

Revenue	450,421	345,896	157,317	112,791
Gain on sales of factoring assets	156,242	124,548	57,967	5,876
Subtotal	606,663	470,444	215,284	118,667
Profit before tax	362,492	295,654	133,016	68,172
Profit for the year	295,125	211,874	88,807	48,008
Earnings per share				
– Basic (RMB cents)	32	26	14	9
– Diluted (RMB cents)	32	26	14	N/A

[illegible]

[illegible]

Mr. [illegible]ung Chi Fung (Chairman)
Mr. Chen, Jen-Tse

[illegible]

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

[illegible]

Mr. [illegible], aged 48, was appointed as an Independent Non-executive Director in June 2017. He is the chairman of the Remuneration Committee and a member of the Audit Committee. From November 2007 to August 2014, he had served as an independent director and the chairman of the audit committee for Indiabulls Property Investment Trust, a company listed on the Singapore Exchange in Singapore. Since February 2014, he has served as a director of Seri Venture Capital Management Sdn Bhd in Brunei. From March 2016 to March 2017, he was the Chief Executive Officer and the managing director of Darussalam Enterprise in Brunei.

Mr. Loo has extensive teaching experience in universities and has taken advisory roles in various organisations. Since 2008, he has served as an adjunct faculty and visiting professor in entrepreneurship and new venture creation in universities across Singapore and Brunei. From March 2016 to December 2017, he was a state representative of Brunei in the APEC Business Advisory Council. From March 2017 to April 2019, he was the chief executive officer of the Brunei Economic Development Board.

Mr. [illegible], aged 32, was appointed as an Independent Non-executive Director in June 2017. He is a member of each of the Audit Committee and the Nomination Committee. Mr. Twoon's experiences include financial services, corporate finance, private equity and financial technology. He was a management associate at Citibank N.A. (Singapore) from July 2013 to September 2014, where he was responsible for the Citi-AIA Joint Venture and the implementation of productivity plans in the APAC region. From September 2014 to April 2015, Mr. Twoon worked as a Business Development (M&A) Executive in Pavilion Energy Management Pte Ltd., in Singapore, where he was responsible for the evaluation and management of investments in the oil and gas industry in various countries, formulating investment strategies and identifying potential acquisition targets. Mr. Twoon is currently the co-founder and the Chief Operating Officer of a licensed regional Fintech platform, Fundnel Pte Limited, since July 2015, and he is responsible for investments, business development and overseeing the operations of the company in 6 markets. Mr. Twoon is also a non-executive director of Anthill Capital Pte Ltd since May 2016, a regional investment and incubation platform, where he is

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

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

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

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

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

Despite the economic overhang brought about by the pandemic, the three core sectors in which the Group focuses on,

Administrative and other expenses mainly comprise staff costs, R&D costs, depreciation of right-of-use assets and amortisation of intangible assets. Administrative and other expenses recognised in profit or loss in the year of 2020 was RMB189.7 million, an increase of 18.4% year-on-year mainly due to the increase in staff costs and R&D costs as a result of business expansion. R&D costs

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

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

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

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

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

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

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

In April and December 2020, the Group de-registered its investment in Sheng Nuo Factoring Limited* (8 U 8 - # Þ " ® !, “ ”) and Sheng Ye Capital (2018-01) Limited (“ ”), subsidiaries of the Company. There were no profit or loss and cash flows of SNF and SYC 2018 recognised on the consolidated financial statements for the year ended 31 December 2020.

In April 2020, the Group disposed of its 20% investment in Shenzhen Sheng Ye Non-Financing Guarantee Limited* (- 9 8 8 ¢ D Ì Ä - Þ " ª , ® !), an associate of the Group, to an independent third party at cash consideration of RMB6,203,000, which resulted in the Group recognising a loss of RMB48,000 in profit or loss.

In April 2020, the Group and Wuxi Tonghui Investment Co., Ltd* (Ì | · Ò ³ Þ " ® !, “ ”, a subsidiary wholly owned by Wuxi Communications Industry Group Co., Ltd*, Ì | 9 t · * 8 « Þ " ® ! , “ ”) injected additional RMB200 million capital to Wuxi Guojin Factoring Limited* (Ì | 7 – 8 - # Þ " ® !, “ ”) in proportion to the shareholding interest of Wuxi Tonghui and the Group in Wuxi Guojin in which the Group contributed capital injection in amount of RMB80 million. The Group and Wuxi Communications (our regional leading core enterprise partner engaged in development and operation of infrastructure and transportation projects) established Wuxi Guojin in 2018 to jointly explore the supply chain finance opportunities in the infrastructure and transportation industry,.

As part of the Group’s strategy investment to partner with more core enterprises, Wuxi Guojin has recorded significant growth in both operational and financial performance since its establishment under continuous support from shareholders and is one of the leading commercial factoring companies with the largest amount of paid up capital in the region. By the end of 2020, Wuxi Guojin deployed a total of

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

As at 31 December 2020, the Group had a total of 287 staffs (31 December 2019: 199 staffs). Total staff costs (including Directors' emoluments) were approximately RMB123.4 million (for the year ended 31 December 2019: RMB92.4 million) including total share option benefits for employees were RMB5.5 million for the year ended 31 December 2020 (for the year ended 31 December 2019: RMB10.0 million). Remuneration is determined by reference to market conditions and the performance, qualifications and experience of individual employees. Year-end bonuses are based on individual performance and are paid to employees as recognition of and reward for their contributions. Other benefits include contributions to the statutory mandatory provident fund scheme and social insurance together with housing provident funds for employees in Hong Kong and the PRC, respectively.

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

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

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

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

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

The Board of directors of the Company (the "Board") understands that sound corporate governance practices is fundamental to maintaining and promoting the confidence of shareholders. Throughout the financial year ended 31 December 2020, the Group had complied with the code provisions in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

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

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.

As at 31 December 2020 and up to the date of this report, the Board comprises of two Executive Directors and four Independent Non-executive Directors ("[illegible]"), details are as follows:

[illegible]

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

[illegible]

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

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

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

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

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

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

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

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

Mr. Tung Chi Fung (Chairman)	13/13
Mr. Chen Jen-Tse	13/13
Mr. Hung Ka Hai Clement	13/13
Mr. Loo Yau Soon	13/13
Mr. Twoon Wai Mun, Benjamin	13/13
Mr. Fong Heng Boo	13/13

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 " ") 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 ved by

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

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

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

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

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

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

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

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

According to the Code Provision A.2.1 of the CG Code, the roles of the Chairman and the Chief Executive Officer (the " ") should be separate and performed by different individuals to ensure a balance of power and authority so that power is not concentrated in any one individual. Mr. Tung was the chairman of the Board throughout the year ended 31 December 2020. During the year ended

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

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

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

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

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

Mr. Loo Yau Soon

During the year ended 31 December 2020, one meeting has been held by the Nomination Committee to review the structure, size and composition of the Board, to assess the independence of the Independent Non-executive Directors to determine their eligibility and review the diversity policy of the Board.

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

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

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

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;

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.

Shareholders can direct their questions to Tricor Investor Services Limited, the Company's branch registrar and transfer office in Hong Kong, about their shareholdings.

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

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.

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

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

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

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

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

[illegible]

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

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

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

The Board, through the Audit Committee, reviews the risk management and internal controls annually. The Audit Committee has conducted a review of, and is satisfied with the effectiveness and adequacy of the risk management and internal control systems for the year ended 31 December 2020.

[illegible]

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.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the "Financial Statements").

PRINCIPAL ACTIVITY

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

FINANCIAL SUMMARY

A summary of the Group's financial performance for the last five financial years are set out on page 2 of this annual report. This summary does not form part of the audited consolidated financial statements.

RESULTS

MAJOR CUSTOMERS AND SUPPLIERS

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

Revenue

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

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

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

USE OF PROCEEDS

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

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

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

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.

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.

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

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

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

The Group's external charitable donations for the year amounted to RMB1.1 million (2019: RMB2.0 million).

As at 31 December 2020, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to provisions set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Mr. Tung Chi Fung ("[illegible]") *(Note 1)*	Beneficiary of a trust and settlor of a discretionary trust	555,500,000 (L) *(Note 2)*	59.31%
	Share option	3,000,000 *(Note 3)*	0.32%
Mr. Chen Jen-Tse	Beneficial owner	50,000 (L) *(Note 2)*	0.01%
	Share option	3,400,000 *(Note 3)*	0.36%
Mr. Hung Ka Hai Clement	Share option	500,000 *(Note 3)*	0.05%
Mr. Loo Yau Soon	Share option	500,000 *(Note 3)*	0.05%
Mr. Twoon Wai Mun, Benjamin	Share option	500,000 *(Note 3)*	0.05%
Mr. Fong Heng Boo	Share option	300,000 *(Note 3)*	0.03%

Notes:

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

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

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

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

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

[illegible]

As at 31 December 2020, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

[illegible]	[illegible]	[illegible]	[illegible]
TMF Trust *(Note 2)*	Trustee	555,500,000 (L)	59.31%
Eander *(Note 2)*	Interest in a controlled corporation	555,500,000 (L)	59.31%
Wisdom Cosmos *(Note 2)*	Beneficial owner	555,500,000 (L)	59.31%

Notes:

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

The Share Option Scheme enables the Company to grant options to subscribe for Shares granted pursuant to the Share Option Scheme (the "") 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 ("") as incentives or rewards for their contributions to the Group.

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.

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

The total number of Shares issued and to be issued upon exercise of the Options granted to an Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant (the "[illegible]") 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 ("[illegible]") (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 "[illegible]") 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.

[illegible]

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 ("[illegible]"); (ii) the average closing price of the Shares as stated in the Stock hangei.2 ( )0.9r.2 ( ) saily 4.2 ( )0.5 (suotations 4.2 (

(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.

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

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

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

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

The grant of granted options to the above Director has been approved by the INEDs pursuant to the Listing Rules. Save as disclosed above, none of the other grantees is a Director, chief executive or substantial shareholder (as defined under the Listing Rules) of the sC the Listing R

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



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

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

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

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.

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

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

A [illegible]

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

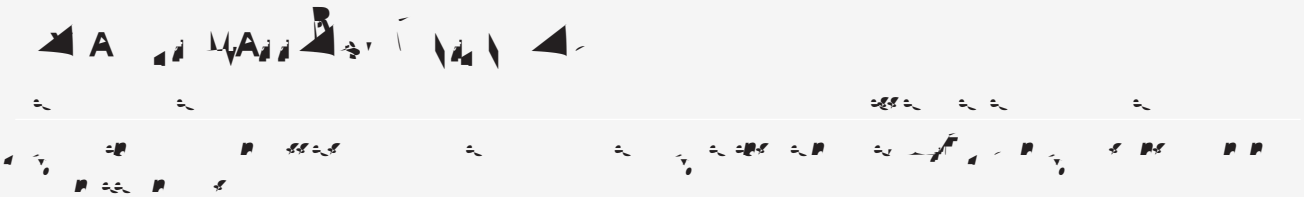
By order of the Board of

[illegible]

Chairman

Hong Kong, 18 March 2021

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

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

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

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

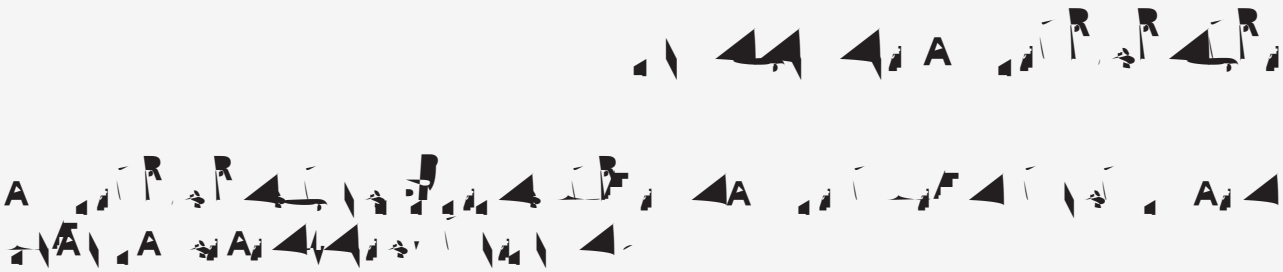
Our procedures in relation to the impairment of factoring assets at FVTOCI and provisions for financial guarantee contracts included:

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

[illegible]

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

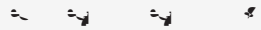
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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



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

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

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



Certified Public Accountants
Hong Kong

18 March 2021

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	[redacted]
Revenue	6	
Interest income from factoring service		429,214

	NOTES	[redacted]	2019 RMB'000
[redacted]	12(b)		
Items that may be reclassified subsequently to profit or loss:			
Fair value change, net of ECL and reclassification of fair value through other comprehensive income ("FVTOCI") reserves upon derecognition, on:	12(c)		
– factoring assets at FVTOCI			4,582
Income tax relating to items that may be reclassified subsequently			(984)
Share of other comprehensive income ("OCI") of a joint venture, net of related income tax			32
Share of other comprehensive (expense) income of associates, net of related income tax			1,423
Other comprehensive (expense) income			

AT 31 DECEMBER 2020

	NOTES	[redacted]
[redacted]		
Property and equipment	16	5,840
Intangible assets	17	19,960
Right-of-use assets	18	22,147
Factoring assets at FVTOCI	20	–
Other financial assets at fair value through profit or loss ("FVTPL")	21	–
Investments in associates	22	67,580
Prepayments for non-current assets		985
Deferred tax assets	19	11,319
Refundable rental deposits		2,788
		130,619
[redacted]		
Factoring assets at FVTOCI	20	3,837,348
Derivative financial instruments	23	751
Other financial assets at FVTPL	21	4,497
Loan receivable	24	9,066
Receivables from guarantee customers	25(a)	7,700
Trade receivables	25(b)	403
Other receivables, prepayments and others	25(c)	16,113
Pledged structured deposit	26	9,000
Pledged bank deposits	26	86,350
Bank balances	26	377,327
		4,348,555

FOR THE YEAR ENDED 31 DECEMBER 2020

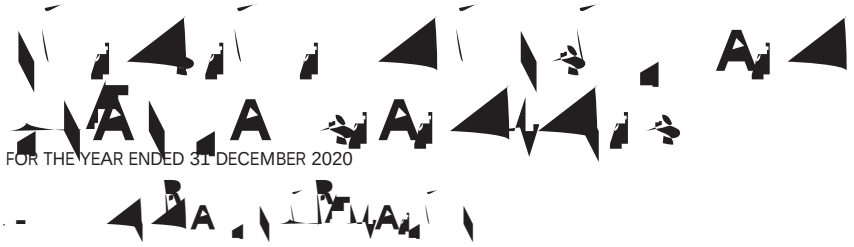
		2019
		RMB'000
OPERATING ACTIVITIES		
Profit for the year		295,125
Adjustment for:		
Taxation		67,367
Share of profit of a joint venture		(1,537)
Share of profit of associates		(4,240)
Depreciation of property and equipment		1,563
Depreciation of right-of-use assets		7,202
Amortisation of intangible assets		3,641
Impairment losses under ECL model, net of reversal		16,960
Loss on disposal of equipment		5
Loss (gain) on disposal of investments in associates		(377)
Rent concessions		–
Gain from modification of a borrowing		–
Gain from termination of a lease contract		–
Gain from changes in fair value of other financial assets at FVTPL		(88)
Net loss arising from changes in fair value of derivative financial instruments		1,785
Equity-settled share-based payments expense		10,006
Finance costs		110,606
Bank interest income		(2,736)
Interest income from a loan receivable		(1,584)
Interest income from loan to an associate		(64)
Exchange gain, net		(1,178)
Operating cash flows before movements in working capital		502,456
Decrease (increase) in factoring assets at FVTOCI		(1,026,331)
Increase in other financial assets at FVTPL – distressed debt assets		–
Increase in receivables from guarantee customers		(7,801)
Increase in trade receivables		(403)
(Increase) decrease in other receivables, prepayments and others		2,225
Increase in other payables and accrued charges		17,460
Increase (decrease) in contract liabilities		(2,114)
Increase in liabilities from guarantee contracts		11,258
Cash from (used in) operations		(503,250)
Enterprise Income Tax paid		(90,986)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		(594,236)

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	[redacted]
INVESTING ACTIVITIES		
Proceeds from disposal of other financial assets at FVTPL		201
Withdrawal of pledged bank deposits		–
Proceeds on disposal of a loan receivable	24	–
Repayment of pledged structured deposits		–
Proceeds on disposal of investments in associates		1,600
Dividends received from an associate		–
Repayment of security deposits for derivative financial instruments		–
Bank interest income received		2,736
Refundable rental deposits received		–
Interest received from a loan receivable		1,317
Repayment of a loan receivable		–
Proceeds from disposal of equipment		2
Repayments from loans to former shareholder of a subsidiary		27,500
Repayments from loans to associates		7,350
Interest received from loans to former shareholder of a subsidiary		202
Interest received from loans to associates		64
Loans to associates		(7,350)
Placement of pledged structured deposit		(9,000)
Net cash outflow on acquisition of a subsidiary	39	(24,240)
Payments for right-of-use assets		(345)
Payment for settlement of derivative financial instruments		(177)
Payments for refundable rental deposits		(3,626)
Payment for purchase of equipment and prepayments of a property		(4,447)
Security deposits paid for derivative financial instruments		(3,550)
Payment for development costs/expenses and purchase of other intangible assets		(10,294)
Net cash outflow arising on deregistration of subsidiaries	40	–
Investment in an associate		(9,000)
Purchases of other financial assets at FVTPL		(4,610)
Placement of pledged bank deposits		(77,586)

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTE	[redacted]	2019 RMB'000
FINANCING ACTIVITIES	41		



Sheng Ye Capital Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are

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

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

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 January 2021.

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

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

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

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

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

[illegible]

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

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

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

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the

Business combinations

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

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operationctober 2010).*

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the

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The results and assets and liabilities of associates and the joint venture are incorporated in these consolidated financial statementsstatemuslic( )0.5 (statem.7 ( )0.5 (statemequity( )0.5 (statemmethod( )0.5 (statem7 ( )0.5 (statemting polic(

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.

Definition of a lease

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

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

The Group as a lessee

Short-term leases

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

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 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.

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.

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) Factoring assets classified as at FVTOCI

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

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets and financial guarantee contracts

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

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

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

Financial assets (continued)

Impairment of financial assets and financial guarantee contracts (continued)

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

(i) Significant increase in credit risk

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

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

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

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

Financial assets (continued)

Impairment of financial assets and financial guarantee contracts (continued)

(i) Significant increase in credit risk (continued)

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

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

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

(ii) Definition of default

For internal credit risk management, the Group classifies credit risk into three grades. The internal credit risk ratings are based on qualitative (such as debtors' operating conditions, financial positions, external rating



Financial assets (continued)

Impairment of financial assets and financial guarantee contracts (continued)

(iii) Credit-impaired financial assets

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

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

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

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

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



Financial assets (continued)

Derecognition/modification of financial assets

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

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

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

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

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities and equity (continued)

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is held for trading if:

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

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

Financial liabilities and equity (continued)

Financial liabilities at amortised cost

The Group's financial liabilities including other payables, borrowings and bank overdraft are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

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

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

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

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

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.

For factoring assets at FVTOCI and financial guarantee contracts that are assessed for impairment on ECL model, to measure the ECL, factoring assets at FVTOCI and financial guarantee contracts of various debtors have been grouped considering

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

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

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

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

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

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

	2019 RMB'000
Customer A (note 35 (b))	N/A[1]
Customer B	N/A[1]

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

	2019 RMB'000
Interest income from factoring service	429,214
Income from other services:	
– Information technology service	8,355
– Guarantee service	9,155
– Consulting service	661
– Other services (note)	3,036
	21,207
	450,421

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

[redacted]

	[redacted]
Over time	
– Information technology service	2,539
– Other services	2,640
	5,179
A point in time	
– Information technology service	5,816
– Consulting service	661
– Other services	396
	6,873
	12,052

All the Group's contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction

		2019 RMB'000
Government subsidies (note)		33,553
Bank interest income		2,736
Interest income from a loan receivable		1,584
Interest income from loans to associates (note 35)		64
Others		16
		37,953

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Impairment losses recognised (reversed) on:	
– Factoring assets at FVTOCI	11,880
– Financial guarantee contracts	792
– Loan receivable	4,187
– Receivables from guarantee customers	101
	16,960

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

Interest on borrowings (note)	97,302
Interest on loans from related parties (note 35)	11,541
Interest on lease liabilities (note)	1,402
Interest on bank overdraft	361
	110,606

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

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

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. Certain PRC subsidiaries enjoy preferential tax rate according to approval from local tax bureau, including (i) a PRC subsidiary which enjoys preferential tax rate of 15% since year 2016 and applies a further preferential tax rate of 12.5% for the year 2020; (ii) a PRC subsidiary, located in Khorgos city in the PRC, was exempted from EIT in the first 5 years since set up in year 2018, according to " ë õ - › ü ¡ • ' v G H $ ÿ ¾ ö š ï † 8 Ô { ü ´ l A Y ·]" (Caishui [2011] 112) issued by the State Administration of Taxation and the Ministry of Finance of the PRC.

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

	2019 RMB'000
Profit before taxation	362,492
Tax at the domestic EIT rate of 25%	90,623
Tax effect of share of profit of a joint venture and associates	(1,444)
Tax effect of expenses not deductible for tax purposes	19,288
Effect of different tax rates of the subsidiaries	(8,950)
Effect of tax exemption granted to a PRC subsidiary	(50,475)
Tax effect of tax losses not recognised	3,869
Utilisation of tax losses previously not recognised	(1,740)
Tax benefit on research and development expenses	(1,976)
Withholding tax on distributable earnings of the PRC subsidiaries	18,172
Tax charge for the year	67,367

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Directors' emoluments (note 13)	5,536
Other staffs costs (excluding directors' emoluments)	
– Salaries, allowances and other staff benefits, including share option expenses	82,630
– Staffs' retirement benefit scheme contributions	4,201
Total staff costs	92,367
Less: amount capitalised in development costs	(9,188)
Less: staff costs recognised as research and development costs in other expenses	(13,596)
Staff costs recognised in administrative expenses	69,583
Total depreciation of property and equipment	1,694
Less: amount capitalised in development costs	(131)
Depreciation of property and equipment recognised in administrative expenses	1,563
Depreciation of right-of-use assets recognised in administrative expenses	7,202
Amortisation of intangible assets recognised in administrative expenses	3,641
Auditor's remuneration recognised in administrative expenses	2,520
Covid-19-related rent concessions (note 18)	–
Other expenses	
– Research and development costs	14,269
– Donation	1,964
Total other expenses	16,233

Income tax effect relating to other comprehensive (expense) income

Year ended 31/12/2019

Before tax

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

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

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

The five highest paid employees of the Group during the year included one director (2019: one director), details of whose remuneration are set out in note 13 (a) above. Details of the remuneration for the year of the remaining four (2019: four) highest paid employees who are not a director of the Company are as follows:

	2019 RMB'000
Salaries, allowances and other benefits	4,043
Performance related bonuses	4,177
Share-based payment	3,725
Staffs' retirement benefit scheme contributions	122
	12,067

The number of the highest paid employees who are not the directors of the Companyhe 0 8r4he ConeraTjE fell withinTEMC /Span #La

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

2019 final – HK5.3 cents (2019: 2018 final dividend HK4 cents) per share	35,154
Shown in the consolidated financial statements	30,905

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

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

Earnings:	
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	280,343
Number of shares:	
Weighted average number of ordinary shares for the purpose of basic earnings per share	879,176
Effect of dilutive potential ordinary shares:	
Share options	4,262
Weighted average number of ordinary shares for the purpose of diluted earnings per share	883,438

At 1 January 2019	3,925	4,188	647	–	–	8,760
Additions	370	1,933	53	603	1,854	4,813
Disposals						

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

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

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

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

Deferred tax assets	11,319
Deferred tax liabilities	(35,387)
	(24,068)

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

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

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

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

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

	[redacted]	31/12/2019 RMB'000
2021		24
2022		2
2023		4
2024		8
2025		–
		38

[redacted]

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Name of entity	Place of incorporation/ establishment	Particulars of authorised and paid up capital	Proportion of ownership interest/ voting rights held by the Group as at		Principal activity
			[redacted]		
Wuxi Guojin Factoring Limited #	PRC	RMB300,000,000		40%	Provision of factoring
(Ì | 7 – 8 - # Þ " ® !) ("WXGJ")		RMB300,000,000			service
Hong Ji Factoring (Shenzhen) Limited #	PRC	RMB100,000,000		10%	Provision of factoring
(> ? 8 - # (-) Þ " ® !) ("HJ") (note i)		RMB100,000,000			service
Shenzhen Sheng Ye Non-Financing Guarantee Limited #					
(- 9 8 8 ¢ D Ì Ä - Þ " ª , ® !)					

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

Notional amounts	

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

[redacted]

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

0 – 30 days	403

Security deposits for derivative financial instruments (note 23)	3,550
Prepayments	1,900
Value-added tax recoverable	24
Refundable rental deposits	2,242
Security deposits for borrowings (note 29 (a))	6,296
Dividend receivable from an associate	–
Other receivables	2,101
	16,113

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

	Range of interest rates (per annum)
Fixed-rate pledged bank deposits	0~2.40
Market rate bank balances	0~1.73
Fixed-rate pledged structured deposit	1.66

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

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

	31/12/2019
	RMB'000
[redacted]	

[redacted]

[redacted]

Accrued charges	40,661
Other tax payables	27,197
Settlement payables to factoring customers	4,994
Deposits from factoring customers	–
Dividend payable to a non-controlling shareholder of a PRC subsidiary	–
Dividend payable to shareholders of the Company	–
Advance receipt from disposal of investment in an associate	600
Other payables	288
	73,740

[redacted]

[redacted]

Loan guarantee contracts in relation to:			
– third parties (note i)	8,299	6,276	8,914
– an associate (note ii)	2,070	1,069	2,247
Guarantee contracts to suppliers in relation to:			
– non-payment of payables (note iii)	889	653	889
	11,258	7,998	12,050

At the end of the reporting period, the directors of the Company have assessed the past due status of the debts under guarantee, the financial position of the debtors as well as the economic outlook of the industries in which the debtors operate. Details of impairment assessment are set out in note 37(b).

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

	[redacted]	31/12/2019 RMB'000
Loan guarantee contracts in relation to		
– third parties (note i)		456,788
– an associate (note ii)		270,000
Guarantee contracts to suppliers in relation to non-payment of payables (note iii)		46,608
		773,396

Notes:

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

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

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

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

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

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

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

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

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

	[redacted]	31/12/2019
		%
Range of fixed-rate borrowings interest rates (per annum)		4.00~10.00
Range of variable-rate borrowings interest rates (per annum)		2.30~5.35

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

	[redacted]	31/12/2019
		RMB'000
Carrying amount of borrowings secured by		
– factoring assets (note i)		167,073
– factoring assets and bank deposits (note i)		211,446
– bank deposits (note i)		81,858
– bills (note ii)		31,107
– bills and factoring assets (note i) (note ii)		–
– factoring assets and secured deposits (note i)		69,149
		560,633
Carrying amount of secured assets:		
– factoring assets (note 37 (d))		462,512
– bank deposits		59,446
– secured deposits		6,296
		528,254

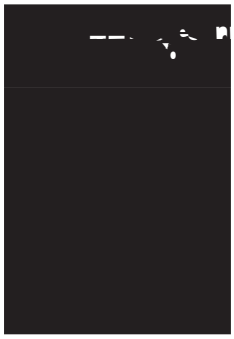
Notes:

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

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

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

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



	[illegible]	31/12/2019 RMB'000
Lease liabilities payable:		
Within one year		6,613
Within a period of more than one year but not more than two years		7,379
Within a period of more than two years but not more than five years		8,069
		22,061
Less: Amount due for settlement within 12 months shown under current liabilities		(6,613)
Amount due for settlement after 12 months shown under non-current liabilities		15,448

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

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

	[illegible]	31/12/2019 RMB'000
HK$		492

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

	Number of shares	Share capital

Details of specific categories of options are as follows:

Equity-settled share option scheme on 11 September 2017:

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:

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:

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

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

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

Equity-settled share option scheme on 15 July 2020:

	Tranche 7	Tranche 8	Tranche 9
Grant date	15 July 2020	15 July 2020	15 July 2020
Fair value at grant date	HK$2.27	HK$2.27	HK$2.27
Share price	HK$6.68	HK$6.68	HK$6.68
Exercise price	HK$6.68	HK$6.68	

- [illegible]

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

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

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

- [illegible]



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

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

Note: During the year ended 31 December 2020, loans from WXGJ amounting of RMB449,359,000 (year ended 31 December 2019:

[illegible]

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

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

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

[illegible]

[illegible]

	[illegible]	31/12/2019 RMB'000
[illegible]		
Factoring assets at FVTOCI		3,837,348
At amortised cost		506,823
Other financial assets at FVTPL		4,497
Derivative financial instruments		751
[illegible]		
Amortised cost		1,890,445
Liabilities arising from guarantee contracts		12,050
Derivative financial instruments		2,359

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(i) Currency risk (continued)

	31/12/2019 RMB'000
HK$ impact:	
5% appreciation of RMB against HK$	
Increase in	

FOR THE YEAR ENDED 31 DECEMBER 2020

(ii) Interest rate risk

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

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

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

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

Sensitivity analysis

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

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

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

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

(iii) Other price risk

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

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

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

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

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

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

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

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

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

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

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

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

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

Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL	Lifetime ECL –not credit-impairedLifetime ECL –not
Watch list	The repayment schedule is extended over 30 days or past due or there have been significant increases in /MCID 9887 BDC qpCS0 CS 1 SCN0.5 w q 1 0 0 1 113.3850uaLiREMC /Span /Lang (en-U		

The tables below detail the credit risk exposures of the Group's financial assets and financial guarantee contracts, which are subject to ECL assessment:

As at 31 December 2020

Low risk	12m ECL	1.20%	3,820,764	45,958
Watch list	Lifetime ECL (not credit-impaired)	13.00%	18,289	2,377
Loss	Lifetime ECL (credit-impaired)	42.47%	23,143	9,829
			3,862,196	58,164

As at 31 December 2020 (continued)

Pledged bank deposits				
AAA/BBB+ (note i)	12m ECL	N/A	255,489	–
Bank balances				
AAA/BBB+ (note i)	12m ECL	N/A	348,715	–
Receivables from guarantee customers				
Low risk	12m ECL	1.69%	17,240	292
Watch list	Lifetime ECL (not credit-impaired)	4.59%	109	5
Refundable rental deposits				
Low risk (note i)	12m ECL	N/A	3,839	–
Trade receivables				
Low risk (note i)	Lifetime ECL (not credit-impaired)	N/A	2,733	–
Other receivables				
N/A (note i) (note ii)	12m ECL		13,392	–
			641,517	297

As at 31 December 2019

Financial guarantee contracts (note iii)				
– Loan guarantee contracts in relation to third parties				
Low risk	12m ECL	1.37%	456,788	6,276
– Loan guarantee contracts in relation to an associate				
Low risk	12m ECL	0.40%	270,000	1,069
– Guarantee contracts to suppliers				
Low risk	12m ECL	1.40%	46,608	653
			773,396	7,998

Notes:

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

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

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

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

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

As at 1 January 2019	25,707	8,747	–	34,454
Changes due to factoring assets at FVTOCI recognised as at 1 January:				
– Impairment losses, net of reversal	(25,707)	(8,747)	–	(34,454)
New financial assets purchased, net of settlement	46,080	254	–	46,334
As at 31 December 2019	46,080	254	–	46,334
Changes due to factoring assets at FVTOCI recognised as at 1 January:				
– Impairment losses, net of reversal				
New financial assets purchased, net of settlement				
As at 31 December 2020				



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

As at 1 January 2019	157	–	–	157

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

As at 1 January 2019	13,143	–	–	13,143
Changes due to loan receivable recognised as at 1 January:				
– Transfer to lifetime ECL – not credit-impaired	(13,143)	13,143	–	–
Exchange adjustments	–	267	–	267
As at 31 December 2019	–	13,410	–	13,410
Changes due to loan receivable recognised as at 1 January:				
– Settlement				
– Transfer to lifetime ECL – credit-impaired				
– Transfer to 12m ECL				
– Disposal				
As at 31 December 2020				

The movements in the allowance for impairment in respect of receivables from guarantee customers during the reporting period were as follows:

As at 1 January 2019	–	–	–
New financial assets purchased, net of settlement	101	–	101
As at 31 December 2019	101	–	101
Changes due to receivables from guarantee customers recognised as at 1 January:			
– Impairment losses, net of reversal	(101)	–	(101)
New financial assets purchased, net of settlement	292	5	297

The movements in the gross carrying amount of receivables from guarantee customers were as follows:

As at 1 January 2019	–	–	–
New financial assets purchased, net of settlement	7,801	–	7,801
As at 31 December 2019	7,801	–	7,801

Changes due to /G0u0S04 487.9477 Tm( )TjETEMC /GS0 gsq 1 0 0 1 454N C-5.03610.0ivabl4N from gc 8antee.5 0 0 8.5 113.3859 4

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

As at 1 January 2019	–	–	–	–
New financial guarantee contracts entered, net of settlement	7,998	–	–	7,998
As at 31 December 2019	7,998	–	–	7,998
Changes due to financial guarantee contracts recognised as at 1 January:				
– Transfer to lifetime ECL – not credit-impaired	(354)	354	–	–
– Transfer to lifetime ECL – credit-impaired	(225)	–	225	–
– Impairment losses, net of reversal	(7,419)	(354)	2,274	(5,499)
New financial guarantee contracts entered, net of settlement	22,382	460	17,541	40,383
Disposal	–	–	(20,040)	(20,040)
As at 31 December 2020				

The movements in the exposure of financial guarantee contracts were as follows:

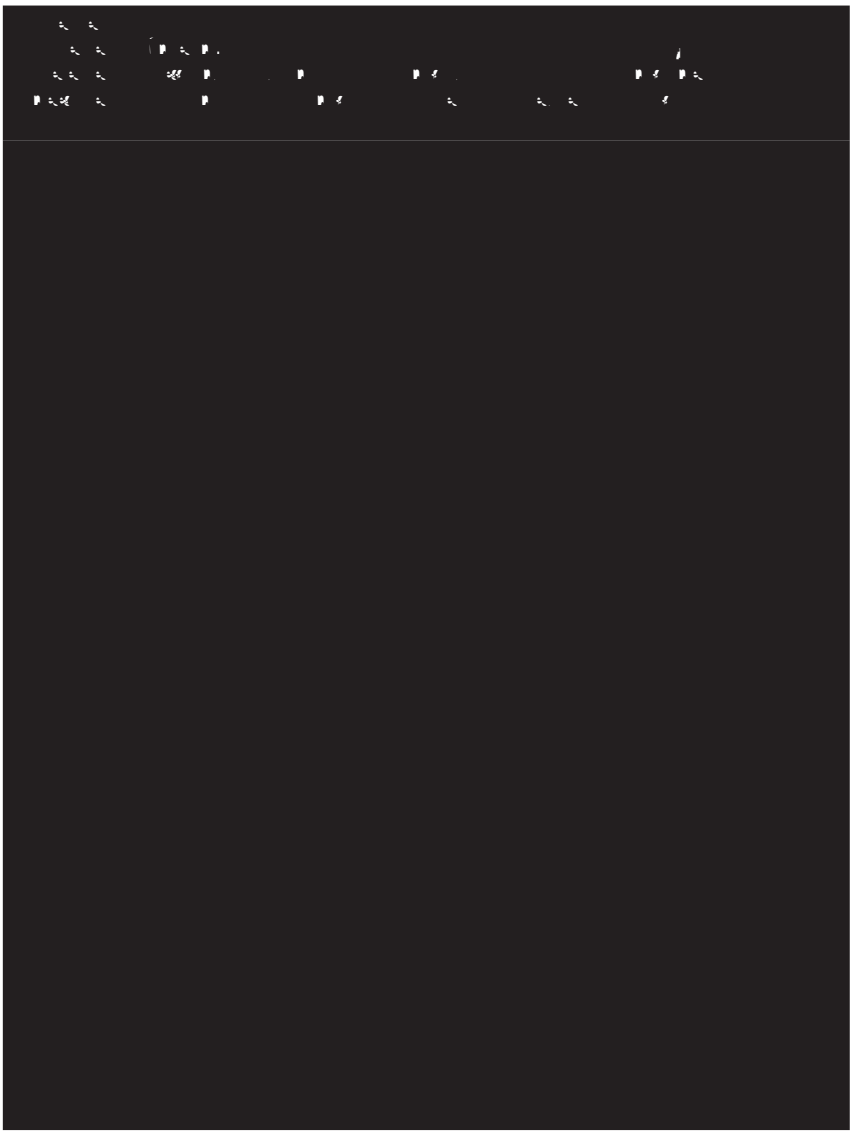
As at 1 January 2019	48,002	–	–	48,002
Changes due to financial guarantee contracts recognised as at 1 January:				
– Impairment losses, net of reversal	(48,002)	–	–	(48,002)
New financial guarantee contracts entered	1,084,845	–	–	1,084,845
New financial guarantee contracts settled	(311,449)	–	–	(311,449)
As at 31 December 2019	773,396	–	–	773,396
Changes due to financial guarantee contracts recognised as at 1 January:				
– Transfer to lifetime ECL				
– not credit-impaired	(9,209)	9,209	–	–
– Transfer to lifetime ECL				
– credit-impaired	(3,050)	–	3,050	–
– Settlement	(761,137)	(9,209)	–	(770,346)
New financial guarantee contracts entered	3,185,015	10,981	23,328	3,219,324
New financial guarantee contracts settled	(1,427,039)	(450)	–	(1,427,489)
Disposal	–	–	(26,378)	(26,378)
As at 31 December 2020				

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group, and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial assets and financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial assets and financial liabilities.

In addition, the following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross inflows and outflows on those derivative instruments that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of each reporting period and projected exchange rates. The liquidity analysis for the Group's derivative financial instruments is prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

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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.

Fair value hierarchy as at 31/12/2019

	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000

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.

At 1 January 2019	–	2,818,315
Purchases	4,610	16,569,689
Settlements	(201)	(15,543,358)
Fair value changes through OCI, net of reclassification adjustment to profit or loss (note)	–	(7,298)
Fair value changes through profit or loss	88	–
At 31 December 2019	4,497	3,837,348
Purchases		
Settlements		
Fair value changes through OCI, net of reclassification adjustment to profit or loss (note)		
Fair value changes through profit or loss		
At 31 December 2020		

All gains and losses included in OCI relate to factoring assets at FVTOCI are reported as changes of FVTOCI reserves.

Note: Details of the amount recognised in OCI to profit and loss in relation to factoring assets at FVTOCI derecognised during the year are set out in note 12(c).

The following were the Group's factoring assets that were transferred to banks, non-bank financial institutions and companies by discounting those factoring assets on a full recourse basis or with repurchase obligation. As the Group has not transferred the substantially all risks and rewards relating to these factoring assets, it continues to recognise the full carrying amount of the factoring assets and has recognised the cash received on the transfer as borrowings (note 29).

Carrying amount of transferred assets	462,512
Carrying amount of associated liabilities	447,668
Net position	14,844

As at 31 December 2020, the Company has direct and indirect shares/equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment/ operations	Particulars of issued/registered capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December	Principal activity
Sheng Ye International Capital Limited (8 8 7 ç I Þ " ® !)	British Virgin Islands ("BVI") 24 September 2013	US$100,000,000	100%	Investment holding
Ever Giant Global Limited (Q 6 " Þ " ® !)	BVI 20 January 2016	US$1	100%	Investment holding
Talent Group Global Limited (} ¹ " Þ " ® !)	BVI 1 November 2016	US$2	100%	Investment holding
Sheng Ye International Finance Limited (8 8 7 ç – D Þ " ® !)	Hong Kong 9 October 2013	HK$1	100%	Investment holding
Nice Day Corporation Limited (Ú Þ " ® !)	Hong Kong 1 December 2015	HK$1	100%	Investment holding
Sheng Ye International Supply Chain Finance Limited (8 8 7 ç 6 Đ á – D Þ " ® !)	Hong Kong 30 October 2018	HK$1	100%	Investment holding
Sheng Ye Overseas Finance Limited (8 8 . – D Þ " ® !)	BVI 9 August 2018	US$1	100%	Investment holding

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
			[redacted]	2019	
Sheng Ye Capital (2018-01) Limited (8 8 I (2018-01) Þ " ® !) ("SYC 2018") (note 40)	Cayman Islands 15 August 2018	HK$1		100%	Investment holding
Alpha-10 SY (2019-01) Limited	Hong Kong 3 September 2019	HK$1		100%	Investment holding
SY International Capital Pte. Ltd (Former name as Shengyefintech Singapore PTE.LTD)	Singapore 2 December 2019	S$1		100%	Provision of supply chain finance management service
Vast Talent International Limited (ù } 7 ç Þ " ® !)	BVI 8 October 2020	US$1		N/A	Investment holding
Robust Elite Holdings Limited (8 / › p Þ " ® !)	BVI 12 November 2020	US$1		N/A	Investment holding
Fully Mark Investment Limited (¦ . ³ Þ " ® !)	Hong Kong 5 November 2020	HK$1		N/A	Investment holding
Wisemax Enterprise Limited (8 } † 8 Þ " ® !)	Hong Kong 5 November 2020	HK$1		N/A	Investment holding
SY Factoring Limited* (8 8 8 - # Þ " ® !					

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
[redacted]			

English translated name is for identification purpose only.

* The entities are wholly foreign owned enterprise established in the PRC.

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Assets acquired and liabilities recognised at the date of acquisition are as follows:

	2019 RMB'000
Bank balances	562
Loans to shareholders	56,583
Dividend payable	(5,552)
Other payables and accrued charges	(269)
Income tax payable	(707)
	50,617
Cash consideration transferred	24,802
Plus: interest in a joint venture (51% in ZGSY)	25,815
Less: net assets acquired	(50,617)
Goodwill arising on acquisition	–
Cash consideration paid	24,802
Less: cash and cash equivalents balances acquired	(562)
	24,240

Included in the profit for the year is RMB915,000 attributable to the additional business generated by ZGSY. Revenue for the year includes RMB13,000 generated from ZGSY.

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In April and December 2020, the Group de-registered its investment in SNF and SYC 2018, subsidiaries of the Company. There were no profit or loss and cash flows of SNF and SYC 2018 recognised on the consolidated financial statements for the current year.

The net assets of SNF and SYC 2018 at the dates of deregistration were as follows:

	[redacted]
Bank balances	[redacted]
Net assets deregistration of	[redacted]
[redacted]	[redacted]
Cash distributed to the Group received	[redacted]
Net assets deregistration of	[redacted]
Non-controlling interests	[redacted]
Gain on deregistration of SNF and SYC 2018	[redacted]
[redacted]	[redacted]
Cash distributed to the Group	[redacted]
Less: bank balances deregistration of	[redacted]
	[redacted]

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

As at 1 January 2019	911,956	–	7,089	10,005	–	929,050
Financing cash flows	858,041	(361)	(8,107)	7,335	(33,626)	823,282
Arising from acquisition of a subsidiary	–	–	–	(28,881)	2,721	(26,160)
Dividends declared	–	–	–	–	30,905	30,905
New leases entered/lease modified	–	–	21,677	–	–	21,677
Interest expenses	97,302	361	1,402	11,541	–	110,606
At 31 December 2019						
Financing cash flows						
Dividends declared						
New leases entered/lease modified						
Modification of a borrowing						
Covid-19-related rent concessions						
Interest expenses						
At 31 December 2020						

	31/12/2019 RMB'000
Interests in subsidiaries	