loan receivables

It represented the unsecured loans granted to the customers. The loan periods granted to each of customers is generally for a period of 1 year (2019: 1 year). The effective interest rate of the above other loan receivables is 12% (2019: 12% to 18%) per annum as at 31 December 2020.

22. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(d) Other loan receivables (Continued)

The ageing analysis of other loan receivables, determined based on the schedule to repay of receivable since the effective dates of relevant loan contracts, as at the end of the reporting period, is as follows:

	2020 RMB'000	2019 RMB'000
0 to 30 days	–	–
31 to 90 days	–	–
91 to 365 days	23,478	29,718
Over 365 days	–	–
	23,478	29,718
Less: Allowance for ECLs	(3,329)	(3,457)
	20,149	26,261

The following is a credit quality analysis of other loan receivables. In the event that an instalment repayment is overdue, if any, the entire outstanding balance of other loan receivables would be classified as overdue.

	2020 RMB'000	2019 RMB'000
Neither overdue nor credit-impaired	23,478	29,718
Less: Allowance for ECLs	(3,329)	(3,457)
	20,149	26,261

Movement of allowance for ECLs on other loan receivables are as follows:

	12-m ECL RMB'000	Lifetime ECL – not credit impaired RMB'000	Lifetime ECL – credit impaired RMB'000	Total RMB'000
As at 1 January 2019	–	–	–	–
New financial assets originated	–	3,408	–	3,408
Exchange realignment	–	49	–	49
As at 31 December 2019 and 1 January 2020	–	3,457	–	3,457
Net re-measurement of loss allowance	–	77	–	77
Exchange realignment	–	(205)	–	(205)
As at 31 December 2020	–	3,329	–	3,329

The changes in the loss allowance was mainly due to release of loss allowance on repayment of other loans at the reporting date under the ECL model (Note f).

22. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(e) Account receivables

Balances comprise receivables in respect of securities dealing and broking services and financial advisory and loan facilitation services, represented as follows:

	Notes	2020 RMB'000	2019 RMB'000
Account receivables from securities dealing and broking services:	(i)		
– Hong Kong Securities Clearing Company Limited ("HKSCC")		**1,945**	–
– Cash clients		**303**	4
– Margin clients		**7,963**	8,777
		10,211	8,781
Account receivables from financial advisory and loan facilitation services	(ii)	**1,607**	8,222
		11,818	17,003
Less: Allowance for ECLs		**(5,035)**	(2,534)
Total account receivables, net		**6,783**	14,469

Notes:

(i) Account receivables from cash clients and securities clearing houses arising from securities dealing business are repayable on demand subsequent to the settlement date. The normal settlement terms of said account receivables are, in general, two days after trade date. The Group allows a credit period mutually agreed with the contracting parties for account receivables from margin clients.

No ageing analysis by invoice date is disclosed for account receivables from securities dealing business as, in the opinion of the directors of the Company, an ageing analysis is not meaningful in view of the business nature.

22. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(e) Account receivables (Continued)

Notes: (Continued)

(ii) Balances comprise receivables in respect of financial advisory and loan facilitation services. The account receivables are recognised when the services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Revenue from such services is recognised based on the price stipulated in the contracts. No element of financing is deemed present as the services are made with a credit period not more than one week after revenue recognition.

The ageing analysis of account receivables from financial advisory and loan facilitation services, determined based on the schedule to repay of receivable since the effective dates of relevant contracts, as at the end of the reporting period, is as follows:

	2020 **RMB'000**	2019 RMB'000
0 to 30 days	**1,139**	8,222
31 to 90 days	**–**	–
91 to 365 days	**468**	–
Over 365 days	**–**	–
	1,607	8,222
Less: Allowance for ECLs	**(963)**	(2,088)
	644	6,134

The following is a credit quality analysis of account receivables from financial advisory and loan facilitation services. In the event that an instalment repayment is overdue, the entire outstanding balance of account receivables is classified as overdue.

	2020 **RMB'000**	2019 RMB'000
Neither overdue nor credit-impaired	**468**	–
Overdue but not credit-impaired		
– overdue within 30 days	**104**	5,609
– overdue within 31–90 days	**72**	530
Overdue and credit-impaired	**963**	2,083
	1,607	8,222
Less: Allowance for ECLs	**(963)**	(2,088)
	644	6,134

22. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(e) Account receivables (Continued)

Except for account receivables from margin clients, the Group does not hold any collateral or other credit enhancements over these balances.

Account receivables of securities margin clients are secured by the clients' pledged securities with fair value of approximately RMB64,923,000 (2019: RMB42,537,729) as at 31 December 2020. All of the pledged securities are equity and debt securities listed in Hong Kong and overseas. The account receivables of securities margin clients are repayable on demand subsequent to settlement date and carrying interest typically ranged from 6% to 12% and Hong Kong Prime rate to Hong Kong Prime rate +7% (2019: Hong Kong Prime rate + 6%) per annum as at 31 December 2020. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collaterals are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collateral held can be repledged and can be sold at the Group's discretion to settle any outstanding amount owned by the margin clients.

Movement of allowance for ECLs on account receivables are as follows:

	12-m ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2019	–	69	–	69
Acquisition of subsidiaries	335	–	–	335
Transfer to Lifetime ECL – not credit impaired	(335)	335	–	–
Net re-measurement of loss allowance	–	(52)	–	(52)
New financial assets originated	1	4	2,171	2,176
Exchange realignment	–	5	1	6
As at 31 December 2019 and 1 January 2020	1	361	2,172	2,534
Bad debt written off	–	–	(89)	(89)
Transfer to Lifetime ECL – credit impaired	–	(360)	360	–
Net re-measurement of loss allowance	(1)	(1)	2,500	2,498
New financial assets originated	–	–	324	324
Exchange realignment	–	–	(232)	(232)
As at 31 December 2020	–	–	5,035	5,035

22. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(e) Account receivables (Continued)

	12-m ECL RMB'000	Lifetime ECL – not credit impaired RMB'000	Lifetime ECL – credit impaired RMB'000	Total RMB'000
Year ended 31 December 2020				
Analysed into:				
– HKSCC	–	–	–	–
– Cash clients	–	–	–	–
– Margin clients	–	–	4,072	4,072
– Others	–	–	963	963
	–	–	5,035	5,035
Year ended 31 December 2019				
Analysed into:				
– HKSCC	–	–	–	–
– Cash clients	–	–	–	–
– Margin clients	–	357	89	446
– Others	1	4	2,083	2,088
	1	361	2,172	2,534

During the year ended 31 December 2020, gross carrying amount of account receivables amounted to approximately RMB89,000 (2019: Nil) were written off as bad debts because these were either overdue for 1 year or above which are still subject to enforcement activities. The respective allowance for ECLs has been reversed.

The account receivable arising from cash client and securities clearing house is measured on lifetime ECL basis and the account receivables arising from margin clients is measured on 12-m ECL basis unless there had been significant increase in credit risk since initial recognition.

The allowance for ECLs is considered as adequately provided for as the directors of the Company have individually evaluated their account receivables after taking into account the LTV for each borrower, and other information available of those borrowers in default of settlement to determine the net present value of expected future cash inflow.

The Group has a policy for determining the allowance for impairment based on the management's judgement, taking into consideration various factors, including the current creditworthiness, collateral, subsequent settlement and the past collection history of each client.

The Group maintains accounts with the securities clearing houses through which it conducts securities trading transactions and settlement on a net basis.

22. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(f) ECL Model

Simplified approach is applied to measure the lifetime ECL for certain loan and account receivables (lease receivables under HKFRS 16 and loan receivables which are short term in duration (i.e. less than one year) and account receivables (except for account receivable from margin clients)) and the remaining loan and account receivables are measured on 12-m ECL basis unless there had been significant increase in credit risk since initial recognition.

The estimation techniques or significant assumptions made during the year in assessing the loss allowance for the loan and account receivable are set forth in Note 42(b).

Save for ECLs on loan receivables are assessed to be credit-impaired and loans to the Customer in Note (g)(i) below, allowance for ECLs on loans to customers are estimated using a calculation model observable data as at the end of the reporting period, including the difference between (i) the interest rates of interest charged by the Group for the loans, and the risk-free rates of respective regions; and (ii) administrative service cost of the Group. The Group has recognised allowance for ECLs, representing approximately 20.1% (2019: 5.2%) of the gross carrying amounts, against all loan and account receivables as at 31 December 2020 which indicated that these receivables may not be fully recoverable because of risks associated with the customers and the industries, in which the customers operate.

As at the end of reporting period, the Group considers the past default experience of the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast directions of conditions as the reporting date, the Group has transferred the 12-m ECL of loan and account receivables into lifetime ECL when there was significant increase in credit risk.

In the event of default by customers, the Group might sell the collaterals, hence the management of the Group monitors the market value of collaterals to ensure the market values of collaterals at the end of reporting period are sufficient to cover the respective outstanding loan receivables from customers. The Group might also factor the loans receivables to independent third parties without recourse whenever the factoring is an appropriate action to ensure the loan receivables can be recovered in a way that create less negative impact to the Group. The Group as well may enforce the rights to take certain actions to further mitigate the risks through demand for outstanding payments from the guarantor, if any or proceed to take legal action or enter in arbitration against the customers if there is no indication of repayment or any improvements in repayment pattern.

22. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(g) Credit-impaired loan and account receivables

	Notes	Gross carrying amount RMB'000	Allowance for ECLs RMB'000	Net carrying amount RMB'000	Value of collaterals RMB'000
As at 31 December 2020					
Financial leasing receivables	(i)	**428,518**	**(195,282)**	**233,236**	**575,461**
Factoring loan receivables	(ii)	**17,261**	**(6,143)**	**11,118**	**43,390**
Small loans receivables	(iii)	**38,452**	**(33,905)**	**4,547**	**11,358**
Account receivables		**5,035**	**(5,035)**	**–**	**–**
		489,266	**(240,365)**	**248,901**	**630,209**
As at 31 December 2019					
Financial leasing receivables	(i)	486,571	(34,649)	451,922	1,012,403
Factoring loan receivables	(ii)	15,000	–	15,000	31,643
Small loans receivables	(iii)	44,031	(32,883)	11,148	29,827
Account receivables		2,172	(2,172)	–	–
		547,774	(69,704)	478,070	1,073,873

Notes:

(i) Balance mainly represents financial leasing receivables from Grand China Air Co., Ltd* (大新華航空有限公司) (the "Customer") which are secured by airplane engines (Note a). The Customer had been defaulted in payments and the repayment pattern during the year ended 31 December 2020 has not been improving, thus resulted in breach of covenants according to the contracts and become credit impaired at the end of 31 December 2020 (2019: same).

As set out in the announcement of the Company dated 1 February 2021, the Group has become aware that an application regarding the Customer, together with its subsidiaries in the PRC has been filed to and accepted by the Hainan Higher People's Court* (海南省高級人民法院) for debt restructuring and reorganisation (the "Debt Structuring and Reorganisation") by its debtors. The Customer is a private airline operator based in Hainan Province, the PRC, which is the largest shareholder of a Hainan airline operator listed on The Shanghai Stock Exchange.

In light of the Debt Restructuring and Reorganisation, the board of directors of the Company is of the view that the Debt Restructuring and Reorganisation is likely to have significant impact on the Group's business and financial condition, after taking into consideration of (i) the latest advice from the Group's external legal advisers on the probability and time taken of recovering the respective loan receivables and (ii) the recoverable amount of the underlying collaterals assessed by an independent valuer based on the above situation.

In the opinion of the directors, the process of enforcement proceeding against the Customer has been complicated by (1) the high numbers of debtors of the Customer and the subsidiaries under the Customer involved; and (2) the underlying collaterals are not standalone items that can generate revenue without the aircraft which increased the difficulties for the Group to recover the collaterals. Moreover, under the Debt Restructuring and Reorganisation, it is unlikely for the Group to obtain access the collaterals for the sale process without the permission of the administrator. Given the niche market and the significant downturn of aviation industry resulting from the COVID-19 pandemic worldwide in 2020, the demand for the collaterals would be much less, and so the estimated recoverable amount would be far below the outstanding principal amount of the loan receivables.

22. LOAN AND ACCOUNT RECEIVABLES (Continued)

Notes: (Continued)

(g) Credit-impaired loan and account receivables (Continued)

Notes: (Continued)

(i) (Continued)

With increasing uncertainties in possible outcomes and the likely impact on the financial position and liquidity of the Group, the management of the Company was actively taking appropriate actions to minimise the financial impact to the Group.

On 16 March 2021, the Group entered into arrangements with an independent third party (the "Assignee"), to sell and assign the rights, ancillary rights, titles and benefits of two financial leasing receivables (the "Creditor's Rights"), which at an aggregate cash consideration of RMB131,000,000, representing the discount of approximately 39.2% of the amount outstanding as at 31 December 2020. Such consideration is determined based after arm's length negotiation with the Assignees with reference to the valuation of the Creditor's Rights conducted by the independent valuer engaged by the Group which have been taking into consideration (i) likelihood weighting of different scenarios to realise rights to the relevant financial leasing receivables into cash, (ii) recoverable amount of the financial leasing receivables and (iii) recoverable amount of the underlying collaterals. The Assignee is principally engaged in investment holding. Details of the assignment of Creditor's Rights are set out in the Company's announcements dated 16 March 2021 and 29 March 2021.

Under the assignment's agreement, the Group is not required to reimburse the Assignees for any loss incurred resulting from the default in payment by the Customer. The assignment of the two financial leasing receivables with aggregate principal amount outstanding of approximately RMB215,548,000 as at 31 December 2020 were completed on 16 March 2021, and the cash consideration was fully settled by Assignees on 19 March 2021. As at 31 December 2020, the total allowance for ECLs provided for the Customer amounted to approximately RMB183,184,000.

(ii) Balance represents factoring loan receivables that overdue for over 90 days and above since maturity date of the contact. The Group has been actively negotiating with the debtors to demand payment and might enter in to negotiation for rescheduling the repayment terms. Only if the customers reluctant to negotiate and no further payments for over 6 months to 9 months, the Group will consider to take legal actions against the customers.

(iii) Balance mainly represents small loan receivables with portion overdue for over 90 days and above. The Group has been taking proactive measures to communicate with such defaulting customers in a timely manner and in the case of failure the Group may initiate legal proceedings to demand payments.

23. AMOUNTS DUE FROM/(TO) RELATED PARTIES

The amounts due were non-trade in nature, unsecured, interest free and repayable on demand. The maximum outstanding amounts due from related companies were shown as follow:

Name of related companies	Maximum outstanding during the year RMB'000	2020 RMB'000	2019 RMB'000
深圳恒豐房地產有限公司	142	–	142
深圳恒豐物業管理有限公司	4	4	4
		4	146

Mr. Lo's sibling, Mr. Lu, is the ultimate controlling party of the above related companies.

24. CASH AND CASH EQUIVALENTS

	2020 RMB'000	2019 RMB'000
Bank balances and cash		
– segregated accounts (Note i)	22,462	4,804
– general accounts and cash	96,171	37,862
Total bank balances and cash (Note ii)	118,633	42,666
Less: Clients' monies in segregated account (Note i)	(22,462)	(4,804)
	96,171	37,862

Notes:

(i) From the Group's ordinary business in provision of securities dealing services, the Group receives and holds money deposited by the clients in the course of the conduct of the regulated activities. These clients' monies are maintained in segregated bank accounts at market interest rates. The Group has recognised the corresponding accounts payables (Note 25) to respective clients and other institutions on the grounds that it is liable for any loss or misappropriation of clients' monies. The Group is only allowed to retain some or all of the interest derived from the clients' monies but not allowed to use the clients' monies to settle its own obligations.

The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Hong Kong Securities and Futures Ordinance ("HKSFO"). However, the Group currently does not have an enforceable right to offset those payables with the deposits placed.

(ii) Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2020, the Group has cash and cash equivalents denominated in RMB amounting to approximately RMB78,243,000 (2019: RMB25,105,000) and were kept in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

25. ACCOUNT PAYABLES

	2020 RMB'000	2019 RMB'000
HKSCC	**246**	1,792
Cash clients	**3,391**	1,459
Margin clients	**20,935**	3,375
	24,572	6,626

Account payables arising from securities dealing business are interest-free and repayable on the settlement day of the relevant trades.

The normal settlement terms of account payables to cash clients and securities clearing house are two days after trade date.

Account payables to HKSCC, margin clients and cash clients are repayable on demand after settlement date. No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

The account payables amounting to approximately RMB22,462,000 (2019: approximately RMB4,804,000) were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits place.

26. DEPOSITS FROM FINANCIAL LEASING CUSTOMERS

Customers' deposits are collected and calculated based on a certain percentage of the entire value of lease contract. The deposits are returned to the customers in portion over the lease period or in full by end of lease period according to the terms of lease contracts. When the lease contract expires, the lessor must return the full lease deposits to the lessee. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contract. There was no unguaranteed residual value of leased assets and no contingent rent arrangement that need to be recognised in all years.

27. ACCRUALS AND OTHER PAYABLES

	Notes	2020 RMB'000	2019 RMB'000
Accruals	(a)	**25,102**	18,801
Other payables	(b)	**7,636**	25,490
Other tax payables		**538**	1,332
		33,276	45,623

Notes:

(a) During the year ended 31 December 2020, the Group had made provisions for social insurance and housing provident fund in accordance with the Social Insurance Law and Regulations on the Management of Housing Provident Fund of the PRC, amounting to approximately RMB10,063,000 (2019: RMB9,542,000) as at 31 December 2020. These provisions had not yet been paid as at 31 December 2020.

(b) As at 31 December 2019, the balance included the amount of RMB24,000,000 investment cost in financial asset at FVOCI, which fully settled during the year ended 31 December 2020 (Note 17).

28. CONTINGENT CONSIDERATION PAYABLE

As at 31 December 2019, the balance represented the contingent consideration in relation to the acquisition of Shenzhen Haosen.

	2020 RMB'000	2019 RMB'000
Contingent consideration payable, at fair value	**–**	19,600
Current liabilities	**–**	19,600
Non-current liabilities		
– More than one year, but not exceeding two years	**–**	–
	–	19,600

The acquisition agreement requires the Group to pay a related company, a company in which Mr. Lu, the sibling of Mr. Lo, is the controlling shareholder (the "Vendor") additional consideration of up to RMB39,200,000 in cash depending on whether Shenzhen Haosen's audited net profit after tax prepared according to the PRC accounting standard meets the minimum profit condition of RMB14,000,000 ("2018 Profit Condition") and RMB16,000,000 ("2019 Profit Condition") for the years ended 31 December 2018 and 2019 respectively.

28. CONTINGENT CONSIDERATION PAYABLE (Continued)

The potential undiscounted amount of all future payments that the Group is required to make under this arrangement is approximately RMB39,200,000.

As at 31 December 2019, the directors of the Company are of the opinion that Shenzhen Haosen can also achieve the profit condition based on the preliminary annual results of Shenzhen Haosen. The final consideration payment to Vendor should be adjusted from approximately RMB16,184,000 to RMB19,600,000. The fair value loss of contingent consideration payable of approximately RMB3,416,000 has been recognised in the profit or loss for the year ended 31 December 2019.

The Group has settled the first and second instalment of contingent consideration of RMB19,600,000 each, during the years ended 31 December 2019 and 2020, respectively, at an aggregate sum of RMB39,200,000 since Shenzhen Haosen has met the 2018 Profit Condition and 2019 Profit Condition.

On initial recognition, the contingent consideration was estimated by using the probabilistic approach with possible scenarios under different financial forecasts and adjusted by the estimated discount rate, which valued by Roma Appraisal Limited ("Roma"), an independent and registered professional firm of valuers.

No discount rate is applied for determination of the fair value of contingent consideration payable at 31 December 2019 as the short duration for finalisation of PRC audited accounts.

The fair value of the contingent consideration payable, classified as Level 3, was determined using the probabilistic approach and significant unobservable inputs are as follows:

Significant unobservable inputs	Relation of unobservable inputs with the fair value
Probability of each possible scenario of financial performance of Shenzhen Haosen	The higher probability of better financial performance, the higher fair value of the contingent consideration, and vice versa.
Discount rate	The higher discount rate, the lower fair value of the contingent consideration, and vice versa.

29. BANK AND OTHER BORROWINGS

	2020 RMB'000	2019 RMB'000
Bank borrowings – secured*		
Within one year	**420,340**	221,387
More than one year, but not exceeding two years	**77,405**	257,216
More than two years, but not exceeding five years	**7,331**	96,756
Other borrowings – unsecured		
Within one year	**–**	151,811
	505,076	727,170
Less: Amount shown under current liabilities	**(420,340)**	(373,198)
Amount shown under non-current liabilities	**84,736**	353,972

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

As at 31 December 2020, the Group's bank borrowings were variable-rate borrowings which carried annual interests per annum ranging from 105% to 110% (2019: 105% to 110%) of the benchmark rate offered by the People's Bank of China. As at 31 December 2020, the effective interest rates of the Group's secured bank borrowings were ranging from 5.0% to 8.3% (2019: 5.0% to 8.3%) per annum.

As at 31 December 2019, the other borrowings carried annual interests ranging from 12% to 16% per annum.

As at 31 December 2020, all (2019: all) of the Group's bank borrowings were secured by charges over certain leased assets and financial leasing receivables except for (i) one bank borrowing amounting to approximately RMB140,815,000 (2019: approximately RMB154,838,000) which were secured by charges over certain equity interests in the Company by Wealthy Rise and certain leased assets and (ii) one bank borrowing amounting to RMB92,800,000 (2019: RMB126,000,000) which were secured by charges over one property with fair value of approximately RMB24,590,000 (2019: RMB24,590,000) (which is jointly owned by Mr. Lo and his wife), one property with fair value of approximately RMB8,980,000 (2019: RMB8,980,000) (which is owned by Mr. Wang Jiansen, a director of a related company), and one property with fair value of approximately RMB35,100,000 (2019: RMB35,100,000) (which is owned by Mr. Lu Qing Ming, nephew of Mr. Lo) and jointly guaranteed by a related company, which Mr. Lu, Mr. Lo's sibling is the controlling party and Mr. Lu, with an aggregate amount up to RMB150,000,000 (2019: RMB150,000,000).

As at 31 December 2019, the Group's unsecured other borrowing obtained from an independent third party, was jointly guaranteed by a related company and Mr. Lu (with an aggregate amount up to RMB150,000,000).

In March 2021, the Group has received an early repayment demand note notice from one bank in relation to a bank borrowing with principal amounts of approximately RMB140,815,000, which was secured by charges over certain equity interests in the Company by Wealthy Rise and the relevant leased assets.

29. BANK AND OTHER BORROWINGS (Continued)

In the same month, the Group has entered into certain arrangements with certain banks in respect of early repayment of bank borrowings secured by certain leased assets with aggregate principal amount of approximately RMB220,800,000. The respective financial leasing receivables were assigned to the Assignee as disclosed in Note 22(g)(i) to the consolidated financial statements. The aforementioned bank borrowings were fully repaid to the date of the consolidated financial statements.

30. PROMISSORY NOTE

	2020 RMB'000	2019 RMB'000
As at 1 January	**66,922**	75,846
Effective interest expense charged for the year (Note 8)	**8,442**	9,915
Interest payable included in accruals (Note 27)	**(3,314)**	(3,839)
Settlement of principal amount of promissory note	**–**	(15,000)
	72,050	66,922
Analysed as:		
Non-current liabilities		
– More than two years, but not exceeding five years	**72,050**	66,922

To settle part of the consideration relating to the acquisition of Shenzhen Haosen, the Group issued a promissory note with face value of RMB109,690,000 which is unsecured, carries interest of 3.5% per annum and will mature in a 60-month term in favour of the Vendor (or its nominee). Under the terms of the promissory note, the Company may redeem all or part of the outstanding principal amount of the promissory note at any time between the issue date and the day prior to the maturity date.

Upon settlement of principal amount of the promissory note during 31 December 2019, which amounted to RMB15,000,000, the face value of the promissory note has reduced to RMB94,690,000.

The promissory note is separated into their two components at initial recognition: the liability component and the derivative component. In the opinion of directors of the Company, the fair value of the derivative component is insignificant and hence the derivative component is not separately accounted for.

On initial recognition, the fair value as at the date of acquisition (i.e. 24 December 2018) is determined by Roma by using discounted cash flow method which based on the present value of the contractual stream of future cash flows discounted at the discount rate, taking into account (i) interest rate determined with reference to the yields of China 5-year government bonds and treasury bills; (ii) credit spread determined with reference to the premium compensated from the market comparables with the same credit rating as the Company; and (iii) country risk determined with reference to the default spread of the PRC.

After initial recognition, the promissory note is measured at amortised cost with the effective interest method. The effective interest rate of the promissory notes was 12.08% (2019: 12.08%) per annum.

31. BOND PAYABLE

	2020 RMB'000	2019 RMB'000
As at 1 January	**17,879**	–
Issuance of bond	**17,787**	17,630
Effective interest expense charged for the year (Note 8)	**2,814**	599
Interest payable included in accruals (Note 27)	**(1,538)**	(239)
Interest paid during the year	**(1,189)**	(364)
Exchange realignment	**(2,072)**	253
As at 31 December	**33,681**	17,879
Analysed as:		
Current liabilities	**33,681**	17,879

On 29 July 2019, the Company issued 8% coupon bond of a principal amount of HK$20,000,000 to an independent third party. The interests are paid in arrears on quarterly basis and the bond will be matured in 2 years (i.e. 28 July 2021). The bond was secured by the personal guarantee from Mr. Lo, the controlling party of the Company. The whole principal amount is repayable at the date of its maturity.

On 10 January 2020, the Company issued 8% coupon bond of a principal amount of HK$20,000,000 to an independent third party. The interests are paid in arrears on quarterly basis and the bond will be matured in 2 years (i.e. 9 January 2022). The bond was secured by the personal guarantee from Mr. Lo, the controlling party of the Company. The whole principal amount is repayable at the date of its maturity.

Either the bondholders or the Company may, at any time after one year of the issuance date of the bond and before the maturity date, request early redemption of all or part of the outstanding principal amount together with payments of interest accrued up to the date of such early redemption by serving a prior notice of not less than one month.

The bonds comprises three components at initial recognition: the liability component and two embedded derivatives (early redemption options held by the Company and the bondholder respectively). In the opinion of the directors of the Company, the fair values of the derivative components are closely related to the host contract and hence the derivative components are not separately accounted for.

The fair value at the respective date of issuance (i.e. 29 July 2019 and 10 January 2020) is determined based on discounted cash flow method at the effective interest rate of 8.0% (2019: 8.0%) per annum. The bonds are subsequently measured at amortised cost with the effective interest method.

The carrying amount of the bonds are denominated in HK$.

32. DEFERRED TAX ASSETS

Deferred tax assets/(liabilities)	**Allowance for ECLs** RMB'000	**Contract costs** RMB'000	**Total** RMB'000
At 1 January 2019	21,406	–	21,406
Charged to profit or loss (Note 11)	(2,635)	(485)	(3,120)
Acquisition of subsidiaries (Note 37)	1,966	–	1,966
Exchange realignment	(12)	–	(12)
As at 31 December 2019 and 1 January 2020	20,725	(485)	20,240
Credited to profit or loss (Note 11)	41,972	419	42,391
Exchange realignment	(72)	–	(72)
As at 31 December 2020	62,625	(66)	62,559

As at 31 December 2020, the Group has unused tax losses of approximately RMB5,337,000 (2019: RMB4,222,000) available for offsetting against future taxable profits of the companies which incurred these losses. Deferred tax assets have not been recognised in respect of these tax losses due to the unpredictability of future profit streams. The unused tax losses arising from Hong Kong do not have expiry.

Under the EIT Law, withholding tax of 10% is imposed on dividends declared in respect of profits earned by the subsidiaries in the PRC from 1 January 2008 onwards. Deferred tax liabilities have not been provided for in the consolidated financial statements in respect of temporary differences attributable to the retained profits of the subsidiaries in the PRC amounting to approximately RMB101,336,000 as at 31 December 2020 (2019: RMB235,272,000) as the Group is able to control the timing of the reversal of the temporary differences and the directors of the Company considered that the subsidiaries in the PRC will not distribute any dividend in the foreseeable future.

Dividend amounted to RMB133,000,000 has been declared during the year by one of the PRC subsidiary to its holding company which is one of the indirectly wholly owned subsidiary incorporated in Hong Kong. Pursuant to "*<Notice on the issue that foreign investors' direct investment through distribution of profits will be tentatively exempt from China withholding tax> Caishui [2017] 88*" ("Circular 88"), jointly released by Ministry of Finance, State Administration of Taxation, National Development and Reform Commission and Ministry of Commerce on 28 December 2017, has provided foreign investors with a withholding tax deferral incentive for profit reinvestments in China. The Group has reinvested the dividend into a PRC subsidiary (Note 46(a)) which qualified for the tax deferral concession and has completed the tax filing procedure for not to withhold relevant withholding tax tentatively. The tax would be payable within 7 days if the foreign investor withdraws the direct investments that previously enjoyed the tax deferral benefit through Circular 88. The directors of the Company considered that the possibility of such withdrawal will be remote and thus no deferred tax liability being provided on the tax deferral concession.

33. SHARE CAPITAL

	Number of ordinary shares	Amount HK$'000
Ordinary shares of HK$0.01 of each		
Authorised:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	20,000,000,000	200,000

	Number of ordinary shares	Amount RMB'000
Issued and fully paid:		
At 1 January 2019	144,000,000	1,248
Issue of shares upon exercise of share options (Note 44)	11,523,000	101
At 31 December 2019, 1 January 2020 and 31 December 2020	155,523,000	1,349

During the year ended 31 December 2019, 11,523,000 share options were exercised at the exercise price of HK$6.02 to HK$7.00 (equivalent to RMB5.09 to RMB6.00) per share. The total cash consideration received from the issuance 11,523,000 shares was approximately RMB66,140,000, of which approximately RMB101,000 was credited to issued share capital and the remaining balance of approximately RMB66,039,000 was credited to the share premium account. In addition, amount attributable to the related share options of approximately RMB9,145,000 has been transferred from share option reserve to the share premium account.

All the shares issued during the year ended 31 December 2019 rank *pari passu* with the then existing shares in all respects.

34. RESERVES

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity.

(i) Share premium

Share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued.

(ii) Share-based payment reserve

Share-based payment reserve represents the portion of grant date fair value of unexercised share options of the Company.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(iv) Other reserve

Other reserve represents the difference between issued share capital of the Company issued during the reorganisation completed for the Listing of the Company, and the aggregate value of the respective share capital/paid-in capital of the companies now comprising the Group and the amount of advances from ultimate holding company capitalised. It also represents deemed capital contribution from equity participants arising from acquisitions of entities which were under the control of Mr. Lo.

(v) Statutory surplus reserve

In accordance with the Company Law of the PRC, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), as determined under the China Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance of the PRC ("MOF"), to the statutory surplus reserve until the balance of the reserve fund reaches 50% of the entity's registered capital. Subject to the approval of equity shareholders of the Company, statutory surplus reserve may be used to net off against accumulated losses, if any, and may be converted into capital, provided the remaining balance of the statutory surplus reserve is not less than 25% of registered capital.

(vi) Financial asset at FVOCI reserve

The financial asset at FVOCI reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period.

35. FINANCIAL INFORMATION OF THE COMPANY

	Notes	2020 RMB'000	2019 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**32**	251
Right-of-use assets		**2,248**	554
Investments in subsidiaries	(a)	**490,613**	487,230
		492,893	488,035
Current assets			
Prepayments and deposits		**265**	484
Cash and cash equivalents		**1,503**	1,641
		1,768	2,125
Current liabilities			
Accruals		**2,554**	1,487
Lease liabilities		**834**	569
Dividend payable		**846**	–
Bond payable	31	**33,681**	17,879
Amounts due to subsidiaries	(b)	**14,808**	13,487
		52,723	33,422
Net current liabilities		**(50,955)**	(31,297)
Total assets less current liabilities		**441,938**	456,738
Non-current liability			
Lease liabilities		**1,431**	–
Net assets		**440,507**	456,738
EQUITY			
Share capital	33	**1,349**	1,349
Reserves	(c)	**439,158**	455,389
Total equity		**440,507**	456,738

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2021 and were signed on its behalf by:

Lo Wai Ho	**Xie Weiquan**
Executive Director	*Executive Director*

35. FINANCIAL INFORMATION OF THE COMPANY (Continued)

(a) Investments in subsidiaries

	2020 RMB'000	2019 RMB'000
Unlisted equity investments (Note 46(a))	**490,613**	487,230

(b) The balances were unsecured, interest free and repayable on demand.

(c) Reserves

	Proposed final dividend RMB'000	Share premium RMB'000	Share-based payment reserve RMB'000	Exchange reserve RMB'000	Other reserve (Note) RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	3,795	159,928	4,080	(4,707)	269,153	(32,264)	399,985
Comprehensive expense:							
Loss for the year	–	–	–	–	–	(14,832)	(14,832)
Other comprehensive income:							
Exchange differences arising on translation of functional currency	–	–	–	1,221	–	–	1,221
	–	–	–	1,221	–	(14,832)	(13,611)
Transactions with the equity holders of the Company:							
Equity settled share-based transactions (Note 44)	–	–	6,936	–	–	–	6,936
Issuance of shares upon exercise of share option (Note 33)	–	75,184	(9,145)	–	–	–	66,039
Arising from acquisition of subsidiaries (Note 37)	–	–	–	–	142	–	142
	–	75,184	(2,209)	–	142	–	73,117
Final dividend (Note 12)	(3,795)	(307)	–	–	–	–	(4,102)
Proposed final dividend (Note 12)	6,952	(6,952)	–	–	–	–	–
At 31 December 2019 and 1 January 2020	6,952	227,853	1,871	(3,486)	269,295	(47,096)	455,389

35. FINANCIAL INFORMATION OF THE COMPANY (Continued)

(c) Reserves (Continued)

	Proposed final dividend	Share premium	Share-based payment reserve	Exchange reserve	Other reserve (Note)	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	6,952	227,853	1,871	(3,486)	269,295	(47,096)	455,389
Comprehensive expense:							
Loss for the year	–	–	–	–	–	(15,290)	(15,290)
Other comprehensive income:							
Exchange differences arising on translation of functional currency	–	–	–	568	–	–	568
	–	–	–	568	–	(15,290)	(14,722)
Transactions with the equity holders of the Company:							
Equity settled share-based Transactions (Note 44)	–	–	5,443	–	–	–	5,443
Share options lapsed (Note 44)	–	–	(1,178)	–	–	1,178	–
	–	–	4,265	–	–	1,178	5,443
Final dividend (Note 12)	(6,952)	–	–	–	–	–	(6,952)
At 31 December 2020	–	227,853	6,136	(2,918)	269,295	(61,208)	439,158

Note: Other reserve represents the difference between (i) the net asset value of the subsidiaries acquired and (ii) the nominal value of the share capital of the Company issued in exchange thereof pursuant to the initial listing on the Main Board of the Stock Exchange or the cash consideration paid.

36. COMMITMENT

Capital commitment

As at 31 December 2020, the Group had capital commitments contracted in relation to the acquisition detailed in Note 19(a), but not provided for in the amount of RMB77,000,000 (2019: Nil).

37. BUSINESS COMBINATION

Acquisition of Wealth Ton Group

On 29 March 2019, the Group entered into an acquisition agreement with Mr. Lo, the controlling shareholder, of the Company. Pursuant to which the Group conditionally agreed to acquire and Mr. Lo conditionally agreed to sell the entire issued share capital (the "Sale shares") and the loan (the "Sale loan") of Wealth Ton at an aggregate consideration of HK$55,000,000 (equivalent to approximately RMB48,535,000).

Upon the completion of acquisition on 5 July 2019, the Group owned the entire equity interests in Wealth Ton and its subsidiaries which were accounted for as wholly owned subsidiaries. The principal activities of Wealth Ton and its subsidiaries are disclosed in Note 46(a).

Details of fair value of the net identified assets acquired and gain on bargain purchase are as follows:

	RMB'000
Consideration	
– settled by cash	24,261
– shareholder's loan novated	24,274
	48,535
Fair value of the net identified assets acquired	48,677
Gain on bargain purchase recognised in the statement of changes in equity	142

37. BUSINESS COMBINATION (Continued)

Acquisition of Wealth Ton Group (Continued)

The fair value of the identifiable assets and liabilities arising from the acquisition is calculated as follows:

	Notes	RMB'000
Property, plant and equipment	14	31
Intangible assets	16	8,733
Right-of-use assets	15	407
Other assets		403
Deferred tax assets	32	1,966
Account receivables		12,518
Prepayments, deposits and other receivables		18,001
Cash and cash equivalents		24,196
Account payables		(16,389)
Accruals and other payables		(693)
Amount due to a related party		(89)
Lease liabilities	15	(407)
Net identifiable assets attributed to the Group acquired		48,677
Cash consideration paid		(48,535)
Less: Cash and cash equivalents balances acquired		24,196
Net cash outflow arising from acquisition		(24,339)

The gain arising from acquisition is recognised in the consolidated statement of changes in equity as deemed contribution from equity participants as the shareholder of the Company is Mr. Lo. The acquisition results in a gain on bargain purchase as the consideration was based on the net asset value of the companies which are similar to Mr Lo's original investment costs.

Acquisition-related costs amounting to approximately RMB536,000 (Note 9) have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "Other operating expenses" line item in the consolidated statement of comprehensive income.

Since its acquisition, Wealth Ton Group contributed the revenue of RMB4,392,000 and net profit of RMB4,822,000 to the Group for the period from 5 July 2019 to 31 December 2019.

Had the combination been taken place on 1 January 2019, the revenue and the net profit of the Group for the year ended 31 December 2019 would have been RMB197,840,000 and RMB39,799,000 respectively. This pro forma information is for illustrative purpose only and are not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor are they intended to be a projection of future results.

The fair value of the acquired account and other receivable was approximately RMB30,322,000. The gross contractual amount of the account and other receivable was approximately RMB38,300,000, of which approximately RMB7,978,000 is expected to be uncollectable.

38. ACQUISITIONS OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 23 July 2020 and 15 August 2020, the Group entered into sales and purchase agreements with a connected party, a company which Mr. Lu is the controlling shareholder, and independent third parties to acquire the entire equity interest in Shenzhen Haosen Technology Operations Limited ("Shenzhen Haosen Tech") and Shenzhen Yuli Cultural Company Limited ("Shenzhen Yuli") at an aggregate total cash consideration of RMB100,000,000, which have been settled in full. The principal activities of the subsidiaries are disclosed in Note 46(a). According to the acquisition agreements, no existing business was transferred to the Group but only certain financial assets. The management of the Company considers that such acquisitions will enable the Group to facilitate its proposed plan on group restructuring after further acquisition of Shenzhen Haosen (Note 19). Such acquisitions have been accounted for acquisitions of assets.

The assets acquired comprised of other receivables with aggregate amount of approximately RMB96,500,000 and cash and cash equivalents of approximately RMB3,500,000. Such acquisition resulted in net cash outflow of approximately RMB96,500,000.

The fair value of the acquired other receivables was approximately to its carrying value as the directors of the Company consider that the other receivables are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception. These other receivables were fully settled during the year subsequent to the acquisitions.

39. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the year:

(a) Transactions with related parties

	Notes	**2020** **RMB'000**	2019 RMB'000
Interest on lease liabilities paid to a related company	(i), (ii)	**138**	113
Payment of lease liabilities in relation to leases with a related company	(i), (ii)	**775**	590
Building management fee, utilities and repair and maintenance fee paid to a related company	(i)	**596**	412
Hospitality expense for functions in the hotel paid to a related company	(i)	**121**	232

39. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

Notes:

(i) Mr. Lo's sibling, Mr. Lu, is the ultimate controlling party of the related companies.

(ii) The Group entered certain lease in respect of properties from a related party to the Group. The amount of rental payable by the Group under the leases are approximately RMB64,600 (2019: RMB64,600) per month and the lease terms will be expired on 3 to 4 years. Details of the Group's lease liabilities due to a related company are included in Note 15(b) to the consolidated financial statements.

In the opinion of the directors of the Company, the transactions listed above between the Group and the aforementioned related parties were conducted in the ordinary and usual course of business.

All of the above related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The above transactions are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33 of the Listing Rules.

(b) Compensation of key management personnel

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the members of the board of directors and senior management of the Company. Key management personnel remuneration are as follows:

	2020 RMB'000	2019 RMB'000
Directors' fees	**1,655**	1,464
Salaries, allowances and benefits in kind	**2,745**	2,329
Retirement benefit scheme contributions	**251**	279
Equity-settled share-based payment	**180**	271
	4,831	4,343

40. FINANCIAL GUARANTEE CONTRACTS

The Group has given a corporate guarantee to the extent of approximately RMB174,000 (2019: RMB3,488,000) to an independent third party in respect of the credit enhancement services provided to the customers of loan facilitation services. In the opinion of the directors of the Company, no material liabilities will arise from the above corporate guarantee which arose in the ordinary course of business and fair value of the corporate guarantee granted by the Group is immaterial.

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

	2020 RMB'000	2019 RMB'000
Financial assets		
At amortised costs		
Loan and account receivables	**1,006,543**	1,524,884
Deposits for acquisition of investment properties	**–**	22,000
Deposits for further acquisition of interest in a non-wholly owned subsidiary and acquisition of interest in a company	**133,000**	–
Deposits and other receivables	**2,624**	30,028
Other assets	**400**	382
Amounts due from related parties	**4**	146
Cash and cash equivalents	**118,633**	42,666
At FVOCI		
Equity investment	**33,196**	49,684
	1,294,400	1,669,790
Financial liabilities		
At amortised costs		
Account payables	**24,572**	6,626
Deposits from financial leasing customers	**7,717**	15,324
Amounts due to related parties	**220**	3,572
Accruals and other payables	**19,382**	32,296
Lease liabilities	**5,312**	5,257
Dividend payable	**12,927**	392
Bank and other borrowings	**505,076**	727,170
Promissory note	**72,050**	66,922
Bond payable	**33,681**	17,879
At FVPL		
Contingent consideration payable	**–**	19,600
	680,937	895,038

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments in the normal course of the Group's business are interest rate risk, credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk in relation to variable-rate financial leasing receivables, bank balances, bank borrowings (see Notes 22(a), 24 and 29 for details of these financial instruments respectively). The Group takes on exposure to the effects of fluctuation in the prevailing levels of market interest rates on the cash flow risks.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate financial leasing receivables and factoring, small and other loans receivables, promissory note and bond payable (see Notes 22(a) to (d), 30 and 31 for details of these financial instruments). The Group does not have a fair value interest rate hedging policy.

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate financial leasing receivables, bank balances and bank borrowings.

The sensitivity analysis was determined assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to variable-rate financial instruments at that date. 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates of financial leasing receivables and bank and other borrowings over the period until the end of next reporting period.

The following tables indicates the approximate change in the (loss)/profit after income tax in response to reasonably possible changes in interest rates to which the Group has exposure at the end of each reporting period.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Interest rate risk (Continued)

Sensitivity analysis (Continued)

(i) If the benchmark interest rates of the variable rate financial leasing receivables at the end of each reporting period had been 100 basis points higher/lower and all other variable were held constant, the potential effect on the Group's (loss)/profit after income tax are as follows:

	2020		2019	
	RMB'000	**RMB'000**	RMB'000	RMB'000
	+1%	**−1%**	+1%	−1%
Decrease/(increase) in (loss) for the year and (accumulated losses)/Increase/(decrease) in profit for the year and retained profits	**3,322**	**(3,322)**	3,766	(3,766)

(ii) If interest rates of bank balances at the end of each reporting period had been 50 basis points higher/lower and all other variable were held constant, the potential effect on the Group's profit after income tax are as follows:

	2020		2019	
	RMB'000	**RMB'000**	RMB'000	RMB'000
	+1%	**−1%**	+1%	−1%
Decrease/(increase) in (loss) for the year and (accumulated losses)/Increase/(decrease) in profit for the year and retained profits	**331**	**(331)**	128	(128)

(iii) If the benchmark interest rates of the variable rate bank borrowings at the end of each reporting period had been 100 basis points higher/lower and all other variable were held constant, the potential effect on the Group's profit after income tax are as follows:

	2020		2019	
	RMB'000	**RMB'000**	RMB'000	RMB'000
	+1%	**−1%**	+1%	−1%
(Increase)/decrease in (loss) for the year and (accumulated losses)/(Decrease)/increase in profit for the year and retained profits	**(2,355)**	**2,355**	(2,858)	2,858

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statement of financial position.

The Group is exposed to credit risk in relation to its (i) loan and account receivables; (ii) deposits and other receivables; (iii) amounts due from related parties; and (iv) cash and cash equivalents.

The Group implemented standardised management procedures over the processes of target customers' selection, the due diligence and application, credit review and approval, determination of credit limits, monitoring and management of non-performing receivables and other aspects. Through implementation of relevant credit risk management policies and procedures, the optimisation of the portfolio of receivables, the Group is able to timely and effectively identify, monitor and manage its potential credit risks.

Changes in the economic environment will have an impact on the Group's receivables, and the adverse effects will increase the possibility of losses incurred by the Group. The business development, risk management department in charge of different industries are responsible for the management of credit risks, and periodically report on the quality of assets to the management of the Company.

The Group's main income generating activity is supply the financing services to customers and therefore credit risk is a principal risk. The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purpose.

(i) Credit risk management

Other specific management and mitigation measures include:

Loan and account receivables except for account receivables from securities dealing and broking business

The Group manages, limits, and controls the concentration of credit risk and, as far as possible, avoid risks concentration on single customer and industry. Analysis of the Group's financial leasing receivables by industry sectors are set forth in Note 22(a).

The Group manages customer limits to optimise the credit risk structure. The Group performs pre-project analysis of the customers' ability to repay principal and interest, real time supervision of the actual repayment status throughout the project period to manage the credit risk.

In addition, the Group has developed a series of policies to mitigate credit risk, including obtaining collateral, pledge, security deposit and guarantee from an enterprise or individual. As at 31 December 2020, 84.0% (2019: 81.9%) of the loan receivables are backed by collaterals and/or guarantee.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

(i) Credit risk management (Continued)

Loan and account receivables except for account receivables from securities dealing and broking business (Continued)

According to the relevant PRC laws and regulations, the Group as the legal beneficial owner of the assets, after considering legal opinion from PRC lawyer engaged by the Group, has the legal title over the assets. Therefore, the laws protect the Group's effective right. In the event of default, the Group is entitled to retrieve the asset. In addition, the Group requests a third party guarantee or collateral from certain customers, depending on the customers' credit status and credit risk degree. The management evaluates the capability of the guarantor, the ownership and value of the mortgage or pledge and the feasibility to realise the mortgage or pledge.

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

Account receivables from securities dealing and broking business

The credit risk arises on the margin portfolio and clients' trade settlement. When the market goes downside, the possibility of bad and doubtful debts will arise. The margin clients may be unable or unwilling to settle the sum owed. As such, credit assessment and continuous management of credit exposures are indispensable. The Group has established the credit policies and procedures setting out in details the structure of the credit risk management, the credit approval and monitoring mechanism, and the issue for overdue debts. Meanwhile, the management has overseen the Group's overall credit risk exposure arisen from margin clients.

The account receivables from margin clients are secured by clients' pledged securities which are equity and debt securities listed in Hong Kong and overseas. Margin calls are made when the traders of margin clients exceed their credit limits or a shortfall existed after taking into the account the securities collateral. Any such excess is required to be made good within the next trading day. Failure to meet margin calls may result in the liquidation of the clients' positions. The Group seeks to maintain strict control over its outstanding receivables.

Moreover, the Group closely evaluates the margin clients' credit rating, financial background and repayment abilities. The assessment is based on a closely monitoring and evaluation of the collectability of individual account and on management's judgement from different aspects including the current credit worthiness of the margin clients and the past collection history of each individual margin client.

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

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

(ii) Measurement of ECLs

Significant increase in credit risk

The Group monitors all financial assets that are subject to impairment requirements to assess there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-m ECL.

Internal credit risk ratings

In order to minimise credit risk, the Group monitors the credit risk exposure individually for certain financial assets with significant balances. Moreover, the Group has tasked its risk management department to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is based on a range of data that is determined to be predictive of the risk of the risk of default and applying experienced credit judgement. The nature of the exposure and type of customers are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. When the credit risk increases, the credit grades may be changed and result in the increase of the risk of default. Each counterparty is categorised to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect the latest information.

The Group uses credit risk grades to determine whether there has been significant increase in credit risk. The Group gathers performance and default information about the customers' credit risk exposures, with reference to the type of assets under the financing arrangement.

For financial assets, except for account receivables from margin clients, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

For account receivables from margin clients, the Group considers here has been a significant increase in credit risk when clients cannot meet the margin call requirement and significant deterioration in LTV or other quantitative and qualitative information and analysis.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

(ii) Measurement of ECLs (Continued)

The Group has monitoring procedures in place to make sure that the criteria used to identify significant increase in credit risk are effective, meaning that significant increase in credit risk is identified when the asset becomes 30 days past due or the LTV cannot be met. The Group performs periodic back-testing of its rating to consider the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase in credit risk as well as in its measurement of ECLs. The Group uses the external information including economic data and forecasts published by government bodies and monetary authorities, such as GDP growth rates, unemployment rates, etc.

In respect of the loan and account receivables (other than account receivables from securities dealing and broking services), except for those are assessed to be credit impaired, the ECLs are estimated using a calculation model using observable data as at the end of the reporting period, including the difference between (i) the effective interest rates of interest charged by the Group for similar categories of the loans and the risk-free rates of respective regions; (ii) administrative service cost of the Group; and (iii) the weighting of the loan receivables under different categories of loan receivables at each of the reporting dates. The forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables would be also incorporated in the calculation, when applicable. The Group had considered that the gross domestic growth rate and unemployment rate of respective regions that the customers locate are to be the most relevant factor, and these are applied in the regression model given the COVID-19 pandemic and some significant changes in the market indexes.

In respect of the account receivables from securities dealing and broking services, the Group estimates the ECLs based on (i) the Group's estimates of the market borrowing rates for each of the grouping less risk-free rate, which reflect the credit risk of account receivables from security dealing services and (ii) the time value of money, and are adjusted by forward-looking information that is reasonable and supportable available without undue costs and effort, such as GDP growth rate, Hang Seng Index, Hang Seng Futures Index, etc. and these are applied in the regression model given the COVID-19 pandemic and some significant changes in the market indexes. Those receivables with significant balances and credit impaired, if any are assessed for ECLs individually.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

(ii) Measurement of ECLs (Continued)

The following table shows the Group's credit risk grading framework:

Category	Description	Loan receivables (financial leasing) and account receivables (except for account receivables from margin clients)	Loan receivables (except for financial leasing), account receivables from margin clients and other financial assets
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired	Lifetime ECL – not credit impaired	12-m ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired	Lifetime ECL – not credit impaired	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The identification of internal credit rating for all financial assets regularly reviewed by the management of the Company to ensure relevant information about specific financial assets is updated.

Analysis of the gross carrying amount of loan and account receivables by the Group's internal credit rating and year ended classification:

	2020 **RMB'000**	2019 RMB'000
Performing	**662,254**	1,051,306
Doubtful	**108,511**	10,237
Default	**489,266**	547,774
	1,260,031	1,609,317

Loan and account receivables with an aggregate amount of approximately RMB37,766,000 (2019: approximately RMB27,171,000) were written off as bad debts during the year, as disclosed in Notes 22(a), (c) and (e).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

(ii) Measurement of ECLs (Continued)

The analysis of the exposure of credit risk and ECLs for loan and account receivables at the reporting date are as follows:

	12-m ECL RMB'000	Lifetime ECL – not credit impaired RMB'000	Lifetime ECL – credit impaired RMB'000	Total RMB'000
As at 31 December 2020				
Financial leasing receivables				
Gross amount	47,971	28,227	428,518	504,716
Less: allowance for ECLs	–	–	(195,282)	(195,282)
Net amount	47,971	28,227	233,236	309,434
Factoring loan receivables				
Gross amount	–	165,588	17,261	182,849
Less: allowance for ECLs	–	–	(6,143)	(6,143)
Net amount	–	165,588	11,118	176,706
Small loan receivables				
Gross amount	33,414	465,304	38,452	537,170
Less: allowance for ECLs	(1,269)	(8,525)	(33,905)	(43,699)
Net amount	32,145	456,779	4,547	493,471
Other loan receivables				
Gross amount	–	23,478	–	23,478
Less: allowance for ECLs	–	(3,329)	–	(3,329)
Net amount	–	20,149	–	20,149
Account receivables				
Gross amount	132	6,651	5,035	11,818
Less: allowance for ECLs	–	–	(5,035)	(5,035)
Net amount	132	6,651	–	6,783

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

(ii) Measurement of ECLs (Continued)

	12-m ECL RMB'000	Lifetime ECL – not credit impaired RMB'000	Lifetime ECL – credit impaired RMB'000	Total RMB'000
As at 31 December 2019				
Financial leasing receivables				
Gross amount	71,950	124,378	486,571	682,899
Less: allowance for ECLs	–	–	(34,649)	(34,649)
Net amount	71,950	124,378	451,922	648,250
Factoring loan receivables				
Gross amount	42,055	105,932	15,000	162,987
Less: allowance for ECLs	–	–	–	–
Net amount	42,055	105,932	15,000	162,987
Small loan receivables				
Gross amount	58,141	614,538	44,031	716,710
Less: allowance for ECLs	(2,508)	(8,402)	(32,883)	(43,793)
Net amount	55,633	606,136	11,148	672,917
Other loan receivables				
Gross amount	–	29,718	–	29,718
Less: allowance for ECLs	–	(3,457)	–	(3,457)
Net amount	–	26,261	–	26,261
Account receivables				
Gross amount	149	14,682	2,172	17,003
Less: allowance for ECLs	(1)	(361)	(2,172)	(2,534)
Net amount	148	14,321	–	14,469

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Credit risk (Continued)

(ii) Measurement of ECLs (Continued)

The Group does not hold any collaterals nor receive any guarantees in respect of (i) certain small and other loan receivables and (ii) account receivables of cash clients from security dealing business and from financial advisory and loan facilitation services.

The Group's maximum exposure to credit risk is primarily attributable to loan and account receivables. As at 31 December 2020, 32.8% (2019: 28.8%) and 46.6% (2019: 47.2%) of the total loan and account receivables was due from the Group's largest customer and the five largest customers respectively. The directors of the Company considered the credit risk from this concentration was not significant as these counterparties were sizable companies with sound financial position and all their outstanding balances were secured by the leased assets. The Group has endeavoured to develop new customers to diversify and strengthen the customers base to reduce the concentration of credit risk. In order to minimise the credit risk, the Group has closely monitored the recoverability of the advances to these counterparties, including ensuring that adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances.

For deposits and other receivables, in order to minimise the credit risk, the management of the Company closely monitor the follow-up action taken to recover any receivable balances outstanding over 180 days. In addition, the Group monitors subsequent settlement of each of the receivables to ensure that adequate impairment losses are made for irrecoverable amounts.

In addition, the Group has applied the general approach in HKFRS 9 to measure the loss allowance at 12-m ECL, since there has not been a significant increase in credit risk since initial recognition for the deposits and other receivables. The credit risk on deposits and other receivables have not increased significantly since initial recognition as each of the counterparties have no history of default and possess strong capability to meet contractual cash flows.

The credit risk on bank balances is minimal as the counterparties are mainly banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet obligations associated with its financial liabilities. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

The following tables details the Group's remaining contractual maturity for its financial assets and financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial assets and financial liabilities and the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2020							
Financial assets							
Loan and account receivables	312,640	249,569	641,250	77,149	–	1,280,608	1,006,543
Deposits for further acquisition of interest in a non-wholly owned subsidiary and acquisition of interest in a company	–	133,000	–	–	–	133,000	133,000
Deposits and other receivables	735	1,000	454	435	–	2,624	2,624
Other assets	400	–	–	–	–	400	400
Amounts due from related parties	4	–	–	–	–	4	4
Financial assets at FVOCI	33,196	–	–	–	–	33,196	33,196
Cash and cash equivalents	118,633	–	–	–	–	118,633	118,633
Total financial assets	465,608	383,569	641,704	77,584	–	1,568,465	1,294,400
Financial liabilities							
Account payables	24,572	–	–	–	–	24,572	24,572
Deposits from financial leasing customers	–	–	3,495	4,222	–	7,717	7,717
Lease liabilities	–	746	1,783	3,214	–	5,743	5,312
Amounts due to related parties	220	–	–	–	–	220	220
Accruals and other payables	19,382	–	–	–	–	19,382	19,382
Dividend payable	12,927	–	–	–	–	12,927	12,927
Bond payable	–	679	18,516	17,180	–	36,375	33,681
Bank and other borrowings	–	77,870	361,008	87,604	–	526,482	505,076
Promissory note	–	–	3,314	101,318	–	104,632	72,050
Total financial liabilities	57,101	79,295	388,116	213,538	–	738,050	680,937
Financial assets over financial liabilities	408,507	304,274	253,588	(135,954)	–	830,415	613,463

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Liquidity risk (Continued)

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2019							
Financial assets							
Loan and account receivables	189,422	430,024	744,412	258,131	–	1,621,989	1,524,884
Deposits for acquisition of investment properties	–	22,000	–	–	–	22,000	22,000
Deposits and other receivables	28,406	36	297	1,289	–	30,028	30,028
Other assets	382	–	–	–	–	382	382
Amounts due from related parties	146	–	–	–	–	146	146
Financial assets at FVOCI	49,684	–	–	–	–	49,684	49,684
Cash and cash equivalents	42,666	–	–	–	–	42,666	42,666
Total financial assets	310,706	452,060	744,709	259,420	–	1,766,895	1,669,790
Financial liabilities							
Account payables	6,626	–	–	–	–	6,626	6,626
Deposits from financial leasing customers	–	–	11,829	3,495	–	15,324	15,324
Lease liabilities	–	949	2,051	2,753	–	5,753	5,257
Amounts due to related parties	3,572	–	–	–	–	3,572	3,572
Accruals and other payables	32,296	–	–	–	–	32,296	32,296
Dividend payable to non-controlling interests	392	–	–	–	–	392	392
Contingent consideration payable	–	–	19,600	–	–	19,600	19,600
Bond payable	–	114	1,074	18,949	–	20,137	17,879
Bank and other borrowings	–	102,740	301,633	394,118	–	798,491	727,170
Promissory note	–	–	3,839	106,207	–	110,046	66,922
Total financial liabilities	42,886	103,803	340,026	525,522	–	1,012,237	895,038
Financial assets over financial liabilities	267,820	348,257	404,683	(266,102)	–	754,658	774,752

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Foreign currency risk

Foreign exchange risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group mainly operated in Hong Kong and the PRC with most of the transactions denominated and settled in HK$ and RMB. No foreign currency risk has been identified for the financial assets and financial liabilities denominated in HK$, which is the functional currencies of the subsidiaries in Hong Kong to which these transactions relate.

During the years, the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

(e) Fair value measurement

(i) Financial instruments not measured at fair value

Except for the below, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to their fair values.

(ii) Financial instruments measured at fair value

The fair value of financial assets and financial liabilities is determined based on discounted cash flow analysis.

The following table presents the carrying value of the Group's financial instruments measured at fair value across the three levels of the fair value hierarchy defined in HKFRS 13 "Fair Value Measurement" with fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

Level 2: fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3: fair values measured using significant unobservable input.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Fair value measurement (Continued)

	2020		
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**
Financial asset at FVOCI			
– Unlisted equity securities	**–**	**–**	**33,196**

	2019		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial asset at FVOCI			
– Unlisted equity securities	–	–	49,684
Financial liability at FVPL			
– Contingent consideration payable	–	–	(19,600)

There were no transfers between the three Levels during the reporting periods. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

The movements during the year in the balance of the Level 3 fair value measurements are as follows:

	2020 RMB'000	2019 RMB'000
Financial asset at FVOCI:		
At beginning of the year	**49,684**	–
Purchase of the equity securities	**–**	44,000
Refund received on capital reduction of the unlisted equity securities	**(16,257)**	–
Fair value (loss)/gain on financial asset at FVOCI	**(231)**	5,684
At end of the year	**33,196**	49,684
Financial liability at FVPL:		
At beginning of the year	**19,600**	35,784
Fair value loss on contingent consideration payables	**–**	3,416
Repayment	**(19,600)**	(19,600)
At end of the year	**–**	19,600

43. OFFSETTING OF FINANCIAL INSTRUMENTS

The disclosure set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the consolidated statement of financial position; or
- no offset in the consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and HKSCC, the Group currently has a legally enforceable right to set off money obligations receivable and payable with HKSCC on the same settlement date and the Group intends to settle on a net basis as account receivables from or account payables to HKSCC.

Except for the above, the amounts due from/to cash and margin clients that are not to be settled on the same date, the financial collateral including cash and securities received by the Group and deposit placed with HKSCC do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

	Gross amount after impairment	Amount offset	Net amount after impairment	Related amounts not offset		Net amount
				Financial instruments	Collateral received	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2020						
Amount of account receivables from						
– HKSCC	**14,856**	**(12,911)**	**1,945**	**–**	**–**	**1,945**
– Cash clients	**303**	**–**	**303**	**(303)**	**–**	**–**
– Margin clients	**3,891**	**–**	**3,891**	**–**	**(3,891)**	**–**
	19,050	**(12,911)**	**6,139**	**(303)**	**(3,891)**	**1,945**
Amount of account payables from						
– HKSCC	**13,157**	**(12,911)**	**246**	**–**	**–**	**246**
– Cash clients	**3,391**	**–**	**3,391**	**(303)**	**–**	**3,088**
– Margin clients	**20,935**	**–**	**20,935**	**–**	**–**	**20,935**
	37,483	**(12,911)**	**24,572**	**(303)**	**–**	**24,269**

43. OFFSETTING OF FINANCIAL INSTRUMENTS (Continued)

	Gross amount after impairment RMB'000	Amount offset RMB'000	Net amount after impairment RMB'000	Related amounts not offset: Financial instruments RMB'000	Related amounts not offset: Collateral received RMB'000	Net amount RMB'000
As at 31 December 2019						
Amount of account receivables from						
– HKSCC	3,705	(3,705)	–	–	–	–
– Cash clients	4	–	4	(4)	–	–
– Margin clients	8,331	–	8,331	–	(8,331)	–
	12,040	(3,705)	8,335	(4)	(8,331)	–
Amount of account payables from						
– HKSCC	5,497	(3,705)	1,792	–	–	1,792
– Cash clients	1,459	–	1,459	(4)	–	1,455
– Margin clients	3,375	–	3,375	–	–	3,375
	10,331	(3,705)	6,626	(4)	–	6,622

Note: The cash and financial collateral received/pledged represent their fair value as at 31 December 2020 and 2019.

No financial instruments had been offset as at 31 December 2020 (2019: Nil).

44. EQUITY-SETTLED SHARE-BASED PAYMENTS

Pursuant to a resolution passed by the Company's shareholders at the annual general meeting held on 19 June 2017, the Company adopted a share option scheme (the "Scheme").

Particulars of the Scheme are set out bellows:

Purpose of the Scheme

The purpose of the Scheme is to provide incentives and rewards to eligible participants for their contribution to the Group and enable the Group to attract and retain the employees of appropriate qualifications and with necessary experience to work for the Group in which any member of the Group holds any equity interest.

44. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

Participants of the Scheme

The board of directors of the Company or a duly authorised committee thereof, may, at its discretion, grant options to any full time or part time employee (including any executive and non-executive director or proposed executive and non-executive director) of the Group (the "Employees"), business partner, agent, consultant, contractor, representative of any member of the Group, invested entity, client or supplier, advisor, any other group or classes of participants and shareholder who have contributed to the Group (collectively the "Participants"), to subscribe for shares of HK$0.01 each in the share capital of the Company in accordance with the provisions of the Scheme.

Total number of shares available for issue under the Scheme

Under the Scheme, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not exceed 30% of the share capital of the Company in issue from time to time. No options may be granted under the Scheme if the grant of such option will result in the limit being exceeded. Subject to the approval of the Company's shareholders, the aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not exceed 30% of the Company's shares in issue from time to time.

Maximum entitlement of each participant

No Participants shall be granted an option if total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant to such Participant would exceed in aggregate 1% of the shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates abstaining from voting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Period within which the share must be taken up under an option

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the board of directors may provide restrictions on the exercise of an option during the period an option may be exercised.

Amount payable upon acceptance of the option and the period within which the payment must be made HK$1.00 shall be paid within 21 days from the date of offer of the option.

44. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

Basis of determining the exercise price of the option

The exercise price for Shares under the Scheme shall be a price determined by the board of directors, but in any case will not be less than the highest of:

(1) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading date;

(2) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading immediately preceding the date of the offer; or

(3) the nominal value of a share.

Remaining life of the Scheme

The Scheme shall be valid and effective for a period of 10 years from the date of adoption (i.e. 19 June 2017 and ending on 18 June 2027), after which no further options will be granted but the provisions of the Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior to otherwise as may be required in accordance with the provision of the Scheme.

Details of share options granted under the Scheme are as follows:

	Share options by grant date 24 April 2019	**Share options by grant date 22 January 2020**
Number of ordinary shares issued upon exercise:		
– Director	100,000	**–**
– Senior management	350,000	**–**
– Employees	850,000	**7,700,000**
– External consultants	8,775,000	**2,500,000**
	10,075,000	**10,200,000**

For the share options granted on 4 July 2018, neither vesting conditions nor vesting period were imposed on the grantees to exercise their share options at any time within 12 months from the date of grant.

For the share options granted on 29 April 2019, 8,050,000 share options are exercisable immediately from the date of grant (i.e. 24 April 2019) to 23 April 2022 (the "first tranche"); 607,500 share options are exercisable from the date of grant (i.e. 24 April 2019) to 23 April 2020 (the "second tranche"); 607,500 share options are exercisable after the expiration of 12 months from the date of grant (i.e. 24 April 2020) to 23 April 2021 (the "third tranche"); and 810,000 share options are exercisable after the expiration of 24 months from the date of grant (i.e. 24 April 2021) to 23 April 2022 (the "fourth tranche").

44. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

Remaining life of the Scheme (Continued)

For the share options granted on 22 January 2020, neither vesting conditions nor vesting period were imposed on the grantees to exercise their share options at any time within 3 years from the date of grant.

In the event the grantee ceases to be the participants, the share options granted to the grantee shall lapse on the date which the grantee ceases to be the participant.

The Group does not have a legal or constructive obligation to repurchase or settle the options in cash.

Details in the exercise prices and the movement of number of share options outstanding and exercisable are as follows:

For the year ended 31 December 2020

			Number of share options				
Grant date	Exercise price per share option HK$	Equivalent to RMB	As at 1 January 2020	Granted during the year	Exercised during the year	Lapsed/ Forfeited during the year	As at 31 December 2020
24 April 2019							
– Director	7.00	6.00	100,000	–	–	(30,000)	70,000
– Senior management	7.00	6.00	350,000	–	–	(105,000)	245,000
– Employees	7.00	6.00	850,000	–	–	(412,500)	437,500
– External consultants	7.00	6.00	1,572,000	–	–	(217,500)	1,354,500
22 January 2020							
– Employees	6.12	5.44	–	7,700,000	–	(1,500,000)	6,200,000
– External consultants	6.12	5.44	–	2,500,000	–	–	2,500,000
			2,872,000	10,200,000	–	(2,265,000)	10,807,000
Exercisable at the end of the year							10,087,000
Weighted average exercise price on outstanding options							HK$6.29

44. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

For the year ended 31 December 2019

			Number of share options				
Grant date	Exercise price per share option HK$	Equivalent to RMB	As at 1 January 2019	Granted during the year	Exercised during the year	Lapsed/ Forfeited during the year	As at 31 December 2019
4 July 2018							
– Director	6.02	5.09	360,000	–	360,000	–	–
– Senior management	6.02	5.09	360,000	–	360,000	–	–
– Employees	6.02	5.09	1,440,000	–	1,440,000	–	–
– External consultants	6.02	5.09	2,160,000	–	2,160,000	–	–
24 April 2019							
– Director	7.00	6.00	–	100,000	–	–	100,000
– Senior management	7.00	6.00	–	350,000	–	–	350,000
– Employees	7.00	6.00	–	850,000	–	–	850,000
– External consultants	7.00	6.00	–	8,775,000	7,203,000	–	1,572,000
			4,320,000	10,075,000	11,523,000	–	2,872,000
Exercisable at the end of the year							1,454,500
Weighted average exercise price on outstanding options							HK$7.00

The fair values of employee services received in return for share options granted are measured by reference to the fair value of share options granted.

Certain external consultants were engaged to advise on the business expansion through strategic development in the money lending business, enhancing corporate strategy and branding, as well as the potential acquisition, etc. In the opinion of the directors of the Company, the fair value of services cannot be measured reliably and the Group should measure the services rendered the external consultants by reference to the fair value of share options granted. For those external business partners who provided the referral services, the fair value of share options granted are measured by reference to the fair value of the services received.

The Group granted 6,900,000 and 1,875,000 share options to external consultants and business partners respectively during 24 April 2019. The options will entitle the grantee to subscribe for a total of 8,775,000 new shares of HK$0.01 each at an exercise price of HK$7 per share.

44. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

The Group further granted 2,500,000 share options to external consultants during 22 January 2020 which entitle the grantee to subscribe for a total of 2,500,000 new shares of HK$0.01 each at an exercise price of HK$6.12 per share.

For the fair value of services measured indirectly by reference to the fair value of the share options granted, the fair value is determined by the directors of the Company with reference to the valuation performed by an independent valuer, International Valuation Limited (2019: Valtech Valuation Advisory Limited) using the Binomial Option Pricing Model significant inputs into the model were as follows:

	Share options by grant date 24 April 2019	**Share options by grant date 22 January 2020**
Expected volatility	32.00%–38.31%	**35.01%**
Expected option life	1–3 years	**3 years**
Expected dividend yield	0.46%	**0.61%**
Annual risk-free interest rate	1.66%–1.85%	**1.54%**
Fair value	HK$9,241,000	**HK$5,269,320**
Fair value		
– first tranche	HK$0.828	**HK$0.517**
– second tranche	HK$0.663	
– third tranche	HK$1.304	
– fourth tranche	HK$1.701	

The expected volatility reflects the assumption that the historical volatility of future trends, adjusted for any expected changes to future volatility based on publicly available information, which may also not necessarily be the actual outcome. No other feature of the options was incorporated into the measurement of the fair value.

The variables and assumptions used in estimating the fair value of the share options were the directors' best estimates. Change in subjective input assumptions can materially affect the fair value.

During the year ended 31 December 2020, share-based payment expense of RMB5,443,000 (2019: RMB6,936,000) for the share option scheme was recognised in the consolidated statement of comprehensive income (Note 9) with a corresponding credit in share-based payment reserve.

No (2019: 11,523,000) share options are exercised during the year. At the time when the share options are subsequently exercised, the amount previously recognised in share-based payment reserve will be transferred to share capital and share premium. During the year ended 31 December 2019, there was approximately RMB9,145,000 transferred from share-based payment reserve to share capital and share premium.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits. During the year ended 31 December 2020, 2,265,000 (2019: Nil) share options lapsed as they were not exercised at the expire date or due to resignation of the grantees after vesting period.

45. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of bank and other borrowings, promissory note and bond payable, cash and bank balances and total equity, comprising equity attributable to equity owners of the Company and non-controlling interest.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and raise of new borrowings.

Certain subsidiaries of the Group are regulated by the SFC and are required to comply with certain minimum capital requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules ("SF(FR)R"). The Group has established a legal and compliance department which is operated by experienced compliance officers and is monitored by management. The principal roles of the legal and compliance department are to monitor the daily financial status and to review internal control of the Group regularly to ensure that the Company's regulated subsidiaries are in compliance with related regulations. Those subsidiaries have been in compliance with the capital requirement imposed by the SF(FR)R throughout the year.

No material changes were made in the objectives, policies or processes for managing capital during the years.

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

(a) General information of subsidiaries

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out as below:

Name of the company	Place of incorporation/ establishment	Particulars of issued and fully paid-up share capital/ registered capital	Attributable equity interest 2020	Attributable equity interest 2019	Principal activities
Directly held					
Wealthy Way Holdings Limited	BVI	100 ordinary shares of US$1 each	**100%**	100%	Investment holding
Wealth Ton Finance Group Limited (滙通金融集團有限公司) (Note a)	BVI	100 ordinary shares of US$1 each	**100%**	100%	Investment holding
Indirectly held					
China Wealthy Way Group Limited (中國富道集團有限公司)	Hong Kong	Ordinary shares of HK$274,579,569	**100%**	100%	Investment holding
CWW Finance (富道國際金融有限公司)	Hong Kong	Ordinary shares of HK$2	**100%**	100%	Investment holding
Wealthy Way (China) Finance Lease Limited (富道（中國）融資租賃有限公司)	The PRC	RMB333,330,000	**100%**	100%	Provision of financial leasing, factoring and advisory services
Shenzhen Wealthy Way Investment Holdings Company Limited (深圳市富道投資控股有限公司*) ("SZ Wealthy Way Investment") (Note b)	The PRC	RMB146,000,000 (2019: RMB13,000,000)	**100%**	100%	Provision of financial advisory services
Shenzhen Qianhai Wealthy Way Financial Leasing Company Limited (深圳前海富道融資租賃有限公司*) ("SZ Leasing")	The PRC	(Note c)	**N/A**	100%	Not yet commenced business
Wealthy Way Commercial Factoring Limited (深圳市富道商業保理有限公司*)	The PRC	RMB100,000,000	**100%**	100%	Provision of factoring
Wealth Way Information Technology Limited (深圳市富道信息科技有限公司*) ("WW Information") (Note d)	The PRC	RMB50,000,000 (2019: RMB10,000,000)	**100%**	100%	Provision of loan facilitation services
Shenzhen Haosen (深圳市浩森小額貸款股份有限公司*) (Note 19)	The PRC	RMB400,000,000	**55%**	55%	Provision of small loans

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

(a) General information of subsidiaries (Continued)

Name of the company	Place of incorporation/ establishment	Particulars of issued and fully paid-up share capital/ registered capital	Attributable equity interest 2020	Attributable equity interest 2019	Principal activities
Grand Partner Limited (利盟控股有限公司) (Note a)	Hong Kong	Ordinary shares of HK$5,300,000	**100%**	100%	Investment holding
Grand Partners Asset Management Limited (利盟資產管理有限公司) (Note a)	Hong Kong	Ordinary shares of HK$5,861,000	**100%**	100%	Provision of investment management and advisory services
Grand Partners Investment Consultants Limited (利盟投資顧問有限公司) (Note a)	Hong Kong	Ordinary shares of HK$250,000	**100%**	100%	Provision of securities advisory services
Grand Partners Finance Limited (利盟財務有限公司) (Note a)	Hong Kong	Ordinary shares of HK$30,000,000	**100%**	100%	Provision of money lending business
Grand Partners Asia Limited (利盟亞洲集團有限公司) (Notes a, e)	Hong Kong	Ordinary shares of HK$50,000	**N/A**	100%	Provision of consultancy services
Grand Partners Securities Limited (利盟證券有限公司) (Note a)	Hong Kong	Ordinary shares of HK$30,000,000	**100%**	100%	Provision of securities dealing and broking services
Grand Partners Capital Limited (利盟融資有限公司) (Note a)	Hong Kong	Ordinary shares of HK$10,000,000	**100%**	100%	Not yet commenced business
Shenzhen Qianhai Grand Partners Equity Investment Fund Management Company Limited (深圳前海利盟股權投資基金管理有限公司*) (Note a)	The PRC	US$2,000,000	**100%**	100%	Provision of asset management services
Shenzhen Haosen Tech (深圳市浩森技術運營有限公司*) (Note f)	The PRC	RMB180,000,000	**100%**	N/A	Provision of information technology services
Shenzhen Yuli (深圳裕利文化有限公司*) (Note f)	The PRC	RMB50,000,000	**100%**	N/A	Provision of marketing and advisory services
Shenzhen Wealthy Way Consulting Services Co. Ltd (深圳市富道諮詢服務有限公司*) ("SZ Wealthy Way Consulting")	The PRC	(Note g)	**100%**	N/A	Provision of financial leasing and other advisory services

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

(a) General information of subsidiaries (Continued)

Notes:

(a) During the year ended 31 December 2019, the Group acquired the entire equity interests of Wealth Ton and its subsidiaries. Further details of this acquisition are disclosed in Note 37 to the consolidated financial statements.

(b) The former name of SZ Wealthy Way Investment was Shenzhen Wealthy Way Finance Services Limited (深圳市富道金融服務有限公司*). During the year, SZ Wealthy Way Investment has increased its registered capital from RMB13,000,000 to RMB146,000,000 and being fully paid up.

(c) SZ Leasing has been applied for deregistration and successfully deregistered on 9 December 2020. As at 31 December 2019, no registered capital of SZ Leasing has been paid-up and the Group therefore had an outstanding investment commitment of RMB1,000,000 in SZ Leasing. No loss on deregistration impact on the Group.

(d) WW Information has increased its share capital from RMB10,000,000 to RMB50,000,000 and being fully paid up during the year.

(e) The subsidiary has completed the deregistration process during the year. No loss on deregistration impact to the Group noted as the subsidiary do not have any assets or liabilities as at deregistered date.

(f) During the year ended 31 December 2020, the Group acquired the entire equity interests of Shenzhen Haosen Tech and Shenzhen Yuli. Further details of this acquisition are disclosed in Note 38 to the consolidated financial statements.

(g) As at 31 December 2020, no registered capital of SZ Wealthy Way Consulting has been paid-up and the Group therefore had an outstanding investment commitment of RMB5,000,000 in SZ Wealthy Way Consulting.

* The English name of the subsidiaries established in the PRC represent management's best effort at translating the Chinese name of such subsidiaries as no English name has been registered.

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

(b) Partly-owned subsidiary with material non-controlling interests ("NCI")

Financial information of Shenzhen Haosen which is the only subsidiary of the Group which has a material NCI is summarised below. The amounts disclosed are before any inter-company elimination:

	2020 RMB'000	2019 RMB'000
NCI percentage	**45%**	45%
As at 31 December		
Current assets	**497,339**	668,504
Non-current assets	**17,416**	22,943
Current liabilities	**(135,466)**	(295,737)
Non-current liabilities	**(120)**	(381)
Net assets	**379,169**	395,329
Carrying amount of NCI	**170,626**	177,898
For the year ended 31 December		
Revenue	**72,248**	84,158
Profit for the year	**10,687**	11,320
Total comprehensive income for the year	**10,687**	11,320
Profit allocated to NCI	**4,809**	5,094
Dividend paid to NCI	**12,081**	–
For the year ended 31 December		
Cash flows generated from/(used in) operating activities	**189,124**	(80,115)
Cash flows (used in)/generated from investing activities	**(199)**	114
Cash flows (used in)/generated from financing activities	**(184,693)**	79,432
Net cash inflows/(outflows)	**4,232**	(569)

47. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

The Group had non-cash additions to right-of-use assets and lease liabilities of approximately RMB345,000 (2019: RMB2,654,000) and RMB345,000 (2019: RMB2,654,000) during the year ended 31 December 2020 in respect of lease arrangements for the properties (Note 15).

47. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financial activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	Due to related parties RMB'000 (Note 23)	Bank and other borrowings RMB'000 (Note 29)	Promissory note RMB'000 (Note 30)	Bond payable RMB'000 (Note 31)	Lease liabilities RMB'000 (Note 15)	Dividend payable RMB'000	Total RMB'000
At 1 January 2019	845	708,215	75,846	–	–	13,768	798,674
Initial recognition of HKFRS 16	–	–	–	–	7,525	–	7,525
Changes from financing cash flows:							
Advance from related parties	2,635	–	–	–	–	–	2,635
Proceeds from bank loans	–	276,000	–	–	–	–	276,000
Repayment of bank loans	–	(257,045)	–	–	–	–	(257,045)
Interest paid	–	(50,845)	–	(364)	–	–	(51,209)
Repayment of promissory note	–	–	(15,000)	–	–	–	(15,000)
Issuance of bond payable	–	–	–	17,630	–	–	17,630
Repayment of lease liabilities (including interest paid)	–	–	–	–	(4,118)	–	(4,118)
Dividend paid	–	–	–	–	–	(17,478)	(17,478)
Total changes from financing cash flows	2,635	(31,890)	(15,000)	17,266	(4,118)	(17,478)	(48,585)
Other changes:							
Interest expenses (Note 8)	–	50,845	9,915	599	552	–	61,911
Interest payable (included in accruals)	–	–	(3,839)	(239)	–	–	(4,078)
Additions of lease liabilities	–	–	–	–	2,654	–	2,654
Modification of lease	–	–	–	–	(1,775)	–	(1,775)
Acquisition of subsidiaries (Note 37)	89	–	–	–	407	–	496
Dividend declared	–	–	–	–	–	4,102	4,102
Total other changes	89	50,845	6,076	360	1,838	4,102	63,310
Exchange adjustments	3	–	–	253	12	–	268
At 31 December 2019	3,572	727,170	66,922	17,879	5,257	392	821,192

47. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Reconciliation of liabilities arising from financial activities (Continued)

	Due to related parties RMB'000 (Note 23)	Bank and other borrowings RMB'000 (Note 29)	Promissory note RMB'000 (Note 30)	Bond payable RMB'000 (Note 31)	Lease liabilities RMB'000 (Note 15)	Dividend payable RMB'000	Total RMB'000
At 1 January 2020	3,572	727,170	66,922	17,879	5,257	392	821,192
Changes from financing cash flows:							
Repayment to related parties	(3,314)	–	–	–	–	–	(3,314)
Proceeds from bank loans	–	226,000	–	–	–	–	226,000
Repayment of bank loans	–	(448,094)	–	–	–	–	(448,094)
Interest paid	–	(43,473)	–	(1,189)	–	–	(44,662)
Issuance of bond payable	–	–	–	17,787	–	–	17,787
Repayment of lease liabilities (including interest paid)	–	–	–	–	(3,414)	–	(3,414)
Dividend paid	–	–	–	–	–	(6,451)	(6,451)
Total changes from financing cash flows	(3,314)	(265,567)	–	16,598	(3,414)	(6,451)	(262,148)
Other changes:							
Interest expenses (Note 8)	–	43,473	8,442	2,814	354	–	55,083
Interest payable (included in accruals)	–	–	(3,314)	(1,538)	–	–	(4,852)
Proceeds from disposal of property, plant and equipment received by a director	(38)	–	–	–	–	–	(38)
Additions of lease liabilities	–	–	–	–	345	–	345
Modification of lease	–	–	–	–	2,899	–	2,899
Dividend declared	–	–	–	–	–	19,033	19,033
Total other changes	(38)	43,473	5,128	1,276	3,598	19,033	72,470
Exchange adjustments	–	–	–	(2,072)	(129)	(47)	(2,248)
At 31 December 2020	220	505,076	72,050	33,681	5,312	12,927	629,266

47. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2020 RMB'000	2019 RMB'000
Within operating activities	**366**	442
Within financing activities	**3,414**	4,118
	3,780	4,560

48. SUBSEQUENT EVENTS

On 16 March 2021, the Group entered into assignment agreements to assign the Creditor's Rights to the Assignee, pursuant to which the Group agreed to sell and assign, and the Assignee agreed to purchase and be assigned the Creditor's Rights at a consideration of RMB131,000,000. Details set out in Note 22(g)(i).

In March 2021, the Group has received an early repayment demand note notice from one bank in relation to a bank borrowing as detailed in Note 29. Upon the demand note and the abovementioned assignments, the corresponding bank borrowings have been fully repaid.

Other than the abovementioned, no other events after the reporting period required disclosures in the consolidated financial statements.

Financial Summary

The following is a summary of the published results and assets and liabilities of the Group for the last four financial years prepared on the basis set out in the notes below.

RESULTS

	Year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**176,094**	196,617	83,046	96,587	71,243
(Loss)/profit before income tax	**(140,982)**	65,785	33,559	39,734	42,215
Income tax credit/(expense)	**34,149**	(24,421)	(10,553)	(13,346)	(12,655)
(Loss)/profit for the year from continuing operations	**(106,833)**	41,364	23,006	26,388	29,560
(Loss)/profit attributable to the owners of the Company	**(111,642)**	36,270	23,641	26,388	29,560

ASSETS AND LIABILITIES

	As at 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**1,368,887**	1,710,639	1,565,359	1,207,595	696,034
Total liabilities	**695,011**	916,298	888,910	721,094	397,170
	673,876	794,341	676,449	486,501	298,864
Equity attributable to the owners of the Company	**503,250**	616,443	503,645	486,501	298,864