SY HOLDINGS GROUP LIMITED
盛業控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6069)

2022
Annual Report

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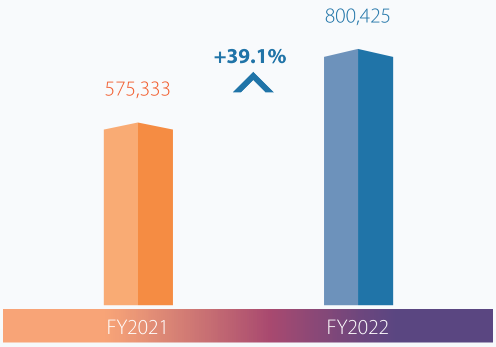
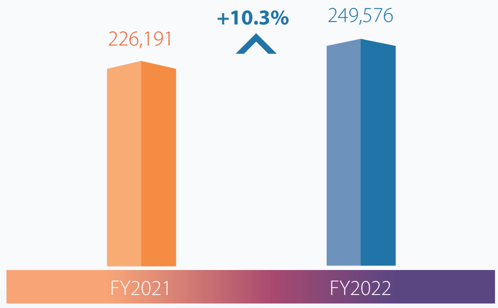
PERFORMANCE HIGHLIGHTS

For the year ended 31 December 2022

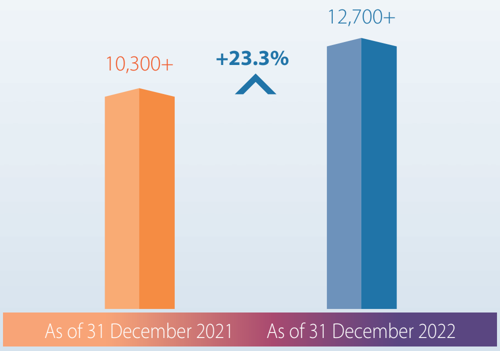
Total revenue and income from principal activities (RMB in thousands)



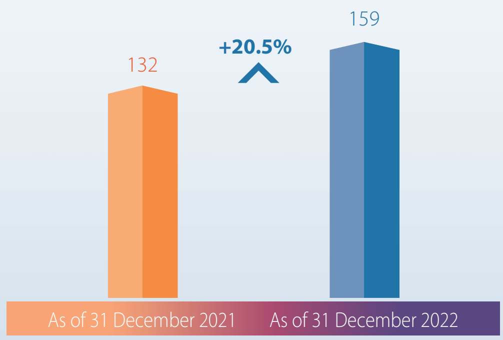
Adjusted net profit (RMB in thousands) (note 1)



Total cumulative platform users



Total cumulative supply chain assets processed (RMB in billions)



Tech-related revenue (note 2)

RMB in thousands

103,267

+105.8% YoY

Revenue from digital financing solutions

RMB in thousands

624,871

+45.3% YoY

Value of total new orderbook in the IIoT segment

RMB in millions

78

x15

Total funding partners

As of 31 December 2022

107

+24.4%

note 1: We define non-HKFRSs adjusted net profit as profit for the year, as adjusted by excluding (i) gains arising from acquisition of a subsidiary, (ii) net gain from changes in fair value of unlisted equity investments at FVTPL, (iii) equity-settled share-based payments based on our share incentive plan, and (iv) tax effects of non-HKFRSs adjustments. Please refer to pages 12 to 13 of the Report for details.

note 2: Tech-related revenue refers to revenue from platform-based services and supply chain technology services.

SUMMARY OF FINANCIAL INFORMATION

	FOR THE YEAR ENDED 31 December 2022 RMB'000	FOR THE YEAR ENDED 31 December 2021 RMB'000	FOR THE YEAR ENDED 31 December 2020 RMB'000	FOR THE YEAR ENDED 31 December 2019 RMB'000	FOR THE YEAR ENDED 31 December 2018 RMB'000
OPERATING RESULTS					
Revenue and income from principal activities	**800,425**	575,333	634,120	606,663	470,444
Profit before tax	**285,998**	462,149	387,088	362,492	295,654
Profit for the year	**243,608**	421,473	337,396	295,125	211,874
Adjusted net profits	**249,576**	226,191	342,905	305,131	211,562
Earnings per share					
— Basic (RMB cents)	**22**	43	37	32	26
— Diluted (RMB cents)	**22**	43	37	32	26

	AS AT 31 December 2022 RMB'000	AS AT 31 December 2021 RMB'000	AS AT 31 December 2020 RMB'000	AS AT 31 December 2019 RMB'000	AS AT 31 December 2018 RMB'000
FINANCIAL POSITION					
Total assets	**11,378,459**	8,802,773	4,786,498	4,479,174	3,192,581
Net assets	**4,123,689**	3,953,594	3,027,344	2,418,060	2,116,062

CHAIRMAN'S STATEMENT

Dear Shareholders and other Stakeholders,

Although we faced an unpredictable external environment and a volatile global economy in 2022, the world continues to seize infinite possibilities amid the uncertainty. We would like to thank all of our customers, partners, shareholders, and employees for their trust and support over the past year, which have enabled us to advance the implementation of our platformisation strategy and demonstrate our potential for continuous growth and resilience. In 2022, we achieved incredible expansion in both our business scale and profits.

Over the past year, small, medium and micro enterprises ("**SMEs**") in China have faced unprecedented operational challenges, with problems arising in areas such as acquiring orders, reducing costs, and obtaining financing. Keenly aware of SMEs' operational pain points, a reality we saw playing out in real time around us, we quickly responded to the Government's call for SME relief policies. On the one hand, we deepened our cooperation with core enterprises and funding partners and leveraged our digital technology and platform services to help more SMEs weather these difficulties through our inclusive finance solutions. On the other hand, we worked closely with SMEs to understand their needs from multiple directions to identify ways to help them seek new business opportunities and broaden their market penetration based on our accumulated industrial resources. By working together through the challenges during these difficult times, we have built close and mutually beneficial relationships with these SMEs.

In an era when Black Swan events are occurring with increasing frequency, we strive to confront unexpected changes with a rational, practical, and realistic attitude. All we can do in such situations is rise to the occasion and persevere through difficult times. Despite recurring waves of Covid-19, abrupt geopolitical changes, and increased volatility in global financial markets during the past three years, we have steadily executed our platformisation strategy, breaking through barriers to consolidate our leading position as a supply chain technology platform. In 2020, when we initiated the platformisation strategy to develop our loan facilitation business, we need to put a lot of effort into connecting quality assets from the supply chain ecosystem with funding partners to expand the reach of inclusive finance. The platform has connected with 107 financial institutions, achieving a 270% growth rate in the past three years.

"We believe, therefore we achieve" is our belief and our relentless pursuit. Today, we have grown to become the partner of choice for financial institutions in their inclusive financing endeavors. Our constantly strengthening big data analytics and targeted customer acquisition capabilities further empowered our platform business to deliver remarkable growth and performance in 2022. Revenue from platform-based services reached RMB70.97 million, increased 46% year-on-year. Meanwhile, we have continued to explore and refine collaboration models with our funding partners. We have secured a social and sustainability-linked dual ESG structure syndicated loan, the first loan of its kind in China, as well as a long-term loan facility from Orion Capital Asia Pte. Ltd., a renowned international private credit investment manager. We have also successfully implemented an innovative "e-CNY + supply chain finance" solution. These milestone breakthroughs have been achieved as a result of our deep ability in understanding and addressing our customers' needs.

2022 was a year of opportunities as the COVID-19 pandemic propelled the rapid development of the digital economy. The recent Government Work Report also states that moving forward, China will strive to promote high-quality development of the digital economy. Today, an increasing number of companies are actively seeking digital transformation strategies that align with their own development path. Through our in-depth integration of digital technologies with industry applications, we have effectively seized these opportunities presented by industrial digitization. As a result, our IIoT segment made a successful leap "from 1 to N". Revenue from the supply chain technology services achieved an explosive growth of 18 times, reaching RMB32.30 million.

In the infrastructure sector, our smart construction solutions leverage advanced technologies such as Internet-of-Things and big data to integrate with smart hardware such as electronic scales and overhead surveillance cameras. Our solutions address the pain points of traditional approaches and technologies by establishing a smart on-site monitoring and management system which enables the all-round and real-time monitoring of key elements such as on-site staff, machinery, and raw materials. In the healthcare space, our hospital supply, processing and distribution solutions ("**hospital SPD solutions**") have combined intelligent software such as Hospital Information System ("**HIS**") and procurement system with intelligent hardware such as smart cabinets and robots. These solutions help hospitals achieve streamlined and intelligent medical supplies management, improving the timeliness and safety of supplies.

CHAIRMAN'S STATEMENT

With the effective implementation of our platform strategy and the rapid development of the IIoT segment, the technology-related revenue (including revenues from platform-based services and supply chain technology services) has emerged as our new growth engine. As of 31 December 2022, the technology-related revenue exceeded RMB100 million, representing an increase of 106% year on year, contributing to 13% of the total revenue.

Our cooperation model with state-owned enterprises ("**SOEs**") is another key factor in the implementation of our platformisation strategy. By partnering with regional SOEs to leverage their industrial ecosystem advantages and gain enhanced credit, we have optimized capital costs, increased leverage, and accelerated our ongoing business expansion. Wuxi Guojin Factoring Limited ("**WXGJ**"), our first SOE joint venture established in 2018, grew at a Compound Average Growth Rate (CAGR) of 486% over the last four years with a return on equity of roughly 15%, becoming a leading supply chain finance platform in Jiangsu Province.

Based on the successful example of the WXGJ joint venture, we started to replicate our proven SOE cooperation model in 2022. We have successively signed strategic cooperation agreements with high-quality local SOEs in Ningbo, Xiamen, and Qingdao, establishing the joint ventures Ningbo Guofu, Xiangsheng Factoring, and Ocean Holdings Factoring, respectively. With the smooth implementation of our platformisation strategy in the East China region, these joint ventures are expected to generate billions of RMB in incremental capital and business each year.

As a company dedicated to fulfilling our corporate social responsibilities, we have consistently achieved outstanding ESG ratings. This recognition is a result of our efforts to integrate inclusive finance with low-carbon development and environmental protection by incorporating the UN Sustainable Development Goals into our business development plan. Under our "low carbon and environmental protection" product development strategy, SY Cloud Platform, our proprietary technology platform, has reshaped the supply chain financial model through technological innovation. This new model has helped us achieved paperless services across the board, directly reducing carbon emissions of over 250 tons since the implementation of SY Cloud Platform. Since the establishment of SY Public Welfare Foundation in 2021, we have continued to make efforts in caring for children in need, supporting industry development and youth inspiration programmes. In July 2022, SY jointly hosted the first "Little Migratory Birds at Construction Sites Summer Camp" with core infrastructure enterprises. The Summer Camp invited a total of 16 left-behind children from Sichuan and Guizhou to spend a happy holiday with their parents working at the construction sites in Shenzhen, letting them enjoy family reunion at the work place.

To promote the green development concept among our employees, we have also promoted the "3 hours for social welfare" initiative encouraging our staff to create positive change through small acts of kindness such as cleaning up hiking trails and maintaining a green office. Since 2014, SY has made great efforts for public welfare, dedicating a total public welfare time of approximately 2,800 hours to benefit over 3,660 people.

Even as we look up at the starry sky with our dreams, we must keep both feet on the ground to realize them. In 2022, we celebrated the fifth anniversary of SY's listing, and changed our brand to "SY Holdings" as part of our strategic repositioning to emphasize our smart supply chain service ecosystem. 2023 marks SY's tenth anniversary, a new start for us to forge ahead with challenging yet valuable projects. We can achieve great results as long as we work hard while nimbly adjusting to the new environment. Looking ahead, we look forward to witnessing SY's further growth and transformation together with our shareholders and stakeholders.

SY Holdings Group Limited
Tung Chi Fung
Chairman and Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. About SY Holdings Group Limited

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

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

The Group's business segments comprise (i) digital financing solutions, (ii) platform-based services, (iii) supply chain technology services and (iv) sale of supply chain assets. Supply chain technology services is an innovative business vertical under the IIoT segment that drives the digital upgrade of traditional industries through products including smart construction solutions and hospital supply, processing, and distribution solutions ("**hospital SPD solutions**"). Through building a comprehensive supply chain ecosystem, the Group will expand the scale of its IIoT business, leverage technology to empower its digital finance business and maximize its platform linkage capability to create a mutually beneficial ecosystem throughout the supply chain.

2. Full Year 2022 Highlights

Achieving steady growth in various business lines despite the challenges of COVID-19

- Against the backdrop of the macro environment affected by recurring COVID-19 outbreaks and headwinds to economic growth in 2022, SY continued to build out and transform the supply chain ecosystem by leveraging the "Dual-Engine, One-Platform" strategy to enhance its technology and platform service capabilities. Building on its solid track record and the synergies between its digital finance and IIoT segments, SY achieved steady growth driven by the platformisation strategy. Tech-related revenue generated from platform-based services and supply chain technology services for the year ended 31 December 2022 doubled to RMB103.3 million. The proportion of tech-related revenue in Group's total revenue and income from principal activities significantly increased to approximately 12.9%.

- SY maintained resilience and steady growth in its supply chain ecosystem. As of 31 December 2022, the cumulative supply chain assets processed by the Group was approximately RMB159 billion, representing growth of 20.5% as compared with 31 December 2021. The Group's total revenue and income from principal activities increased by 39.1% year-on-year to RMB800.4 million for the year ended 31 December 2022, compared to RMB575.3 million for the year ended 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Expanding cooperation with state-owned enterprises to build a new growth driver for the platformisation strategy

- Following the Group's acquisition of equity interest in Wuxi Guojin Factoring Limited ("**WXGJ**") in December 2021, an RMB3 billion ABS shelf registration was approved under an innovative "N+N+N" model[1] in April 2022. During 2022, the Group established joint ventures closely modeled on past state-owned enterprise ("**SOE**") partnerships with leading regional SOEs in Ningbo and Xiamen PRC, validating SY's ability to turn its successful past experiences into a replicable model for SOE cooperation. The Group jointly established Ningbo Guofu Factoring Co., Ltd. ("**NBGF**") and Xiamen Xiangsheng Factoring Limited ("**Xiangsheng Factoring**") with subsidiaries of large local SOEs, and these joint ventures are expected to generate billions of RMB in business scale each year.

- WXGJ, NBGF and Xiangsheng Factoring are all successful examples of the Group's joint venture partnerships with regional SOEs and form an essential part of its platformisation strategy. By establishing such joint ventures, the Group can embed itself into the comprehensive industrial supply chain ecosystems of state-owned shareholders, and provide one-stop supply chain technology services and inclusive digital finance services within these ecosystems, thus building a bridge that enables smart matching between assets and funding. The endorsement of state-owned shareholders also enables the Group to receive more support from its funding partners at the joint venture level, thereby reducing capital costs and increasing leverage.

A thriving industrial digital ecosystem stimulates continued growth in IIoT business

- Driven by its Dual-Engine, One-Platform strategy, SY has integrated digital technology within the industrial landscape to drive the transformation of traditional industries such as infrastructure and healthcare. In 2022, the value of new IIoT contracts in the IIoT segment reached RMB78 million, representing a significant increase of approximately 15 times over the number for the full year of 2021. This strong growth momentum demonstrates the Group's increased market recognition within the technology sector.

- In the smart construction segment, the Group won a number of smart construction projects from subsidiaries of our core enterprise which is a global leading construction group. Within the hospital SPD solutions segment, the Group has signed strategic cooperation agreements with a leading stated-owned pharmaceutical distribution group in China to provide hospital SPD solutions for a Grade-3A hospital in southwest China. In August 2022, the Group won a number of bids for SPD solutions from a subsidiary of Sinopharm Lerentang Pharmaceutical Co., Ltd.. Through the IIoT segment, SY accumulates more real-time transaction data to enhance its big data-driven risk management capabilities, empowering and supporting the digital financing business.

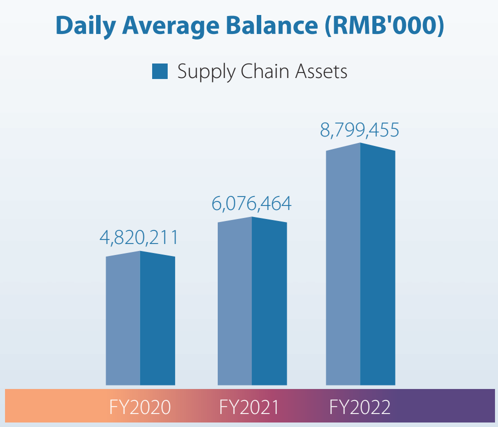
- In terms of digital ecosystem development, SY made a strategic investment in Shaanxi Huazhu Technology Limited, a high-tech company focused on smart construction solutions. In July and September 2022, SY signed strategic cooperation agreements with China Overseas Land & Investment Limited and the e-commerce platforms of China Communications Construction Group (Ltd.), respectively. Under these agreements, SY has established in-depth collaboration with these core enterprises in the areas of, among others, supply chain digital financing, supplier credit assessment systems, and smart constructions. Such partnerships enable SY to innovatively break down information silos, enhance its risk management capabilities through access to real-time transaction data and focus on various key stages in the supply chain digital financing business such as customer acquisition and risk assessment. By enhancing SY's technological capability, they also enable the Group to provide SMEs with more diversified and timely services, thus creating a mutually beneficial supply chain digital ecosystem in the infrastructure sector.

[1] The "N+N+N" model refers to a platformised supply chain financing structure pursuant to which the supply chain assets thereunder would be originated from multiple core enterprises, financed by multiple financial institutions and secured by multiple guarantors. The conventional supply chain financing structure is the "1+N" model, being the supply chain assets thereunder would be originated from the transactions between one core enterprise and its multiple suppliers.

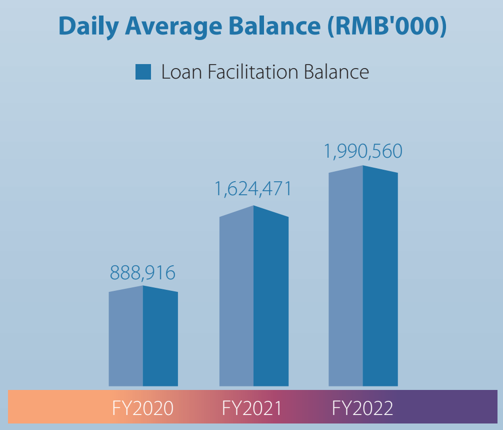
MANAGEMENT DISCUSSION AND ANALYSIS

Dual-engine cross-empowerment drives solid development of digital finance

- The IIoT segment not only delivered strong business growth but also strengthened the digital finance segment technologically by facilitating precise customer acquisition and increased risk management efficiency. The digital finance business achieved stable growth by tightly integrating digital technology and industry knowledge. In the year ended 31 December 2022, the revenue of digital financing solutions increased by 45.3% year-on-year to RMB624.9 million. The supply chain assets balance including both self-funded and loan facilitation supply chain assets as of 31 December 2022 increased by 46.9% year-on-year to approximately RMB11.93 billion. The daily average supply chain assets balance increased by 44.8% year-on-year to approximately RMB8.80 billion. The cumulative supply chain assets processed by the Group was approximately RMB159 billion, and the cumulative number of customers was approximately 12,700 representing growth of 20.5% and 23.3% respectively, as compared with 31 December 2021. Asset quality has remained healthy, with the non-performing ratio maintained at 0%.



- Benefiting from the expanded scale of funding and improved asset quality, the Group's daily average loan facilitation balance[2] was RMB1,991 million as of 31 December 2022, an increase of approximately 22.5% year-on-year. During the year, revenue from platform-based services reached approximately RMB71.0 million, of which loan facilitation revenue reached RMB53.4 million, an increase of 46.4% year-on-year. The Group remains confident that growth in its overall platform-based services will remain resilient, underpinned by robust SME financing demand coupled with favorable government policies, particularly those geared towards supporting the development and growth of SMEs in China.



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

MANAGEMENT DISCUSSION AND ANALYSIS

Increased recognition from funding partners

- In terms of funding and capital markets, the Group's expanding funding channels and the implementation of the platformisation strategy generated synergistic effects. The Group has deepened its collaboration with several financial institutions in championing innovative models which connect quality assets with funding partners to expand the reach of inclusive and sustainable finance. In May 2022, China Construction Bank Corporation Shenzhen Branch ("**CCB Shenzhen Branch**") raised the loan facilitation cooperation amount from RMB1 billion to RMB2 billion to further deepen the partnership. In August 2022, the Group secured a three-year loan facility of US$50 million from Orion Capital Asia Pte. Ltd. ("**Orion**"), a renowned private credit investment manager. Also in August 2022, SY secured a social and sustainability-linked dual ESG structure syndicated loan of RMB500 million, which was the first loan of its kind in China.

- Driven by the platformisation strategy, the Group embedded itself into supply chain ecosystems in multiple regions, enabling it to break down market and information silos across geographies. Setting up joint ventures with local state-owned shareholders allows the Group to gain financial support and enhanced credit. These initiatives will empower SY with more efficient, accurate, and economical access to financing in the mid- and long-term, thus reducing capital costs incurred in the joint ventures and increasing leverage while enabling it to realize multiplier effects as it scales up its platform development.

- The Group's increased scale of funding and the growing number of funding partners reflect market recognition of the Group's data-driven risk management and strong customer acquisition capabilities. Deepening cooperation with funding partners is instrumental in allowing the Group to address the funding pain points faced by SMEs and support the development of the real economy.

Embracing ESG and Contributing to Public Welfare

- SY actively fulfills its corporate social responsibilities and considers environmental, social, and governance ("**ESG**") factors as a core component of its business decisions. ESG has always been a core part of the Group's DNA through its mission of "driving supply chain efficiency and making finance more inclusive". In August 2022, the Group launched the Social Financing Framework and the Sustainability-linked Financing Framework to incorporate the United Nations Sustainable Development Goals into its strategy, business development and daily operations.

- SY is also committed to promoting public welfare and charity efforts to the society. On 12 May 2022, SY launched the SY Public Welfare Foundation in Tianjin, PRC. The Foundation plans to continuously carry out public welfare activities in three major areas, including caring for children in need, supporting industry development and youth inspirational programs, and to contribute to the development of a harmonious society. Since 2014, SY has donated a total of approximately RMB10.5 million to public welfare causes, benefitting over 3,600 people.

Enhancing technological capabilities

- The Group's technology capability has also garnered external recognition. In June 2022, SY's subsidiary Sheng Ye Information Technology (Shenzhen) Co., Ltd. ("**SYIT**") was named on the list of "Specialized, Refined, Unique, and Innovative" SMEs in Shenzhen. In September 2022, SYIT received the "Software Enterprise Encouraged by China Certificate" and the "Software Product Certificate". In November 2022 and January 2023, the China National Intellectual Property Administration granted two invention patents filed by SYIT. After obtaining the Level 3 certification of China's National Information Security Level Protection Certification and ISO/IEC 27701:2013 Information Security Management Certification in 2021, SYIT also received ISO/IEC 27701:2019 Privacy Information Management Certification during the year. These achievements demonstrated SY's leadership in terms of technology R&D capabilities, data security compliance, and customer privacy protection.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and income from principal activities

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

The Group's total revenue and income from principal activities increased by 39.1% year-on-year to RMB800.4 million for the year ended 31 December 2022, compared to RMB575.3 million for the last year, mainly due to (i) the expansion of the digital financing solutions as a result of the acquisition of WXGJ completed in December 2021; (ii) the rapid growth in supply chain technology business; and (iii) the expansion of loan facilitation business in SME segment.

The following table sets forth the comparative figures and as a percentage of total revenue and income from principal activities for the year ended 31 December 2022 and 2021.

	Year ended 31 December				
	2022			2021	
	RMB'000	**% of total**	**Year-on-year**	RMB'000	% of total
Revenue from contracts with customers					
— Platform-based services					
— Loan facilitation services	**53,430**	**6.7%**	**33.5%**	40,029	7.0%
— Referral service fees	**15,040**	**1.9%**	**N/A**	–	–
— Technology service for asset-backed securitisation products	**1,970**	**0.2%**	**-44.1%**	3,525	0.6%
— Other services	**531**	**0.1%**	**-89.2%**	4,930	0.9%
Subtotal	**70,971**	**8.9%**	**46.4%**	48,484	8.5%
— Supply chain technology services	**32,296**	**4.0%**	**1,832.7%**	1,671	0.3%
Income from digital financing solutions					
— Interest income from supply chain assets	**604,546**	**75.6%**	**47.3%**	410,505	71.3%
— Guarantee income	**20,167**	**2.5%**	**3.4%**	19,509	3.4%
— Interest income from contracts contains significant financing components	**158**	**0.0%**	**N/A**	–	–
Subtotal	**624,871**	**78.1%**	**45.3%**	430,014	74.7%
Gain on sales of supply chain assets	**72,287**	**9.0%**	**-24.0%**	95,164	16.5%
Revenue and income from principal activities	**800,425**	**100%**	**39.1%**	575,333	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

Platform-based services

Revenue from the platform-based services comprises (i) services fees received from customers by providing loan facilitation services through SY Cloud platform during the loan period of the customers; (ii) services fees received from customers by referring the customers to the funding partners; (iii) technology service fees that the Group charged for facilitating the issuance of ABS/ABN by large core enterprises; and (iv) services fees received from customers by providing AR management services. Revenue from platform-based services significantly increased by 46.4% year-on-year to approximately RMB71.0 million for the year ended 31 December 2022, compared to approximately RMB48.5 million for the last year, mainly driven by the expansion of its loan facilitation business, due to the Group's push towards a platform-based transformation, providing SMEs, core enterprises and funding partners with convenient one-stop supply chain financing services.

Supply chain technology services

Revenue from the supply chain technology services comprises technology services fees received from customers by providing supply chain technology solutions such as smart enterprise solutions and supply chain procurement systems. Revenue from the supply chain technology services significantly increased by 1,832.7% year-on-year to RMB32.3 million for the year ended 31 December 2022, compared to RMB1.7 million for the last year, mainly due to the successful bids and stage acceptance of several smart construction solutions and hospital SPD solutions in 2022.

Digital financing solutions

Income from digital financing solutions comprises (i) interest income received from providing flexible supply chain financing solutions; (ii) guarantee services fees arising mainly from the Group's loan facilitation business; and (iii) interest income from supply chain technology services contracts which contains significant financing components. Income from digital financing solutions increased by 45.3% year-on-year to RMB624.9 million for the year ended 31 December 2022, compared to RMB430.0 million for the last year, mainly due to the net effect of (i) the increase in the daily average balance of supply chain assets as a result of the acquisition of WXGJ completed in December 2021; and (ii) the decrease in interest yield on supply chain assets as a result of higher allocation to low risk products with lower yield.

Gain on sales of supply chain assets

The Group may sell rights of supply chain assets as a way to improve cash flow and manage its supply chain assets portfolio. Gain from this business segment is equal to the excess of the consideration received and receivable over the carrying amount of the supply chain assets. The gain on sales of supply chain assets decreased by 24.0% year-on-year to RMB72.3 million for the year ended 31 December 2022, compared to RMB95.2 million for the last year. The decrease was mainly attributable to the decrease in both yield of transfer on supply chain assets and the total amounts of supply chain assets sold during the year.

Other gains and losses

The Group booked other losses of RMB10.1 million in the year of 2022. The change is mainly due to (i) the non-recurring gain arising from acquisition of a subsidiary of approximately RMB204.8 million recognised in the year of 2021; and (ii) exchange loss as a result of the depreciation of RMB against HK$ and US$.

MANAGEMENT DISCUSSION AND ANALYSIS

Expenses

The following table sets forth the comparative figures of the principal components of the operational expenses for the year ended 31 December 2022 and 2021.

	Year ended 31 December		
	2022 RMB'000	2021 RMB'000	Year-on-year
Staff costs	**144,822**	153,512	-5.7%
Depreciation and amortisation	**28,636**	22,886	25.1%
Materials cost	**28,595**	1,503	1,802.5%
Other operating expenses	**55,249**	54,738	0.9%
Total	**257,302**	232,639	10.6%

The Group's total operational expenses increased by 10.6% year-on-year to RMB257.3 million for the year ended 31 December 2022, compared to RMB232.6 million for the last year, mainly due to the increase in materials cost of RMB27.1 million and depreciation of property, equipment and right-of-use assets and amortisation of intangible assets of RMB5.8 million. The increase in the expansion in the supply chain technology business has led to an increase in procurement. The staff cost decreased by 5.7% is mainly due to the fact that during 2022, (i) more granted share options were lapsed; and (ii) more tranches of share options were vested, resulting in the decrease in the recognition of share-based payment expenses.

The operational cost-to-income ratio for the year of 2022 was 28.6% as compared with 39.8% in 2021, excluding materials cost and one-time expenses. The decrease in cost-to-income ratio demonstrated the improvement in operating efficiency and the synergies brought about by the acquisition of WXGJ.

Net profit

Net profit in the year of 2022 was RMB243.6 million, a decrease of RMB177.9 million or 42.2% year-on-year.

Adjusted net profit

Adjusted net profit increased by 10.3% year-on-year to RMB249.6 million for the year ended 31 December 2022, compared to RMB226.2 million for the year ended 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Non-HKFRSs Measure: adjusted net profit

To supplement our consolidated results which are prepared and presented in accordance with Hong Kong Financial Reporting Standards (the "**HKFRSs**"), we utilize non-HKFRSs adjusted net profit ("**adjusted net profit**") as an additional financial measure. We define adjusted net profit as profit for the year, as adjusted by excluding (i) gains arising from acquisition of a subsidiary, (ii) net gain from changes in fair value of unlisted equity investments at FVTPL, (iii) equity-settled share-based payments based on our share incentive plan, and (iv) income tax effects of non-HKFRSs adjustments.

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

The following tables set forth reconciliations of the Group's non-HKFRSs measures for the year ended 31 December 2022 and 2021, respectively, to the nearest measures prepared in accordance with HKFRSs.

	2022 **RMB'000**	2021 RMB'000
Profit for the year	**243,608**	421,473
Less:		
Gains arising from acquisition of a subsidiary (note 1)	–	(204,752)
Net gain from changes in fair value of unlisted equity investments at FVTPL (note 2)	–	(4,550)
Add:		
Equity-settled share-based payments based on our share incentive plan (note 3)	**5,968**	12,882
Tax effect on non-HKFRSs adjustments	–	1,138
Adjusted net profit for the year (non-HKFRSs)	**249,576**	226,191

Notes:

1. It represents the non-recurring gain from the acquisition of WXGJ in December 2021, which is non-cash and one-off in nature.

2. The fair value changes of unlisted equity investments are non-cash in nature and are not directly related to our principal activities.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Supply chain assets at FVTOCI as of 31 December 2022 were RMB8,422.1 million, a 26.1% increase year-on-year. Daily average balance of self-funded supply chain assets over the year of 2022 were RMB6,808.9 million, a 52.9% increase over the year of 2021. Based on the daily average balance of self-funded supply chain assets, interest yield on supply chain assets in the year of 2022 was 8.9%, which was 0.3 percentage points lower year-on-year, mainly due to (i) the lower market interest rates as part of the national policies for promoting financial inclusion and supporting the real economy; (ii) higher allocation to the low risk products with lower-yield; and (iii) encourage inclusive financing for the SME segment.

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

As at 31 December 2022, all of the total supply chain assets were secured by charge over trade receivable, in respect of which the legal title and legal right to receivable cash flows were also transferred to the Group. Furthermore, the supply chain assets of RMB373.8 million (31 December 2021: RMB680.9 million) were secured by certain commercial acceptance bills received from customers and the supply chain assets of RMB804.1 million (31 December 2021: RMB438.9 million) were secured by deposit from customers. The bills and deposits can be applied and used to settle any outstanding receivables of supply chain assets for the corresponding contract if default occurs.

As at 31 December 2022, there were a total of 4,782 (31 December 2021: 1,409) outstanding supply chain assets obtained by the Group, out of which 157 (31 December 2021: 136) supply chain assets are referred to as sizeable loans with principal amount exceeds RMB10,000,000, 1,011 (31 December 2021: 494) supply chain assets with principal amount between RMB1,000,000 and RMB10,000,000, 3,614 (31 December 2021: 779) supply chain assets with principal amount less than RMB1,000,000.

As at 31 December 2022, the outstanding supply chain assets of RMB1,017.7 million (31 December 2021: RMB910.4 million) were obtained from the related parties (all of which are associates of the Group under the Listing Rules) of the Group. The remaining balance of the outstanding supply chain assets were obtained from the independent third parties of the Group. The supply chain assets normally have a term of 1 to 24 months (31 December 2021: 1 to 17 months) and the effective interest rates ranging mainly from 4.00% to 15.00% (31 December 2021: 3.00% to 16.00%) per annum.

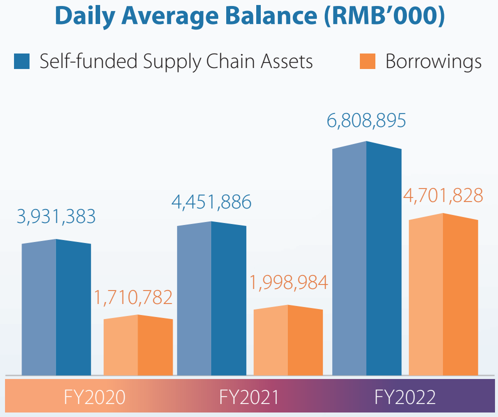
Movements in impairment loss allowance on supply chain assets

The Group's impairment loss allowance on supply chain assets decreased by 2.6% year-on-year to RMB94.7 million as at 31 December 2022, compared to RMB97.2 million as at 31 December 2021, mainly attributable to the improvement on the quality of supply chain assets. The write-offs of impairment loss allowance were RMB15.9 million for the year ended 31 December 2022 (for the year ended 31 December 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings and finance cost

Borrowings, including loans from related parties, as of 31 December 2022 was RMB6,610.4 million, a 52.3% increase year-on-year. Daily average balance of borrowings over the year of 2022 were RMB4,701.8 million, a 135.2% increase year-on-year. The increase in finance costs of RMB147.1 million year-on-year was mainly due to the net effect of the increase in daily average balance of borrowings and the decrease in average borrowings interest rate from 6.3% over the year of 2021 to 5.9% over the year of 2022.



Taxation

Income tax expenses represent the tax expense arising from the assessable profit generated by the Group in the PRC, withholding tax levied on interest income of Hong Kong subsidiaries, withholding tax levied on dividend declared of PRC subsidiaries and deferred tax. Except for certain PRC subsidiaries that enjoy preferential tax rates, PRC enterprise income tax is calculated at 25% of the estimated assessable profits for both years ended 31 December 2022 and 2021. The increase in effective tax rate from 8.8% for the year ended 31 December 2021 to 14.8% for the year ended 31 December 2022 was mainly due to the effect of gain from acquisition of 40% equity interest in WXGJ during the year of 2021 is not taxable for tax purpose.

For the year ended 31 December 2022, income tax expenses amounted to approximately RMB42.4 million (for the year ended 31 December 2021: RMB40.7 million).

MANAGEMENT DISCUSSION AND ANALYSIS

KEY INTERNAL CONTROLS IN RESPECTIVE OF DIGITAL FINANCING SOLUTIONS

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

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

Credit approval

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

Customer Quota

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

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

Utilization Quota

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Monitoring of loan recoverability

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

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

Loan collection

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

BUSINESS OUTLOOK AND PROSPECTS

During the year, the Group accelerated the development of the IIoT business segment, as evidenced by the significant growth of its supply chain technology services such as smart construction and hospital SPD solutions. Meanwhile, the Group also maintained steady growth in its digital financing business amid the huge challenges from the external environment.

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

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

Collaborating and forming joint ventures with outstanding regional SOEs remains an important part of the Group's platformisation strategy, as leading regional SOEs are often well-positioned within the industrial landscape and have access to extensive resources. At the same time, the Group's innovative technology can help revitalize the value of state-owned assets by efficiently connecting industrial supply chains with resources through its precise customer acquisition and big data analytics capabilities. Looking ahead, the Group will continue to strengthen its partnerships with high-quality SOEs and replicate its successful experience in more regions and cities. By further leveraging its platform capability to build a digital ecosystem, to the Group will solve SMEs' supply chain financing pain points and contribute to the development of the real economy.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

During the year ended 31 December 2022, the Group's main source of funds was the cash generated from its daily operations and proceeds from new borrowings. As at 31 December 2022, the Group had cash and cash equivalents of RMB577.0 million (31 December 2021: RMB800.4 million), of which 94.67% and 2.77% were denominated in RMB and HKD respectively. Net cash used in operating activities was RMB769.2 million in 2022 (for the year ended 31 December 2021: RMB95.5 million), an increase of RMB673.7 million year-on-year was mainly due to the increase in net cash used in supply chain assets at FVTOCI of RMB540.3 million for the year ended 31 December 2021 to RMB1,255.4 million for the year ended 31 December 2022.

As at 31 December 2022, the Group had interest-bearing borrowings and loans from related parties which amounted to RMB6,610.4 million (31 December 2021: RMB4,340.9 million). Its gearing ratio, expressed as total liabilities over total equity was 1.76 as at 31 December 2022 (at 31 December 2021: 1.23).

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK7.5 cents per ordinary share of the Company for the year ended 31 December 2022 (for the year ended 31 December 2021: HK7.5 cents per ordinary share).

USE OF PROCEEDS

The Placement in 2021

On 24 September 2021 (after the trading hours), the Company and China International Capital Corporation Hong Kong Securities Limited (the "**Placement Agent**") entered into a placement agreement pursuant to which the Company conditionally agreed to place, through the Placement Agent on a best effort basis, a maximum of 63,068,000 ordinary shares at a price of HK$8.80 per share (the "**Placement**"). The placing shares were allotted and issued pursuant to the general mandate for the Company.

The Placement was completed on 5 October 2021. An aggregate of 63,068,000 new shares were successfully issued by the Company and placed by the Placing Agent to two placees, namely Xitong International Holdings (HK) Limited and Pavilion Capital Fund Holdings Pte. Ltd., at a price of HK$8.80 for each new share. The new shares from the Placement represent approximately 6.29% of the issued share capital of the Company translating to total net proceeds of approximately HK$550.8 million (equivalent to approximately RMB456.2 million).

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

MANAGEMENT DISCUSSION AND ANALYSIS

Use of proceeds from the Placements

During the year ended 31 December 2021 and 31 December 2022, details of the use of proceeds of the placement were as follows:

Use of proceeds	Net proceeds raised (Approximately HK$ million)	Actual use of net proceeds during the year ended 31 December 2021 (Approximately HK$ million)	Actual use of net proceeds during the year ended 31 December 2022 (Approximately HK$ million)	Intended use and expected timeline of the remaining amount of net proceeds
Strategic acquisition of and/or investment in business(es) in the industrial technology and digital financing	275.4	275.4	–	The amount of strategic acquisition of and /or investment in business(es) in the industrial technology and digital financing had been fully utilised.
Expansion and development of the Group's supply chain technology services segment	165.2	2.3	**33.2**	The remaining unutilised amount of approximately HK$129.7 million will be used for expansion and development of the Group's supply chain technology services segment and is expected to be fully utilised by 31 December 2023.
General working capital of the Group's platformisation	110.2	7.1	**103.1**	The amount of net proceeds for general working capital of the Group's platformisation had been fully utilised.

CAPITAL COMMITMENTS

As at 31 December 2022, the capital commitments of the Group comprised purchase of property and equipment of approximately RMB20.5 million and investment in an associate of approximately RMB0.2 million (31 December 2021: purchase of property and equipment of approximately RMB0.5 million, purchase of intangible assets of approximately RMB0.4 million and investment in an associate of approximately RMB0.2 million).

CONTINGENT LIABILITIES

Save as disclosed in note 31 of the "Notes to the consolidated financial statements", the Group did not have any other guarantees or other material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 31 December 2022, the Group had pledged bank deposits of RMB472.8 million, structured deposits of RMB164.6 million, security deposits of RMB8.4 million, investment property with carrying amount of RMB31.9 million, and certain supply chain assets with an aggregate carrying amount of RMB3,452.1 million to banks and third parties for facilities, loan facilitation platform in partnership with banks and derivative financial instruments (31 December 2021: pledged bank deposits of RMB429.3 million, security deposits of RMB0.2 million, and certain supply chain assets with an aggregate carrying amount of RMB2,160.8 million to banks and third parties for facilities, loan facilitation platform in partnership with banks and derivative financial instruments).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

In June 2022, the Group acquired 100% equity interest in Trade Nice Limited ("**TNL**") for a consideration of HK$38,000,000. As at the date of the acquisition, TNL was indirectly wholly-owned by a trust of which Mr. Tung Chi Fung ("**Mr. Tung**"), the substantial shareholder of the Company as well as an Executive Director and the Chairman of the Board, and his family members are the beneficiaries. Subsequent to the acquisition, TNL became a wholly owned subsidiary of the Group.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 31 December 2022 and up to the date this report, the Group did not make any significant investments.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

FOREIGN EXCHANGE RISKS

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

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had a total of 377 staff (31 December 2021: 347 staff). Total staff costs (including Directors' emoluments) were approximately RMB162.8 million (including share option benefits RMB5.2 million and RSU benefits RMB0.7 million) for the year ended 31 December 2022 (for the year ended 31 December 2021: RMB172.4 million, including total share option benefits for employees were RMB12.9 million). Remuneration is determined by reference to market conditions and the performance, qualifications and experience of individual employee. In light of the Group's continuous strive to maintain its market position, recruitment and retention of talent is of paramount importance to the future development of the Group. Therefore, the Group is committed to continuously enhancing and optimizing its remuneration and benefits policies to remain competitive. A comprehensive incentive plan has been adopted to reward existing and retain new senior management members and employees. Year-end bonuses are based on individual performance and are paid to employees as recognition of and reward for their contributions. Other benefits include contributions to the statutory mandatory provident fund scheme and social insurance together with housing provident funds for the employees in Hong Kong, Singapore and the PRC, respectively.

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

In addition, the Group introduces a restricted share unit scheme to give incentives and retain the eligible grantees by recognizing their contributions, and to attract suitable personnel for further development of the Group.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

RECENT DEVELOPMENT OF REGULATORY FRAMEWORK

On 18 November 2022, the People's Bank of China issued the Administrative Measures for the Acceptance, Discounting and Rediscounting of Commercial Bills of Exchange, revising the business specifications of commercial bills of exchange after 25 years, the main contents include i) shortening the term of bills, and restricting the maximum term of commercial bills of exchange from one year to six months, which will accelerate the turnover of bill assets and promote the shortening of the recovery period of supply chain accounts; and ii) clarifying the status of supply chain bills, Article 5 clarifies that "supply chain bills shall be recognized as a kind of electronic commercial bills of exchange", which clears institutional obstacles for the development of supply chain bills, facilitates the docking of SMEs in the supply chain with the bill market, and provides financial support for the sustainable and stable operation and development of the supply chain.

On 5 September 2022, the Standing Committee of the Shenzhen Municipal People's Congress promulgated the Regulations on the Promotion of Digital Economy Industry in the Shenzhen Special Economic Zone (the "**Shenzhen Digital Regulations**"). Based on the actual development of Shenzhen's industry, the Shenzhen Digital Regulations takes the promotion of core industries of the digital economy as the main line, and focus on the full life cycle and full-chain services of the development of the digital economy industry for institutional design. According to Article 47 of Chapter 6, governments and financial regulatory departments at all levels shall promote the digital transformation and upgrading of the financial industry, promote the construction of digital financial technology platforms, facilitate the innovation of financial digital technology, and build gathering areas of financial technology industry; develop new financial formats such as digital inclusive finance, supply chain finance, and green finance, improve the digital financial system that accurately serves SMEs, and explore and carry out financial innovation services such as data asset pledge financing, insurance, guarantee, and securitization.

On 19 December 2022, the Opinions on Building a Data Infrastructure System to Better Play the Role of Data Elements ("**Data 20 Articles**") was officially released, proposing 20 policy measures to build a data infrastructure system in terms of data property rights, circulation transactions, revenue distribution, and security governance. The promulgation of the Data 20 Articles shall give full play to the advantages of China's massive data scale and rich application scenarios, activate the potential of data elements, strengthen and optimize the digital economy, and enhance new momentum for economic development. In particular, it emphasizes encouraging the exploration of new models of corporate data authorization, promoting two-way fair authorization with SMEs, and jointly and rationally using data, so as to empower the SMEs for digital transformation.

The Directors confirmed that the Group will be able to comply with the above relevant laws and policies, and the relevant policies are conducive to the development of the Group's digital finance and IIoT business in the industry. The Group has established long-term cooperative relationships with core enterprises in many industries, providing digital transformation services such as smart construction sites and hospital SPDs and data-driven supply chain financing services for core enterprises and SMEs in the supply chain ecosystem. This Policy is conducive to the Group's further expansion of existing business. In addition, the Group has established an Information Management Committee which is responsible for the strategic formulation and construction planning of the Group's information technology, information security and data management in accordance with the overall strategy. The Group has long been committed to building a data management system that is in line with strategic development, protects the interests of users and meets regulatory requirements, so as to ensure the sustainable development of the platform-based strategy. The Group has obtained a number of internationally recognized certifications in information security management, demonstrating the Group's efforts and capabilities in complying with national data protection frameworks.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tung Chi Fung, aged 36, is the founder of the Group. He was appointed as an Executive Director and the Chairman of the Board on 4 March 2017. Mr. Tung is the Compliance Officer and Authorised Representative of the Group. He is also the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Group. Further, Mr. Tung is one of the members of the Risk Management Committee of the Group.

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

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

Mr. Chen Jen-Tse, aged 51, was appointed as an Executive Director on 4 March 2017 and has been appointed as the Deputy General Manager of SY Factoring Limited since July 2014. Mr. Chen is one of the members of the Risk Management Committee of the Group.

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

NON-EXECUTIVE DIRECTOR

Mr. Lo Wai Hung, aged 63, joined the Group in January 2016 as the Chief Financial Officer of the Group where he was responsible for the Group's overall financial accounting and reporting corporate finance and company secretarial matters. He was also a member of the Risk Management Committee of the Group until March 2020. From March 2017 to November 2019, he also served as the company secretary of the Group. Mr. Lo ceased to be the Chief Financial Officer with effect from 10 December 2021 and was appointed as a non-executive director of the Group on the same date.

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

Mr. Lo is an independent non-executive director of (1) Talent Property Group Limited (stock code: 760) since 1 February 2011; (2) C Cheng Holdings Limited (stock code: 1486) since 5 December 2013; (3) Tibet Water Resources Ltd. (stock code: 1115) since 28 September 2021; and (4) China New Town Development Company Limited (stock code: 1278) since 30 December 2021. Mr. Lo was an independent non-executive director of Shandong Weigao Group Medical Polymer Company Ltd (stock code: 1066) from 10 August 2009 to 6 June 2022. All the aforementioned companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Loo Yau Soon, aged 50, was appointed as an Independent Non-executive Director in June 2017. He is the chairman of the Remuneration Committee and a member of the Audit Committee. From November 2007 to August 2014, he had served as an independent director and the chairman of the audit committee for Indiabulls Property Investment Trust, a company listed on the Singapore Exchange in Singapore. Since February 2014, he has served as a director of Seri Venture Capital Management Sdn Bhd in Brunei. From March 2016 to March 2017, he was the Chief Executive Officer and the managing director of Darussalam Enterprise in Brunei.

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

Mr. Fong Heng Boo, aged 73, was appointed as an Independent Non-executive Director in September 2018. He is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. He obtained a Bachelor of Accountancy (Honours) from the University of Singapore in August 1973. Mr. Fong has over 45 years of experience in auditing, finance, risk management, business development and corporate governance. He was with the Auditor-General's Office (AGO), Singapore between 1975 and 1993. He held the position of Assistant Auditor-General when he left the AGO. Prior to his retirement in 2014, Mr. Fong was the Director (Special Duties) at the Singapore Totalisator Board as the Head of Finance and Investment functions. Mr. Fong has been admitted as a fellow chartered accountant of Singapore of the Institute of Singapore Chartered Accountants since August 2004.

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

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

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Tang King San Terence, aged 50, was appointed as an Independent Non-executive Director on 10 December 2021. He is the chairman of the Audit Committee and a member of the Nomination Committee. He obtained an Honor Bachelor's Degree in Mathematics with a double major in Actuarial Science and Statistics from the University of Waterloo, Canada in 1996 and a Master of Accounting from the Curtin University of Technology, Australia in April 2000. Mr. Tang is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. He is also a certified information system auditor (CISA), certified information security manager (CISM) and certified internal auditor (CIA). He also served as a director of the Information Systems Audit and Control Association, China Hong Kong Chapter from 2008 to 2018.

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

Ms. Chan Yuk Ying Phyllis, aged 62, was appointed as an Independent Non-executive Director in July 2022. She obtained a Degree of Bachelor of Economics with Honors from the La Trobe University in Australia in 1985. Ms. Chan is a member of the Chartered Accountants Australian and New Zealand. Ms. Chan has over 35 years of experience in financial audit, regulatory bodies, financial advisory, business development and investor relations.

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

SENIOR MANAGEMENT

Mr. Yuan Ye, aged 35, is the Chief Strategy Officer of the Group. Mr. Yuan joined the Group in April 2021 and is responsible for corporate strategic planning, strategic investments, investor relations and branding activities.

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

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

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Lei, aged 44, is the Chief Human Resource Officer of the Group. Mr. Zhang joined the Group in May 2021 and is responsible for human resource management and administration matters.

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

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

Mr. Chung Chi Shing, aged 38, is the General Manager of Financial Management Department of the Group. Mr. Chung joined the Group in June 2019, and is responsible for the Company's overall financial accounting and corporate finance reporting. Mr. Chung is also a member of the Risk Management Committee.

Mr. Chung has extensive experience in financial management. Prior to joining the Company, Mr. Chung worked for KPMG, an international accounting firm in Hong Kong between 2008 to 2014. From 2014 to 2019, he was a Deputy Financial Controller in China Huarong international Holdings Limited and Sfund International Investment Fund Management Limited, responsible for Company's financial management.

Mr. Chung obtained his Bachelor of Accountancy Degree in 2008 from the Hong Kong Polytechnic University, and became a member of the Hong Kong Institute of Certified Public Accountants in 2012.

COMPANY SECRETARY

Mr. Wang Zheng, aged 33, was appointed as the Company Secretary of the Group in November 2019. Mr. Wang joined the Group in November 2018 and is responsible for company secretarial and corporate governance matters.

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

CORPORATE GOVERNANCE REPORT

The Board of directors of the Company (the "**Board**") understands that sound corporate governance practices is fundamental to maintaining and promoting the confidence of shareholders. Throughout the financial year ended 31 December 2022, the Group had complied with the code provisions in the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 of The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with provisions set out in Appendix 10 of the Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the year ended 31 December 2022.

CULTURE OF THE COMPANY

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

Throughout 2022, the Company continued to strengthen its cultural framework by focusing on specific areas, including but not limited to client service, industrial development, continuous training and innovation, through various initiatives set out in the Business Review of this Annual Report and the Group's 2022 ESG Report.

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

Mission
To make supply chain
finance more efficient
and inclusive

Value
Integrity, People Oriented
Service Oriented, Pursuit of Innovation

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Responsibilities

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

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

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

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

CORPORATE GOVERNANCE REPORT

Composition

As at 31 December 2022 and up to the date of this annual report, the Board comprises of two Executive Directors, one Non-executive Director ("**NED**") and four Independent Non-executive Directors ("**INEDs**"), details are as follows:

Executive Directors

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

Non-executive Director

Mr. Lo Wai Hung

Independent Non-executive Directors

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

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

Independence

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

1. External independent professional advice is available as and when required by individual Directors.

2. All Directors are encouraged to express freely their independent views and constructive challenges during the Board/Board Committee meetings.

3. No equity-based remuneration with performance-related elements will be granted to INEDs.

4. A Director (including INED) who has a material interest in a contract, arrangement or other proposal shall not vote or be counted in the quorum on any Board resolution approving the same.

5. The Chairman of the Board meets with INEDs annually without the presence of the other Executive Director and the NED.

BOARD DIVERSITY POLICY

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

Measurable objectives and selection

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

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

CORPORATE GOVERNANCE REPORT

Implementation and monitoring

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

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

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

For the year ended 31 December 2022, the Company has maintained an effective Board comprising members of different genders, professional background and industry experience. The Company's Board Diversity Policy has consistently been implemented. As at the date of this annual report, the Board consists of one female and six male Directors. The Board considers that the gender diversity in respect of the Board taking into account the business model and specific needs of the Company is satisfactory.

The Group has also taken, and continues to take steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination. Currently, the male to female ratio in the workforce of the Group including Senior Management is approximately 47:53, which is in line with the industry and the population spread of the operating locations. The Board considers that the gender diversity in workforce is currently achieved.

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

TRAINING AND SUPPORT FOR DIRECTORS

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

Pursuant to Code Provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2022, all Directors have participated in appropriate physical or online continuous professional development including, amongst others, attending the training session of understanding the directors' duties jointly held by the regulatory body and the relevant professional institute, reading regulatory updates in relation to the Group's business and the Listing Rules, attending internal briefing sessions and reading materials relevant to directors' duties and responsibilities.

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

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

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

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

During the year ended 31 December 2022, eleven Board meetings were held at which the Directors discussed and approved, amongst other matters, the Group's annual report of 2021, interim report of 2022, results announcements, ESG report, connected transactions and discloseable transactions, adoption of the RSU schemes, grants of share options and restricted share units, as well as change of Directors.

CORPORATE GOVERNANCE REPORT

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

Name of Directors	Number of Attendance/ Number of General Meetings	Number of Attendance/ Number of Board Meeting
Executive Directors		
Mr. Tung Chi Fung (Chairman)	1/1	11/11
Mr. Chen Jen-Tse	1/1	11/11
Non-executive Director		
Mr. Lo Wai Hung	1/1	11/11
Independent Non-executive Directors		
Mr. Hung Ka Hai Clement (resigned on 15 July 2022)	1/1	7/7
Mr. Loo Yau Soon	1/1	11/11
Mr. Fong Heng Boo	1/1	11/11
Mr. Tang King San Terence	1/1	11/11
Ms. Chan Yuk Ying Phyllis (appointed on 15 July 2022)	0/0	4/4

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

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

CORPORATE GOVERNANCE REPORT

Each of the INEDs, Mr. Hung Ka Hai Clement, Mr. Loo Yau Soon, Mr. Fong Heng Boo, Mr. Tang King San Terence and Ms. Chan Yuk Ying were all appointed by way of a formal appointment letter for a term of three years unless terminated by either party giving not less than one month's notice in writing on the other. Each of the appointment letters of Mr. Hung Ka Hai Clement and Mr. Loo Yau Soon was renewed for a term of three years commencing from 6 July 2020. The appointment letter of Mr. Fong Heng Boo was renewed for a term of three years commencing from 14 September 2021. The appointment letter of Mr. Tang King San Terence and Ms. Chan Yuk Ying Phyllis was for a term of three years commencing from 10 December 2021 and 15 July 2022 respectively. Mr. Hung Ka Hai Clement had resigned with the effect from 15 July 2022.

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

NOMINATION POLICY

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

Selection criteria

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

(1) reputation for integrity;

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Director nomination procedure

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

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

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

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

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

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

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

Re-Election of Director at general meeting

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

According to the Code Provision C.2.1 of the CG Code, the roles of the Chairman and the Chief Executive Officer (the "**CEO**") should be separate and performed by different individuals to ensure a balance of power and authority so that power is not concentrated in any one individual. Mr. Tung was the chairman of the Board throughout the year ended 31 December 2022. During the year ended 31 December 2022, the responsibilities of the CEO were shared amongst the Executive Directors.

BOARD COMMITTEES

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

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

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company established an Audit Committee on 19 June 2017 with written terms of reference in compliance with Rules 3.21 to 3.24 of the Listing Rules and paragraph D.3.3 of the CG Code as set out in Appendix 14 of the Listing Rules. The written terms of reference of the Audit Committee (amended and approved by the Board on 23 October 2019) are available on the website of the Company and the Stock Exchange.

The Audit Committee comprises of three INEDs, namely Mr. Tang King San Terence (appointed on 15 July 2022), Mr. Loo Yau Soon and Mr. Fong Heng Boo. Mr. Hung Ka Hai Clement resigned as the chairman of the Audit Committee with the effect from 15 July 2022. Mr. Tang King San Terence is the chairman of the Audit Committee who has appropriate professional qualifications and experience in accounting and auditing matters. Other members of the Audit Committee are also experts with audit and financial experience.

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

During the year ended 31 December 2022, three meetings have been held by the Audit Committee, at which the Audit Committee reviewed, amongst other matters, the Group's annual report for the year ended 31 December 2021, the interim period ended 30 June 2022, periodic risk management report of the Group and the audit approach for the year ended 31 December 2022.

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

Name of Directors	Number of Attendance/ Number of Audit Committee Meeting
Mr. Tang King San Terence (appointed on 15 July 2022)	2/2
Mr. Hung Ka Hai Clement (resigned on 15 July 2022)	1/1
Mr. Loo Yau Soon	3/3
Mr. Fong Heng Boo	3/3

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

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

At the Audit Committee Meeting held on 22 March 2023, all the members of the Audit Committee reviewed the Company's audited consolidated financial statements for the year ended 31 December 2022, including the accounting principles and practice adopted by the Group, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, the effectiveness of the Group's internal control and risk management systems and recommended to the Board for consideration the reappointment of Deloitte Touche Tohmatsu as the Company's independent external auditors at the forthcoming Annual General Meeting. The Board is not aware of any material uncertainties relating to events or conditions which may cost significant doubt upon the ability of the Company to continue as a going concern basis.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 19 June 2017 with written terms of reference in compliance with Rules 3.25 to 3.27 of the Listing Rules and paragraph E.1.2 of the CG Code as set out in Appendix 14 of the Listing Rules. The written terms of reference of the Remuneration Committee (amended and approved by the Board on 23 October 2019) are available on the website of the Company and the Stock Exchange.

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

The Remuneration Committee currently consists of three members, namely Mr. Loo Yau Soon (Chairman), Mr. Fong Heng Boo (appointed on 15 July 2022) and Mr. Tung Chi Fung. Mr. Hung Ka Hai Clement resigned from the Audit Committee with the effect from 15 July 2022.

During the year ended 31 December 2022, three meetings have been held by the Remuneration Committee, which amongst other matters, reviewed the remuneration of Directors and senior management for the year ended 31 December 2021, adjustments of the remunerations of the Directors and the remuneration of the director appointed in 2022, and discussed the proposals to grant share options and restricted share units to employees and a Director of the Company.

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

Name of Directors	Number of Attendance/ Number of Remuneration Committee Meeting
Mr. Loo Yau Soon	3/3
Mr. Tung Chi Fung	3/3
Mr. Fong Heng Boo (appointed on 15 July 2022)	0/0
Mr. Hung Ka Hai Clement (resigned on 15 July 2022)	3/3

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

NOMINATION COMMITTEE

The Company established the Nomination Committee on 19 June 2017 with written terms of reference in compliance with paragraph B.3.1 of the CG Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The written terms of reference of the Nomination Committee (amended and approved by the Board on 23 October 2019) are available on the website of the Company and the Stock Exchange.

The Nomination Committee currently consists of three members, namely Mr. Tung Chi Fung (Chairman), Mr. Fong Heng Boo and Mr. Tang King San Terence (appointed on 15 July 2022). Mr. Hung Ka Hai Clement, a previous member of the Nomination Committee, had resigned on 15 July 2022.

CORPORATE GOVERNANCE REPORT

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

During the year ended 31 December 2022, two meetings have been held by the Nomination Committee to review the structure, size and composition of the Board, to assess the independence of the Independent Non-executive Directors to determine their eligibility and review the Board Diversity Policy and to nominate the candidates of the Independent Non- executive Director.

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

Name of Directors	Number of Attendance/ Number of Nomination Committee Meeting
Mr. Tung Chi Fung	2/2
Mr. Fong Heng Boo	2/2
Mr. Tang King San Terence (appointed on 15 July 2022)	0/0
Mr. Hung Ka Hai Clement (resigned on 15 July 2022)	2/2

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

DIVIDEND POLICY

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

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

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

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

(4) the Group's liquidity position;

(5) interest of shareholders;

(6) taxation consideration;

(7) potential effect on creditworthiness;

CORPORATE GOVERNANCE REPORT

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

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

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

Pursuant to Code Provision E.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) for the financial year ended 31 December 2022 by band is set out below:

Remuneration band	**Number of individuals**
Nil to HK$1,500,000	1
HK$1,500,001 to HK$3,000,000	0
HK$3,000,001 and above	3

AUDITORS' REMUNERATION

The Company has appointed Deloitte Touche Tohmatsu as its external auditors for the year ended 31 December 2022. Details of the fees paid/payable to Deloitte Touche Tohmatsu during the year are as follows:

	RMB'000
Audit services	3,620
Review of interim financial information	600
Subtotal	4,220
Others	78
Total	4,298

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of financial statements for the relevant accounting period which give a true and fair view of the Group's financial position, results of operations and cash flows. In preparing the financial statements for the year ended 31 December 2022, the Directors have applied all the applicable accounting policies, adopted the appropriate accounting standards and prepared the accounts on a going concern basis.

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

The responsibilities of the Group's external auditors, Deloitte Touche Tohmatsu, on the Company's consolidated financial statements are set out in the Independent Auditor's Report on pages 66 to 71 of this annual report.

COMPANY SECRETARY

Mr. Wang Zheng was appointed as the Company Secretary of the Company on 29 November 2019. Mr. Wang had been informed of the requirement of Rule 3.29 of the Listing Rules and he confirmed that he had attained no less than 15 hours of relevant professional training during the year ended 31 December 2022.

SHAREHOLDERS' RIGHTS

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

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

Procedures for shareholders to send enquiries to the Board

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

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

Procedures for shareholders to put forward proposals at shareholders' meetings

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

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

With effect from 14 December 2021, the Company adopted the second amended and restated memorandum and articles of association of the Company to reflect the change of company name and update of the address of the registered office of the Company. There was no change in the Company's constitutional documents during the year ended 31 December 2022. A copy of the second amended and restated memorandum and articles of association has been posted on the websites of the Stock Exchange and the Company.

INVESTOR RELATION

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

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

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

CORPORATE GOVERNANCE REPORT

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

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

The Board, through the Audit Committee, reviews the risk management and internal controls annually. The Audit Committee has conducted a review of, and is satisfied with the effectiveness and adequacy of the risk management and internal control systems for the year ended 31 December 2022.

DIVERSITY

The Company is committed to developing a positive and progressive culture that is anchored by its Value. In particular, we cultivate a culture that is healthy, diverse and inclusive, where everyone can be their true self and fulfill their own potential, bringing his or her whole self to work every day. More details on the Group's diversity and inclusion initiatives, including employees' gender ratios, are set out in the Group's 2022 ESG Report.

ANTI-CORRUPTION POLICY AND WHISTLEBLOWING POLICY

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

For more details of the Company's Anti-Corruption Policy and Whistleblowing Policy, please refer to our ESG Report 2022 and the Group's website (www.syholdings.com).

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

DIRECTORS' REPORT

The directors of the Company (the "**Directors**") are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2022 (the "**Reporting Period**").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

FINANCIAL SUMMARY

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

RESULTS

The results of the Group for the year ended 31 December 2022 are set out on pages 72 to 209 of this annual report.

DIVIDENDS

The Directors recommend the payment of a final dividend of HK7.5 cents per ordinary share for the year ended 31 December 2022. Details of the dividends paid or proposed to be paid by the Company are set out in note 14 to the financial statements.

EXPECTED DATE OF DIVIDEND PAYMENT

As disclosed in the Annual Report, the Directors recommended the payment of a final dividend of HK7.5 cents per ordinary share of the Company for the year ended 31 December 2022 (**"Proposed Final Dividend"**). The Proposed Final Dividend will be payable on 14 July 2023 to those shareholders whose names appear on the Company's register of members on Friday, 30 June 2023, subject to approval by the shareholders of the Company at the forthcoming annual general meeting to be held in late June 2023.

CLOSURE OF REGISTER OF MEMBERS

To ascertain shareholders' entitlement to the Proposed Final Dividend, the register of members of the Company will be closed on Friday, 30 June 2023 and no transfer of shares will be effected on that day. In order to qualify for the Proposed Final Dividend, shareholders of the Company should ensure that all properly completed transfer forms, accompanied by the relevant share certificates, must be lodged for registration with Tricor Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Thursday, 29 June 2023. The ex-dividend date for the Proposed Final Dividend will be on Wednesday, 28 June 2023.

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

DIRECTORS' REPORT

SUBSIDIARIES

Details of our Company's principal subsidiaries as at 31 December 2022 are set out in note 41 to the financial statements.

SHARE CAPITAL, SHARE OPTION AND RESTRICTED SHARE UNIT

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

RESERVES

Details of movements in the reserves of the Company during the year ended 31 December 2022 are set out in note 46 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company has distributable reserves of RMB2,373 million in total available for distribution.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the percentage of revenue and income attributable to the Group's major customers is set out below:

Revenue and income from principal activities	
— The largest customer	10.4%
— The total of five largest customers	37.5%

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

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

USE OF PROCEEDS

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

DIRECTORS' REPORT

DIRECTORS AND SERVICE CONTRACTS

As at 31 December 2022 and up to the date of this annual report, the Board comprises of two Executive Directors, one Non-executive Director and four INEDs, details are as follows:

Executive Directors

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

Non-executive Director

Mr. Lo Wai Hung

Independent Non-executive Directors

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

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

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

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

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

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

Save as disclosed in the section headed "Related Party Transactions" on pages 60 to 63 of this annual report and note 38 to the consolidated financial statements, there were no transaction, arrangement, or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which any Director or any entities connected with a Director, the controlling Shareholder, the substantial Shareholders had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, INVESTORS AND SUPPLIERS

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

The Group maintains good relationship with these stakeholders.

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

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

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

PROPERTY AND EQUIPMENT

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

GOODWILL AND INTANGIBLE ASSETS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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 2022.

CHARITABLE DONATIONS

The Group's external charitable donations for the year amounted to RMB0.7 million (2021: RMB3.3 million).

DIRECTORS' REPORT

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

As at 31 December 2022, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to provisions set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Interest in the Company

Name of Director	Capacity/nature of interest	Number and class of securities interested	Percentage of shareholding
Mr. Tung (Note 1)	Beneficiary of a trust and settlor of a discretionary trust	559,415,960 (L) (Note 2)	55.51%
Mr. Chen Jen-Tse	Beneficial owner	581,000 (L) (Note 2)	0.06%
	Share option	2,700,000 (Note 3)	0.27%
Mr. Lo Wai Hung	Beneficial owner	360,000 (L) (Note 2)	0.04%
	Share option	500,000 (Note 3)	0.05%
Mr. Loo Yau Soon	Share option	500,000 (Note 3)	0.05%
Mr. Fong Heng Boo	Share option	300,000 (Note 3)	0.03%

Notes:

1. Wisdom Cosmos Limited ("**Wisdom Cosmos**"), a company incorporated in the British Virgin Islands ("**BVI**"), is the beneficial owner of 559,415,960 shares of the Company, representing approximately 55.51% shareholding interests in the Company. The entire issued share capital of Wisdom Cosmos is owned by Eander Limited ("**Eander**"), a company incorporated in the BVI, which is in turn wholly owned by TMF (Cayman) Ltd ("**TMF Trust**"), trustee of the Pak Jeff Trust ("**PJ Trust**"), an irrevocable reserved power trust established by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, TMF Trust and Eander are deemed to be interested in all the shares of the Company registered in the name of Wisdom Cosmos.

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

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

Save as disclosed herein, as at 31 December 2022, none of the Directors or chief executive of the Company or their associates (as defined in the Listing Rules) had any interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to provisions set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

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

As at 31 December 2022, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity/nature of interest	Number and class of securities interested (Note 1)	Percentage of shareholding
TMF Trust (Note 2)	Trustee	559,415,960 (L)	55.51%
Eander (Note 2)	Interest in a controlled corporation	559,415,960 (L)	55.51%
Wisdom Cosmos (Note 2)	Beneficial owner	559,415,960 (L)	55.51%
Wuxi Communications Industry Group Co., Ltd ("**WXCIG**") (Note 3)	Interest in a controlled corporation	61,363,500 (L)	6.09%
Xitong International Holdings (HK) Limited ("**Xitong**") (Note 3)	Beneficial owner	61,363,500 (L)	6.09%

Notes:

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

2. Wisdom Cosmos, a company incorporated in the BVI, is the beneficial owner of 559,415,960 shares of the Company, representing approximately 55.51% shareholding interests in the Company. The entire issued share capital of Wisdom Cosmos is owned by Eander, a company incorporated in the BVI, which is in turn wholly owned by TMF Trust, trustee of the PJ Trust, an irrevocable reserved power trust established by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, TMF Trust and Eander are deemed to be interested in all the shares of the Company registered in the name of Wisdom Cosmos.

3. Xitong, a company incorporated in Hong Kong, is the beneficial owner of 61,363,500 shares of the Company, representing approximately 6.09% shareholding interests in the Company. The entire issued share capital of Xitong is owned by WXCIG, a company incorporated in the PRC, which is in turn wholly owned by State-owned Assets Supervision and Administration Commission of Wuxi Municipal People's Government. Under the SFO, WXCIG and Xitong are deemed to be interested in all the shares of the Company registered in the name of Xitong.

Save as disclosed above, as at 31 December 2022, the Directors are not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

DIRECTORS' REPORT

SHARE OPTION SCHEME

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

(a) Purpose of the Share Option Scheme

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

(b) Who may join and basis of eligibility

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

(c) Grant of Option

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

DIRECTORS' REPORT

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

(d) Price of Shares

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

(e) Maximum number of Shares

(i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") provided that Options lapsed in accordance with the terms of the Shares Option Scheme or Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 740,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 74,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date and approximately 7.37% of the Shares in issue as at the date of this report.

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

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

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

DIRECTORS' REPORT

(f) Time of exercise of Option

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

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

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

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

On 10 June 2022, the Company granted 11,000,000 share options to a director and the employees of the Group to subscribe for the ordinary shares of the Company with an exercise price of HK$6.46 per share and for a validity period of 10 years. Among the share options granted, 1,500,000 granted options were granted to Mr. Chen Jen-Tse, an Executive Director of the Company.

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

DIRECTORS' REPORT

The following shows the outstanding position as at 31 December 2022 with respect to their granted options granted under the Share Option Scheme:

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2022	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2022
Mr. Chen Jen-Tse	11 September 2017	HK$4.20	11/9/2018–10/9/2022	500,000	–	(500,000)	–	–
			11/9/2019–10/9/2022	500,000	–	(500,000)	–	–
			11/9/2020–10/9/2022	1,000,000	–	(1,000,000)	–	–
				2,000,000	–	(2,000,000)	–	–
Mr. Lo Wai Hung	11 September 2017	HK$4.20	11/9/2018–10/9/2022	–	–	–	–	–
			11/9/2019–10/9/2022	200,000	–	(200,000)	–	–
			11/9/2020–10/9/2022	500,000	–	(500,000)	–	–
				700,000	–	(700,000)	–	–
Employees	11 September 2017	HK$4.20	11/9/2018–10/9/2022	7,500	–	(7,500)	–	–
			11/9/2019–10/9/2022	37,500	–	(37,500)	–	–
			11/9/2020–10/9/2022	408,000	–	(408,000)	–	–
				453,000	–	(453,000)	–	–
Mr. Chen Jen-Tse	14 November 2018	HK$6.90	14/11/2019–13/11/2023	250,000	–	–	–	250,000
			14/11/2020–13/11/2023	250,000	–	–	–	250,000
			14/11/2021–13/11/2023	500,000	–	–	–	500,000
				1,000,000	–	–	–	1,000,000
Mr. Lo Wai Hung	14 November 2018	HK$6.90	14/11/2019–13/11/2023	–	–	–	–	–
			14/11/2020–13/11/2023	–	–	–	–	–
			14/11/2021–13/11/2023	500,000	–	–	–	500,000
				500,000	–	–	–	500,000
Mr. Hung Ka Hai Clement	14 November 2018	HK$6.90	14/11/2019–13/11/2023	50,000	–	–	–	50,000
			14/11/2020–13/11/2023	50,000	–	–	–	50,000
			14/11/2021–13/11/2023	100,000	–	–	–	100,000
				200,000	–	–	–	200,000

DIRECTORS' REPORT

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2022	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2022
Mr. Loo Yau Soon	14 November 2018	HK$6.90	14/11/2019–13/11/2023	50,000	–	–	–	50,000
			14/11/2020–13/11/2023	50,000	–	–	–	50,000
			14/11/2021–13/11/2023	100,000	–	–	–	100,000
				200,000	–	–	–	200,000
Mr. Twoon Wai Mun, Benjamin	14 November 2018	HK$6.90	14/11/2019–13/11/2023	50,000	–	–	(50,000)	–
			14/11/2020–13/11/2023	50,000	–	–	(50,000)	–
			14/11/2021–13/11/2023	100,000	–	–	(100,000)	–
				200,000	–	–	(200,000)	–
Employees	14 November 2018	HK$6.90	14/11/2019–13/11/2023	353,750	–	(10,000)	(46,250)	297,500
			14/11/2020–13/11/2023	303,750	–	(10,000)	(46,250)	247,500
			14/11/2021–13/11/2023	887,500	–	(145,000)	(222,500)	520,000
				1,545,000	–	(165,000)	(315,000)	1,065,000
Mr. Tung Chi Fung	15 July 2020	HK$6.68	15/7/2021–14/7/2025	750,000	–	–	(750,000)	–
			15/7/2022–14/7/2025	750,000	–	–	(750,000)	–
			15/7/2023–14/7/2025	1,500,000	–	–	(1,500,000)	–
				3,000,000	–	–	(3,000,000)	–
Mr. Chen Jen-Tse	15 July 2020	HK$6.68	15/7/2021–14/7/2025	–	–	–	–	–
			15/7/2022–14/7/2025	100,000	–	–	(100,000)	–
			15/7/2023–14/7/2025	200,000	–	–	–	200,000
				300,000	–	–	(100,000)	200,000
Mr. Hung Ka Hai Clement	15 July 2020	HK$6.68	15/7/2021–14/7/2025	75,000	–	–	–	75,000
			15/7/2022–14/7/2025	75,000	–	–	(75,000)	–
			15/7/2023–14/7/2025	150,000	–	–	(150,000)	–
				300,000	–	–	(225,000)	75,000

DIRECTORS' REPORT

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2022	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2022
Mr. Loo Yau Soon	15 July 2020	HK$6.68	15/7/2021–14/7/2025	75,000	–	–	–	75,000
			15/7/2022–14/7/2025	75,000	–	–	–	75,000
			15/7/2023–14/7/2025	150,000	–	–	–	150,000
				300,000	–	–	–	300,000
Mr. Fong Heng Boo	15 July 2020	HK$6.68	15/7/2021–14/7/2025	75,000	–	–	–	75,000
			15/7/2022–14/7/2025	75,000	–	–	–	75,000
			15/7/2023–14/7/2025	150,000	–	–	–	150,000
				300,000	–	–	–	300,000
Mr. Twoon Wai Mun, Benjamin	15 July 2020	HK$6.68	15/7/2021–14/7/2025	75,000	–	–	(75,000)	–
			15/7/2022–14/7/2025	–	–	–	–	–
			15/7/2023–14/7/2025	–	–	–	–	–
				75,000	–	–	(75,000)	–
Employees	15 July 2020	HK$6.68	15/7/2021–14/7/2025	2,387,500	–	(100,000)	(87,500)	2,200,000
			15/7/2022–14/7/2025	2,637,500	–	–	(287,500)	2,350,000
			15/7/2023–14/7/2025	5,275,000	–	–	(325,000)	4,950,000
				10,300,000	–	(100,000)	(700,000)	9,500,000
Mr. Chen Jen-Tse	10 June 2022	HK$6.46	10/6/2024–9/6/2032	–	375,000	–	–	375,000
			10/6/2024–9/6/2032	–	375,000	–	–	375,000
			10/6/2025–9/6/2032	–	750,000	–	–	750,000
				–	1,500,000	–	–	1,500,000
Employees	10 June 2022	HK$6.46	10/6/2024–9/6/2032	–	2,375,000	–	(500,000)	1,875,000
			10/6/2024–9/6/2032	–	2,375,000	–	(500,000)	1,875,000
			10/6/2025–9/6/2032	–	4,750,000	–	(1,000,000)	3,750,000
				–	9,500,000	–	(2,000,000)	7,500,000

Note: The weighted average closing price of the shares immediately before the date on which the options were exercised during the year was HK$5.99 per share.

DIRECTORS' REPORT

During the year ended 31 December 2022, (i) 11,000,000 share options were granted; (ii) 22,340,000 options were outstanding under the share option scheme; (iii) 3,418,000 granted options were exercised; (iv) 6,615,000 granted options were lapsed; and (v) no granted options were cancelled.

Pursuant to Rule 17.07(2) of the Listing Rules, the closing prices of the Shares immediately before 11 September 2017, 14 November 2018, 15 July 2020 and 10 June 2022, being the dates on which the Options were granted, were HK$4.14, HK$6.50, HK$6.60 and HK$6.32 respectively.

Pursuant to Rule 17.09(9) of the Listing Rules, as at 31 December 2022, the remaining life of the Share Option Scheme is about 4 years and 4 months old.

RSU SCHEME

The RSU Scheme is adopted on 6 April 2022.

(a) Purpose of the RSU Scheme

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

(b) Who may join and basis of eligibility

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

(c) Maximum number of RSUs

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

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

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

DIRECTORS' REPORT

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

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

(d) Duration and time of RSUs

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

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

(e) Grant of RSUs

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

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

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

On 10 June 2022, the Company granted 1,340,000 RSUs to the employees of the Group representing 1,340,000 underlying ordinary shares of the Company.

DIRECTORS' REPORT

Movements of RSU Scheme during year ended 31 December 2022 are as follows:

Grantee	Vesting period	Outstanding at 1 January 2022	Granted during period	Forfeited during period	Vested during period	Outstanding at 31 December 2022
Employees	10/6/2022–9/6/2024	–	335,000	(10,000)	–	325,000
	10/6/2022–9/6/2024	–	335,000	(10,000)	–	325,000
	10/6/2022–9/6/2025	–	670,000	(20,000)	–	650,000
		–	1,340,000	(40,000)	–	1,300,000

During the year ended 31 December 2022, (i) 1,340,000 RSUs were granted; (ii) 1,300,000 granted RSUs were outstanding under the RSU scheme; (iii) no granted RSUs were exercised; (iv) 40,000 granted RSUs were lapsed; and (v) no granted RSUs were cancelled.

Pursuant to Rule 17.09(9) of the Listing Rules, as at 31 December 2022, the remaining life of the RSU Scheme is about 9 years and 3 months old.

PERMITTED INDEMNITY

Pursuant to the articles of association of the Company, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all liabilities (to the fullest extent permitted by the Companies Ordinance) which he may incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has taken out insurance against all liabilities associated with defending any proceedings which may be brought against Directors and other officers of the Company.

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during 2022.

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

In addition to the information disclosed in the section "Compliance of Non-Competition Undertakings" in this annual report, for the year ended 31 December 2022, the Directors are not aware of any business or interest of the Directors, the substantial shareholders of the Company and their respective associates (as defined in the Listing Rules) that competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person has or may have with the Company.

DIRECTORS' REPORT

COMPLIANCE OF NON-COMPETITION UNDERTAKINGS

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

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

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

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

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

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

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

Exempted continuing connected transactions

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

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

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

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

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

DIRECTORS' REPORT

Connected transactions

With Connected Persons at the Subsidiary Level

On 4 January 2022, the Company, Sheng Ye Digital Technology (Wuxi) Co., Ltd* 盛業數字科技（無錫）有限公司 (the "**Purchaser**"), Sheng Zhuo Factoring Limited* 天津盛卓企業管理諮詢有限公司 ("**Sheng Zhuo**") and SY Factoring Limited* 盛業商業保理有限公司 ("**SY Factoring**") (collectively the "**Purchaser Group**"), Wuxi Guojin Factoring Limited* 無錫國金商業保理有限公司 ("**Wuxi Guojin**") and Wuxi Tonghui Investment Co., Ltd*無錫通匯投資有限公司 (**Wuxi Tonghui**) entered into a cooperative agreement (the "**Cooperative Agreement**") to strengthen their cooperation and to finance the operation of supply chain finance business engaged by Wuxi Guojin .

Pursuant to the Cooperative Agreement, all parties agreed that:

(a) Wuxi Tonghui and/or Wuxi Communications (as the case may be) (collectively the "**Vendor Group**") shall provide a credit facility to Wuxi Guojin (the "**Vendor Group Financing**") and/or guarantees to secure the repayment obligations of Wuxi Guojin for its external financing from banks and financial institutions (the "**Vendor Group Guarantee**") within forty-eight (48) months of the Cooperative Agreement becoming effective; and

(b) each of the Purchaser, Sheng Zhuo and SY Factoring shall provide the following credit enhancement measures in favour of the Vendor Group to secure the obligations set out above:

(1) regardless of whether the Vendor Group is the creditor or the guarantor of Wuxi Guojin pursuant to the Agreements: (i) the Purchaser shall pledge 40% equity interest in Wuxi Guojin held by it to the Vendor Group; and (ii) Sheng Zhuo shall pledge 40% equity interest in Wuxi Guojin held by it to the Vendor Group;

(2) Mr. Tung, as the ultimate beneficial of the Purchaser, shall provide a joint and several liability guarantee and/or counter guarantee (as the case may be) in his personal capacity for the financing and/or guarantee provided by the Vendor Group, the guaranteed amount of which shall not exceed 80% of the Vendor Group Financing and the Vendor Group Guarantee; and

(3) in the manner as stipulated in the Guarantee Agreement, SY Factoring shall provide the joint and several liability guarantee and/or counter guarantee (as the case may be) in favour of the Vendor Group in proportion to the aggregate shareholding of its affiliates in Wuxi Guojin to secure the repayment obligations of Wuxi Guojin for the financing and/or guarantee provided by the Vendor Group (the "**SY Factoring Counter Guarantee**").

If the Vendor Group fails to provide sufficient guarantee to Wuxi Guojin for their own reasons, the Vendor shall pay liquidated damages to the Purchaser.

On 4 January 2022, SY Factoring, Wuxi Guojin and the Vendor Group entered into a guarantee agreement (the "**Guarantee Agreement**") to strengthen their cooperation and to finance the operation of supply chain finance business engaged by Wuxi Guojin.

DIRECTORS' REPORT

Pursuant to the Guarantee Agreement, all parties agreed that:

(a) the Vendor Group shall provide the Vendor Group Financing and/or the Vendor Group Guarantee within forty-eight (48) months of the Cooperative Agreement becoming effective;

(b) the aggregate maximum amount shall not exceed RMB3.3 billion. Within forty-eight (48) months, the actual use of debt financing principal by Wuxi Guojin shall not exceed RMB3 billion per month. Actual use of debt financing means the accounting balance of the total borrowings of Wuxi Guojin which is in aggregation of (i) the amount of external financing from banks and financial institutions which is guaranteed by the Vendor Group, and (ii) the amount of direct financing provided by the Vendor Group;

(c) if Wuxi Guojin obtains external financing from a third party and the Vendor Group Guarantee is provided in respect of such repayment obligations, Wuxi Guojin shall pay the Vendor Group a guarantee fee which is 0.5% per annum of the weighted average balance of guaranteed debt principal utilised by Wuxi Guojin. The accrued guarantee fee shall be payable on annual basis, i.e., on or before 30th December each year within the term of guarantee;

(d) SY Factoring Counter Guarantee in favour of the Vendor Group; and

(e) the term of the guarantee shall be from the date of the external financial obtained by Wuxi Guojin from the banks and financial institutions to the date agreed upon under such financing arrangement, which shall not be later than the expiry date of the Agreements, being 4 January 2026.

The Directors confirmed that the Cooperative Agreement and the Guarantee Agreement constituted connected transactions of the Group under Chapter 14A of the Listing Rules.

With Connected Persons at the Issuer Level

On 10 June 2022, Health Fame Limited ("**Health Fame**"), which is indirectly wholly-owned by a trust of which Mr. Tung and his family members are the beneficiaries, and Sheng Ye International Capital Limited ("**SYIC**"), a directly wholly-owned subsidiary of the Company, entered into an agreement pursuant to which Health Fame agreed to sell and SYIC agreed to purchase 100% of the equity interest in Trade Nice Limited ("**TNL**"), which is the sole legal and beneficial owner of the property situated in the identical office building of the Group's Hong Kong office and located in the prime business district immediately to the east of Central District, Hong Kong (the "**Target Property**"), for the consideration of HKD38,000,000 (the "**Equity Transfer Agreement**"). SYIC agreed to pay Health Fame the consideration within 60 days after the entry of the Equity Transfer Agreement.

Since TNL is the sole legal and beneficial owner of the Target Property, and its principal asset is the Target Property, the consideration was determined after arm's length negotiations between the parties on normal commercial terms with reference to, among other things, (i) the valuation of the Target Property of approximately HKD38,300,000 as at 19 May 2022 as appraised by an independent valuer using the market value approach; and (ii) the unaudited net asset value of TNL.

The Group intended that the Target Property will be used for the business expansion outside the PRC including, inter alia, (i) as the additional office space in Hong Kong to cater for its potential growing workforce in a cost-efficient manner, (ii) to capture the business opportunities with potential partners outside the PRC, especially with the financial institutions in Hong Kong, and (iii) to the extent that the Target Property is not to be fully utilized by the Group, it may be leased out on a short-term basis to generate rental income.

Mr. Tung is a connected person of the Company, therefore Health Fame is an associate of Mr. Tung and the transaction under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

Upon completion of the Acquisition, TNL becomes an indirect wholly-owned subsidiary of the Company and the financial results of TNL are consolidated into the consolidated financial results of the Group.

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, at least 25% of the Company's total issued Shares was held by the public throughout the financial year ended 31 December 2022 and thereafter up to the date of this annual report.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

ENVIRONMENTAL POLICY AND SOCIAL RESPONSIBILITY

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

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

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

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

DIRECTORS' REPORT

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

Details can be found in our 2022 ESG Report, which is available on the Group's website (www.syholdings.com) on the same date of this Annual Report.

CORPORATE GOVERNANCE

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

The shares of the Company were successfully listed on GEM on 6 July 2017 and were transferred to the Main Board on 24 October 2019. To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the period from the Listing Date to 31 December 2022.

REVIEW OF THE FINAL RESULTS BY AUDIT COMMITTEE

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

The Group's audited consolidated financial statements for the year ended 31 December 2022 and this annual report have been reviewed by the Audit Committee. The Board is of the opinion that such financial information has been prepared in compliance with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

AUDITOR

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

EVENT AFTER THE REPORTING PERIOD

Transactions of Xiangsheng Factoring

On 12 January 2023, the Group, Xiamen Xiangyu Jinxiang Holdings Group Limited 廈門象嶼金象控股集團有限公司 ("**XYJX**") and Xiamen Xiangyu Group Limited 廈門象嶼集團有限公司 ("**XMXYG**") (XYJK and XMXYG are collectively referred to as "**Xiangyu Group**") entered into a financial assistance agreement with Xiangsheng Factoring.

Pursuant to the financial assistance agreement, Xiangyu Group agreed to provide guarantees as security for the debt financing of Xiangsheng Factoring ("**Controlling Shareholder Guarantees**") and/or provide shareholder loans to Xiangsheng Factoring ("**Controlling Shareholder Loans**"). The Group will, in proportion to its shareholding interest in Xiangsheng Factoring, (i) provide counter guarantees to Xiangyu Group in respect of the Controlling Shareholder Guarantees; and/or (ii) provide joint and several guarantees to Xiangyu Group in respect of the Controlling Shareholder Loans. At the date of this report, the aggregated maximum amount of the financial assistance provided by the Group shall not exceed RMB1.29 billion.

DIRECTORS' REPORT

Transactions of Ocean Holdings Factoring

On 23 February 2023, Qingdao Sunful, an indirect wholly owned subsidiary of the Company, and Qingdao Ocean Holdings Investment Holdings Limited 青島海控投資控股有限公司 ("**Ocean Holdings Investment**") entered into a share transfer agreement, pursuant to which Ocean Holdings Investment transferred 40% of its equity interest in Qingdao Ocean Holdings Factoring Limited 青島海控商業保理有限公司 ("**Ocean Holdings Factoring**") to Qingdao Sunful with consideration of RMB139,620,000.

On 1 March 2023, the Group and Qingdao West Coast New Area Ocean Holdings Group Limited 青島西海岸新區海洋控股集團有限公司 ("**Ocean Holdings**") entered into an financial assistance agreement.

Pursuant to the financial assistance agreement, Ocean Holdings agreed to provide guarantees as security for the debt financing of Ocean Holdings Factoring ("**Controlling Shareholder Guarantees**") and/or provide shareholder loans to Ocean Holdings Factoring ("**Controlling Shareholder Loans**"). The Group will, in proportion to its shareholding interest in Ocean Holdings Factoring, (i) provide counter guarantees to Ocean Holdings in respect of the Controlling Shareholder Guarantees; and/or (ii) provide joint and several guarantees to Ocean Holdings in respect of the Controlling Shareholder Loans. The aggregated maximum daily average balance of the financial assistance provided by the Group shall not exceed RMB400 million.

Repurchase of Shares of the Company

In January 2023, the Company repurchased 4,061,000 of its own shares from the market which were subsequently cancelled on 21 February 2023. The shares were acquired at prices ranging from HK$5.96 to HK$6.14.

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

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

Hong Kong, 23 March 2023

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of SY Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 72 to 209, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of supply chain assets at fair value through other comprehensive income ("FVTOCI") and provisions for financial guarantee contracts	
We identified the impairment of supply chain assets at FVTOCI and provisions for financial guarantee contracts as a key audit matter due to its significance to the consolidated financial statements, and the use of judgement by the management in evaluating the expected credit losses ("ECL"). As set out in notes 24 and 31 to the consolidated financial statements, the carrying amount of supply chain assets at FVTOCI is RMB8,422,078,000 and the maximum exposure of financial guarantee contracts is RMB2,362,000,000 as at 31 December 2022. As set out in note 40(b), the impairment allowance in respect of supply chain assets at FVTOCI is RMB94,685,000 and the provision for financial guarantee contracts is RMB24,253,000. At each reporting date, the management assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. In determining the impairment of supply chain assets at FVTOCI and provisions for financial guarantee contracts, the management considers shared credit risk characteristics for grouping, and assesses credit losses based on external or internal credit rating, and on a forward-looking basis with the use of appropriate models and assumptions related to the future macroeconomic conditions and creditworthiness. In assessing the lifetime ECL on credit-impaired supply chain assets at FVTOCI and financial guarantee contracts classified as loss, the Group performs an assessment based on the borrowers' historical credit loss experience, internal credit rating adjustment, general economic conditions, the current conditions at the reporting date and forward-looking analysis. The Group also reviews the amount and timing of future cash flows in measuring impairment. The methodology and assumptions used for estimating the impairment amount are reviewed regularly to reduce any differences between loss estimates and actual loss experience.	Our procedures in relation to the impairment of supply chain assets at FVTOCI and provisions for financial guarantee contracts included: • Understanding key controls over the way in which the management estimates impairment for supply chain assets at FVTOCI and provisions for financial guarantee contracts; • Obtaining an understanding of management's methodology for determining the ECL impairment allowance on supply chain assets at FVTOCI and provisions for financial guarantee contracts and assessing the appropriateness of the methodology used by management; • On a sample basis, evaluating management's assessment of the credit quality of the supply chain assets at FVTOCI and financial guarantee contracts by examining the credit files, including financial condition of the borrower, past collection history, subsequent settlement, relevant deposits received, pledge and guarantees, as applicable; • Assessing the reasonableness of key inputs and assumptions applied, including the Group's past experience of collecting payments, historical loss ratio, macroeconomic factors, external or internal credit rating and forward-looking information; and • Testing the data inputs and the mathematical accuracy of the impairment allowance calculation.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessments of goodwill and intangible assets with indefinite useful life	
We identified the annual impairment assessment of goodwill and intangible assets with indefinite useful life , namely brand name, which are allocated the cash-generating unit ("CGU") Wuxi Guojin Factoring Limited ("WXGJ") as a key audit matter due to its significance to the consolidated financial statements and the involvement of significant management judgement and assumptions in this assessment. As disclosed in notes 19 and 20 to the consolidated financial statements, the carrying amounts of goodwill and intangible asset with indefinite useful life allocated to the CGU of WXGJ are RMB316,028,000 and RMB113,000,000, respectively, as at 31 December 2022. For the purpose of assessing impairment, the recoverable amounts of the CGU of WXGJ have been determined by the management of the Group based on value in use calculations using financial budgets based on past performance and its expectations for market development, where the key input parameters include terminal growth rates and discount rates. The management also engaged an independent valuer to determine the impairment assessments. Based on the management's assessment, there is no impairment in the CGU of WXGJ containing goodwill and intangible assets with indefinite useful life during the year ended 31 December 2022.	Our procedures in relation to the impairment assessment of goodwill and intangible assets with indefinite useful life included: • Understanding the Group's impairment testing process, assumptions used and the extent of involvement of a valuer; • Evaluating the historical accuracy and reasonableness of financial budgets by checking to current year financial information; • Evaluating the reasonableness of the management's estimate of growth rates in determining the value in use with reference to the historical performance, the latest budgets of the Group and relevant market data; • Working with our internal valuation specialists to assess the appropriateness of basis of calculation of the value in use prepared by the management, including the reasonableness of the discount rates and terminal growth rates; • Checking the mathematical accuracy of the value in use calculation of the recoverable amount of the CGU of WXGJ prepared by the management; and • Evaluating the disclosure of the impairment assessment of goodwill and intangible assets with indefinite useful life attributable to the Group's operation.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

23 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers	6		
— Platform-based services		**70,971**	48,484
— Supply chain technology services		**32,296**	1,671
Income from digital financing solutions	6		
— Interest income from supply chain assets		**604,546**	410,505
— Guarantee income		**20,167**	19,509
— Interest income from contracts contains significant financing components		**158**	–
Gain on sales of supply chain assets	6	**72,287**	95,164
Revenue and income from principal activities		**800,425**	575,333
Other income	7	**52,202**	26,686
Other gains and losses	8	**(10,079)**	225,716
Staff costs	12(a)	**(144,822)**	(153,512)
Depreciation and amortisation	12(a)	**(28,636)**	(22,886)
Materials cost	12(a)	**(28,595)**	(1,503)
Other operating expenses		**(55,249)**	(54,738)
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	9	**(21,270)**	(17,184)
Finance costs	10	**(276,348)**	(129,228)
Donation		**(703)**	(3,349)
Share of results of associates		**(927)**	16,814
Profit before taxation		**285,998**	462,149
Taxation	11	**(42,390)**	(40,676)
Profit for the year	12(a)	**243,608**	421,473
Attributable to:			
— Owners of the Company		**219,399**	411,043
— Non-controlling interests		**24,209**	10,430
		243,608	421,473
Earnings per share	15		
— Basic (RMB cents)		**22**	43
— Diluted (RMB cents)		**22**	43

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	NOTE	2022 RMB'000	2021 RMB'000
Profit for the year	12(a)	**243,608**	421,473
Other comprehensive income (expense) ("OCI"):	12(b)		
Item that will not be reclassified to profit or loss:			
Fair value gain on investments in equity instruments at fair value through OCI ("**FVTOCI**")	12(b)	**12,835**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(170)**	33
Fair value (loss) gain, net of ECL and reclassification of FVTOCI reserves upon derecognition on:	12(b)		
— supply chain assets at FVTOCI		**(2,948)**	4,843
Income tax relating to items that may be reclassified subsequently		**(50)**	(67)
Share of other comprehensive expense of associates, net of related income tax		**(103)**	(1,297)
		(3,271)	3,512
Other comprehensive income for the year, net of income tax		**9,564**	3,512
Total comprehensive income for the year		**253,172**	424,985
Attributable to:			
— Owners of the Company		**230,286**	415,112
— Non-controlling interests		**22,886**	9,873
		253,172	424,985

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	31/12/2022 RMB'000	31/12/2021 RMB'000
NON-CURRENT ASSETS			
Property and equipment	16	**17,426**	7,687
Right-of-use assets	17	**91,322**	15,372
Investment property	18	**31,936**	–
Goodwill	19(a)	**316,028**	316,028
Intangible assets	19(b)	**155,676**	148,435
Investments in associates	21	**209,350**	11,380
Deferred tax assets	22	**22,359**	28,289
Derivative financial instruments	23(a)	**2,015**	–
Other financial assets at fair value through profit or loss ("**FVTPL**")	23(b)	**152,879**	93,165
Supply chain assets at FVTOCI	24	**235,137**	115,974
Equity instruments at FVTOCI	25	**53,629**	–
Debt instrument at amortised cost	26	**18,981**	–
Trade and bill receivables	28(b)	**15,542**	–
Other receivables, prepayments and others	28(c)	**11,230**	14,990
Time deposits	29	**105,534**	–
		1,439,044	751,320
CURRENT ASSETS			
Derivative financial instruments	23(a)	**3,634**	–
Other financial assets at FVTPL	23(b)	**256,264**	190,233
Supply chain assets at FVTOCI	24	**8,186,941**	6,562,402
Loans to an associate	38	**199,385**	–
Loan receivable	27	**164,000**	–
Receivables from guarantee customers	28(a)	**4,558**	6,253
Trade and bill receivables	28(b)	**37,930**	19,968
Other receivables, prepayments and others	28(c)	**27,447**	41,183
Contract costs		**3,560**	1,747
Time deposits	29	**5,850**	–
Pledged bank deposits	29	**472,813**	429,257
Cash and cash equivalents	29	**577,033**	800,410
		9,939,415	8,051,453

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	31/12/2022 RMB'000	31/12/2021 RMB'000
CURRENT LIABILITIES			
Loans from related parties	38	**370,052**	399,866
Trade and other payables	30	**494,285**	345,607
Derivative financial instruments	23(a)	**12,904**	13,205
Contract liabilities		**5,180**	5,978
Income tax payable		**37,119**	36,835
Liabilities arising from guarantee contracts	31	**25,891**	20,116
Borrowings	32	**4,494,121**	3,000,013
Lease liabilities	33	**5,111**	12,051
		5,444,663	3,833,671
NET CURRENT ASSETS		**4,494,752**	4,217,782
NON-CURRENT LIABILITIES			
Derivative financial instruments	23(a)	**2,056**	–
Borrowings	32	**1,746,189**	941,000
Lease liabilities	33	**1,263**	3,804
Deferred tax liabilities	22	**60,599**	70,704
		1,810,107	1,015,508
NET ASSETS		**4,123,689**	3,953,594
CAPITAL AND RESERVES			
Share capital	34	**8,717**	8,687
Reserves		**3,907,475**	3,762,158
Equity attributable to owners of the Company		**3,916,192**	3,770,845
Non-controlling interests		**207,497**	182,749
TOTAL EQUITY		**4,123,689**	3,953,594

The consolidated financial statements on pages 72 to 209 were approved and authorised for issue by the board of directors on 23 March 2023 and are signed on its behalf by:

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Share held for restricted share unit scheme ("RSU Scheme") RMB'000	Capital reserves RMB'000	FVTOCI reserves/ Revaluation reserves RMB'000	Translation reserves RMB'000	Share-based payments reserves RMB'000	Statutory reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2021	8,127	1,886,952	–	1,547	(29)	–	21,466	84,621	913,363	2,916,047	111,297	3,027,344
Profit for the year	–	–	–	–	–	–	–	–	411,043	411,043	10,430	421,473
Other comprehensive income (expense) for the year	–	–	–	–	4,036	33	–	–	–	4,069	(557)	3,512
Total comprehensive income for the year	–	–	–	–	4,036	33	–	–	411,043	415,112	9,873	424,985
Issue of new shares from placing (note 34)	522	459,161	–	–	–	–	–	–	–	459,683	–	459,683
Transaction costs attributable to issue of new shares from placing (note 34)	–	(3,260)	–	–	–	–	–	–	–	(3,260)	–	(3,260)
Acquisition of a subsidiary (note 43)	–	–	–	–	–	–	–	–	–	–	100,993	100,993
Deregistration of subsidiaries (note 44)	–	–	–	–	–	–	–	–	–	–	(23,020)	(23,020)
Transfer to PRC statutory reserves (note ii)	–	–	–	–	–	–	–	8,552	(8,552)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(16,394)	(16,394)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	12,882	–	–	12,882	–	12,882
Dividends recognised as distribution (note 14)	–	(49,146)	–	–	–	–	–	–	–	(49,146)	–	(49,146)
Exercise of share options	38	26,140	–	–	–	–	(6,651)	–	–	19,527	–	19,527
Lapse of share options	–	–	–	–	–	–	(316)	–	316	–	–	–
At 31 December 2021	8,687	2,319,847	–	1,547	4,007	33	27,381	93,173	1,316,170	3,770,845	182,749	3,953,594

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Share held for restricted share unit scheme ("RSU Scheme") RMB'000	Capital reserves RMB'000	FVTOCI reserves/ Revaluation reserves RMB'000	Translation reserves RMB'000	Share-based payments reserves RMB'000	Statutory reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2022	8,687	2,319,847	–	1,547	4,007	33	27,381	93,173	1,316,170	3,770,845	182,749	3,953,594
Profit for the year	–	–	–	–	–	–	–	–	219,399	219,399	24,209	243,608
Other comprehensive income (expense) for the year	–	–	–	–	11,057	(170)	–	–	–	10,887	(1,323)	9,564
Total comprehensive income (expense) for the year	–	–	–	–	11,057	(170)	–	–	219,399	230,286	22,886	253,172
Purchase of shares under RSU Scheme (note 36)	–	–	(39,311)	–	–	–	–	–	–	(39,311)	–	(39,311)
Transfer to PRC statutory reserves (note ii)	–	–	–	–	–	–	–	122,942	(122,942)	–	–	–
Capital injection to a subsidiary resulting in increase in interest in a subsidiary	–	–	–	228	–	–	–	–	–	228	11,772	12,000
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(9,910)	(9,910)
Recognition of equity-settled share-based payments	–	–	–	–	–	–	5,968	–	–	5,968	–	5,968
Dividends recognised as distribution (note 14)	–	(64,712)	–	–	–	–	–	–	–	(64,712)	–	(64,712)
Exercise of share options	30	17,207	–	–	–	–	(4,349)	–	–	12,888	–	12,888
Lapse of share options	–	–	–	–	–	–	(3,067)	–	3,067	–	–	–
At 31 December 2022	8,717	2,272,342	(39,311)	1,775	15,064	(137)	25,933	216,115	1,415,694	3,916,192	207,497	4,123,689

Notes:

(i) FVTOCI reserves attributable to owners of the Company represent (i) fair value changes, net of ECL and reclassification adjustments on FVTOCI after tax; (ii) share of FVTOCI reserves of associates; (iii) investment revaluation reserves.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES		
Profit for the year	**243,608**	421,473
Adjustment for:		
Taxation	**42,390**	40,676
Share of results of associates	**927**	(16,814)
Depreciation of property and equipment	**3,625**	3,264
Depreciation of right-of-use assets	**13,816**	12,129
Depreciation of investment property	**442**	–
Amortisation of intangible assets	**10,753**	7,493
Impairment losses under ECL model, net of reversal	**21,270**	17,184
(Gain) loss on disposal of equipment	**(6)**	22
Net loss arising from changes in fair value of derivative financial instruments	**4,272**	13,286
Loss on deregistration of subsidiaries	**–**	1,480
(Gain) loss from modification of lease contracts	**(74)**	1
Net gain from changes in fair value of other financial assets at FVTPL	**(41,370)**	(32,810)
Gains arising from acquisition of a subsidiary	**–**	(204,752)
Equity-settled share-based payments expense	**5,968**	12,882
Finance costs	**276,348**	129,228
Bank interest income	**(13,961)**	(5,304)
Interest income from loan receivables	**(13,085)**	(1,151)
Interest income from debt instrument at amortised cost	**(7,039)**	–
Interest income from loans to an associate	**(344)**	–
Exchange loss (gain), net	**47,142**	(2,964)
Operating cash flows before movements in working capital	**594,682**	395,323
Increase in supply chain assets at FVTOCI	**(1,255,413)**	(540,334)
Decrease in other financial assets at FVTPL — distressed debt assets	**3,500**	3,653
Increase in pledged bank deposits for guarantee contracts	**(42,155)**	(18,276)
Decrease in receivables from guarantee customers	**1,729**	11,006
Increase in trade and bill receivables	**(33,908)**	(17,235)
Increase in contract costs	**(1,813)**	(1,747)
Decrease (increase) in other receivables, prepayments and others	**24,796**	(32,618)
(Decrease) increase in trade and other payables	**(18,185)**	139,445
(Decrease) increase in contract liabilities	**(798)**	4,853
Increase (decrease) in liabilities arising from guarantee contracts	**4,693**	(12,195)
Cash used in operations	**(722,872)**	(68,125)
Enterprise income tax paid	**(46,331)**	(27,388)
NET CASH USED IN OPERATING ACTIVITIES	**(769,203)**	(95,513)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	NOTES	2022 RMB'000	2021 RMB'000
INVESTING ACTIVITIES			
Proceeds from disposal of other financial assets at FVTPL		**1,707,926**	207,312
Security deposit received for a loan receivable		**164,000**	–
Repayment of loan receivables		**106,219**	120,794
Redemption of a debt instrument at amortised cost		**54,697**	–
Bank interest income received		**11,673**	5,304
Withdrawal of pledged bank deposits for derivative financial instruments		**2,000**	8,853
Repayment of security deposits for derivative financial instruments		**201**	9,187
Refundable rental deposits received		**76**	14
Proceeds from disposal of equipment		**7**	57
Interest received from a loan receivable		**–**	1,151
Dividends received from an associate		**–**	20
Payments for refundable rental deposits		**–**	(99)
Security deposits paid for derivative financial instruments		**–**	(201)
Placement of pledged bank deposits for derivative financial instruments		**–**	(2,000)
Net cash outflow on acquisition of a subsidiary	43	**–**	(12,509)
Net cash outflow arising on deregistration of subsidiaries	44	**–**	(24,500)
Settlement of derivative financial instruments		**(8,166)**	(22,539)
Payment for purchase of equipment and prepayments of a property		**(10,162)**	(13,450)
Payment for development costs and purchase of other intangible assets		**(17,768)**	(20,207)
Net cash inflow arising on acquisition of assets through acquisition of a subsidiary	42	**(32,235)**	–
Purchases of equity instruments at FVTOCI		**(40,794)**	–
Purchases of debt instruments at amortised cost		**(66,739)**	–
Payments for right-of-use assets		**(86,314)**	(144)
Placement of time deposits		**(109,573)**	–
Investment in associates		**(199,000)**	(200)
Advances of loans to an associate		**(199,500)**	–
Advances of a loan receivable		**(257,134)**	(120,794)
Purchases of other financial assets at FVTPL		**(1,638,273)**	(356,412)
NET CASH USED IN INVESTING ACTIVITIES		**(618,859)**	(220,363)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	NOTE	2022 RMB'000	2021 RMB'000
FINANCING ACTIVITIES	45		
New borrowings raised		**6,306,619**	2,714,806
Loans raised from related parties		**731,000**	1,177,563
Repayment of pledged bank deposits for borrowings		**146,622**	100,966
Repayment of pledged structured deposits for borrowings		**32,472**	–
Proceeds received on exercise of equity-settled share options		**12,888**	19,527
Capital contribution from non-controlling shareholders of a subsidiary		**12,000**	–
Issue of placing shares		**–**	456,423
Repayment of pledged bank deposits for bank overdraft		**–**	8,419
Interest paid for bank overdraft		**–**	(79)
Interest paid for lease liabilities		**(722)**	(1,330)
Security deposits paid for borrowings		**(8,449)**	–
Dividends paid to non-controlling shareholders of subsidiaries		**(9,910)**	(21,925)
Repayment of lease liabilities		**(12,859)**	(12,042)
Purchase of shares under RSU Scheme		**(39,311)**	–
Interest paid for loans from related parties		**(34,734)**	(16,632)
Dividends paid to the shareholders of the Company		**(64,570)**	(48,615)
Pledged bank deposits paid for borrowings		**(149,546)**	(271,730)
Pledged structured deposits paid for bank borrowings		**(190,000)**	–
Interest paid for borrowings		**(179,214)**	(127,159)
Repayment of loans from related parties		**(761,000)**	(1,307,563)
Repayment of borrowings		**(4,579,289)**	(1,895,227)
NET CASH FROM FINANCING ACTIVITIES		**1,211,997**	775,402
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(176,065)**	459,526
Effect of foreign exchange rate changes		**(47,312)**	2,997
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**800,410**	337,887
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**577,033**	800,410

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

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

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

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

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

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

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB6,627,000 and RMB6,374,000 respectively. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.1 Basis of preparation of consolidated financial statements

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

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

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

Changes in the Group's interests in existing subsidiaries

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's interests in existing subsidiaries *(Continued)*

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

Business combinations or asset acquisitions

Optional concentration test

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

Asset acquisitions

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

Business combinations

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Business combinations or asset acquisitions *(Continued)*

Business combinations *(Continued)*

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Business combinations or asset acquisitions *(Continued)*

Business combinations *(Continued)*

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

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

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

Goodwill

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Investments in associates

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Income recognised in accordance with HKFRS 9

Digital financing solutions

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

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

Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers *(Continued)*

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

Output method

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

Existence of significant financing component

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

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

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

Contract costs

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its supply chain technology services 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:

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

(b) 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

(c) 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 impairment review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers *(Continued)*

Revenue recognition

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

Platform-based services

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

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

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

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

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

Supply Chain Technology Services

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

Leases

Definition of a lease

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee

Short-term leases

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

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

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

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

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Leases *(Continued)*

The Group as a lessee *(Continued)*

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 2022; 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.

The Group as a lessor

Classification and measurement of lease

Lease for which the Group is a lessor is classified as operating lease.

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Rental income which are derived from the Group's ordinary course of business are presented as other income.

Refundable rental deposit

Refundable rental deposit received is 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.

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

3.2 Significant accounting policies *(Continued)*

Foreign currencies

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

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

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

Borrowing costs

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

Government grants

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Employee benefits

Retirement benefit costs

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

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

Short-term employee benefits

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

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

Share-based payment

Equity-settled share-based payment transactions

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Share-based payment *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Modification to the terms and conditions of the share-based payment arrangements
When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognises, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period.

The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.

If the modification reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.

Taxation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Taxation *(Continued)*

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

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

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

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

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

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

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

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

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

3.2 Significant accounting policies *(Continued)*

Property and equipment

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

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

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

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

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

Investment property

Investment property is a property held to earn rentals and/or for capital appreciation.

An investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment property over its estimated useful life and after taking into account of its estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets — research and development expenditure

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Intangible assets *(Continued)*

Intangible assets acquired in a business combination

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

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

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the CGU to which they belong for the purpose of evaluating impairment of that CGU.

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

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

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

Cash and cash equivalents

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Financial instruments

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

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

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

A financial asset is held for trading if:

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

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

(i) Amortised cost and interest income

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

(ii) Supply chain assets classified as at FVTOCI

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

(iii) Equity instruments designated as at FVTOCI

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

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

(iv) Financial assets at FVTPL

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

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

Impairment of financial assets and financial guarantee contracts

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and financial guarantee contracts (Continued)

(i) Significant increase in credit risk

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and financial guarantee contracts (Continued)

(i) Significant increase in credit risk (Continued)

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

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

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and financial guarantee contracts (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition/modification of financial assets

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at amortised cost

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

Financial guarantee contracts

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Derecognition/modification of financial liabilities

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

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Group applies the practical expedient, when the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. The above said fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

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

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

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

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

- the change is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

3.2 Significant accounting policies *(Continued)*

Financial instruments *(Continued)*

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

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

Derivative financial instruments

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

Offsetting a financial asset and a financial liability

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgement in applying accounting policies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

Critical judgement in applying accounting policies *(Continued)*

Derecognition of financial assets

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

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

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the "pass through" of those cash flows to independent third parties; and

- where the Group neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether the Group has relinquished its control over these financial assets, and if the Group has continuing involvement in these transferred financial assets. Where the Group has not retained control, it derecognises these financial assets and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer. Otherwise, the Group continues to recognise these financial assets to the extent of its continuing involvement in the financial assets.

During the year ended 31 December 2022, gain on sales of supply chain assets at FVTOCI which met the derecognition criteria were RMB72,287,000 (2021: RMB95,164,000). Details of derecognition of supply chain assets are disclosed in note 6.

Key sources of estimation uncertainty

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

Key sources of estimation uncertainty *(Continued)*

Impairment assessment of goodwill and intangible assets with indefinite useful life

Determining whether goodwill and intangible assets with indefinite useful life are impaired requires an estimation of the recoverable amount of the CGU (or group of CGUs) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU (or a CGUs) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

As at 31 December 2022, the carrying amounts of goodwill and brand name were RMB316,028,000 and RMB113,000,000 (2021: RMB316,028,000 and RMB113,000,000), respectively. Details of the calculation of recoverable amounts are disclosed in note 20.

Recognition of deferred taxation

As at 31 December 2022, a deferred tax asset of RMB22,359,000 (31 December 2021: RMB28,289,000) in relation to the deferred income, ECL provision, fair value adjustment and tax losses have been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than or more than expected, a material reversal or recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or recognition takes place. Details of the deferred tax are disclosed in note 22.

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

As at 31 December 2022, certain of the Group's other financial assets at FVTPL classified as level 3, equity tranche, unlisted equity investment and trust fund, amounting to RMB214,509,000 (31 December 2021: RMB109,474,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 40(c) for further disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

5. SEGMENT INFORMATION

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

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

Information about major customers

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

	2022 RMB'000	2021 RMB'000
Customer A	**82,880**	N/A[1]
Customer B	**N/A[1]**	76,848

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

6. REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES

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

(i) Disaggregation of revenue from contracts with customers

	2022 RMB'000	2021 RMB'000
Platform-based services		
— Loan facilitation services	**53,430**	40,029
— Referral service fees	**15,040**	–
— Technology service for asset-backed securitisation ("**ABS**") products	**1,970**	3,525
— Other services	**531**	4,930
	70,971	48,484
Supply chain technology services	**32,296**	1,671
	103,267	50,155

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES *(Continued)*

(i) Disaggregation of revenue from contracts with customers *(Continued)*

	2022 RMB'000	2021 RMB'000
Timing of revenue recognition		
Over time		
— Loan facilitation services	**53,430**	40,029
— Supply chain technology services	**32,296**	1,671
— Other services	**531**	3,959
	86,257	45,659
A point in time		
— Referral service fees	**15,040**	–
— Technology service for ABS products	**1,970**	3,525
— Other services	**–**	971
	17,010	4,496
	103,267	50,155

All the Group's platform-based services and supply chain technology services are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and 2021 is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES *(Continued)*

(ii) Income from digital financing solutions

	2022 RMB'000	2021 RMB'000
Digital financing solutions		
— Interest income from supply chain assets	**604,546**	410,505
— Guarantee income	**20,167**	19,509
— Interest income from contracts contains significant financing components	**158**	–
	624,871	430,014

(iii) Gain on sales of supply chain assets

For the years ended 2022 and 2021, the Group sold part of supply chain assets to certain financial institutions mainly in the PRC. Sales of supply chain assets gave rise to full derecognition of the supply chain assets pursuant to the terms of sale agreements signed between the Group and relevant financial institutions.

	2022 RMB'000	2021 RMB'000
Gain on sales of supply chain assets	**72,287**	95,164

7. OTHER INCOME

	2022 RMB'000	2021 RMB'000
Government subsidies (note)	**17,021**	19,834
Interest income		
— bank deposits	**13,961**	5,304
— loan receivables (note 27)	**13,085**	1,151
— debt instruments at amortised cost	**7,039**	–
— loans to an associate (note 38)	**344**	–
Rental income from an investment property	**253**	–
Others	**499**	397
	52,202	26,686

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

8. OTHER GAINS AND LOSSES

	2022 RMB'000	2021 RMB'000
Net gain from changes in fair value of other financial assets at FVTPL	**41,370**	32,810
Gain (loss) from modification of lease contracts	**74**	(1)
Gain (loss) on disposal of equipment	**6**	(22)
Gains arising from acquisition of a subsidiary (note 43)	**–**	204,752
Loss on deregistration of subsidiaries (note 44)	**–**	(1,480)
Net loss arising from changes in fair value of derivative financial instruments	**(4,272)**	(13,286)
Exchange (loss) gain, net	**(47,142)**	2,964
Others	**(115)**	(21)
	(10,079)	225,716

9. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2022 RMB'000	2021 RMB'000
Impairment losses recognised (reversed) on:		
— Supply chain assets at FVTOCI	**19,238**	14,822
— Financial guarantee contracts	**1,082**	2,569
— Loans to an associate	**480**	–
— Trade and bill receivables	**404**	–
— Debt instrument at amortised cost	**100**	–
— Receivables from guarantee customers	**(34)**	(207)
	21,270	17,184

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

10. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest and guarantee expenses on borrowings (note)	**240,706**	116,839
Interest on loans from related parties (note 38)	**34,920**	10,980
Interest on lease liabilities (note)	**722**	1,330
Interest on bank overdraft	**–**	79
	276,348	129,228

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

11. TAXATION

	2022 RMB'000	2021 RMB'000
The charge comprises:		
Current tax		
— PRC Enterprise Income Tax ("EIT")	**44,247**	18,578
— Withholding tax levied on interest income of Hong Kong subsidiaries	**2,004**	3,172
— Withholding tax levied on dividend declared of PRC subsidiaries	**364**	1,592
	46,615	23,342
Deferred tax (note 22)	**(4,225)**	17,334
	42,390	40,676

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

11. TAXATION *(Continued)*

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

	2022 RMB'000	2021 RMB'000
Profit before taxation	**285,998**	462,149
Tax at the domestic EIT rate of 25%	**71,500**	115,537
Tax effect of share of results of associates	**232**	(4,203)
Tax effect of expenses not deductible for tax purposes	**16,151**	4,973
Effect of different tax rates of the subsidiaries	**3,126**	(9,970)
Effect of tax exemption granted to a PRC subsidiary	**(41,112)**	(44,996)
Tax effect of gain from acquisition not taxable for tax purpose	**–**	(51,188)
Tax effect of tax losses not recognised	**7,129**	17,879
Utilisation of tax losses previously not recognised	**(609)**	(312)
Tax benefit on research and development expenses	**(2,876)**	(2,592)
Withholding tax on distributable earnings of the PRC subsidiaries	**12,685**	15,548
Effect of adjustment to estimate on withholding tax of undistributed earnings of PRC subsidiaries (note 22)	**(27,101)**	–
Others	**3,265**	–
Tax charge for the year	**42,390**	40,676

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(a) Profit for the year

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

	2022 RMB'000	2021 RMB'000
Directors' emoluments (note 13) (note i)	**3,418**	8,149
Other staffs costs (excluding directors' emoluments)		
— Salaries, allowances and other staff benefits, including share-based payment expenses	**149,102**	156,547
— Staffs' retirement benefit scheme contributions	**10,275**	7,685
Total staff costs	**162,795**	172,381
Less: amount capitalised in intangible assets	**(17,243)**	(18,869)
amount capitalised in contract costs	**(730)**	–
Staff costs recognised in profit or loss	**144,822**	153,512
Depreciation of property and equipment	**3,646**	3,294
Depreciation of right-of-use assets	**13,816**	12,129
Depreciation of investment property	**442**	–
Amortisation of intangible assets	**10,753**	7,493
Total depreciation and amortisation	**28,657**	22,916
Less: amount capitalised in intangible assets	**(21)**	(30)
Depreciation and amortisation recognised in profit or loss	**28,636**	22,886
Research and development costs (note ii)	**18,636**	15,598
Auditor's remuneration	**3,620**	3,080
Materials cost recognised as an expense	**28,595**	1,503
Donation	**703**	3,349

Notes:

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

(ii) During the year ended 31 December 2022, research and development costs were mainly consists of staff costs amounted to RMB18,076,000 (2021: RMB15,062,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Other comprehensive income (expense)

Income tax effect relating to other comprehensive income (expense)

	Year ended 31/12/2022			Year ended 31/12/2021		
	Before tax amount RMB'000	**Tax (expense) benefit RMB'000**	**Net of income tax RMB'000**	Before tax amount RMB'000	Tax (expense) benefit RMB'000	Net of income tax RMB'000
Item that will not be reclassified to profit or loss:						
Fair value gain on investment in equity instruments at FVTOCI	**12,835**	**–**	**12,835**	–	–	–
Items that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of financial statements of foreign operations	**(170)**	**–**	**(170)**	33	–	33
Supply chain assets measured at FVTOCI:						
— Fair value changes during the year, net	**50,101**	**(2,192)**	**47,909**	85,185	(2,878)	82,307
— Reclassification adjustment to profit or loss on derecognition	**(72,287)**	**–**	**(72,287)**	(95,164)	–	(95,164)
Impairment losses for supply chain assets at FVTOCI included in profit or loss	**19,238**	**2,142**	**21,380**	14,822	2,811	17,633
Fair value change, net of ECL and reclassification on derecognition	**(2,948)**	**(50)**	**(2,998)**	4,843	(67)	4,776
Share of other comprehensive expense of associates	**(103)**	**–**	**(103)**	(1,297)	–	(1,297)
	9,614	**(50)**	**9,564**	3,579	(67)	3,512

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

13. DIRECTORS' EMOLUMENTS AND TOP FIVE HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

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

Name of directors	Director's fee RMB'000	Retirement benefit scheme contributions RMB'000	Other emoluments mainly salaries and other benefits RMB'000	Performance related bonuses RMB'000	Share-based payment RMB'000	Total RMB'000
For the year ended 31 December 2022						
Executive directors						
Mr. Tung Chi Fung	**2,081**	**–**	**–**	**–**	**(2,628)**	**(547)**
Mr. Chen Jen-Tse	**104**	**61**	**1,402**	**71**	**916**	**2,554**
Non-executive director						
Mr. Lo Wai Hung	**311**	**–**	**–**	**–**	**–**	**311**
Independent non-executive directors						
Mr. Tang King San Terence	**230**	**–**	**–**	**–**	**–**	**230**
Mr. Loo Yau Soon	**232**	**–**	**–**	**–**	**144**	**376**
Mr. Fong Heng Boo	**232**	**–**	**–**	**–**	**144**	**376**
Ms. Chan Yuk Ying (note i)	**75**	**–**	**–**	**–**	**–**	**75**
Mr. Hung Ka Hai Clement (note ii)	**162**	**–**	**–**	**–**	**(119)**	**43**
	3,427	**61**	**1,402**	**71**	**(1,543)**	**3,418**
For the year ended 31 December 2021						
Executive directors						
Mr. Tung Chi Fung	1,493	–	–	–	2,973	4,466
Mr. Chen Jen-Tse	100	55	882	237	551	1,825
Non-executive director						
Mr. Lo Wai Hung	17	–	–	–	–	17
Independent non-executive directors						
Ms. Hung Ka Hai Clement (note ii)	299	–	–	–	369	668
Mr. Loo Yau Soon	149	–	–	–	369	518
Mr. Fong Heng Boo	149	–	–	–	297	446
Mr. Tang King San Terence	9	–	–	–	–	9
Mr. Twoon Wai Mun, Benjamin (note iii)	94	–	–	–	106	200
	2,310	55	882	237	4,665	8,149

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(a) Directors' emoluments *(Continued)*

Notes:

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

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

(iii) Mr. Twoon Wai Mun, Benjamin resigned from the position as independent non-executive director of the Company with effect from 10 December 2021.

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

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

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

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

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

The Group has been providing accommodation, which is leased from third party, to Mr. Chen Jen-Tse for use by him and his family members at no charge. The estimated money value of the benefit in kind is approximately RMB120,000 (2021: RMB107,000).

(b) Five highest paid employees

The five highest paid employees of the Group during the year included one director (2021: one director), details of whose remuneration are set out in note 13(a) above. Details of the remuneration for the year of the remaining four (2021: four) highest paid employees who are not a director of the Company are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries, allowances and other benefits	**10,101**	10,768
Performance related bonuses	**1,088**	3,961
Share-based payment	**4,519**	5,791
Staffs' retirement benefit scheme contributions	**188**	132
	15,896	20,652

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(b) Five highest paid employees *(Continued)*

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

	2022 No. of employees	2021 No. of employees
Hong Kong Dollars ("HK$") 2,000,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$4,000,000	**1**	2
HK$4,000,001 to HK$5,000,000	**1**	–
HK$5,000,001 to HK$6,000,000	**–**	1
HK$7,000,001 to HK$8,000,000	**1**	–
HK$12,000,001 to HK$13,000,000	**–**	1
	4	4

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

14. DIVIDENDS

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

	2022 HK$'000	2021 HK$'000
2021 final — HK7.5 cents (2021: 2020 final — HK6.3 cents) per share	**75,215**	59,064

	2022 RMB'000	2021 RMB'000
Shown in the consolidated financial statements	**64,712**	49,146

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of HK7.5 cents (2021: HK7.5 cents) per ordinary share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

15. EARNINGS PER SHARE

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

	2022 **RMB'000**	2021 RMB'000
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**219,399**	411,043

	2022 **'000**	2021 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,003,517**	953,753
Effect of dilutive potential ordinary shares:		
Share options/RSU Scheme	**742**	3,161
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,004,259**	956,914

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

16. PROPERTY AND EQUIPMENT

	Leasehold improvement RMB'000	Electronic equipment RMB'000	Furniture and office equipment RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2021	5,319	8,871	939	620	1,854	–	17,603
Additions	247	1,513	799	–	30	–	2,589
Acquired on acquisition of a subsidiary	–	137	102	–	190	–	429
Disposals	–	(71)	(135)	–	–	–	(206)
At 31 December 2021	5,566	10,450	1,705	620	2,074	–	20,415
Additions	–	2,245	20	–	–	11,121	13,386
Disposals	–	(9)	(1)	–	–	–	(10)
At 31 December 2022	**5,566**	**12,686**	**1,724**	**620**	**2,074**	**11,121**	**33,791**
DEPRECIATION							
At 1 January 2021	4,023	4,429	514	46	549	–	9,561
Charges for the year	627	2,056	210	29	372	–	3,294
Eliminated on disposals	–	(66)	(61)	–	–	–	(127)
At 31 December 2021	4,650	6,419	663	75	921	–	12,728
Charges for the year	682	2,293	227	29	415	–	3,646
Eliminated on disposals	–	(9)	–	–	–	–	(9)
At 31 December 2022	**5,332**	**8,703**	**890**	**104**	**1,336**	**–**	**16,365**
CARRYING VALUES							
At 31 December 2022	**234**	**3,983**	**834**	**516**	**738**	**11,121**	**17,426**
At 31 December 2021	916	4,031	1,042	545	1,153	–	7,687

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

17. RIGHT-OF-USE ASSETS

	31/12/2022 RMB'000	31/12/2021 RMB'000
Carrying amounts:		
Leasehold land	**84,695**	–
Leased properties	**6,627**	15,372
	91,322	15,372

	2022 RMB'000	2021 RMB'000
Depreciation recognised in profit or loss:		
Leasehold land	**1,619**	–
Leased properties	**12,197**	12,129
	13,816	12,129

	2022 RMB'000	2021 RMB'000
Expense relating to short-term leases	**20**	53
Total cash outflow for leases	**99,915**	13,569
Additions to right-of-use assets		
— new lease of leasehold land	**86,314**	–
— new leases of properties	**214**	554
— lease modification	**3,238**	(7)
— acquisition of a subsidiary	**–**	2,274

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 1 to 5 years (2021: 1 to 5 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for leased properties. As at 31 December 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense is disclosed in the table above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

17. RIGHT-OF-USE ASSETS *(Continued)*

In addition, as at 31 December 2022, lease liabilities of RMB6,374,000 (31 December 2021: RMB15,855,000) are recognised with related right-of-use assets of RMB6,627,000 (31 December 2021: RMB15,372,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

18. INVESTMENT PROPERTY

	Investment property RMB'000
COST	
As at 1 January 2021, 31 December 2021 and 1 January 2022	–
Acquired on acquisition of assets through acquisition of a subsidiary (note 42)	32,378
As at 31 December 2022	**32,378**
DEPRECIATION	
As at 1 January 2021, 31 December 2021 and 1 January 2022	–
Charge for the year	442
As at 31 December 2022	**442**
CARRYING VALUES	
At 31 December 2022	**31,936**
At 31 December 2021	–

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

The fair value of the Group's investment property as at 31 December 2022 was RMB33,676,000 (2021: nil), which has been arrived at based on a valuation carried out by China Enterprise Appraisals Consultation Co., Ltd., independent valuer not connected with the Group.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

19. GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

	2022 RMB'000	2021 RMB'000
COST		
At 1 January	**316,028**	–
Acquired on acquisition of a subsidiary	**–**	316,028
At 31 December	**316,028**	316,028
IMPAIRMENT		
At 1 January	**–**	–
Impairment loss recognised for the year	**–**	–
At 31 December	**–**	–
CARRYING VALUES		
At 31 December	**316,028**	316,028

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

19. GOODWILL AND INTANGIBLE ASSETS *(Continued)*

(b) Intangible assets

	Development costs RMB'000 (note i)	Software system RMB'000	Brand name RMB'000 (note ii)	Total RMB'000
COST				
At 1 January 2021	30,012	2,426	–	32,438
Additions	19,237	1,432	–	20,669
Acquired on acquisition of a subsidiary	–	41	113,000	113,041
At 31 December 2021	49,249	3,899	113,000	166,148
Additions	17,264	730	–	17,994
At 31 December 2022	66,513	4,629	113,000	184,142
AMORTISATION AND IMPAIRMENT				
At 1 January 2021	8,816	1,404	–	10,220
Charges for the year	6,900	593	–	7,493
At 31 December 2021	15,716	1,997	–	17,713
Charges for the year	9,957	796	–	10,753
At 31 December 2022	**25,673**	**2,793**	**–**	**28,466**
CARRYING VALUES				
At 31 December 2022	**40,840**	**1,836**	**113,000**	**155,676**
At 31 December 2021	33,533	1,902	113,000	148,435

Notes:

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

	31/12/2022		31/12/2021	
	Goodwill RMB'000	**Brand name RMB'000**	Goodwill RMB'000	Brand name RMB'000
Wuxi Guojin Factoring Limited ("WXGJ")	**316,028**	**113,000**	316,028	113,000

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

The recoverable amount of a CGU is determined based on a value in use calculation. The value in use calculation uses pre-tax cash flow projections based on financial budgets approved by management covering a five-year period (2021: five-year), and pre-tax discount rate of 11.84% (2021: 12.39%). WXGJ's cash flows beyond the five-year period are extrapolated using a steady growth rate of 3.00% (2021: 3.00%). This growth rate is based on the overall economy growth rate, industry growth rate, inflation rate and other related factors. Management determines the financial budgets based on past performance and its expectations for market development, including the expected economic growth, prospective GDP and CPI growth rates, future developments of the industry, among others.

The Group engages an independent qualified valuer, China Enterprise Appraisals Consultation Co., Ltd., to determine the future growth rates and discount rates used in the value in use calculations prepared by the management of the Group.

As at 31 December 2022 and 2021, no impairment of the CGU containing goodwill and brand name with indefinite useful life has been identified. The recoverable amount is significantly above the carrying amount of CGU. Management believes that any reasonably possible change in any of the above assumptions would not cause the aggregate carrying amount of the above CGU to exceed the respective aggregate recoverable amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

21. INVESTMENTS IN ASSOCIATES

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

	31/12/2022 RMB'000	31/12/2021 RMB'000
Cost of investments in associates, unlisted	**209,200**	10,200
Share of post-acquisition profit	**13**	940
Share of post-acquisition OCI	**137**	240
	209,350	11,380

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

Name of entities	Place of incorporation/ establishment	Particulars of authorised and paid up capital	Proportion of ownership interest/voting rights held by the Group as at 31/12/2022	31/12/2021	Principal activity
Hong Ji Factoring (Shenzhen) Limited# (弘基商業保理(深圳)有限公司) ("HJ")(note i)	PRC	RMB100,000,000 RMB100,000,000	**10%**	10%	Provision of supply chain service
Guangxi Maojing Trading Co., Ltd# (廣西茂景商貿有限公司) ("GXMJ")	PRC	RMB2,000,000 RMB1,000,000	**20%**	20%	Provision of trade service
Ningbo Guofu Commercial Factoring Co.,Ltd# (寧波國富商業保理有限公司) ("NBGF")	PRC	RMB200,000,000 RMB200,000,000	**35%**	N/A	Provision of supply chain service
Xiamen Xiangsheng Factoring Limited# (廈門象盛商業保理有限責任公司) ("XMXS") (note ii)	PRC	RMB300,000,000 RMB300,000,000	**43%**	N/A	Provision of supply chain service

English translated name is for identification purpose only.

Notes:

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

(ii) In December 2022, the Group established XMXS with an independent third party, the paid-in capital of XMXS is RMB300,000,000. As at 31 December 2022, XMXS has not carry on business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

21. INVESTMENTS IN ASSOCIATES *(Continued)*

Aggregate information of associates that are not individually material

	2022 RMB'000	2021 RMB'000
The Group's share of loss	**(927)**	(1,528)
The Group's share of OCI	**(103)**	(57)
The Group's share of total comprehensive expense	**(1,030)**	(1,585)
Aggregate carrying amount of the Group's investments in these associates	**209,350**	11,380

22. DEFERRED TAXATION

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

	31/12/2022 RMB'000	31/12/2021 RMB'000
Deferred tax assets	**22,359**	28,289
Deferred tax liabilities	**(60,599)**	(70,704)
	(38,240)	(42,415)

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

	Undistributed earnings of PRC subsidiaries RMB'000	Deferred income RMB'000	ECL provision RMB'000	Fair value adjustments RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2021	(53,050)	5,236	12,348	4,227	–	(31,239)
(Charge) credit to profit or loss	(13,956)	(5,108)	1,406	324	–	(17,334)
Charge to OCI	–	–	–	(67)	–	(67)
Acquisition of a subsidiary	–	(341)	6,440	126	–	6,225
At 31 December 2021	(67,006)	(213)	20,194	4,610	–	(42,415)
Credit (charge) to profit or loss	14,780	(690)	3,706	(14,794)	1,223	4,225
Charge to OCI	–	–	–	(50)	–	(50)
At 31 December 2022	**(52,226)**	**(903)**	**23,900**	**(10,234)**	**1,223**	**(38,240)**

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For the year ended 31 December 2022

22. DEFERRED TAXATION *(Continued)*

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

For the year ended 31 December 2022, a deferred tax liability of RMB27,101,000 in relation to certain PRC subsidiaries has been adjusted due to the undistributed earnings of these PRC subsidiaries converted to capital injection.

At 31 December 2022, the Company and Hong Kong subsidiaries had cumulative unutilised tax losses of RMB164,437,000 (31 December 2021: RMB147,546,000). No deferred tax asset has been recognised due to the unpredictability of future profit stream. Some of the unused tax losses can be carried forward indefinitely from the years in which the loss was originated to offset future taxable profits.

At 31 December 2022, the PRC subsidiaries had cumulative unutilised tax losses of RMB37,159,000 (31 December 2021: RMB19,901,000), out of which RMB29,009,000 (31 December 2021: RMB19,901,000) has not been recognised due to the unpredictability of future profit stream. Some of the unused tax losses can be carried forward up to five years from the years in which the loss was originated to offset future taxable profits.

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

	31/12/2022 RMB'000	31/12/2021 RMB'000
2025	**4,005**	4,005
2026	**13,460**	15,896
2027	**11,544**	–
	29,009	19,901

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

23. DERIVATIVE FINANCIAL INSTRUMENTS/OTHER FINANCIAL ASSETS AT FVTPL

(a) Derivative financial instruments

	31/12/2022		31/12/2021	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Foreign currency forward contracts	2,866	14,960	–	–
Interest rate swap contracts	1,953	–	–	–
Foreign exchange swap contracts	830	–	–	7,421
Cross currency swap contracts	–	–	–	5,784
	5,649	14,960	–	13,205
Analysed for reporting purposes as:				
Current	3,634	12,904	–	13,205
Non-current	2,015	2,056	–	–
	5,649	14,960	–	13,205

The above derivatives are measured at fair values at the end of the reporting period and changes in fair value are recognised in the profit or loss. Their fair values are determined by China Enterprise Appraisals Consultation Co., Ltd, an independent valuer, based on appropriate valuation techniques as detailed in note 40(c).

At 31 December 2021, the security deposits of RMB201,000 and bank deposits of RMB2,000,000 were pledged as security for the derivative financial instruments. The balance of the security deposits and bank deposits can be applied and used to settle any outstanding payments for the corresponding contracts if default occurs. The amounts were fully refunded during the current year.

The above derivatives are measured at fair value at the end of the reporting period and changes in fair value are recognised in the profit or loss. Their fair values are determined by China Enterprise Appraisals Consultation Co., Ltd., independent valuers, based on appropriate valuation techniques as detailed in note 40(c).

Foreign currency forward contracts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

23. DERIVATIVE FINANCIAL INSTRUMENTS/OTHER FINANCIAL ASSETS AT FVTPL *(Continued)*

(a) Derivative financial instruments *(Continued)*

Interest rate swap contracts

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

At 31 December 2022

Notional amounts	Commencement dates	Maturity dates	Contracted interest rates
US$16,815,000	29/08/2022	28/02/2023	From 6.32% per annum to US$ Secured Overnight Financing Rate ("SOFR") plus 3.11448%
US$15,930,000	28/02/2023	28/08/2023	
US$15,045,000	28/08/2023	28/02/2024	

Foreign exchange swap contracts

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

At 31 December 2022

Notional amounts	Commencement dates	Maturity dates	Contracted swap rates
US$3,700,000	27/07/2022	13/04/2023	Commencement date: US$:RMB 1:6.7620 Settlement date: US$:RMB 1:6.7219 US$ against RMB swap rates
US$3,000,000	27/07/2022	13/04/2023	Commencement date: US$:RMB 1:6.7640 Settlement date: US$:RMB 1:6.7360 US$ against RMB swap rates

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

23. DERIVATIVE FINANCIAL INSTRUMENTS/OTHER FINANCIAL ASSETS AT FVTPL *(Continued)*

(a) Derivative financial instruments *(Continued)*

Foreign exchange swap contracts *(Continued)*

At 31 December 2021

Notional amounts	Commencement dates	Maturity dates	Contracted swap rates
US$17,800,000	31/05/2021	18/04/2022	Commencement date: US$:RMB 1:6.3600 Settlement date: US$:RMB 1:6.5220 US$ against RMB swap rates
US$17,000,000	19/02/2021	25/01/2022	Commencement date: US$:RMB 1:6.4620 Settlement date: US$:RMB 1:6.6320 US$ against RMB swap rates
US$3,900,000	10/08/2021	28/07/2022	Commencement date: US$:RMB 1:6.4645 Settlement date: US$:RMB 1:6.6253 US$ against RMB swap rates

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

23. DERIVATIVE FINANCIAL INSTRUMENTS/OTHER FINANCIAL ASSETS AT FVTPL *(Continued)*

(a) Derivative financial instruments *(Continued)*

Cross currency swap contracts

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

At 31 December 2021

Notional amounts	Commencement dates	Maturity dates	Contracted swap rates	Interest rates
US$8,800,000	28/04/2021	01/04/2022	US$:RMB 1:6.4860 US$ against RMB swap rates	From 4.93% per annum to 6 months LIBOR plus 2.0%
US$7,000,000	23/07/2021	28/04/2022	US$:RMB 1:6.4720 US$ against RMB swap rates	From 4.40% per annum to 3 months LIBOR plus 1.5%
US$2,000,000	23/07/2021	28/04/2022	US$:RMB 1:6.4750 US$ against RMB swap rates	From 4.40% per annum to 3 months LIBOR plus 1.5%
US$2,300,000	26/07/2021	01/04/2022	US$:RMB 1:6.4820 US$ against RMB swap rates	From 5.00% per annum to 6 months LIBOR plus 2.0%
US$4,000,000	10/09/2021	12/08/2022	US$:RMB 1:6.4470 US$ against RMB swap rates	From 4.92% per annum to 6 months LIBOR plus 2.0%
US$3,300,000	14/09/2021	12/08/2022	US$:RMB 1:6.4485 US$ against RMB swap rates	From 5.15% per annum to 6 months LIBOR plus 2.0%

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

23. DERIVATIVE FINANCIAL INSTRUMENTS/OTHER FINANCIAL ASSETS AT FVTPL

(Continued)

(b) Other financial assets at FVTPL

	31/12/2022 RMB'000	31/12/2021 RMB'000
Structured deposits (notes i & ii)	**164,634**	108,374
Equity tranche (note i)	**146,730**	107,545
Unlisted equity investments (note i)	**95,550**	65,550
Trust fund	**2,229**	1,929
	409,143	283,398
Analysed for reporting purposes as:		
Current assets	**256,264**	190,233
Non-current assets	**152,879**	93,165
	409,143	283,398

Notes:

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

(ii) The structured deposits are short-term investments issued by banks with minimum guaranteed return and have a total expected return, depending on the indices quoted in the market as specified in the terms of relevant deposits.

As at 31 December 2022, the Group's structured deposits with an aggregate fair value of approximately RMB164,634,000 (31 December 2021: nil) was pledged to several banks in the PRC respectively to secure certain bank borrowings of the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

24. SUPPLY CHAIN ASSETS AT FVTOCI

	31/12/2022 RMB'000	31/12/2021 RMB'000
Supply chain assets at FVTOCI	**8,422,078**	6,678,376
Analysed for reporting purposes as:		
Current assets	**8,186,941**	6,562,402
Non-current assets	**235,137**	115,974
	8,422,078	6,678,376

As at 31 December 2022, the effective interest rates of the supply chain assets range mainly from 4.00% to 15.00% (31 December 2021: 3.00% to 16.00%) per annum.

As at 31 December 2022, certain commercial acceptance bills are received from customers with fair value amounting of RMB594,777,000 (31 December 2021: RMB995,377,000) as pledged bills to the supply chain assets. The bills can also be applied and used to settle any outstanding receivables of supply chain assets for the corresponding contract if default occurs, otherwise the Company needs to return the bills if the outstanding supply chain assets are settled. Until such time as default occurs and they are used to settle the supply chain assets, the commercial acceptance bills are not recognised as an asset in the financial statements.

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

As at 31 December 2022, the gross carrying amount of supply chain assets of RMB4,453,000 is past due (31 December 2021: RMB19,500,000). When analysing the credit quality of supply chain assets at FVTOCI, the entire outstanding of balance of the supply chain assets is classified as past due in the event that instalments repayment of a supply chain asset at FVTOCI is past due.

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

	31/12/2022 RMB'000	31/12/2021 RMB'000
Past due by:		
0–30 days	**–**	2,295
31–60 days	**2,177**	–
61–90 days	**2,276**	–
Over 90 days	**–**	17,205
	4,453	19,500

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25. EQUITY INSTRUMENTS AT FVTOCI

	31/12/2022 RMB'000	31/12/2021 RMB'000
Unlisted equity investments (note)	**53,629**	–

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

26. DEBT INSTRUMENT AT AMORTISED COST

	31/12/2022 RMB'000	31/12/2021 RMB'000
Investment in a senior tranche of ABS product with fixed interest of 5.00% and maturity dated in June 2024	**19,081**	–
Less: ECL allowance	**(100)**	–
	18,981	–

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

27. LOAN RECEIVABLE

	31/12/2022 RMB'000	31/12/2021 RMB'000
Carrying amount receivable based on maturity set out in the loan agreement:		
— within one year	**164,000**	–
Less: ECL allowance	**–**	–
	164,000	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

(a) Receivables from guarantee customers

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

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

	31/12/2022	31/12/2021
	RMB'000	RMB'000
0–30 days	**4,558**	6,253

(b) Trade and bill receivables

	31/12/2022	31/12/2021
	RMB'000	RMB'000
Contracts with customers of platform-based services	**22,473**	18,079
Contracts with customers of supply chain technology services	**31,403**	1,889
	53,876	19,968
Less: ECL allowance	**(404)**	–
	53,472	19,968
Analysed for reporting purposes as:		
Current assets	**37,930**	19,968
Non-current assets	**15,542**	–
	53,472	19,968

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. RECEIVABLES FROM GUARANTEE CUSTOMERS/TRADE AND BILL RECEIVABLES/ OTHER RECEIVABLES, PREPAYMENTS AND OTHERS *(Continued)*

(b) Trade and bill receivables *(Continued)*

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

	31/12/2022 RMB'000	31/12/2021 RMB'000
0–30 days	**53,876**	19,968

(c) Other receivables, prepayments and others

	31/12/2022 RMB'000	31/12/2021 RMB'000
Prepayments	**11,795**	14,602
Tax recoverable	**13,873**	1,901
Security deposits for bank borrowing (note 32)	**8,449**	–
Refundable rental deposits	**3,858**	3,934
Temporary advance	**–**	32,599
Security deposits for derivative financial instruments (note 23)	**–**	201
Other receivables	**702**	2,936
	38,677	56,173
Analysed for reporting purposes as:		
Current assets	**27,447**	41,183
Non-current assets	**11,230**	14,990
	38,677	56,173

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

	Range of interest rates (per annum)	
	31/12/2022	31/12/2021
	%	%
Fixed-rate time deposits	**2.05–2.40**	N/A
Fixed-rate pledged bank deposits	**0–4.00**	0–2.20
Market rate cash and cash equivalents	**0–1.90**	0–1.82

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

	31/12/2022	31/12/2021
	RMB'000	RMB'000
The bank deposits pledged for:		
— bank borrowings (note 32)	**334,338**	330,937
— loan guarantee contracts in relation to third parties (note 31)	**138,475**	96,320
— derivative financial instruments (note 23)	**–**	2,000
	472,813	429,257

The pledged bank deposits will be released upon the settlement of relevant bank borrowings or loan guarantee contracts.

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

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

	31/12/2022	31/12/2021
	RMB'000	RMB'000
HK$	**89,820**	99,975
US$	**20,379**	11,920
Singapore Dollar ("S$")	**667**	475
	110,866	112,370

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

30. TRADE AND OTHER PAYABLES

	31/12/2022 RMB'000	31/12/2021 RMB'000
Security deposit for a loan receivable	**164,000**	–
Deposits from digital financing solutions customers	**157,261**	155,101
Settlement payables to customers and funding providers	**84,649**	92,024
Other tax payables	**44,695**	38,881
Accrued charges	**34,489**	57,484
Trade payables	**4,489**	–
Construction payables	**2,525**	–
Dividend payable to shareholders of the Company	**1,675**	1,533
Rental deposit received	**162**	–
Other payables	**340**	584
	494,285	345,607

31. LIABILITIES ARISING FROM GUARANTEE CONTRACTS

	31/12/2022			31/12/2021		
	Premium less accumulated amortisation RMB'000	**ECL provision RMB'000**	**Carrying amount RMB'000**	Premium less accumulated amortisation RMB'000	ECL provision RMB'000	Carrying amount RMB'000
Guarantee contracts in relation to:						
— third parties (note i)	**13,635**	**23,911**	**25,196**	9,603	19,669	20,116
— an associate (note ii)	**661**	**342**	**695**	–	–	–
	14,296	**24,253**	**25,891**	9,603	19,669	20,116

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

31. LIABILITIES ARISING FROM GUARANTEE CONTRACTS *(Continued)*

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

	31/12/2022 RMB'000	31/12/2021 RMB'000
Guarantee contracts in relation to:		
— third parties (note i)	**2,216,570**	1,334,663
— an associate (note ii)	**145,430**	–
	2,362,000	1,334,663

Notes:

(i) As at 31 December 2022, the Group provided guarantee services for guarantee customers which are third parties of the maximum amount of RMB2,216,570,000 (31 December 2021: RMB1,334,663,000) and placed deposits to funding providers, including bank deposits of RMB138,475,000 (31 December 2021: RMB96,320,000). The Group has to pay on behalf of guarantee customers to funding providers when the customers defaulted in settlement of their outstanding liabilities with funding providers when due, after deduction of the bank deposits placed to funding providers.

As at 31 December 2022, an amount of RMB23,911,000 (31 December 2021: RMB19,669,000) has been estimated as a loss allowance, and an amount of RMB1,048,000 (2021: RMB2,569,000) loss allowance was recognised in the profit or loss because the premium received less cumulative amount of certain contracts were lower than the amount of loss allowance.

(ii) As at 31 December 2022, the Group provided guarantees services for an associate of the Group of the maximum amount of RMB145,430,000 (31 December 2021: nil). Fair value initially recognised in relation to the loan guarantees by the Group amounted to RMB1,276,000 (2021: nil). Their fair values are determined by China Enterprise Appraisals Consultation Co., Ltd., an independent valuer.

As at 31 December 2022, the directors of the Company have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. An amount of RMB342,000 (31 December 2021: nil) has been estimated as a loss allowance as at 31 December 2022, and an amount of RMB34,000 (2021: nil) loss allowance was recognised in the profit or loss because the premium received less cumulative amount of certain contracts were lower than the amount of loss allowance.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

32. BORROWINGS

	31/12/2022 RMB'000	31/12/2021 RMB'000
Bank borrowings and bills discounted	**3,166,919**	2,764,858
ABS issued	**1,108,513**	452,986
Bank loans under supplier finance arrangements (note i)	**207,630**	119,725
Entrusted loans	**150,392**	187,491
Other loans (note ii)	**1,606,856**	415,953
	6,240,310	3,941,013
Secured	**5,372,246**	2,434,345
Unsecured	**868,064**	1,506,668
	6,240,310	3,941,013

Notes:

(i) The Group has entered into certain finance arrangements with banks. Under these arrangements, the banks issue bank's acceptance bill to the Group for providing digital financing solutions services. Taking into consideration of the nature and substance of the above arrangements, the Group presents payables to the banks under these arrangements as "borrowings" in the consolidated statement of financial position. In the consolidated statement of cash flows, repayments to the banks are included within financing cash flows based on the nature of the arrangements, and payments to the suppliers by the banks are disclosed as non-cash transactions. During the current year, bank loans under supplier finance arrangements of RMB510,475,000 (2021: RMB119,725,000) represent the payments to the suppliers by the relevant banks directly.

(ii) As at 31 December 2022, other loans mainly consist of loans from private funds, commercial factoring company and other third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

32. BORROWINGS *(Continued)*

	31/12/2022 RMB'000	31/12/2021 RMB'000
The carrying amounts of the above borrowings are repayable*:		
— within one year	**4,443,604**	2,888,036
— within a period of more than one year but not exceeding two years	**932,397**	911,000
— within a period of more than two years but not exceeding five years	**813,792**	30,000
	6,189,793	3,829,036
The carrying amounts of the above borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:		
— within one year	**50,517**	93,518
— within a period of more than one year but not exceeding two years	**–**	18,459
	6,240,310	3,941,013
Less: Amounts due within one year shown under current liabilities	**(4,494,121)**	(3,000,013)
Amounts shown under non-current liabilities	**1,746,189**	941,000

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

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

	31/12/2022 RMB'000	31/12/2021 RMB'000
Fixed-rate borrowings	**5,187,330**	2,794,783
Variable-rate borrowings	**1,052,980**	1,146,230
	6,240,310	3,941,013

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

32. BORROWINGS *(Continued)*

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

	31/12/2022 %	31/12/2021 %
Range of fixed-rate borrowings interest rates (per annum)	**2.40–14.40**	2.40–10.00
Range of variable-rate borrowings interest rates (per annum)	**4.24–8.07**	1.40–5.72

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

	31/12/2022 RMB'000	31/12/2021 RMB'000
— supply chain assets (note i)	**3,452,116**	2,160,802
— bank deposits	**334,338**	330,937
— structured deposits	**164,634**	–
— investment property	**31,936**	–
— security deposits	**8,449**	–
	3,991,473	2,491,739

Notes:

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

(ii) As at 31 December 2022, the bills received from customers as pledged to supply chain assets with par value of RMB100,000 (31 December 2021: RMB43,264,000) were discounted to a bank and RMB38,000,000 (31 December 2021: nil) was pledged to a non-bank financial institution.

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

	31/12/2022 RMB'000	31/12/2021 RMB'000
Carrying amount of borrowings guaranteed by:		
WXCI Group, a subsidiary and the controlling shareholder of the Company	**2,257,221**	–
The Company and/or subsidiaries	**1,915,673**	1,022,854
The Company, a subsidiary and the controlling shareholder of the Company	**446,497**	527,341
WXCI Group	**–**	1,586,179
	4,619,391	3,136,374

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For the year ended 31 December 2022

32. BORROWINGS *(Continued)*

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

	31/12/2022 RMB'000	31/12/2021 RMB'000
HK$	**254,634**	290,276
US$	**1,117,758**	524,999
	1,372,392	815,275

33. LEASE LIABILITIES

	31/12/2022 RMB'000	31/12/2021 RMB'000
Lease liabilities payable:		
Within one year	**5,111**	12,051
Within a period of more than one year but not more than two years	**1,037**	2,542
Within a period of more than two years but not more than five years	**226**	1,262
	6,374	15,855
Less: Amount due for settlement with 12 months shown under current liabilities	**(5,111)**	(12,051)
Amount due for settlement after 12 months shown under non-current liabilities	**1,263**	3,804

The weighted average incremental borrowing rates applied to lease liabilities range from 4.50% to 6.76% (2021: 4.50% to 6.76%).

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

	31/12/2022 RMB'000	31/12/2021 RMB'000
HK$	**1,369**	409

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34. SHARE CAPITAL

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

	Number of shares	Share capital HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2021, 31 December 2021 and 31 December 2022	5,000,000,000	50,000,000

	Number of shares	Share capital HK$
Issued:		
At 1 January 2021	936,596,000	9,365,960
Issue of new shares from placing (note)	63,068,000	630,680
Exercise of share options (note 36)	4,632,500	46,325
At 31 December 2021	1,004,296,500	10,042,965
Exercise of share options (note 36)	3,418,000	34,180
At 31 December 2022	1,007,714,500	10,077,145

	31/12/2022 RMB'000	31/12/2021 RMB'000
Shown in the consolidated statement of financial position	**8,717**	8,687

Note: On 24 September 2021, the Company and China International Capital Corporation Hong Kong Securities Limited (referred to as the "Sole Placing Agent") entered into a placing agreement. An aggregate of 63,068,000 ordinary shares issued by the Company have been placed by the Sole Placing Agent on 5 October 2021 at HK$8.80 per share with the net proceeds of HK$551.1 million (equivalent to RMB456.4 million, net of transaction cost amount of RMB3.3 million). Details are set out in the Company's announcements dated 26 September 2021 and 5 October 2021.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. CAPITAL COMMITMENTS

	31/12/2022 RMB'000	31/12/2021 RMB'000
Capital expenditure contracted for but not provided for in the consolidated financial statements		
— Property and equipment	**20,488**	452
— Investment in an associate	**200**	200
— Intangible assets	**–**	394
	20,688	1,046

36. SHARE-BASED PAYMENT TRANSACTIONS

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

The Company's share option scheme (the "Scheme"), was adopted pursuant to resolutions passed on 11 September 2017, 14 November 2018, 15 July 2020 and 10 June 2022 ("Option Grant Date") for the primary purpose of providing incentives to directors and eligible employees, and will expire on 10 September 2022, 13 November 2023, 14 July 2025 and 9 June 2032 respectively. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including certain directors of the Company and the management of an associate of the Company, to subscribe for shares in the Company.

At 31 December 2022, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 22,340,000 (31 December 2021: 21,373,000), representing 2.22% (31 December 2021: 2.13%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be offered for acceptance for a period of not less than 28 days, upon payment of HK$1.00 by each of eligible employees determined by the board of directors of the Company. Options may be exercised at any time from 1 year to 5 years from the date of grant of the share option to the 5 or 10 anniversary of the date of grant. The exercise price is determined by the directors of the Company, and shall be the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

36. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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

Details of specific categories of options are as follows:

Equity-settled share option scheme on 11 September 2017:

	Date of grant	Vesting period	Exercise period	Exercise Price	Exercise dates
Tranche 1	11/9/2017	11/9/2017–10/9/2018	11/9/2018–10/9/2022	HK$4.20	11/9/2018
Tranche 2	11/9/2017	11/9/2017–10/9/2019	11/9/2019–10/9/2022	HK$4.20	11/9/2019
Tranche 3	11/9/2017	11/9/2017–10/9/2020	11/9/2020–10/9/2022	HK$4.20	11/9/2020

Equity-settled share option scheme on 14 November 2018:

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

Equity-settled share option scheme on 15 July 2020:

	Date of grant	Vesting period	Exercise period	Exercise Price	Exercise dates
Tranche 7	15/7/2020	15/7/2020–14/7/2021	15/7/2021–14/7/2025	HK$6.68	15/7/2021
Tranche 8	15/7/2020	15/7/2020–14/7/2022	15/7/2022–14/7/2025	HK$6.68	15/7/2022
Tranche 9	15/7/2020	15/7/2020–14/7/2023	15/7/2023–14/7/2025	HK$6.68	15/7/2023

Equity-settled share option scheme on 10 June 2022:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

36. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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

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

Grantee	Exercise period	Outstanding at 1 January 2022	Granted during year	Forfeited during year	Exercised during year	Outstanding at 31 December 2022
Directors	11/9/2018–10/9/2022	**500,000**	**–**	**–**	**(500,000)**	**–**
	11/9/2019–10/9/2022	**700,000**	**–**	**–**	**(700,000)**	**–**
	11/9/2020–10/9/2022	**1,500,000**	**–**	**–**	**(1,500,000)**	**–**
	14/11/2019–13/11/2023	**400,000**	**–**	**(50,000)**	**–**	**350,000**
	14/11/2020–13/11/2023	**400,000**	**–**	**(50,000)**	**–**	**350,000**
	14/11/2021–13/11/2023	**1,300,000**	**–**	**(100,000)**	**–**	**1,200,000**
	15/7/2021–14/7/2025	**1,050,000**	**–**	**(825,000)**	**–**	**225,000**
	15/7/2022–14/7/2025	**1,075,000**	**–**	**(925,000)**	**–**	**150,000**
	15/7/2023–14/7/2025	**2,150,000**	**–**	**(1,650,000)**	**–**	**500,000**
	10/6/2024–9/6/2032	**–**	**375,000**	**–**	**–**	**375,000**
	10/6/2024–9/6/2032	**–**	**375,000**	**–**	**–**	**375,000**
	10/6/2025–9/6/2032	**–**	**750,000**	**–**	**–**	**750,000**
		9,075,000	**1,500,000**	**(3,600,000)**	**(2,700,000)**	**4,275,000**
Exercisable at the end of the reporting period		**5,850,000**				**2,275,000**
Weighted average exercise price per share		**5.99**	**6.46**	**6.69**	**4.20**	**6.70**

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For the year ended 31 December 2022

36. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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

Grantee	Exercise period	Outstanding at 1 January 2022	Granted during year	Forfeited during year	Exercised during year	Outstanding at 31 December 2022
Employees	11/9/2018–10/9/2022	7,500	–	–	(7,500)	–
	11/9/2019–10/9/2022	37,500	–	–	(37,500)	–
	11/9/2020–10/9/2022	408,000	–	–	(408,000)	–
	14/11/2019–13/11/2023	353,750	–	(46,250)	(10,000)	297,500
	14/11/2020–13/11/2023	303,750	–	(46,250)	(10,000)	247,500
	14/11/2021–13/11/2023	887,500	–	(222,500)	(145,000)	520,000
	15/7/2021–14/7/2025	2,387,500	–	(87,500)	(100,000)	2,200,000
	15/7/2022–14/7/2025	2,637,500	–	(287,500)	–	2,350,000
	15/7/2023–14/7/2025	5,275,000	–	(325,000)	–	4,950,000
	10/6/2024–9/6/2032	–	2,375,000	(500,000)	–	1,875,000
	10/6/2024–9/6/2032	–	2,375,000	(500,000)	–	1,875,000
	10/6/2025–9/6/2032	–	4,750,000	(1,000,000)	–	3,750,000
		12,298,000	9,500,000	(3,015,000)	(718,000)	18,065,000
Exercisable at the end of the reporting period		4,385,500				5,615,000
Weighted average exercise price per share		6.62	6.46	6.56	5.17	6.60

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36. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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

Grantee	Exercise period	Outstanding at 1 January 2021	Transferred during year	Forfeited during year	Exercised during year	Outstanding at 31 December 2021
Directors	11/9/2018–10/9/2022	500,000	–	–	–	500,000
	11/9/2019–10/9/2022	500,000	200,000	–	–	700,000
	11/9/2020–10/9/2022	1,000,000	500,000	–	–	1,500,000
	14/11/2019–13/11/2023	400,000	–	–	–	400,000
	14/11/2020–13/11/2023	400,000	–	–	–	400,000
	14/11/2021–13/11/2023	800,000	500,000	–	–	1,300,000
	15/7/2021–14/7/2025	1,150,000	–	(100,000)	–	1,050,000
	15/7/2022–14/7/2025	1,150,000	–	(75,000)	–	1,075,000
	15/7/2023–14/7/2025	2,300,000	–	(150,000)	–	2,150,000
		8,200,000	1,200,000	(325,000)	–	9,075,000
Exercisable at the end of the reporting period		2,800,000				5,850,000
Weighted average exercise price per share		6.12	5.33	6.88	–	5.99

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

36. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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

Grantee	Exercise period	Outstanding at 1 January 2021	Transferred during year	Forfeited during year	Exercised during year	Outstanding at 31 December 2021
Employees	11/9/2018–10/9/2022	852,500	–	–	(845,000)	7,500
	11/9/2019–10/9/2022	1,085,500	(200,000)	–	(848,000)	37,500
	11/9/2020–10/9/2022	2,295,000	(500,000)	–	(1,387,000)	408,000
	14/11/2019–13/11/2023	1,055,000	–	(37,500)	(663,750)	353,750
	14/11/2020–13/11/2023	1,005,000	–	(37,500)	(663,750)	303,750
	14/11/2021–13/11/2023	2,110,000	(500,000)	(722,500)	–	887,500
	15/7/2021–14/7/2025	3,150,000	–	(537,500)	(225,000)	2,387,500
	15/7/2022–14/7/2025	3,150,000	–	(512,500)	–	2,637,500
	15/7/2023–14/7/2025	6,300,000	–	(1,025,000)	–	5,275,000
		21,003,000	(1,200,000)	(2,872,500)	(4,632,500)	12,298,000
Exercisable at the end of the reporting period		6,293,000				4,385,500
Weighted average exercise price per share		6.22	5.33	6.74	5.09	6.62

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For the year ended 31 December 2022

36. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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

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

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

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

The Group recognised the total expense of RMB5,238,000 for the year ended 31 December 2022 (2021: RMB12,882,000) in relation to share options granted by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

36. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(b) RSU Scheme of the Company

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

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

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

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

For the year ended 31 December 2022, the Company purchased 7,795,500 shares of the Company's own ordinary shares in the market through the RSU Trustee of the Company's RSU Scheme, at prices ranging from HK$4.81 to HK$6.30 per share for an aggregate consideration of approximately HK$44,173,000 (equivalent to RMB39,311,000).

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

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

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

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

Grantee	Vesting period	Outstanding at 1 January 2022	Granted during period	Forfeited during period	Vested during period	Outstanding at 31 December 2022
Employees	10/6/2022–9/6/2024	–	**335,000**	**(10,000)**	–	**325,000**
	10/6/2022–9/6/2024	–	**335,000**	**(10,000)**	–	**325,000**
	10/6/2022–9/6/2025	–	**670,000**	**(20,000)**	–	**650,000**
		–	**1,340,000**	**(40,000)**	–	**1,300,000**

The Group recognised the total expense of approximately RMB730,000 for the year ended 31 December 2022 (2021: nil) for in relation to RSUs granted by the Company.

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For the year ended 31 December 2022

37. RETIREMENT BENEFIT SCHEME

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

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

Total cost recognised in profit or loss and capitalised in development costs in respect of contributions paid or payable to the schemes by the Group for the year ended 31 December 2022 is RMB10,336,000 (2021: RMB7,740,000). As at 31 December 2022, contributions due in respect of the year ended 31 December 2022 had been paid over to the plans.

38. RELATED PARTY TRANSACTIONS

(a) Related parties and relationship

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

Name of Related Party	Relationship
TUNG CHI FUNG	Controlling shareholder of the Company
Bondlink Investment Limited	Related company controlled by TUNG CHI FUNG
Health Fame Limited	Related company controlled by TUNG CHI FUNG
Wuxi Tonghui Investment Limited ("WXTH")	Non-controlling shareholder of a material subsidiary
Wuxi Communications Industry Group Co., Ltd and its subsidiaries ("WXCI Group")	Related parties of WXTH
HJ	Associate
GXMJ	Associate
NBGF	Associate
WXGJ	Associate (before 6 December 2021)

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For the year ended 31 December 2022

38. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party balances

(i) Supply chain assets at FVTOCI

Name of Related Party	31/12/2022 RMB'000	31/12/2021 RMB'000
HJ	**1,017,696**	908,986
WXCI Group	**48,191**	–
GXMJ	**–**	1,457
	1,065,887	910,443

The remaining balance of supply chain assets at FVTOCI carries fixed-rate interest at the range of 5.95% to 10.00% (31 December 2021: 5.95% to 12.00%) with principal amount of RMB1,050,207,000 (31 December 2021: RMB888,214,000) within one year.

(ii) Loans to an associate

Name of Related Party	31/12/2022 RMB'000	31/12/2021 RMB'000
NBGF	**199,385**	–

The remaining balance of loans to the associate carries fixed-rate interest at 3.00% (31 December 2021: nil) with principal amount of RMB199,500,000 (31 December 2021: nil) and repayable within one year. Details of impairment assessment are set out in note 40(b).

(iii) Receivables from guarantee customers

Name of Related Party	31/12/2022 RMB'000	31/12/2021 RMB'000
HJ	**–**	1

(iv) Trade and bill receivables

Name of Related Party	31/12/2022 RMB'000	31/12/2021 RMB'000
HJ	**1,634**	6,295

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

38. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Related party balances *(Continued)*

(v) Other receivables — refundable rental deposit

Name of Related Party	31/12/2022 RMB'000	31/12/2021 RMB'000
Bondlink Investment Limited	324	403

(vi) Loans from related parties

Name of Related Party	31/12/2022 RMB'000	31/12/2021 RMB'000
WXCI Group	370,052	399,866

The amounts represent loans, due within one year, and carry interest at the range of 6.20% to 7.00% (31 December 2021: 5.80% to 7.50%) per annum.

As at 31 December 2022, the loans amounting to RMB340,000,000 (31 December 2021: RMB359,866,000) were guaranteed by a PRC subsidiary and the controlling shareholder of the Group and pledged by 80% shares of WXGJ.

As at 31 December 2021, the loans amounting to RMB359,866,000 were guaranteed by a PRC subsidiary.

(vii) Lease liabilities

Name of Related Party	31/12/2022 RMB'000	31/12/2021 RMB'000
Bondlink Investment Limited	1,369	409
WXCI Group	623	2,250
	1,992	2,659

(viii) Liabilities arising from guarantee contracts

Name of Related Party	31/12/2022 RMB'000	31/12/2021 RMB'000
NBGF	695	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

38. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Related party transactions

(i) Revenue and income from related parties

Name of Related Party	2022 RMB'000	2021 RMB'000
HJ	**74,036**	76,848
WXCI Group	**7,446**	–
GXMJ	**30**	9
WXGJ	**–**	1,654
	81,512	78,511

(ii) Interest income from loans to an associate

Name of Related Party	31/12/2022 RMB'000	31/12/2021 RMB'000
NBGF	**344**	–

(iii) Finance costs — interest on loans from related parties

Name of Related Party	2022 RMB'000	2021 RMB'000
WXCI Group	**34,889**	1,353
NBGF	**31**	–
TUNG CHI FUNG	**–**	358
WXGJ	**–**	9,269
	34,920	10,980

(iv) Finance costs — guarantee expenses on borrowings

Name of Related Party	2022 RMB'000	2021 RMB'000
WXCI Group	**7,145**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

38. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Related party transactions *(Continued)*

(v) Finance costs — interest on lease liabilities

Name of Related Party	2022 RMB'000	2021 RMB'000
Bondlink Investment Limited	**63**	53
WXCI Group	**39**	7
	102	60

(vi) Other operating expenses

Name of Related Party	2022 RMB'000	2021 RMB'000
WXCI Group	**1,142**	–

(d) Compensation of key management personnel

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

	2022 RMB'000	2021 RMB'000
Salaries, allowances and other benefits	**22,999**	21,432
Share-based payment	**3,453**	10,190
Performance related bonuses	**2,401**	10,312
Retirement benefit scheme contributions	**554**	451
	29,407	42,385

The remuneration of these key executives of the Group is determined by Chairman of the Company having regard to the performance of individuals and market trends.

(e) Purchase of assets through acquisition of a subsidiary

On 10 June 2022, the Group purchase assets through acquisition of a subsidiary from Health Fame Limited, details of the transaction are set out in note 42.

(f) Guarantee

Details of the guarantee to an associate are set out in note 31.

Details of borrowings guaranteed by related parties are set out in note 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

39. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of borrowings as set out in note 32 and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31/12/2022 **RMB'000**	31/12/2021 RMB'000
Financial assets		
Other financial assets at FVTPL	**409,143**	283,398
Derivative financial instruments	**5,649**	–
Amortised cost	**1,614,635**	1,295,558
Supply chain assets at FVTOCI	**8,422,078**	6,678,376
Equity instruments at FVTOCI	**53,629**	–
Financial liabilities		
Amortised cost	**7,025,463**	4,590,121
Liabilities arising from guarantee contracts	**25,891**	20,116
Derivative financial instruments	**14,960**	13,205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include supply chain assets at FVTOCI, equity instruments at FVTOCI, other financial assets at FVTPL, derivative financial instruments, debt instrument at amortised cost, loans to an associate, loan receivable, receivables from guarantee customers, trade and bill receivables, other receivables, time deposits, pledged bank deposits, cash and cash equivalents, loans from related parties, trade and other payables, borrowings, liabilities arising from guarantee contracts and lease liabilities. Details of these instruments are disclosed in respective notes.

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

Market risk

(i) Currency risk

The Group's exposure to foreign currency risk related primarily to cash and cash equivalents, pledged bank deposits, other receivables, equity instruments at FVTOCI, trade and other payable, borrowings and lease liabilities that are denominated in HK$, US$, and S$. In addition, the Group entered into foreign currency exchange swap contracts, cross currency swap contracts and foreign currency forward contracts during the year which exposed the Group to currency risk. The management manages and monitors this exposure to ensure appropriate measures are implemented on a timely and effective manner.

The carrying amounts of the Group's foreign currencies denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	31/12/2022 RMB'000	31/12/2021 RMB'000	**31/12/2022 RMB'000**	31/12/2021 RMB'000
HK$	**90,144**	100,378	**256,471**	290,276
US$	**20,379**	11,921	**1,117,758**	524,999
S$	**667**	475	**–**	–

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For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk *(Continued)*

The following table details the Group's sensitivity to a 5% appreciation and depreciation in RMB against HK$, US$ and S$, which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts the translation of the Group's foreign currency denominated monetary assets and liabilities at the year-end by a 5% change in the respective foreign currency rates.

	31/12/2022 RMB'000	31/12/2021 RMB'000
HK$ impact:		
5% appreciation of RMB against HK$		
Increase in profit before taxation for the year	**8,316**	9,495
5% depreciation of RMB against HK$		
Decrease in profit before taxation for the year	**(8,316)**	(9,495)
US$ impact:		
5% appreciation of RMB against US$		
Increase in profit before taxation for the year	**54,869**	25,654
5% depreciation of RMB against US$		
Decrease in profit before taxation for the year	**(54,869)**	(25,654)
S$ impact:		
5% appreciation of RMB against S$		
Decrease in profit before taxation for the year	**(33)**	(24)
5% depreciation of RMB against S$		
Increase in profit before taxation for the year	**33**	24

In relation to foreign currency forward contracts:

As at 31 December 2022, if the relevant exchange rate had been 5% depreciation/appreciation of RMB against US$ and all other variables were held constant, the Group's profit before taxation for the year would increase/decrease by approximately RMB9,022,000 (2021: nil).

In relation to the foreign exchange swap contracts:

As at 31 December 2022, if the exchange rate relevant to the foreign exchange swap contracts had been 5% depreciation/appreciation of RMB against US$ and all other variables were held constant, the Group's profit before taxation for the year would increase/decrease by approximately RMB336,000 (2021: RMB12,292,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk *(Continued)*

In relation to the interest rate swap contract:

As at 31 December 2022, if the exchange rate relevant to the interest rate swap contracts had been 5% depreciation/appreciation of RMB against US$ and all other variables were held constant, the Group's profit before taxation for the year would increase/decrease by approximately RMB30,000 (2021: nil).

In relation to the cross currency swap contracts:

As at 31 December 2021, if the exchange rate relevant to the cross currency swap contracts had been 5% depreciation/appreciation of RMB against US$ and all other variables were held constant, the Group's profit before taxation for the year would increase/decrease by approximately RMB10,727,000.

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

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate supply chain assets (see note 24 for details), fixed-rate debt instrument at amortised cost(see note 26 for details), fixed-rate loans to an associate (see note 38 for details), fixed-rate loan receivable (see note 27 for details), fixed-rate time deposits (see note 29 for details), fixed-rate pledged bank deposit(see note 29 for details), fixed-rate borrowings (see note 32 for details), fixed-rate loans from related parties (see note 38 for details), lease liabilities (see note 33 for details) and the derivative financial instruments (see note 23 for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate cash and cash equivalents (see note 29 for details), variable-rate borrowings (see note 32 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the LPR/HIBOR/LIBOR/SOFR rate arising from borrowings. The Group uses interest rate swap and cross currency swap contracts to reduce exposure to interest rate fluctuations associated with these floating-rate borrowings.

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

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

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk *(Continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates risk for variable-rate borrowings at the end of each reporting period. 50 basis points increase or decrease is used when reporting interest rate risk internally to key management and represents management's assessment of the reasonably possible change in interest rates. cash and cash equivalents are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate cash and cash equivalents is insignificant.

If interest rates had been 50 basis points higher/lower for variable-rate borrowings and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by RMB3,940,000 (2021: RMB3,684,000).

If the forward interest rate curves for SOFR as relevant for the interest rate swap had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by approximately RMB24,000 (2021: nil).

If the forward interest rate curves for HIBOR and LIBOR as relevant for the cross currency swap contracts had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2021 would increase/decrease by approximately RMB468,000.

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

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

(iii) Other price risk

The Group's other price risk is mainly concentrated on the supply chain assets at FVTOCI. Details are set out in note 24.

For the outstanding supply chain assets at FVTOCI, if the risk adjusted discount rate of the counterparties had been 1% (2021: 1%) increase/decrease, post-tax OCI for the year ended 31 December 2022 would decrease/increase by RMB24,387,000/RMB24,736,000 (2021: RMB19,694,000/RMB19,665,000) as a result of the changes in the market price of debt financing instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to supply chain assets at FVTOCI, debt instrument at amortised cost, loans to an associate, loan receivable, receivables from guarantee customers, trade and bill receivables, other receivables, time deposits, pledged bank deposits, cash and cash equivalents and financial guarantee contracts.

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

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

Supply chain assets at FVTOCI/financial guarantee contracts in relation to third parties/receivables from guarantee customers

As at 31 December 2022, The Group's concentration of credit risk on supply chain assets and financial guarantee contracts in relation to third parties by geographical locations is mainly in PRC, which accounted for 100% (31 December 2021: 100%) of the aggregate outstanding balance at the respective year end date.

As at 31 December 2022, the Group's concentration of credit risk on supply chain assets included five major counterparties accounting for 43% (31 December 2021: 40%) and the largest counterparty accounting for 15% (31 December 2021: 14%), of the aggregate outstanding balance at the respective year end date.

In order to minimise the credit risk in relation to supply chain assets and financial guarantee contracts in relation to third parties, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. The Group has closely monitored the recoverability of the receivables (i.e. supply chain assets and receivables from guarantee customers) to these counterparties, ensured adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances. In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

In addition, the management of the Group performs impairment assessment under ECL model based on internal credit rating. Details of the quantitative disclosures are set out below in this note.

Debt instrument at amortised cost

For debt instrument at amortised cost, the management of the Group performs impairment assessment under ECL model based on internal credit rating. details of the amount of impairment are set out below in this note.

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For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Loan receivable

The management estimates the estimated loss rate of loan receivable based on historical credit loss experience of the debtor as well as the fair value of the collateral pledged by the customer to the loan receivable. Based on assessment by the management, the loss given default is low in view of the estimated realised amount of ultimate disposal of the collateral and the management considers the ECL for loan receivable is insignificant and therefore no loss allowance was recognised.

Loans to an associate/financial guarantee contracts in relation to an associate

The Group regularly monitors the business performance of associates. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities and the power to participate the relevant activities of associates. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2022, the Group assessed the ECL for loans to an associate and financial guarantee contracts in relation to an associate and details of the amount of impairment are set out below in this note.

Trade and bill receivables

The Group always recognises lifetime ECL for trade receivables and ECL on these assets are assessed individually based on internal credit rating. For the year ended 31 December 2022, the Group assessed the ECL for trade and bill receivables and details of the amount of impairment are set out below in this note.

Other receivables

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2022 and 2021, the Group assessed the ECL for other receivables are insignificant and thus no loss allowance is recognised.

Time deposits/pledged bank deposits/cash and cash equivalents

Credit risk on time deposits/pledged bank deposits/cash and cash equivalents is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for time deposits/pledged bank deposits/cash and cash equivalents by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on time deposits/pledged bank deposits/cash and cash equivalents is considered to be insignificant and therefore no loss allowance was recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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

Internal credit rating	Description	Supply chain assets/financial guarantee contracts/ other financial assets	Trade receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL	Lifetime ECL — not credit-impaired
Watch list	The repayment schedule is extended over 30 days or past due or there have been significant increases in credit risk	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired or more than 90 days past-due	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the customer is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets and financial guarantee contracts, which are subject to ECL assessment:

As at 31 December 2022

	External/internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000	Impairment loss allowance RMB'000
Supply chain assets at FVTOCI	Low risk	12m ECL	1.09%	8,441,306	92,010
	Watch list	Lifetime ECL (not credit-impaired)	3.92%	68,266	2,675
	Loss	Lifetime ECL (credit-impaired)	N/A	–	–
				8,509,572	94,685

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

As at 31 December 2022 *(Continued)*

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

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

As at 31 December 2021

	External/internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000	Impairment loss allowance RMB'000
Supply chain assets at FVTOCI	Low risk	12m ECL	1.11%	6,584,144	72,905
	Watch list	Lifetime ECL (not credit-impaired)	4.91%	161,495	7,932
	Loss	Lifetime ECL (credit-impaired)	82.61%	19,753	16,318
				6,765,392	97,155
Financial assets at amortised cost					
Pledged bank deposits	AAA/BBB+	12m ECL	N/A	429,257	–
Cash and cash equivalents	AAA/BBB+	12m ECL	N/A	800,410	–
Receivables from guarantee customers	Low risk	12m ECL	1.18%	6,205	73
	Watch list	Lifetime ECL (not credit-impaired)	12.32%	138	17
Trade and bill receivables	Low risk	Lifetime ECL (not credit-impaired)	N/A	19,968	–
Other receivables	N/A (note i)	12m ECL	N/A	39,670	–
				1,295,648	90
Financial guarantee contracts (note ii)					
In relation to third parties	Low risk	12m ECL	1.37%	1,321,102	18,055
	Watch list	Lifetime ECL (not credit-impaired)	11.90%	13,561	1,614
				1,334,663	19,669

Notes:

(i) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. As at 31 December 2022 and 2021, all of other receivables were not past due.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2021	45,958	2,377	9,829	58,164
Changes due to supply chain assets at FVTOCI recognised as at 1 January:				
— Transfer to lifetime ECL — not credit-impaired	(343)	1,361	(1,018)	–
— Transfer to lifetime ECL — credit-impaired	(33)	–	33	–
— Impairment losses, net of reversal	(45,581)	(2,157)	7,452	(40,286)
— Disposal	–	(1,018)	–	(1,018)
Acquired on acquisition of a subsidiary	24,716	1,044	–	25,760
New financial assets purchased, net of settlement	48,188	6,898	22	55,108
New financial assets disposed	–	(573)	–	(573)
As at 31 December 2021	72,905	7,932	16,318	97,155
Changes due to supply chain assets at FVTOCI recognised as at 1 January:				
— Transfer to 12-month ECL	**22**	**–**	**(22)**	**–**
— Transfer to lifetime ECL — not credit-impaired	**(1,255)**	**1,255**	**–**	**–**
— Transfer to lifetime ECL — credit-impaired	**(810)**	**(242)**	**1,052**	**–**
— Impairment losses, net of reversal	**(69,625)**	**(7,039)**	**1,521**	**(75,143)**
— Disposal	**–**	**(1,906)**	**(3,000)**	**(4,906)**
— Write off	**–**	**–**	**(15,869)**	**(15,869)**
New financial assets purchased, net of settlement	**90,773**	**3,608**	**–**	**94,381**
New financial assets disposed	**–**	**(933)**	**–**	**(933)**
As at 31 December 2022	**92,010**	**2,675**	**–**	**94,685**

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The movements in the gross carrying amount of supply chain assets at FVTOCI were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2021	3,820,764	18,289	23,143	3,862,196
Changes due to supply chain assets at FVTOCI recognised as at 1 January:				
— Transfer to lifetime ECL — not credit-impaired	(17,198)	23,397	(6,199)	–
— Transfer to lifetime ECL — credit-impaired	(6,199)	–	6,199	–
— Settlement	(3,797,367)	(32,942)	(6,847)	(3,837,156)
— Disposal	–	(6,199)	–	(6,199)
New financial assets purchased	11,812,841	164,076	3,607	11,980,524
Acquired on acquisition of a subsidiary	2,345,183	19,270	–	2,364,453
New financial assets settled	(7,573,880)	(11,034)	(150)	(7,585,064)
New financial assets disposed	–	(13,362)	–	(13,362)
As at 31 December 2021	6,584,144	161,495	19,753	6,765,392
Changes due to supply chain assets at FVTOCI recognised as at 1 January:				
— Transfer to 12-month ECL	**3,457**	**–**	**(3,457)**	**–**
— Transfer to lifetime ECL — not credit-impaired	**(118,516)**	**118,516**	**–**	**–**
— Transfer to lifetime ECL — credit-impaired	**(68,902)**	**(947)**	**69,849**	**–**
— Settlement	**(6,295,006)**	**(239,074)**	**(2,272)**	**(6,536,352)**
— Disposal	**–**	**(39,990)**	**(68,004)**	**(107,994)**
— Write off	**–**	**–**	**(15,869)**	**(15,869)**
New financial assets purchased	**15,456,227**	**302,470**	**7,966**	**15,766,663**
New financial assets settled	**(7,120,098)**	**(189,426)**	**(7,966)**	**(7,317,490)**
New financial assets disposed	**–**	**(44,778)**	**–**	**(44,778)**
As at 31 December 2022	**8,441,306**	**68,266**	**–**	**8,509,572**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The movements in the allowance for impairment in respect of debt instrument at amortised cost and loans to an associate during the reporting period were as follows:

	12m ECL	
	Debt instrument at amortised cost RMB'000	Loans to an associate RMB'000
As at 1 January 2022	–	–
New financial assets purchased, net of settlement	100	480
As at 31 December 2022	100	480

The movements in the gross carrying amount of debt instrument at amortised cost and loans to an associate were as follows:

	12m ECL	
	Debt instrument at amortised cost RMB'000	Loans to an associate RMB'000
As at 1 January 2022	–	–
New financial assets purchased	66,739	199,865
New financial assets settled	(47,658)	–
As at 31 December 2022	19,081	199,865

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The movements in the allowance for impairment in respect of trade and bill receivables during the reporting period were as follows:

	Lifetime ECL not credit-impaired RMB'000
As at 1 January 2022	–
New trade and bill receivables purchased, net of settlement	**404**
As at 31 December 2022	**404**

The movements in the gross carrying amount of trade and bill receivables were as follows:

	Lifetime ECL not credit-impaired RMB'000
As at 1 January 2022	**19,968**
Changes due to trade and bill receivables recognised as at 1 January:	
— Settlement	**(19,968)**
New trade and bill receivables purchased, net of settlement	**53,876**
As at 31 December 2022	**53,876**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The movements in the allowance for impairment in respect of receivables from guarantee customers during the reporting period were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Total RMB'000
As at 1 January 2021	292	5	297
Changes due to receivables from guarantee customers recognised as at 1 January:			
— Impairment losses, net of reversal	(291)	(5)	(296)
New financial guarantee contracts entered, net of settlement	105	17	122
Acquisition of a subsidiary	(33)	–	(33)
As at 31 December 2021	73	17	90
Changes due to receivables from guarantee customers recognised as at 1 January:			
— Impairment losses, net of reversal	**(73)**	**(17)**	**(90)**
New financial guarantee contracts entered, net of settlement	**52**	**4**	**56**
As at 31 December 2022	**52**	**4**	**56**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The movements in the gross carrying amount of receivables from guarantee customers were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Total RMB'000
As at 1 January 2021	17,240	109	17,349
Changes due to receivables from guarantee customers recognised as at 1 January:			
— Settlement	(17,213)	(109)	(17,322)
New financial guarantee contracts entered, net of settlement	8,642	138	8,780
Acquisition of a subsidiary	(2,464)	–	(2,464)
As at 31 December 2021	6,205	138	6,343
Changes due to receivables from guarantee customers recognised as at 1 January:			
— Settlement	**(6,205)**	**(138)**	**(6,343)**
New financial guarantee contracts entered, net of settlement	**4,526**	**88**	**4,614**
As at 31 December 2022	**4,526**	**88**	**4,614**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

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

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2021	22,382	460	–	22,842
Changes due to financial guarantee contracts recognised as at 1 January:				
— Acquisition of a subsidiary	(1,978)	–	–	(1,978)
— Impairment losses, net of reversal	(20,404)	(460)	–	(20,864)
New financial guarantee contracts entered, net of settlement	40,369	1,614	–	41,983
Acquisition of a subsidiary	(22,314)	–	–	(22,314)
As at 31 December 2021	18,055	1,614	–	19,669
Changes due to financial guarantee contracts recognised as at 1 January:				
— Transfer to lifetime ECL — not credit-impaired	**(326)**	**326**	**–**	**–**
— Impairment losses, net of reversal	**(17,729)**	**(851)**	**–**	**(18,580)**
— Disposal	**–**	**(1,125)**	**–**	**(1,125)**
New financial guarantee contracts entered, net of settlement	**23,415**	**874**	**–**	**24,289**
As at 31 December 2022	**23,415**	**838**	**–**	**24,253**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The movements in the exposure of financial guarantee contracts were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2021	1,757,976	10,531	–	1,768,507
Changes due to financial guarantee contracts recognised as at 1 January:				
— Acquisition of a subsidiary	(229,671)	–	–	(229,671)
— Settlement	(1,528,305)	(10,531)	–	(1,538,836)
New financial guarantee contracts entered	5,309,680	13,561	–	5,323,241
New financial guarantee contracts settled	(2,322,305)	–	–	(2,322,305)
Acquisition of a subsidiary	(1,666,273)	–	–	(1,666,273)
As at 31 December 2021	1,321,102	13,561	–	1,334,663
Changes due to financial guarantee contracts recognised as at 1 January:				
— Transfer to lifetime ECL				
— not credit-impaired	**(32,871)**	**32,871**	**–**	**–**
— Settlement	**(1,288,231)**	**(23,941)**	**–**	**(1,312,172)**
— Disposal	**–**	**(22,491)**	**–**	**(22,491)**
New financial guarantee contracts entered	**2,976,150**	**27,528**	**–**	**3,003,678**
New financial guarantee contracts settled	**(633,701)**	**(7,977)**	**–**	**(641,678)**
As at 31 December 2022	**2,342,449**	**19,551**	**–**	**2,362,000**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group, and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of and financial liabilities.

In addition, the following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross inflows and outflows on those derivative instruments that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of each reporting period and projected exchange rates. The liquidity analysis for the Group's derivative financial instruments is prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average effective interest rate %	On demand/ less than 1 month RMB'000	1 month to 3 months RMB'000	3 months to 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2022							
Non-derivative financial liabilities							
Loans from related parties	6.26	130,693	3,605	247,088	–	381,386	370,052
Borrowings	5.81	1,078,882	543,760	3,055,780	1,907,869	6,586,291	6,240,310
Other payables		282,052	33,044	100,005	–	415,101	415,101
Lease liabilities	5.60	1,656	941	2,684	1,301	6,582	6,374
		1,493,283	581,350	3,405,557	1,909,170	7,389,360	7,031,837
Maximum amount guaranteed (note)		98,156	168,404	2,095,440	–	2,362,000	25,891
Derivatives — gross settlement							
Foreign currency forward contracts							
— inflow		595,481	6,104	446,590	200,757	1,248,932	1,236,590
— outflow		(599,077)	(5,815)	(455,291)	(201,005)	(1,261,188)	(1,248,684)
Interest rate swap contract							
— inflow		1,579	1,466	6,494	646	10,185	9,898
— outflow		(1,272)	(1,147)	(5,197)	(551)	(8,167)	(7,945)
Foreign exchange swap contract							
— inflow		–	–	46,221	–	46,221	45,604
— outflow		–	–	(45,079)	–	(45,079)	(44,774)
		(3,289)	608	(6,262)	(153)	(9,096)	(9,311)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate %	On demand/ less than 1 month RMB'000	1 month to 3 months RMB'000	3 months to 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2021							
Non-derivative financial liabilities							
Loans from related parties	6.20	130,403	4,310	280,787	–	415,500	399,866
Borrowings	4.94	657,149	545,852	1,892,088	966,968	4,062,057	3,941,013
Other payables		115,083	32,791	100,161	1,207	249,242	249,242
Lease liabilities	6.41	1,926	2,110	8,863	5,247	18,146	15,855
		904,561	585,063	2,281,899	973,422	4,744,945	4,605,976
Maximum amount guaranteed (note)		16,465	110,597	1,206,639	962	1,334,663	20,116
Derivatives — gross settlement							
Foreign exchange swap contract							
— inflow		108,054	–	137,927	–	245,981	245,848
— outflow		(112,744)	–	(141,930)	–	(254,674)	(253,269)
Cross currency swap contracts							
— inflow		404	71,808	142,606	–	214,818	214,595
— outflow		(1,049)	(74,973)	(146,310)	–	(222,332)	(220,379)
		(5,335)	(3,165)	(7,707)	–	(16,207)	(13,205)

Note: The maximum amount guaranteed in respect of financial guarantees represents the total amount of liability should all customers default. Since a significant portion of guarantee is expected to expire without being called upon, the maximum liabilities do not represent expected future cash outflows.

The amounts included above for variable interest rate instruments for financial assets and financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Interest rate benchmark reform

As listed in note 32, several of the Group's LIBOR/HIBOR bank loans have been subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

LIBOR

As at 31 December 2022, all LIBOR settings have been either ceased to be provided by any administrator or no longer be representative, except for US dollar settings (other than the 1-week and 2-month settings) which will be ceased immediately after 30 June 2023.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. The Group's bank loans/others (to specify) linked to HIBOR will continue till maturity and hence, not subject to transition.

(i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBORs, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Interest rate benchmark reform *(Continued)*

(i) Risks arising from the interest rate benchmark reform *(Continued)*

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

Litigation risk

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

(ii) Progress towards implementation of alternative benchmark interest rates

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Interest rate benchmark reform *(Continued)*

(ii) ***Progress towards implementation of alternative benchmark interest rates*** *(Continued)*

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates. The amounts of financial assets and liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

As at 31 December 2022

	Maturing in	Carrying amounts/ notional amounts RMB'000	Transition progress for financial instruments
Non-derivative financial liabilities			
Bank loans linked to US$ LIBOR	**2023**	**68,389**	LIBOR will continue till maturity
Bank loans linked to HIBOR	**2023**	**743,596**	HIBOR will continue till maturity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Interest rate benchmark reform *(Continued)*

(ii) Progress towards implementation of alternative benchmark interest rates *(Continued)*

As at 31 December 2021

	Maturing in	Carrying amounts/ notional amounts RMB'000	Transition progress for financial instruments
Non-derivative financial liabilities			
Bank loans linked to US$ LIBOR	2022	114,802	LIBOR will continue till maturity
Bank loans linked to HIBOR	2022	225,294	HIBOR will continue till maturity
Bank loans linked to HIBOR	2023	527,341	HIBOR will continue till maturity
Derivatives			
Cross currency swap contracts — Receive 6-month US$ LIBOR, pay RMB fixed interest rate swaps	2022	119,053	LIBOR will continue till maturity
Cross currency swap contracts — Receive 3-month US$ LIBOR, pay RMB fixed interest rate swaps	2022	97,170	LIBOR will continue till maturity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

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

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

Set out below is the information about how the fair values of the Group's financial instruments that are measured at fair value are determined, including the valuation techniques and inputs used:

Fair value hierarchy as at 31/12/2022

	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:			
Derivative financial instruments	**5,649**	**–**	**5,649**
Other financial assets at FVTPL	**194,634**	**214,509**	**409,143**
Supply chain assets at FVTOCI	**–**	**8,422,078**	**8,422,078**
Equity instruments at FVTOCI	**200**	**53,429**	**53,629**
	200,483	**8,690,016**	**8,890,499**
Financial liabilities:			
Derivative financial instruments	**14,960**	**–**	**14,960**

Fair value hierarchy as at 31/12/2021

	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:			
Other financial assets at FVTPL	173,924	109,474	283,398
Supply chain assets at FVTOCI	–	6,678,376	6,678,376
	173,924	6,787,850	6,961,774
Financial liabilities:			
Derivative financial instruments	13,205	–	13,205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments *(Continued)*

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

Financial assets/liabilities	Fair value 2022 RMB'000	Fair value 2021 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Foreign currency forward contracts	**Assets – 2,866** **Liabilities – 14,960**	Assets – – Liabilities – –	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
Interest rate swap contracts	**Assets – 1,953**	Assets – –	Level 2	Discounted cash flow. Future cash flows are estimated based on spot exchange rates (from observable spot exchange rates at the end of the reporting period) and forward interest rates (from observable yield curves at the end of the reporting period), discounted at a rate that reflects the credit risk of various counterparty.	N/A
Foreign exchange swap contracts	**Assets – 830** **Liabilities – –**	Assets – – Liabilities – 7,421	Level 2	Discounted cash flow. Future cash flows are estimated based on spot exchange rates (from observable spot exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
Cross currency swap contracts	**Liabilities – –**	Liabilities – 5,784	Level 2	Discounted cash flow. Future cash flows are estimated based on spot exchange rates (from observable spot exchange rates at the end of the reporting period) and contracted forward rates, as well as forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
Equity instruments at FVTOCI	**Assets – 200**	Assets – –	Level 2	Recent transaction price	N/A
	Assets – 53,429	Assets – –	Level 3	Market Approach Market Cap/Book value multiple	The higher implied multiple, the higher fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments *(Continued)*

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

Financial assets/liabilities	Fair value 2022 RMB'000	Fair value 2021 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Other financial assets at FVTPL — structured deposit	**Assets – 164,634**	Assets – 108,374	Level 2	Discounted cash flow. Future cash flows are estimated based on exchange rates (from observable exchange rates at the end of the reporting period).	N/A
Other financial assets at FVTPL — unlisted equity investments	**Assets – 30,000**	Assets – 65,550	Level 2	Recent transaction price	N/A
	Assets – 65,550	Assets – –	Level 3	Discounted cash flow. Discount rate and cash flows are key inputs	The higher cash flows, the higher fair value.
Other financial assets at FVTPL — equity tranche	**Assets – 146,730**	Assets – 107,545	Level 3	Discounted cash flow. Risk-adjusted discount rate cash flows are key inputs	The higher discount rate, the lower fair value The higher cash flows, the higher fair value.
Other financial assets at FVTPL — trust fund	**Assets – 2,229**	Assets – 1,929	Level 3	Discounted cash flow. Risk-adjusted discount rate and cash flow are key inputs	The higher discount rate, the lower fair value
Supply chain assets at FVTOCI	**Assets – 8,422,078**	Assets – 6,678,376	Level 3	Discounted cash flow. Risk-adjusted discount rate and cash flow are key inputs	Discount rate (note)

Note: As at 31 December 2022, the discount rate of the supply chain assets range mainly from 4.00% to 15.00% (31 December 2021:3.00% to 16.00%). A 1% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of supply chain assets at FVTOCI by RMB24,736,000/RMB24,387,000 (31 December 2021: RMB19,694,000/RMB19,665,000).

Fair value of financial instruments that are recorded at amortised cost

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments *(Continued)*

Reconciliation of Level 3 fair value measurements of financial assets

	Other financial assets at FVTPL RMB'000	Equity instruments at FVTOCI RMB'000	Supply chain assets at FVTOCI RMB'000
At 1 January 2021	103,136	–	3,804,200
Purchases	124,412	–	11,980,524
Acquired on acquisition of a subsidiary	–	–	2,343,821
Settlements	(145,794)	–	(11,422,220)
Disposal	–	–	(17,970)
Fair value changes through OCI, net of reclassification adjustment to profit or loss (note)	–	–	(9,979)
Fair value changes through profit or loss	27,720	–	–
At 31 December 2021	109,474	–	6,678,376
Transfer into level 3	**65,550**	**–**	**–**
Purchases	**97,473**	**40,594**	**15,766,663**
Settlements	**(90,263)**	**–**	**(13,853,842)**
Disposal	**–**	**–**	**(146,933)**
Fair value changes through OCI, net of reclassification adjustment to profit or loss (note)	**–**	**12,835**	**(22,186)**
Fair value changes through profit or loss	**32,275**	**–**	**–**
At 31 December 2022	**214,509**	**53,429**	**8,422,078**

Note: Details of the amount recognised in OCI to profit and loss in relation to supply chain assets at FVTOCI derecognised during the year are set out in note 12(b).

All gains and losses included in OCI relate to supply chain assets at FVTOCI are reported as changes of FVTOCI reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

40. FINANCIAL INSTRUMENTS *(Continued)*

(d) Transfers of financial assets

The following were the Group's supply chain assets that were transferred to banks, non-bank financial institutions and companies by discounting those supply chain assets on a full recourse basis or with repurchase obligation. As the Group has not transferred the substantially all risks and rewards relating to these supply chain assets, it continues to recognise the full carrying amount of the supply chain assets and has recognised the cash received on the transfer as borrowings (note 32).

	Supply chain assets	
	31/12/2022 RMB'000	31/12/2021 RMB'000
Carrying amount of transferred assets	**3,452,116**	2,160,802
Carrying amount of associated liabilities	**3,590,557**	2,118,752
Net position	**(138,441)**	42,050

41. PARTICULARS OF SUBSIDIARIES

General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place and date of incorporation/ establishment/ operations	Particulars of issued/registered capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December 2022	2021	Principal activity
Directly owned					
Sheng Ye International Capital Limited (盛業國際資本有限公司)	British Virgin Islands ("BVI") 24 September 2013	US$100,000,000	**100%**	100%	Investment holding
Ever Giant Global Limited (永巨環球有限公司)	BVI 20 January 2016	US$1	**100%**	100%	Investment holding
Talent Group Global Limited (智連環球有限公司)	BVI 1 November 2016	US$2	**100%**	100%	Investment holding
Indirectly owned					
Sheng Ye Global Limited (盛業環球有限公司)	Hong Kong 9 October 2013	HK$1	**100%**	100%	Investment holding
Nice Day Corporation Limited (麗日有限公司)	Hong Kong 1 December 2015	HK$1	**100%**	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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41. PARTICULARS OF SUBSIDIARIES *(Continued)*

General information of subsidiaries *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment/ operations	Particulars of issued/registered capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December 2022	2021	Principal activity
Sheng Ye International Supply Chain Finance Limited (盛業國際供應鏈金融有限公司)	Hong Kong 30 October 2018	HK$1	**100%**	100%	Investment holding
Sheng Ye Overseas Finance Limited (盛業海外金融有限公司)	BVI 9 August 2018	US$1	**100%**	100%	Investment holding
Alpha-10 SY (2019-01) Limited	Hong Kong 3 September 2019	HK$1	**100%**	100%	Investment holding
SY International Capital Pte. Ltd	Singapore 2 December 2019	S$1	**100%**	100%	Provision of supply chain finance management service
Vast Talent International Limited (博智國際有限公司)	BVI 8 October 2020	US$1	**100%**	100%	Investment holding
Robust Elite Holdings Limited (盛萃控股有限公司)	BVI 12 November 2020	US$1	**100%**	100%	Investment holding
Fully Mark Investment Limited (誌業投資有限公司)	Hong Kong 5 November 2020	HK$1	**100%**	100%	Investment holding
Wisemax Enterprise Limited (盛智企業有限公司)	Hong Kong 5 November 2020	HK$1	**100%**	100%	Investment holding
SY Factoring Limited* (盛業商業保理有限公司#)	PRC 26 December 2013	RMB1,670,000,000	**100%**	100%	Provision of supply chain service
Sheng Ye (Shenzhen) Factoring Limited (盛業(深圳)商業保理有限公司#)	PRC 21 March 2016	RMB85,000,000	**100%**	51%	Provision of supply chain service
Tianjin Sheng Zhuo Enterprise Management Consulting Co., Ltd (天津盛卓企業管理咨詢有限公司#)	PRC 30 March 2017	RMB50,000,000	**51%**	51%	Provision of service
Khorgos Yong Zhuo Factoring Limited (霍爾果斯永卓商業保理有限公司#)	PRC 7 March 2018	RMB50,000,000	**100%**	100%	Provision of supply chain service

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

41. PARTICULARS OF SUBSIDIARIES *(Continued)*

General information of subsidiaries *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment/ operations	Particulars of issued/registered capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December 2022	2021	Principal activity
Sheng Ye Information Technology Service (Shenzhen) Co., Limited* (盛業信息科技服務(深圳)有限公司#)	PRC 11 March 2016	RMB300,000,000	**100%**	100%	Provision of IT service
Tianjin Sheng Ye (Group) Limited* (天津盛業(集團)有限公司#)	PRC 2 November 2017	RMB2,122,400,000	**100%**	100%	Provision of management service
Sheng Long Information Technology Service (Ningbo) Co., Limited (盛隆信息科技服務(寧波)有限公司#)	PRC 9 July 2019	RMB70,000,000	**83%**	60%	Provision of IT service
Sheng Ye Financing Guarantee Limited* (盛業融資擔保有限公司#)	PRC 14 August 2020	RMB300,000,000	**100%**	100%	Provision of guarantee service
Sheng Ye (Shenzhen) Digital Technology Co., Ltd (盛業(深圳)數字科技有限公司#) ("SYDT")	PRC 16 March 2020	RMB1,000,000	**N/A (note)**	N/A (note)	Provision of IT service
Qixi Information Technology Service (Shanghai) Co., Limited (企熙信息科技服務(上海)有限公司#)	PRC 5 November 2020	RMB220,000,000	**100%**	100%	Provision of IT service
Tianjin Sheng Ye Investment Limited* (天津盛業投資有限公司#)	PRC 18 May 2021	RMB75,000,000	**100%**	100%	Provision of investment service
WXGJ* (note 43)	PRC 12 June 2018	RMB300,000,000	**80%**	80%	Provision of supply chain service
Sheng Ye Digital Technology (Wuxi) Co., Ltd* (盛業數字科技(無錫)有限公司#)	PRC 11 October 2021	US$160,000,000	**100%**	100%	Provision of IT service
SY Prosper Limited	BVI 5 July 2021	US$1	**100%**	N/A	Investment holding
Max Lead Holdings Limited (領盛控股有限公司)	BVI 8 September 2022	US$1	**100%**	N/A	Investment holding
Sunful International Limited (曉盛國際有限公司)	Hong Kong 1 June 2022	HK$1	**100%**	N/A	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

41. PARTICULARS OF SUBSIDIARIES *(Continued)*

General information of subsidiaries *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment/ operations	Particulars of issued/registered capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December		Principal activity
			2022	2021	
Trade Nice Limited (麗貿有限公司) ("TNL") (note 42)	Hong Kong 22 March 2013	HK$22,400,000	**100%**	N/A	Lease and business services
Qingdao SY Sunful Supply Chain Management Limited* ("Qingdao Sunful") (青島盛業曉盛供應鏈管理有限公司#)	PRC 14 November 2022	RMB140,000,000	**100%**	N/A	Provision of supply chain service
Tianjin Xiangsheng Supply Chain Management Limited* (天津象盛供應鏈管理有限公司#)	PRC 6 December 2022	RMB130,000,000	**100%**	N/A	Provision of supply chain service

English translated name is for identification purpose only.

* The entities are wholly foreign owned enterprise established in the PRC.

Note: In August 2020, an indirect wholly-owned subsidiary of the Company acquired 100% equity interest of SYDT at nil consideration through a series of contractual arrangements which are designed to provide the Company with the right and power to control over and the right to enjoy the economic benefits generated by SYDT. The assets and liabilities of SYDT at acquisition date is insignificant.

All subsidiaries now comprising the Group are limited liability companies and have adopted 31 December as their financial year end date.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

41. PARTICULARS OF SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		31/12/2022	31/12/2021	**31/12/2022 RMB'000**	31/12/2021 RMB'000	**31/12/2022 RMB'000**	31/12/2021 RMB'000
WXGJ (note 43)	PRC	**20%**	20%	**12,433**	802	**113,611**	101,687
Individually immaterial subsidiaries with non-controlling interests				**11,776**	9,628	**93,886**	81,062
						207,497	182,749

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

WXGJ

	31/12/2022 RMB'000
Current assets	**4,018,058**
Non-current assets	**302,459**
Current liabilities	**(3,052,570)**
Non-current liabilities	**(699,892)**
Equity attributable to owners of the Company	**424,053**
Non-controlling interests of owner of WXGJ	**30,391**
Non-controlling interests of WXGJ	**113,611**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

41. PARTICULARS OF SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

WXGJ *(Continued)*

	2022 RMB'000
Revenue	217,395
Expenses and other gains and losses	(155,228)
Profit for the year	62,167
Attributable to:	
— Owners of the Company	37,549
— Non-controlling interests of owner of WXGJ	12,185
— Non-controlling interests of WXGJ	12,433
	62,167

	2022 RMB'000
OCI attributable to owners of the Company	(1,539)
OCI attributable to non-controlling interests of owner of WXGJ	(499)
OCI attributable to non-controlling interests of WXGJ	(509)
OCI for the year	(2,547)
Total comprehensive income attributable to owners of the Company	36,010
Total comprehensive income attributable to non-controlling interests of owner of WXGJ	11,686
Total comprehensive income attributable to non-controlling interests of WXGJ	11,924
Total comprehensive income for the year	59,620

	31/12/2022 RMB'000
Net cash outflow from operating activities	(482,383)
Net cash inflow from investing activities	47,565
Net cash inflow from financing activities	262,316
Net cash outflow	(172,502)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

42. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

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

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

Assets and liabilities recognised at the date of acquisition

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

Consideration satisfied by

	RMB'000
Cash consideration paid	32,497

Net cash outflow on acquisition of TNL

	RMB'000
Cash consideration paid	32,497
Less: cash and cash equivalents acquired	(262)
	32,235

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

43. ACQUISITION OF A SUBSIDIARY

The Group held 40% equity interest in WXGJ as an associate before 6 December 2021. On 6 December 2021, the Group acquired 40% additional interest in WXGJ for a consideration of RMB360,000,000. The acquisition has been accounted for as acquisition of business using the acquisition method. WXGJ is principally engaged in the digital financing solutions services and was acquired with the objective of enhancing the Group's financial performance.

Consideration transferred

	RMB'000
Cash	360,000

Acquisition-related costs have been excluded from the consideration transferred and have been recognised as an expense in year 2021, in the consolidated statement of profit or loss.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Equipment	429
Right-of-use assets	2,274
Intangible assets	113,041
Deferred tax assets	6,225
Supply chain assets at FVTOCI	2,343,821
Other receivables, prepayments and others	730
Bank balances	347,491
Other payables and accrued charges	(105,610)
Derivative financial instruments	(5,632)
Income tax payable	(4,202)
Loans from related parties	(535,518)
Borrowings	(1,655,841)
Lease liabilities	(2,243)
	504,965

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

43. ACQUISITION OF A SUBSIDIARY *(Continued)*

Non-controlling interest

The non-controlling interest (20%) in WXGJ recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of WXGJ and amounted to RMB100,993,000.

Goodwill arising on acquisition:	
Cash consideration transferred	360,000
Fair value of previously equity interest held as interest in WXGJ	360,000
Plus: non-controlling interests (20% in WXGJ)	100,993
Less: fair value of net identifiable assets acquired	(504,965)
Goodwill arising on acquisition	316,028

Goodwill arose on the acquisition of WXGJ because the cost of the combination included a control premium. In addition, the goodwill included amounts in relation to expected future development of industrial technology segment, continuous support from state-owned shareholder and enhance the Group's financial performance. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of WXGJ:	
Cash consideration paid	360,000
Less: cash and cash equivalents balances acquired	(347,491)
	12,509

Fair value of equity interest previously held in WXGJ as at acquisition date

The fair value of WXGJ, an unlisted company, was estimated by an independent and professionally qualified valuer using present value techniques. The fair value is determined using income approach based on expected cash flows generated by WXGJ.

As at 6 December 2021, the fair value of previously equity interest in WXGJ held as interest in an associate was RMB360,000,000, while the book value of previously equity interest in WXGJ held as interest in an associate was RMB156,786,000, the difference of RMB203,214,000 had been recognised as a gain on remeasurement of previously held interest in an associate becoming a subsidiary and included in the "other gain and losses" line item in the consolidated statement of profit or loss. The amount of RMB1,538,000 was previously recognised in OCI, and was reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

43. ACQUISITION OF A SUBSIDIARY *(Continued)*

Impact of acquisition on the results of the Group

Included in the profit for year 2021 is RMB2,954,000 attributable to the additional business generated by WXGJ. Revenue for year 2021 includes RMB11,306,000 generated from WXGJ.

Had the acquisition been completed on 1 January 2021, revenue and income for year 2021 of the Group would have been RMB629,944,000, and profit for year 2021 of the Group would have been RMB474,683,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had WXGJ been acquired at the beginning of year 2021, the directors of the Company calculated depreciation of property, plant and equipment based on the recognised amounts of equipment at the date of the acquisition.

44. DEREGISTRATION OF SUBSIDIARIES

In January 2021, May 2021 and July 2021, the Group de-registered its investment in Tianjin Sheng Peng Enterprise Management Consulting Co., Ltd ("SP"), Tianjin Zhuguang Shengye Enterprise Management Consulting Co., Ltd ("ZGSY") and Yi Lian Shu Ke (Shenzhen) Co., Limited ("YLSK"), subsidiaries of the Company. There were no profit or loss and cash flows of SP, ZGSY and YLSK recognised on the consolidated financial statements for the reporting period.

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

	2021 RMB'000
Cash and cash equivalents	100,040
Net assets upon deregistration of subsidiaries	100,040
Loss on deregistration of subsidiaries:	
Cash distributed to the Group received	75,540
Net assets upon deregistration of subsidiaries	(100,040)
Non-controlling interests	23,020
Loss on deregistration of subsidiaries	(1,480)
Net cash outflow arising on deregistration:	
Cash distributed to the Group	75,540
Less: Cash and cash equivalents upon deregistration of subsidiaries	(100,040)
	(24,500)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings RMB'000	Interest on bank overdraft RMB'000	Lease liabilities RMB'000	Loans from related parties RMB'000	Dividend payable RMB'000	Total RMB'000
As at 1 January 2021	1,475,913	–	25,250	–	6,533	1,507,696
Financing cash flows	692,420	(79)	(13,372)	(146,632)	(70,540)	461,797
Dividends declared	–	–	–	–	65,540	65,540
New leases entered/lease modified	–	–	404	–	–	404
Acquired on acquisition of a subsidiary	1,655,841	–	2,243	535,518	–	2,193,602
Finance costs	116,839	79	1,330	10,980	–	129,228
At 31 December 2021	**3,941,013**	**–**	**15,855**	**399,866**	**1,533**	**4,358,267**
Financing cash flows	**1,548,116**	**–**	**(13,581)**	**(64,734)**	**(74,480)**	**1,395,321**
Dividends declared	**–**	**–**	**–**	**–**	**74,622**	**74,622**
New leases entered/lease modified	**–**	**–**	**3,378**	**–**	**–**	**3,378**
Non-cash transactions	**510,475**	**–**	**–**	**–**	**–**	**510,475**
Interest expenses	**240,706**	**–**	**722**	**34,920**	**–**	**276,348**
At 31 December 2022	**6,240,310**	**–**	**6,374**	**370,052**	**1,675**	**6,618,411**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31/12/2022 RMB'000	31/12/2021 RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**881,943**	873,525
Loan to a subsidiary	**133,148**	–
Amounts due from a subsidiary	**1,021,666**	1,066,655
	2,036,757	1,940,180
CURRENT ASSETS		
Loans to subsidiaries	**527,721**	502,482
Other receivables, prepayments and others	**123**	263
Amounts due from subsidiaries	**46,450**	6,695
Cash and cash equivalents	**7,352**	2,761
Pledged bank deposits	**26,918**	20,503
	608,564	532,704
CURRENT LIABILITIES		
Borrowings	**91,617**	72,901
Trade and other payables	**2,676**	2,508
Derivative financial instruments	**29**	–
	94,322	75,409
NET CURRENT ASSETS	**514,242**	457,295
NON-CURRENT LIABILITIES		
Borrowings	**181,705**	–
Derivative financial instruments	**680**	–
	182,385	–
NET ASSETS	**2,368,614**	2,397,475
CAPITAL AND RESERVES		
Share capital	**8,717**	8,687
Reserves	**2,359,897**	2,388,788
TOTAL EQUITY	**2,368,614**	2,397,475

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Movement in reserves

	Share premium RMB'000	Share held for RSU Scheme RMB'000	Share-based payments reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2021	1,886,952	–	21,466	30,174	1,938,592
Profit for the year	–	–	–	11,070	11,070
Issue of new shares from placing	459,161	–	–	–	459,161
Transaction costs attributable to issue of new shares from placing	(3,260)	–	–	–	(3,260)
Recognition of equity-settled share-based payments	–	–	12,882	–	12,882
Dividends recognised as distribution	(49,146)	–	–	–	(49,146)
Exercise of share options	26,140	–	(6,651)	–	19,489
Lapse of share options	–	–	(316)	316	–
At 31 December 2021	**2,319,847**	**–**	**27,381**	**41,560**	**2,388,788**
Profit for the year	**–**	**–**	**–**	**56,306**	**56,306**
Purchase of shares under RSU Scheme	**–**	**(39,311)**	**–**	**–**	**(39,311)**
Recognition of equity-settled share-based payments	**–**	**–**	**5,968**	**–**	**5,968**
Dividends recognised as distribution	**(64,712)**	**–**	**–**	**–**	**(64,712)**
Exercise of share options	**17,207**	**–**	**(4,349)**	**–**	**12,858**
Lapse of share options	**–**	**–**	**(3,067)**	**3,067**	**–**
At 31 December 2022	**2,272,342**	**(39,311)**	**25,933**	**100,933**	**2,359,897**

47. EVENT AFTER THE REPORTING PERIOD

On 12 January 2023, the Group, Xiamen Xiangyu Jinxiang Holdings Group Limited 廈門象嶼金象控股集團有限公司 ("XYJX") and Xiamen Xiangyu Group Limited 廈門象嶼集團有限公司 ("XMXYG") (XYJK and XMXYG are collectively referred to as "Xiangyu Group") entered into a financial assistance agreement with XMXS.

Pursuant to the financial assistance agreement, Xiangyu Group agreed to provide guarantees as security for the debt financing of XMXS ("Controlling Shareholder Guarantees") and/or provide shareholder loans to XMXS ("Controlling Shareholder Loans"). The Group will, in proportion to its shareholding interest in XMXS, (i) provide counter guarantees to Xiangyu Group in respect of the Controlling Shareholder Guarantees; and/or (ii) provide joint and several guarantees to Xiangyu Group in respect of the Controlling Shareholder Loans. The aggregated maximum amount of the financial assistance shall not exceed RMB1.29 billion.

On 23 February 2023, Qingdao Sunful, an indirect wholly owned subsidiary of the Company, and Qingdao Ocean Holdings Investment Holdings Limited 青島海控投資控股有限公司 ("Ocean Holdings Investment") entered into a share transfer agreement, pursuant to which Ocean Holdings Investment transferred 40% of its equity interest in Qingdao Ocean Holdings Factoring Limited 青島海控商業保理有限公司 ("Ocean Holdings Factoring") to Qingdao Sunful with consideration of RMB139,620,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

47. EVENT AFTER THE REPORTING PERIOD *(Continued)*

On 1 March 2023, the Group and Qingdao West Coast New Area Ocean Holdings Group Limited 青島西海岸新區海洋控股集團有限公司 ("Ocean Holdings") entered into an financial assistance agreement.

Pursuant to the financial assistance agreement, Ocean Holdings agreed to provide guarantees as security for the debt financing of Ocean Holdings Factoring ("Controlling Shareholder Guarantees") and/or provide shareholder loans to Ocean Holdings Factoring ("Controlling Shareholder Loans"). The Group will, in proportion to its shareholding interest in Ocean Holdings Factoring, (i) provide counter guarantees to Ocean Holdings in respect of the Controlling Shareholder Guarantees; and/or (ii) provide joint and several guarantees to Ocean Holdings in respect of the Controlling Shareholder Loans. The aggregated maximum daily average balance of the financial assistance shall not exceed RMB400 million.

In January 2023, the Company repurchased 4,061,000 of its own shares from the market which were subsequently cancelled on 21 February 2023. The shares were acquired at prices ranging from HK$5.96 to HK$6.14.

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Lo Wai Hung

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Wang Zheng

AUTHORISED REPRESENTATIVES

Mr. Tung Chi Fung
Mr. Wang Zheng

REGISTERED OFFICE

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HONG KONG SHARE REGISTRAR AN TRANSFER OFFICE

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COMPANY'S WEBSITE ADDRESS

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STOCK CODE

6069

* Please refer to pages 34, 36 and 37 of the Report for details.