



# SY HOLDINGS GROUP LIMITED

## 盛業控股集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6069)**



# 2022

## INTERIM REPORT

# CONTENTS

## PAGE(S)

<b>2</b>	PERFORMANCE HIGHLIGHTS
<b>3</b>	CORPORATE INFORMATION
<b>4</b>	MANAGEMENT DISCUSSION AND ANALYSIS
<b>21</b>	CORPORATE GOVERNANCE AND OTHER INFORMATION
<b>34</b>	REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
<b>35</b>	CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
<b>36</b>	CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
<b>37</b>	CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
<b>39</b>	CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
<b>41</b>	CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
<b>43</b>	NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



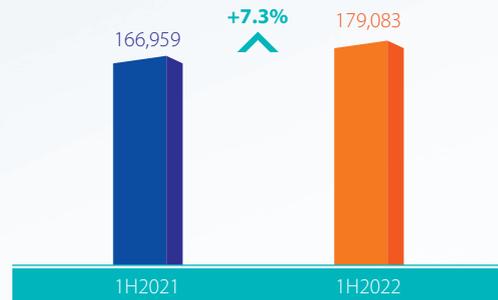
# PERFORMANCE HIGHLIGHTS

For the six months ended 30 June 2022

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



## Profit after taxation (RMB in thousands)



## Total cumulative platform users



## Total cumulative supply chain assets processed (RMB in billions)



### Revenue from platform-based services and supply chain technology services

RMB in thousands

**29,608**

+27.3%  
YoY

### Revenue from digital and financing solutions

RMB in thousands

**302,336**

+50.7%  
YoY

### Value of total new orderbook in the IIoT segment

RMB in millions

**78**

x15

### Total funding partners

As of 30 June 2022

**91**

+46.8%

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Tung Chi Fung (Chairman)

Mr. Chen, Jen-Tse

#### Non-executive Director

Mr. Lo Wai Hung

#### Independent Non-executive Directors

Mr. Loo Yau Soon

Mr. Fong Heng Boo

Mr. Tang King San Terence

Ms. Chan Yuk Ying Phyllis\*

### AUDIT COMMITTEE

Mr. Tang King San Terence (Chairman)\*

Mr. Loo Yau Soon

Mr. Fong Heng Boo

### NOMINATION COMMITTEE

Mr. Tung Chi Fung (Chairman)

Mr. Fong Heng Boo

Mr. Tang King San Terence\*

### REMUNERATION COMMITTEE

Mr. Loo Yau Soon (Chairman)

Mr. Tung Chi Fung

Mr. Fong Heng Boo\*

### COMPANY SECRETARY

Mr. Wang Zheng

### AUTHORISED REPRESENTATIVES

Mr. Tung Chi Fung

Mr. Wang Zheng

### REGISTERED OFFICE

Windward 3, Regatta Office Park, PO Box 1350,

Grand Cayman KY1-1108, Cayman Islands

### COMPANY'S WEBSITE ADDRESS

www.syholdings.com

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

10/F and 18/F, Kerry Plaza, Tower 2

1-1 Zhong Xin No. 4 Road

Futian, Shenzhen 518048, PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 4202, 42/F, Tower 1, Lippo Centre

89 Queensway, Admiralty, Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited

Windward 3, Regatta Office Park, PO Box 1350,

Grand Cayman KY1-1108, Cayman Islands

### HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road, Hong Kong

### AUDITORS

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

35/F, One Pacific Place

88 Queensway, Hong Kong

### LEGAL ADVISER

TC & Co.

Units 2201-3, Tai Tung Building

8 Fleming Road, Wan Chai, Hong Kong

### STOCK CODE

6069

\* : Please refer to the section headed "Changes in Information of Directors" on page 31 in this report.



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### 1. About SY Holdings Group Limited

SY Holdings Group Limited (the “**Group**”, “**Company**” or “**SY**”) is a leading supply chain technology platform providing data-driven, efficient and inclusive industrial Internet-of-Things (“**IloT**”) and digital financing solutions for companies across the Asia-Pacific. As the digital economy has become a new engine for China’s economic growth, the Group is strategically positioned as a supply chain technology platform, leveraging its technology capability to empower supply chain and to facilitate the digital upgrade of traditional industries. The Company is also committed to providing services which include one-stop supply chain technology services and digital financing solutions for enterprises and financial institutions, driving supply chain efficiency and making finance more inclusive.

The Group’s Dual-Engine, One-Platform strategy has laid a foundation for more efficient and sustainable growth in the future. Dual Engine refers to the two growth engines of IloT and digital finance, which empowers each other in co-development. One-Platform means that the Group fully leverages its technological advantages to build an open, inclusive and complementary supply chain technology platform by linking core enterprises, funding partners, corporate partners and small and medium-size enterprises (“**SMEs**”).

The Group’s business segments comprise (i) digital financing solutions, (ii) platform-based services, (iii) supply chain technology services and (iv) sale of supply chain assets<sup>1</sup>. Among which, the revenue from the supply chain technology services is an innovative business sector under the IloT segment, whose products include smart construction solutions and hospital supply, processing and distribution solutions (“**hospital SPD solutions**”), to drive the digital upgrade of traditional industries. Through the efforts of building a comprehensive supply chain ecosystem, the Group will expand the scale of its IloT business, leverage technology to empower digital finance business and maximize its platform linkage capability to create a mutually beneficial ecosystem throughout the supply chain.

#### Digital Financing Solutions

SY leverages its technology platform to offer a range of flexible supply chain financing solutions which include accounts receivable (“**AR**”)–based lending as well as loan guarantee services to meet the vast financing needs of SMEs in the Asia-Pacific region. The Group’s proprietary technology platform, known as “SY Cloud Platform”, incorporates a comprehensive suite of technologies such as electronic signatures, optical character recognition (“**OCR**”), natural language processing (“**NLP**”), big data analytics, video authentication, facial recognition, the electronic signature by China Financial Certification Authority (“**CFCA**”), direct link with the Unified Registration and Publicity System for Chattel Financing (zhongdengwang.org.cn) under Credit Reference Center of the People’s Bank of China, and big data monitoring. Equipped with an efficient and smart risk management system, SY Cloud Platform has enabled the Company to validate the creditworthiness of underlying transactions related to supply chain financing, and provide customers with a seamless customer experience throughout the online application and approval process.

#### Platform-based Services

In recent years, the Group’s technological capabilities have also been instrumental in driving its platform-based businesses. Under this category, the Group provides AR management and asset origination services as part of its loan facilitation business, enabling banks and other financial institutions to tap on additional customer acquisition channels. By effectively connecting quality assets from the supply chain ecosystem to funding partners, the Group helps expand the reach of inclusive finance and address the financing needs of SMEs more efficiently, which facilitates financial support for real economy and foster the growth of SMEs.

As part of its platform-based offering, the Group also provides services that facilitate the issuance of asset-backed financial products, which include asset-backed securities (“**ABS**”) and asset-backed notes (“**ABN**”) issued by large corporations.

<sup>1</sup> Supply chain assets refer to assets including accounts receivables and accounts payables arising from transactions in the supply chain ecosystem.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Supply Chain Technology Services

Supply chain technology services, which is under the IIoT segment, registered rapid growth. The pioneering sectors targeted by the Group under this category include smart construction and hospital SPD solutions, with the aim to drive smart and streamlined management of supply chains so as to reduce costs and improve efficiency for core enterprises.

The smart construction solutions leverage technologies such as Internet-of-Things, cloud computing, big data, artificial intelligence, virtual reality (“VR”), and augmented reality (“AR”) to provide advanced and smart management tools for construction projects. These solutions address the pain points of the traditional approaches by establishing a smart on-site monitoring and management system, which enables the all-round and real-time monitoring of key elements such as on-site staff, machinery, raw materials, work processes, and the environment. By integrating the construction site cloud platform powered by various digital technologies with smart hardware, the Group’s smart construction solutions enable the efficient management of staff, machinery, safety, quality-control, green construction and site monitoring. These solutions contribute to reducing safety hazards, improving public image for the project and increasing efficiency.

The hospital SPD solutions provide intelligent and centralized logistics management services to address the pain points faced by hospitals in medical consumables management, which integrates the supply, inventory, processing and distribution of medical supplies such as consumables and medical equipment. SY combines intelligent software such as Hospital Information System (“HIS”) and procurement system with intelligent hardware such as scanners, smart cabinets and robots, together with a professional management service team, to create a business matrix of “software + hardware + services”. These solutions help hospitals improve their efficiency, reduce costs and streamline medical supplies management.

These supply chain technology services further broaden the Group’s product and service offerings for core enterprises, SMEs and financial institutions, effectively positioning the Group as the go-to partner within the supply chain ecosystem, deepening its relationships with various partners including core enterprises, SMEs and financial institutions, and further solidifying its position as a one-stop service platform. The solutions in this segment not only help enterprises increase their operating efficiency, but also enable the Group to access real-time transaction data and strengthen its data analysis capability, which helps the Group create more accurate and comprehensive user profiles, thereby enhancing its risk management efficiency and customer acquisition capabilities in the digital financing segment.

## Sale of supply chain assets

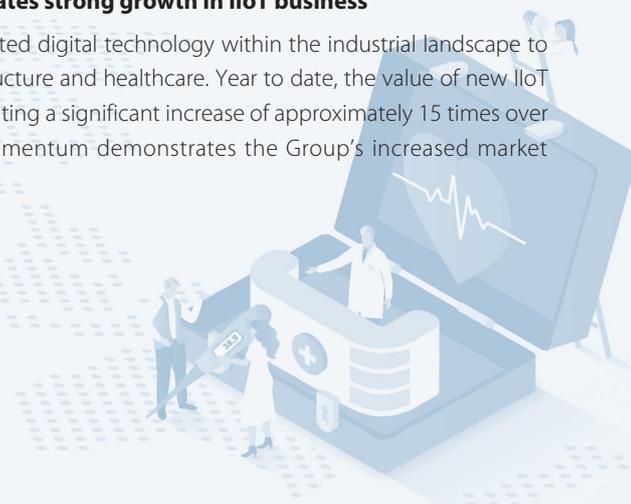
From time to time, the Group sells supply chain assets to various financial institutions, connecting quality assets to financial institutions including asset managers and trust companies, based on their risk appetites for fixed income products. The sale of these assets allows the Group to optimize its capital structure and improve its cash flow, thereby enabling it to advance its platform business.

## 2. First Half 2022 Highlights

### Accelerated development of industrial digital ecosystem stimulates strong growth in IIoT business

- Driven by its Dual-Engine, One-Platform strategy, SY has integrated digital technology within the industrial landscape to drive the transformation in traditional industries such as infrastructure and healthcare. Year to date, the value of new IIoT contracts in the IIoT segment exceeded RMB78 million<sup>2</sup>, representing a significant increase of approximately 15 times over the number for the full year of 2021. This strong growth momentum demonstrates the Group’s increased market recognition within the technology sector.

<sup>2</sup> As of 24 August 2022, date of this report



## MANAGEMENT DISCUSSION AND ANALYSIS

- In the smart construction segment, the Group has won a number of smart construction projects from various subsidiaries of China State Construction Engineering Corporation; within the hospital SPD solutions segment, the Group has also signed strategic cooperation agreements with a leading state-owned pharmaceutical distribution group in China to provide hospital SPD solutions for a Grade-3A hospital in southwest China. In August, the Group won the bids for a number of SPD solutions from a subsidiary of Sinopharm Lereantang Pharmaceutical Co., Ltd. ("**Sinopharm Group Lereantang**"), with an estimated contract value of approximately RMB39 million. Through the IIoT segment, SY can obtain more real-time transaction data, enhancing big data-driven risk management, to empower and support digital financing business.
- In terms of digital ecosystem development, SY made a strategic investment in Shaanxi Huazhu Technology Limited ("**Huazhu Technology**"), a high-tech company focusing on smart construction solutions, and has cumulatively served over 4,000 engineering projects. This investment deepens the strategic cooperation between SY and Huazhu Technology, in which SY is able to strengthen its smart construction modules and services, and gain more market share through this mutually beneficial collaboration.

### Dual-engine cross-empowerment achieves another remarkable performance for digital finance

- While the IIoT segment demonstrated strong business expansion, it also empowers the technological aspect of the digital finance segment by facilitating precise customer acquisition and increasing risk management efficiency. Through the close integration of digital technology and industrial knowledge, the digital finance business has achieved stable growth. In the six months ended 30 June 2022, the revenue of digital financing solutions increased by 50.7% year-on-year to RMB302.3 million. The supply chain assets balance including both self-funded and loan facilitation supply chain assets as of 30 June 2022 increased by 41.5% year-on-year to approximately RMB8.66 billion. The daily average supply chain assets balance increased by 51.8% year-on-year to approximately RMB8.27 billion. The cumulative supply chain assets processed by the Group was approximately RMB145.6 billion, and the cumulative number of customers was approximately 11,400 representing growth of 27.0% and 39.0% respectively, as compared with 30 June 2021. Asset quality has remained healthy, with the non-performing ratio maintained at 0.10%.

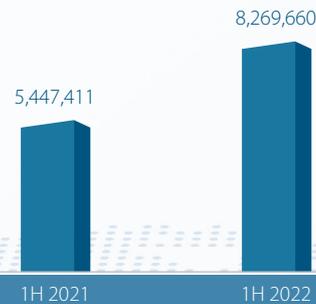
Daily Average Balance (RMB'000)

■ Supply Chain Assets



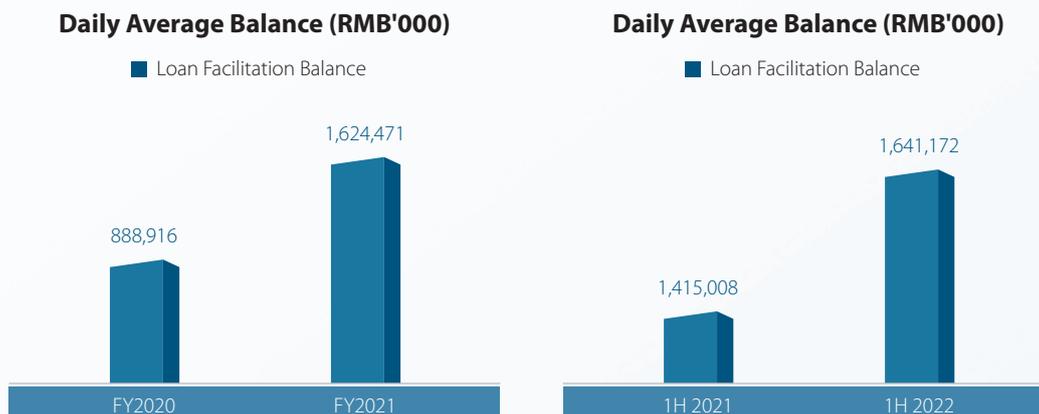
Daily Average Balance (RMB'000)

■ Supply Chain Assets



## MANAGEMENT DISCUSSION AND ANALYSIS

- Benefiting from expanded scale of funding and improved asset quality, the Group's daily average loan facilitation balance<sup>3</sup> was RMB1,641 million as of 30 June 2022, an increase of approximately 16.0% year-on-year. During the period, revenue from platform-based services reached RMB approximately 29.3 million, of which the loan facilitation revenue reached RMB27.7 million, an increase of 59.1% year-on-year. The Group remains confident that growth in its overall platform-based services will remain resilient, underpinned by robust SME financing demand coupled with encouraging government policies, particularly towards supporting the development and growth of the SME segment in China.



In terms of implementing digital innovation, under the guidance and support of the Tianjin Municipal Financial Regulatory Bureau, the Group partnered with the Tianjin Branch of the Industrial and Commercial Bank of China Limited, and rolled out the application of the digital Renminbi in supply chain finance to alleviate the difficulties of SMEs in Shanghai during the pandemic, unlocking supply chain financing of approximately RMB2.8 million.

### Increased recognition from funding partners

- The Group's platform growth benefited from the continued recognition of funding providers. China Construction Bank Corporation Shenzhen Branch raised the loan facilitation cooperation amount from RMB1 billion to RMB2 billion attributed to the positive experience of past cooperation. In addition, Ningbo Commerce Bank Company Limited increased its loan facilitation cooperation amount from RMB500 million to RMB800 million. As of 30 June 2022, the cumulative number of funding partners increased to 91 from 62 as of 30 June 2021.
- In terms of overseas financing, the Group secured a three-year loan facility of US\$50 million from Orion Capital Asia Pte. Ltd. ("**Orion**"). Orion is a private credit investment manager focused performing credit opportunities in the Asia-Pacific region. One of Canada's largest pension plans is Orion's equity investor. This underscores the recognition SY has gained from international capital markets and paves the way for the Group's broadening of its overseas financing channels, lengthening its debt duration and optimizing its capital structure. It also enables the Group to further deploy capital in technology R&D and strategic investment, which will further promote the development of supply chain technology platforms and the industrial digital ecosystem.

<sup>3</sup> The daily average loan facilitation balance has been adjusted to be in line with the Group's reclassification of its business segments

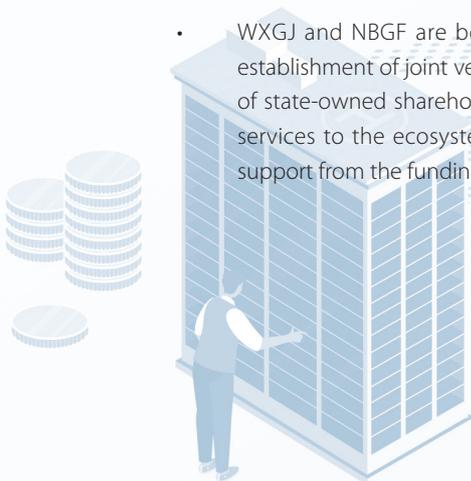


## MANAGEMENT DISCUSSION AND ANALYSIS

- On 23 August 2022, SY officially signed a 2-year social and sustainability-linked dual ESG structure syndicated loan agreement of RMB500 million, with Bank SinoPac (China) Ltd. Guangzhou Branch acted as the lead and agent bank for the loan, with Bank of East Asia (China) Limited Shanghai Branch as the joint lead bank and sustainability-linked consultant, Tai Fung Bank Limited Guangzhou Branch and Korea Development Bank Beijing Branch as joint lead banks, which is the first-of-its-kind “dual ESG structure” syndicated loan with social and sustainability-linked features in China. This syndicated loan not only helps the Group expand financing channels, reduce financing costs, and optimize financing structure, but also shows the Group’s solid operating results and development outlook to domestic and overseas capital markets, demonstrating the Group’s commitment in promoting inclusive finance, practicing social responsibility, and promoting the green supply chain.
- The increase in scale of funding and number of funding partners reflects the recognition from funding partners towards the Group’s data-driven risk management and strong customer acquisition capabilities. Deepening cooperation with funding partners is also instrumental in terms of allowing the Group to address the funding pain points faced by SMEs, as well as to support the development of the real economy.

### Driving cooperation with state-owned enterprises to start a new chapter of growth

- In December 2021, the Group completed the acquisition of the equity interests in Wuxi Guojin Factoring Limited (“**WXGJ**”), and became its controlling shareholder. WXGJ is a supply chain finance platform with a leading presence in the east China region, which was jointly established by Wuxi Tonghui Investment Co., Ltd, a subsidiary of Wuxi Communications Industry Group Co., Ltd (“**Wuxi Communications**”), and Sheng Zhuo Factoring Limited, a subsidiary of the Group. With the completion of the acquisition, the advantages of resources and empowerment from both the state-owned shareholder and SY, WXGJ has achieved stable growth and reduced the costs of capital of the Group. For the six months ended 30 June 2022, WXGJ has recorded a net profit of approximately RMB30.8 million, representing year-on-year growth of 30.5%, with a ROE of 15.0%, approximately 1.9 percentage points higher than that of the same period last year. Leveraging the strong ecosystem position of Wuxi Communications in the transport and infrastructure sectors, the Group can also strengthen its customer acquisition in the IIoT and digital finance sectors. Furthermore, the Group has also established its East China regional headquarters in Wuxi, which is slated to be the Group’s IIoT R&D center.
- In July 2022, the Group achieves another milestone based on the cooperation model with state-owned enterprises (“**SOEs**”) with close reference to WXGJ. Shenglong Information Technology Services (Ningbo) Limited (“**Shenglong Technology**”), a subsidiary of SY, and Ningbo Development & Investment Group Co., Ltd. (“**NDIG**”) jointly established Ningbo Guofu Factoring Co., Ltd. (“**NBGF**”). NBGF has a registered capital of RMB200 million, with NDIG and Shenlong Technology contributing 65% and 35%, respectively, in cash. Backed by NDIG’s strong industrial background and the Group’s supply chain technology platform service capabilities, NBGF will adopt advanced digital technology and a smart risk management system to provide differentiated digital financial solutions for NDIG’s ecosystem, to help solve the supply chain difficulties faced by SMEs and vigorously promote supply chain digital technology services.
- WXGJ and NBGF are both successful examples of cooperation in joint ventures with regional SOEs. Through the establishment of joint ventures, the Group can integrate itself into the comprehensive industrial supply chain ecosystems of state-owned shareholders, and provide one-stop supply chain technology services and differentiated digital finance services to the ecosystems. The endorsement of state-owned shareholders also enables the Group to receive more support from the funding partners in the joint ventures, thereby reducing capital costs and increasing leverage.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Sustainable development

- SY has been actively fulfilling its corporate social responsibilities and considers environmental, social and governance (“**ESG**”) factors as a core component of its business decisions. ESG has always been a core part of the Group’s DNA through its mission of “driving supply chain efficiency and making finance more inclusive”. Specifically, the Group has demonstrated its corporate social responsibility in the areas of inclusive finance, public facilities and healthcare, social welfare, and diversity and equality in workplace. Meanwhile, in response to the national call for “dual carbon” goals, the Group has achieved energy savings and emission reduction by innovating its products and services toward building a green supply chain, providing online and paperless services, and allocating more resources to low-carbon businesses, steps which have been widely recognized by society.
- SY also considers good governance framework and practice, and compliant operation as crucial factors for the sustainable development of the Group and the overall supply chain ecosystem. In response to increasing stakeholder expectations on ESG, the Group is also working on projects related to, among other things, data governance, cyber security and anti-corruption in order to further improve its governance and operations, and achieve zero customer data breaches and zero customer complaints about data privacy.
- SY is committed to integrating its corporate strategy and business development with sustainability and operating in a responsible manner. The Group launched the Social Financing Framework and Sustainability-linked Financing Framework in August 2022, which will facilitate the Group to support the substantial industries which include the infrastructure and healthcare sectors, firming up financial inclusion to address the capital needs of the underserved SMEs, and urge the Group to improve its sustainability management and performance in line with the international best practice.
- SY has continued its efforts on public welfare. On 12 May 2022, SY launched the SY Public Welfare Foundation (“**Foundation**”) in Tianjin. The Foundation plans to continuously carry out public welfare activities in three major areas: caring for children in need, supporting industry development and youth inspirational programs, contributing to the development of a harmonious society. In June 2022, the Foundation made donations to the Tibetan region of Qinghai Province, to which the funds were primarily used to improve the working and living conditions of local residents, help students in need to finish their studies, alleviate poverty in China, and promote rural revitalization. Since 2014, SY has donated a total of approximately RMB10 million, benefitting over 2,000 people.
- The Group’s ESG efforts and performance have also been recognized by the market. SY received an “A” rating from MSCI ESG Research, ranking among the top 20% of its industry peers globally and the top 5% within China. In addition, SY has been selected as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index for two consecutive years and received an “A” ESG rating from Hang Seng Indexes Company Limited (“**HSIL**”). A report published by HSIL ranked SY’s overall ESG performance in the top 20% among its industry peers and the top 10% in terms of corporate governance. These achievements highlighted the Company’s outstanding ESG strategies and initiatives. The Group will continue to enhance its ESG management standards, integrate ESG measures into the Company’s long-term development strategies, and leverage technology to inject more impetus to its sustainable development.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Industry accolades

- SY's commitment to technology has also been acknowledged by the market. On 15 June 2022, the Industry and Information Technology Bureau of Shenzhen Municipality announced the 2021 List of "Specialized, Refined, Unique and Innovative" SMEs in Shenzhen (《關於2021年度深圳市「專精特新」中小企業名單公示通知》) and SY's subsidiary Sheng Ye Information Technology (Shen Zhen) Co.,Ltd. ("SYIT") was named on the list. To identify enterprises which exhibit the characteristics of "specialization, refinement, uniqueness, and innovation", the appraisal examines an enterprise's performance against a comprehensive suite of metrics including economic efficiency, specialization levels and operation management. To be named on the list, an enterprise must be a leader in its market segment and must demonstrate cutting-edge innovation capabilities and mastery of key industry technologies. The selection as a "Specialized, Refined, Unique and Innovative" enterprise highlights the recognition and affirmation of SYIT by the government authorities for its advanced technology, scale of business expansion and exemplary development practices.
- On 8 February 2022, SY won the "2021 Export Oriented Economy Award" (「2021年度外向型經濟獎」) of the Wuxi Economic Development Zone. Winning this award underlines the outstanding recognition earned by SY's investments and contributions to promoting quality economic development in the region. As a partner committed to growing along with Wuxi City since its foray into the city, SY has mapped a strategic growth path in line with Wuxi's development plan in terms of innovation, technology and industries, creating two-way interactions with Wuxi's Internet-of-Things development.
- On 28 July 2022, SY won the "Award for Leading Technological Innovation 2022" at the 11th CFS Financial Summit. The award demonstrates the recognition of SY's capabilities in technological innovation by the CFS Financial Summit and industry players.

## FINANCIAL REVIEW

### Revenue and income from principal activities

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

The Group's total revenue and income from principal activities increased by 29.1% year-on-year to RMB386.3 million for the six months ended 30 June 2022, compared to RMB299.3 million for the corresponding period in last year, mainly due to the expansion of the digital financing solutions as a result of the acquisition of WXGJ completed in December 2021, and the expansion of loan facilitation business in SME segment.

The following table sets forth the comparative figures and as a percentage of total revenue and income from principal activities for the six months ended 30 June 2022 and 2021.



## MANAGEMENT DISCUSSION AND ANALYSIS

	Six months ended 30 June			2021	
	RMB'000	2022 % of total revenue	Year-on-year	RMB'000	% of total revenue
<b>Revenue from contracts with customers</b>					
<b>— Platform-based services</b>					
— Loan facilitation services	27,684	7.2%	59.1%	17,400	5.8%
— Technology service for asset-backed securitisation products	1,199	0.3%	-61.7%	3,130	1.1%
— Other services	441	0.1%	-83.9%	2,731	0.9%
<b>Subtotal</b>	<b>29,324</b>	<b>7.6%</b>	<b>26.1%</b>	23,261	7.8%
<b>— Supply chain technology services</b>	<b>284</b>	<b>0.1%</b>	<b>N/A</b>	—	—
<b>Income from digital financing solutions</b>					
— Interest income	292,987	75.9%	51.9%	192,896	64.4%
— Guarantee income	9,349	2.4%	21.6%	7,690	2.6%
<b>Subtotal</b>	<b>302,336</b>	<b>78.3%</b>	<b>50.7%</b>	200,586	67.0%
<b>Gain on sales of supply chain assets</b>	<b>54,312</b>	<b>14.0%</b>	<b>-28.0%</b>	75,427	25.2%
<b>Revenue and income from principal activities</b>	<b>386,256</b>	<b>100.0%</b>	<b>29.1%</b>	299,274	100.0%

### Platform-based Services

Revenue from the platform-based services comprises (i) services fees received from customers by providing loan facilitation services through SY Cloud platform, (ii) technology service fees that the Group charged for facilitating the issuance of ABS/ABN by large core enterprises, and (iii) services fees received from customers by providing AR management services. Revenue from platform-based services significantly increased by 26.1% year-on-year to approximately RMB29.3 million for the six months ended 30 June 2022, compared to approximately RMB23.3 million for the corresponding period of last year, mainly driven by the expansion of its loan facilitation business, due to the Group's push towards a platform-based transformation, providing SMEs, core enterprises and funding partners with convenient one-stop supply chain financing services.

### Supply chain technology services

Revenue from the supply chain technology services comprises technology services fees received from customers by providing supply chain technology solutions such as smart enterprise solutions and supply chain procurement systems. Revenue from the supply chain technology services amounted to RMB0.3 million for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).



# MANAGEMENT DISCUSSION AND ANALYSIS

## Digital Financing Solutions

Income from the digital financing solutions comprises interest income received from providing flexible supply chain financing solutions and guarantee services fees arising mainly from the Group's loan facilitation business. Income from the digital financing solutions increased by 50.7% year-on-year to RMB302.3 million for the six months ended 30 June 2022, compared to RMB200.6 million for the corresponding period of 2021, mainly due to the net effect of (i) the increase in the daily average balance of supply chain assets as a result of the acquisition of WXGJ completed in December 2021; and (ii) the decrease in interest yield on supply chain assets as a result of higher allocation to low risk products with lower yield.

## Gain on sales of supply chain assets

The Group may sell rights of supply chain assets as a way to improve cash flow and manage its supply chain assets portfolio. Gain from this business segment is equal to the excess of the consideration received and receivable over the carrying amount of the supply chain assets. The gain on sales of supply chain assets decreased by 28.0% year-on-year to RMB54.3 million for the six months ended 30 June 2022, compared to RMB75.4 million for the same period last year. The decrease was mainly attributable to the decrease in both the yield of transfer on supply chain assets and the total amounts of supply chain assets sold during the reporting period.

## Other Gains and Losses

The Group booked other gains of RMB1.4 million in the first half of 2022, a decrease of RMB20.7 million or 93.9% year-on-year, which was mainly due to (i) the net effect of exchange loss as a result of the depreciation of RMB against HK\$ and US\$ and net gain arising from changes in fair value of derivative financial instruments in relation to foreign currency; and (ii) decrease in net gain arising from changes in fair value of other financial assets at fair value through profit or loss.

## Expenses

The following table sets forth the comparative figures of the principal components of the operational expenses for the six months ended 30 June 2022 and 2021.

	six months ended 30 June		
	2022 RMB'000	2021 RMB'000	Year-on-year
Staff Costs	60,133	53,006	13.4%
Depreciation and amortisation	14,091	11,197	25.8%
Consumables used	354	–	N/A
Other operating expenses	27,245	23,418	16.3%
<b>Total</b>	<b>101,823</b>	87,621	16.2%

The Group's total operational expenses increased by 16.2% year-on-year to RMB101.8 million for the six months ended 30 June 2022, compared to RMB87.6 million for the corresponding period of last year, mainly due to (i) the increase in staff costs of RMB7.1 million as a result of the increase in staff headcount from 298 staff on 30 June 2021 to 364 staff on 30 June 2022; and (ii) the increase in depreciation of property, equipment, right-of-use assets and investment property and amortisation of intangible assets of RMB2.9 million and other operating expenses of RMB3.8 million as a result of business expansion.

## Net Profit

Net profit in the first half of 2022 was RMB179.1 million, an increase of RMB12.1 million or 7.3% year-on-year.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Supply Chain Assets at Fair Value through Other Comprehensive Income (“FVTOCI”)

Supply chain assets at FVTOCI as of 30 June 2022 were RMB6,674.5 million, a 56.4% increase year-on-year. The increase in balance was mainly attributable to the acquisition of a subsidiary in December 2021. Daily average balance of self-funded supply chain assets over the first half of 2022 were RMB6,628.5 million, a 64.2% increase over the same period of 2021. Based on the daily average balance of self-funded supply chain assets, interest yield on supply chain assets in the first half of 2022 was 8.8%, which was 0.8 percentage points lower year-on-year, mainly due to (i) the lower market interest rates as part of the national policies for promoting financial inclusion and supporting the real economy; (ii) higher allocation to the low risk products with lower-yield; and (iii) encourage inclusive financing for the SME segment.

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

As at 30 June 2022, all of the total supply chain assets were secured by charge over trade receivable, in respect of which the legal title and legal right to receivable cash flows were also transferred to the Group. Furthermore, the supply chain assets of RMB513.9 million (31 December 2021: RMB680.9 million) were secured by certain commercial acceptance bills received from customers and the supply chain assets of RMB1,037.1 million (31 December 2021: RMB438.9 million) were secured by deposit from customers. The bills and deposits can be applied and used to settle any outstanding receivables of supply chain assets for the corresponding contract if default occurs.

As at 30 June 2022, there were a total of 3,110 (31 December 2021: 1,409) outstanding supply chain assets obtained by the Group, out of which 132 (31 December 2021: 136) supply chain assets are referred to as sizeable loans with principal amount exceeds RMB10,000,000, 752 (31 December 2021: 494) supply chain assets with principal amount between RMB1,000,000 and RMB10,000,000, 2,226 (31 December 2021: 779) supply chain assets with principal amount less than RMB1,000,000.

As at 30 June 2022, the outstanding supply chain assets of RMB909.3 million (31 December 2021: RMB910.4 million) were obtained from the related parties (all of which are associates of the Group under the Listing Rules) of the Group. The remaining balance of the outstanding supply chain assets were obtained from the independent third parties of the Group. The supply chain assets normally have a term of 1 to 24 months (31 December 2021: 1 to 17 months) and the effective interest rates ranging mainly from 5.00% to 16.00% (31 December 2021: 3.00% to 16.00%) per annum.

### Movements in Impairment Loss Allowance on Supply Chain Assets

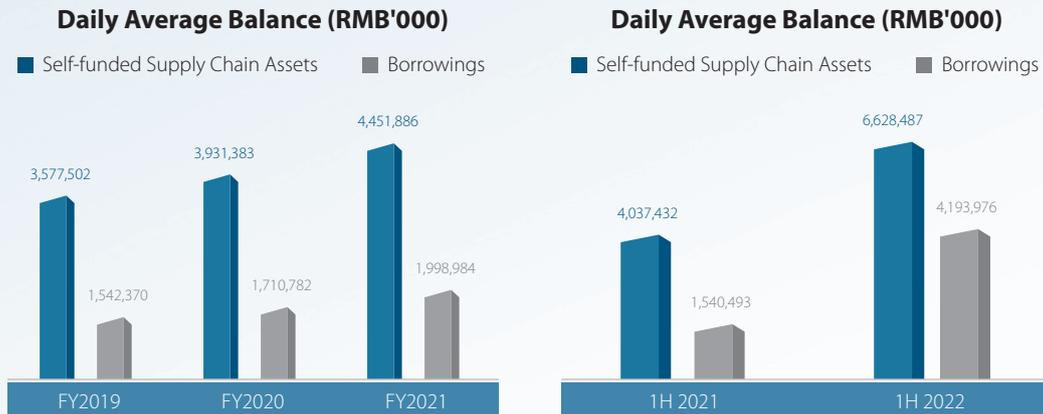
The Group's impairment loss allowance on supply chain assets increased by 14.2% year-on-year to RMB78.0 million as at 30 June 2022, compared to RMB68.3 million as at 30 June 2021, mainly due to the increase in gross carrying amount of supply chain assets. The write offs of impairment loss allowance were RMB15.9 million for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

### Borrowings and Finance Cost

Borrowings, including loans from related parties, as of 30 June 2022 was RMB4,819.1 million, a 130.4% increase year-on-year. Daily average borrowings over the first half of 2022 was RMB4,194.0 million, a 172.2% increase year-on-year. The increase in finance cost of RMB68.1 million year-on-year was mainly due to the net effect of (i) the increase in the daily average balance of borrowings for the reporting period as a result of the acquisition of WXGJ completed in December 2021; and (ii) the decrease in borrowings average interest rate from 6.3% for the six months ended 30 June 2021 to 5.6% for the six months ended 30 June 2022.



# MANAGEMENT DISCUSSION AND ANALYSIS



## Taxation

Income tax expenses represent the tax expense arising from the assessable profit generated by the Group in the PRC, withholding tax levied on interest income of Hong Kong subsidiaries, withholding tax levied on dividend declared by a PRC subsidiary and deferred tax. Except for certain PRC subsidiaries that enjoy preferential tax rates, PRC enterprise income tax is calculated at 25% of the estimated assessable profits for six months ended 30 June 2022 and 2021. The decrease in the effective tax rate from 11.0% for the six months ended 30 June 2021 to 4.7% for six months ended 30 June 2022 was mainly attributable to the reversal of deferred tax liabilities in relation to the capital injection of PRC subsidiaries through the undistributed earnings during the six months period ended 30 June 2022.

For the six months ended 30 June 2022, income tax expenses amounted to approximately RMB8.8 million (for the six months ended 30 June 2021: RMB20.6 million).

## KEY INTERNAL CONTROLS IN RESPECTIVE OF DIGITAL FINANCING SOLUTIONS

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

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

### Credit approval

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



# MANAGEMENT DISCUSSION AND ANALYSIS

- **Customer Quota**

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

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

- **Utilization Quota**

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

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

## Monitoring of loan recoverability

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

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

## Loan collection

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS OUTLOOK AND PROSPECTS

During the first half of the year, the Group maintained steady growth in its digital financing business while accelerating deployment within the IIoT business segment. This is evidenced in the significant business growth of its supply chain technology services such as smart construction and hospital SPD solutions.

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

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

Collaboration with outstanding regional SOEs and participation in joint venture companies is an important part of the Group's platformisation strategy as leading regional SOEs are often well positioned within the industrial landscape with access to extensive resources. With the Group's precise customer acquisition and big data analytics capabilities developed through technological innovation, which efficiently bridges industrial scenarios with resources, the value of state-owned assets could be revitalized. Looking ahead, the Group will continue to strengthen its cooperation with high-quality SOEs and replicate its successful experience to more regions and cities, and further leverage its platform capability to build a digital ecosystem, as well as to solve the supply chain financing pain points of SMEs, thus contribute to the development of the real economy.

## CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

During the six months ended 30 June 2022, the Group's main sources of funds were the cash generated from its daily operation, and proceeds from new borrowings. As at 30 June 2022, the Group had cash and cash equivalents of RMB958.4 million (31 December 2021: RMB800.4 million), of which 92.2%, 7.6%, 0.1% and 0.1% were denominated in RMB, HK\$, US\$ and S\$ respectively. Net cash from operating activities was RMB460.2 million in the first half of 2022 (for the six months ended 30 June 2021: net cash used in operating activities was RMB266.2 million), an increase of RMB726.4 million year-on-year was mainly due to the change from net cash used in supply chain assets at FVTOCI of RMB464.8 million for the six months ended 30 June 2021 to net cash from supply chain assets at FVTOCI of RMB162.2 million for the six months ended 30 June 2022.

As at 30 June 2022, the Group had interest-bearing borrowings and loans from related parties which amounted to RMB4,819.1 million (31 December 2021: RMB4,340.9 million). Its gearing ratio, expressed as total liabilities over total equity was 1.33 as at 30 June 2022 (31 December 2021: 1.23).



# MANAGEMENT DISCUSSION AND ANALYSIS

## INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the period ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

## USE OF PROCEEDS

### The Placement in 2021

On 24 September 2021 (after the trading hours), the Company and China International Capital Corporation Hong Kong Securities Limited (the "**Placement Agent**") entered into a placement agreement pursuant to which the Company conditionally agreed to place, through the Placement Agent on a best effort basis, a maximum of 63,068,000 ordinary shares at a price of HKD8.80 per share (the "**Placement**"). The placing shares were allotted and issued pursuant to the general mandate for the Company.

The Placement was completed on 5 October 2021. An aggregate of 63,068,000 new shares were successfully issued by the Company and placed by the Placing Agent to two placees, namely Xitong International Holdings (HK) Limited and Pavilion Capital Fund Holdings Pte. Ltd., at a price of HKD8.80 for each new share. The new shares from the Placement represent approximately 6.29% of the issued share capital of the Company translating to total net proceeds of approximately HKD550.8 million (equivalent to approximately RMB456.2 million).

The placing price of HKD8.80 per share represents: (i) a discount of approximately 7.95% to the closing price of HK\$9.56 per share as quoted on the Stock Exchange on 24 September 2021; (ii) a discount of approximately 9.45% to the average closing price of the shares of approximately HK\$9.718 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding but excluding 24 September 2021; and (iii) a discount of approximately 9.44% to the average closing price of the shares of approximately HK\$9.717 per share as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding but excluding 24 September 2021.

### Use of proceeds from the Placement

During the year ended 31 December 2021 and six months ended 30 June 2022, details of the use of proceeds of the Placement were as follows:

Use of proceeds	Net proceeds raised (Approximately HK\$ million)	Actual use of net proceeds during the year ended	Actual use of net proceeds during the six months ended	Intended use and expected timeline of the remaining amount of net proceeds
		31 December 2021 (Approximately HK\$ million)	30 June 2022 (Approximately HK\$ million)	

Strategic acquisition of and/or investment in business(es) in the industrial technology and digital financing

275.4

275.4

– The amount of strategic acquisition of and/or investment in business(es) in the industrial technology and digital financing had been fully utilised.



## MANAGEMENT DISCUSSION AND ANALYSIS

Use of proceeds	Net proceeds raised (Approximately HK\$ million)	Actual use of net proceeds during the year ended 31 December 2021 (Approximately HK\$ million)	Actual use of net proceeds during the six months ended 30 June 2022 (Approximately HK\$ million)	Intended use and expected timeline of the remaining amount of net proceeds
Expansion and development of the Group's supply chain technology services segment	165.2	2.3	19.1	The remaining unutilised amount of approximately HK\$143.8 million will be used for expansion and development of the Group's supply chain technology services segment and is expected to be fully utilised by 31 December 2023.
General working capital of the Group's platformisation	110.2	7.1	103.1	The amount of net proceeds for general working capital of the Group's platformisation had been fully utilised.

### CAPITAL COMMITMENTS

As at 30 June 2022, the capital commitments of the Group comprised of purchase of equipment of approximately RMB0.7 million, purchase of intangible assets of approximately RMB0.4 million and investment in an associate of approximately RMB0.2 million (31 December 2021: purchase of equipment of approximately RMB0.5 million, purchase of intangible assets of approximately RMB0.4 million and investment in an associate of approximately RMB0.2 million).

### CONTINGENT LIABILITIES

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

### PLEDGE OF ASSETS

As at 30 June 2022, the Group had pledged bank deposits of RMB441.4 million, structured deposits of RMB163.0 million, security deposits of RMB16.5 million, and certain supply chain assets with an aggregate carrying amount of RMB2,535.3 million to banks, third parties and an associate for facilities, loan facilitation platform in partnership with banks and derivative financial instruments (31 December 2021: pledged bank deposits of RMB429.3 million, security deposits of RMB0.2 million, and certain supply chain assets with an aggregate carrying amount of RMB2,160.8 million to banks and third parties for facilities, loan facilitation platform in partnership with banks and derivative financial instruments).

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

In June 2022, the Group acquired 100% equity interest in Trade Nice Limited ("**TNL**") for a consideration of HKD38,000,000. As at the date of the acquisition, TNL was indirectly wholly-owned by a trust of which Mr. Tung Chi Fung ("**Mr. Tung**"), the substantial shareholder of the Company as well as an Executive Director and the Chairman of the Board, and his family members are the beneficiaries. Subsequent to the acquisition, TNL became a wholly owned subsidiary of the Group.



# MANAGEMENT DISCUSSION AND ANALYSIS

## SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 30 June 2022, the Group did not make any significant investments.

## FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

## FOREIGN EXCHANGE RISKS

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

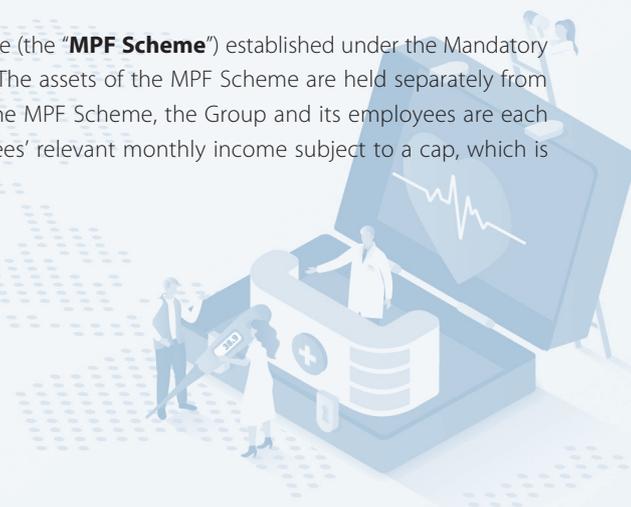
## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group had a total of 364 staff (As at 31 December 2021: 347 staff). Total staff costs (including Directors’ emoluments) were approximately RMB69.5 million (including share option benefits RMB1.0 million and RSU benefits RMB0.1 million) for the six months ended 30 June 2022 (for the six months ended 30 June 2021: RMB57.5 million (including share option benefits RMB6.1 million)). Remuneration is determined by reference to market conditions and the performance, qualifications and experience of individual employee. In light of the Group’s continuous strive to maintain its market position, recruitment and retention of talent is of paramount importance to the future development of the Group. Therefore, the Group is committed to continuously enhancing and optimizing its remuneration and benefits policies to remain competitive. A comprehensive incentive plan has been adopted to reward existing and retain new senior management members and employees. Year-end bonuses are based on individual performance and are paid to employees as recognition of and reward for their contributions. Other benefits include contributions to the statutory mandatory provident fund scheme and social insurance together with housing provident funds for the employees in Hong Kong, Singapore and the PRC, respectively.

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

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

### RECENT DEVELOPMENT OF REGULATORY FRAMEWORK

The Cybersecurity Review Measures of the PRC was amended and became effective on 15 February 2022, which (i) provide that the data processing activities carried out by network platform operators that affect or may affect national security shall be subject to a cybersecurity review, and (ii) stipulate that network platform operators holding personal information of more than 1 million users and seeking a listing overseas shall apply for a cybersecurity review with the Office of Cybersecurity Review. Specifically, data processing activities include the collection, storage, utilization, processing, transmission, provision, disclosure and other activities of data.

The Directors confirm that the Group will be able to comply with the above-mentioned relevant legal requirements. The Group is not involved in circumstances that affect national security and the listing in Hong Kong will not result in any cybersecurity review obligations. Meanwhile, the Group has established the Information Management Committee, which is responsible for the Group’s strategy formulation and construction planning of information technology, information security and data management. The Group has long been committed to building a data management system that conforms to its strategic development, protects the interests of users, and meets regulatory requirements to ensure the sustainable development of its platform-based strategy. The fact that the Group has obtained the Level 3 certification of the China’s National Information Security Level Protection Certification and the ISO/IEC 27001: 2013 International Information Security Certification demonstrates the Group’s effort and capacity to comply with the national data protection framework.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2022, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to provisions set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

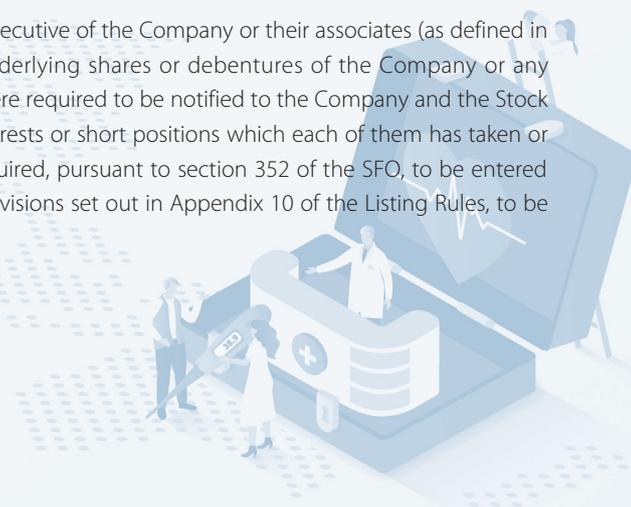
#### Interest in the Company

Name of Director	Capacity/nature of interest	Number and class of securities interested	Percentage of shareholding
Mr. Tung (Note 1)	Beneficiary of a trust and settlor of a discretionary trust	559,415,960 (L) (Note 2)	55.63%
Mr. Chen Jen-Tse	Beneficial owner	201,500 (L) (Note 2)	0.02%
	Share option	4,300,000 (Note 3)	0.43%
Mr. Lo Wai Hung	Beneficial owner	360,000 (L) (Note 2)	0.04%
	Share option	800,000 (Note 3)	0.08%
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. Fong Heng Boo	Share option	300,000 (Note 3)	0.03%

Notes:

1. Wisdom Cosmos Limited ("**Wisdom Cosmos**"), a company incorporated in the British Virgin Islands ("**BVI**"), is the beneficial owner of 559,415,960 shares of the Company, representing approximately 55.63% shareholding interests in the Company. The entire issued share capital of Wisdom Cosmos is owned by Eander Limited ("**Eander**"), a company incorporated in the BVI, which is in turn wholly owned by TMF (Cayman) Ltd ("**TMF Trust**"), trustee of the Pak Jeff Trust ("**PJ Trust**"), an irrevocable reserved power trust established by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, TMF Trust and Eander are deemed to be interested in all the shares of the Company registered in the name of Wisdom Cosmos.
2. The letter "L" denotes long position of the shares of the Company.
3. This refers to the number of underlying Shares covered by its share option scheme.

Save as disclosed herein, as at 30 June 2022, none of the Directors or chief executive of the Company or their associates (as defined in the Listing Rules) had any interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to provisions set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2022, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity/nature of interest	Number and class of securities interested (Note 1)	Percentage of shareholding
TMF Trust (Note 2)	Trustee	559,415,960 (L)	55.63%
Eander (Note 2)	Interest in a controlled corporation	559,415,960 (L)	55.63%
Wisdom Cosmos (Note 2)	Beneficial owner	559,415,960 (L)	55.63%
Wuxi Communications (Note 3)	Interest in a controlled corporation	61,363,500 (L)	6.10%
Xitong International Holdings (HK) Limited (" <b>Xitong</b> ") (Note 3)	Beneficial owner	61,363,500 (L)	6.10%

Notes:

- The letter "L" denotes long position of the shares of the Company.
- Wisdom Cosmos, a company incorporated in the BVI, is the beneficial owner of 559,415,960 shares of the Company, representing approximately 55.63% shareholding interests in the Company. The entire issued share capital of Wisdom Cosmos is owned by Eander, a company incorporated in the BVI, which is in turn wholly owned by TMF Trust, trustee of the PJ Trust, an irrevocable reserved power trust established by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, TMF Trust and Eander are deemed to be interested in all the shares of the Company registered in the name of Wisdom Cosmos.
- Xitong, a company incorporated in Hong Kong, is the beneficial owner of 61,363,500 shares of the Company, representing approximately 6.10% shareholding interests in the Company. The entire issued share capital of Xitong is owned by Wuxi Communications, a company incorporated in the PRC, which is in turn wholly owned by State-owned Assets Supervision and Administration Commission of Wuxi Municipal People's Government. Under the SFO, Wuxi Communications and Xitong are deemed to be interested in all the shares of the Company registered in the name of Xitong.

Save as disclosed above, as at 30 June 2022, the Directors are not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## SHARE OPTION SCHEME

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

### (a) Purpose of the Share Option Scheme

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

### (b) Who may join and basis of eligibility

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

### (c) Grant of Option

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



## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

### (d) Price of Shares

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



## CORPORATE GOVERNANCE AND OTHER INFORMATION

### (e) Maximum number of Shares

- (i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") provided that Options lapsed in accordance with the terms of the Shares Option Scheme or Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 740,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 74,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date and approximately 7.35% of the Shares in Issue as at the date of this report.
- (ii) Subject to the approval of Shareholders in general meeting, the Company may renew the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the Shareholders' approval referred to in this paragraph (ii), the Company shall send a circular to the Shareholders containing the information required by the Listing Rules.
- (iii) Subject to the approval of Shareholders in general meeting, the Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by the Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), the Company shall send a circular to the Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the Listing Rules.
- (iv) Notwithstanding the foregoing, the Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and Other Schemes exceeds 30% of the Shares in issue from time to time.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

### (f) Time of exercise of Option

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

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

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

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

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

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



## CORPORATE GOVERNANCE AND OTHER INFORMATION

The following shows the outstanding position as at 30 June 2022 with respect to their granted options granted under the Share Option Scheme:

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2022	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2022
Mr. Chen Jen-Tse	11 September 2017	HK\$4.20	11/9/2018–10/9/2022	500,000	–	(500,000)	–	–
			11/9/2019–10/9/2022	500,000	–	–	–	500,000
			11/9/2020–10/9/2022	1,000,000	–	–	–	1,000,000
				2,000,000	–	(500,000)	–	1,500,000
Mr. Lo Wai Hung	11 September 2017	HK\$4.20	11/9/2018–10/9/2022	–	–	–	–	–
			11/9/2019–10/9/2022	200,000	–	(200,000)	–	–
			11/9/2020–10/9/2022	500,000	–	(200,000)	–	300,000
				700,000	–	(400,000)	–	300,000
Employees	11 September 2017	HK\$4.20	11/9/2018–10/9/2022	7,500	–	–	–	7,500
			11/9/2019–10/9/2022	37,500	–	(12,500)	–	25,000
			11/9/2020–10/9/2022	408,000	–	(104,500)	–	303,500
				453,000	–	(117,000)	–	336,000
Mr. Chen Jen-Tse	14 November 2018	HK\$6.90	14/11/2019–13/11/2023	250,000	–	–	–	250,000
			14/11/2020–13/11/2023	250,000	–	–	–	250,000
			14/11/2021–13/11/2023	500,000	–	–	–	500,000
				1,000,000	–	–	–	1,000,000
Mr. Lo Wai Hung	14 November 2018	HK\$6.90	14/11/2019–13/11/2023	–	–	–	–	–
			14/11/2020–13/11/2023	–	–	–	–	–
			14/11/2021–13/11/2023	500,000	–	–	–	500,000
				500,000	–	–	–	500,000
Mr. Hung Ka Hai Clement	14 November 2018	HK\$6.90	14/11/2019–13/11/2023	50,000	–	–	–	50,000
			14/11/2020–13/11/2023	50,000	–	–	–	50,000
			14/11/2021–13/11/2023	100,000	–	–	–	100,000
				200,000	–	–	–	200,000
Mr. Loo Yau Soon	14 November 2018	HK\$6.90	14/11/2019–13/11/2023	50,000	–	–	–	50,000
			14/11/2020–13/11/2023	50,000	–	–	–	50,000
			14/11/2021–13/11/2023	100,000	–	–	–	100,000
				200,000	–	–	–	200,000

## CORPORATE GOVERNANCE AND OTHER INFORMATION

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2022	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2022
Mr. Tsoon Wai Mun, Benjamin	14 November 2018	HK\$6.90	14/11/2019–13/11/2023	50,000	–	–	(50,000)	–
			14/11/2020–13/11/2023	50,000	–	–	(50,000)	–
			14/11/2021–13/11/2023	100,000	–	–	(100,000)	–
				200,000	–	–	(200,000)	–
Employees	14 November 2018	HK\$6.90	14/11/2019–13/11/2023	353,750	–	(10,000)	(46,250)	297,500
			14/11/2020–13/11/2023	303,750	–	(10,000)	(46,250)	247,500
			14/11/2021–13/11/2023	887,500	–	(145,000)	(122,500)	620,000
				1,545,000	–	(165,000)	(215,000)	1,165,000
Mr. Tung Chi Fung	15 July 2020	HK\$6.68	15/7/2021–14/7/2025	750,000	–	–	(750,000)	–
			15/7/2022–14/7/2025	750,000	–	–	(750,000)	–
			15/7/2023–14/7/2025	1,500,000	–	–	(1,500,000)	–
				3,000,000	–	–	(3,000,000)	–
Mr. Chen Jen-Tse	15 July 2020	HK\$6.68	15/7/2021–14/7/2025	–	–	–	–	–
			15/7/2022–14/7/2025	100,000	–	–	–	100,000
			15/7/2023–14/7/2025	200,000	–	–	–	200,000
				300,000	–	–	–	300,000
Mr. Hung Ka Hai Clement	15 July 2020	HK\$6.68	15/7/2021–14/7/2025	75,000	–	–	–	75,000
			15/7/2022–14/7/2025	75,000	–	–	–	75,000
			15/7/2023–14/7/2025	150,000	–	–	–	150,000
				300,000	–	–	–	300,000
Mr. Loo Yau Soon	15 July 2020	HK\$6.68	15/7/2021–14/7/2025	75,000	–	–	–	75,000
			15/7/2022–14/7/2025	75,000	–	–	–	75,000
			15/7/2023–14/7/2025	150,000	–	–	–	150,000
				300,000	–	–	–	300,000



## CORPORATE GOVERNANCE AND OTHER INFORMATION

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2022	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2022
Mr. Tsoon Wai Mun, Benjamin	15 July 2020	HK\$6.68	15/7/2021–14/7/2025	75,000	–	–	(75,000)	–
			15/7/2022–14/7/2025	–	–	–	–	–
			15/7/2023–14/7/2025	–	–	–	–	–
				75,000	–	–	(75,000)	–
Mr. Fong Heng Boo	15 July 2020	HK\$6.68	15/7/2021–14/7/2025	75,000	–	–	–	75,000
			15/7/2022–14/7/2025	75,000	–	–	–	75,000
			15/7/2023–14/7/2025	150,000	–	–	–	150,000
				300,000	–	–	–	300,000
Employees	15 July 2020	HK\$6.68	15/7/2021–14/7/2025	2,387,500	–	(100,000)	(87,500)	2,200,000
			15/7/2022–14/7/2025	2,637,500	–	–	(162,500)	2,475,000
			15/7/2023–14/7/2025	5,275,000	–	–	(325,000)	4,950,000
				10,300,000	–	(100,000)	(575,000)	9,625,000
Mr. Chen Jen-Tse	10 June 2022	HK\$6.46	10/6/2023–9/6/2032	–	375,000	–	–	375,000
			10/6/2024–9/6/2032	–	375,000	–	–	375,000
			10/6/2025–9/6/2032	–	750,000	–	–	750,000
				–	1,500,000	–	–	1,500,000
Employees	10 June 2022	HK\$6.46	10/6/2023–9/6/2032	–	2,375,000	–	–	2,375,000
			10/6/2024–9/6/2032	–	2,375,000	–	–	2,375,000
			10/6/2025–9/6/2032	–	4,750,000	–	–	4,750,000
				–	9,500,000	–	–	9,500,000

Note: The weighted average closing price of the shares immediately before the date on which the options were exercised during the period was HK\$6.45 per share.



## CORPORATE GOVERNANCE AND OTHER INFORMATION

During the six months ended 30 June 2022, (i) 27,026,000 granted options were outstanding under the share option scheme; (ii) 1,282,000 granted options have exercised; (iii) 4,065,000 granted options have lapsed; and (iv) no granted options been cancelled.

Pursuant to Rule 17.07(2) of the Listing Rules, the closing prices of the Shares immediately before 11 September 2017, 14 November 2018, 15 July 2020 and 10 June 2022, being the dates on which the Options were granted, were HK\$4.14, HK\$6.50, HK\$6.60 and HK\$6.46 respectively.

Pursuant to Rule 17.09(9) of the Listing Rules, as at 30 June 2022, the remaining life of the Share Option Scheme is about 4 years and 10 months old.

### RESTRICTED SHARE UNIT (“RSU”) SCHEME

The RSU Scheme is adopted on 6 April 2022 and not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares. Movements of RSU Scheme during the six months ended 30 June 2022 are as follows:

Grantee	Vesting period	Outstanding at 1 January 2022	Granted during period	Forfeited during period	Vested during period	Outstanding at 30 June 2022
Employees	10/6/2022–9/6/2023	–	335,000	–	–	335,000
	10/6/2022–9/6/2024	–	335,000	–	–	335,000
	10/6/2022–9/6/2025	–	670,000	–	–	670,000
		–	1,340,000	–	–	1,340,000

During the six months ended 30 June 2022, (i) 1,340,000 RSUs were granted; (ii) no granted RSUs were outstanding under the RSU scheme; (iii) no granted RSUs were exercised; (iv) no granted RSUs were lapsed; and (v) no granted RSUs were cancelled.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2022.

### DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTEREST IN COMPETING INTERESTS OR CONFLICT OF INTEREST

For the six months ended 30 June 2022, the Directors are not aware of any business or interest of the Directors, the substantial shareholders of the Company and their respective associates (as defined in the Listing Rules) that competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person has or may have with the Company.

### DIRECTORS’ SECURITIES TRANSACTIONS

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

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CHANGES IN INFORMATION OF DIRECTORS

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

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

Mr. Hung resigned as an independent non-executive director of the Company with effect from 15 July 2022. Following Mr. Hung's resignation, he also ceased to be the chairman of the audit committee (the "**Audit Committee**"), and a member of the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**") of the Company on the same date.

### (2) Ms. Chan Yuk Ying Phyllis, Independent Non-executive Director

Ms. Chan was appointed as an independent non-executive director of the Company with effect from 15 July 2022.

### (3) Mr. Tang King San Terence, Independent Non-executive Director

Mr. Tang was appointed as the chairman of the Audit Committee and a member of the Nomination Committee with effect from 15 July 2022.

### (4) Mr. Fong Heng Boo, Independent Non-executive Director

Mr. Fong was appointed as a member of the Remuneration Committee with effect from 15 July 2022.

### (5) Mr. Lo Wai Hung, Non-executive Director

Mr. Lo was resigned as an independent non-executive director of Shandong Weigao Group Medical Polymer Company Ltd (stock code: 1066) with effect from 6 June 2022.

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

## PERMITTED INDEMNITY

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

## MANAGEMENT CONTRACTS

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



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this interim report, at least 25% of the Company's total issued Shares was held by the public throughout the six months ended 30 June 2022 and thereafter up to the date of this report.

## PRE-EMPTIVE RIGHTS

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

## TAX RELIEF

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

## CORPORATE GOVERNANCE

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

The shares of the Company were successfully listed on GEM on 6 July 2017 and were transferred to the Main Board on 24 October 2019. To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the period from the Listing Date to 30 June 2022.

## AUDIT COMMITTEE

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

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2022 and the interim report have been reviewed by the Audit Committee. The Board is of the opinion that such financial information has been prepared in compliance with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

The Company's independent auditor, Deloitte Touche Tohmatsu, has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## EVENT AFTER THE REPORTING PERIOD

In July 2022, Shenglong Technology, a non-wholly owned subsidiary of the Group and NDIG established an entity named NBGF in the PRC for the purpose of provision of supply chain service. The initial registered and paid-in capital of NBGF is RMB200,000,000 which is contributed as to 65% by NDIG and 35% by Shenglong Technology.

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

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

Hong Kong, 24 August 2022

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

*Unless otherwise stated, translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 to HK\$1.17 for information purpose only. Such translation should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.*

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



# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

# 德勤

## TO THE BOARD OF DIRECTORS OF SY HOLDINGS GROUP LIMITED

盛業控股集團有限公司

(incorporated in the Cayman Islands with limited liability)

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of SY Holdings Group Limited (the "Company") and its subsidiaries set out on pages 35 to 96, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

**Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

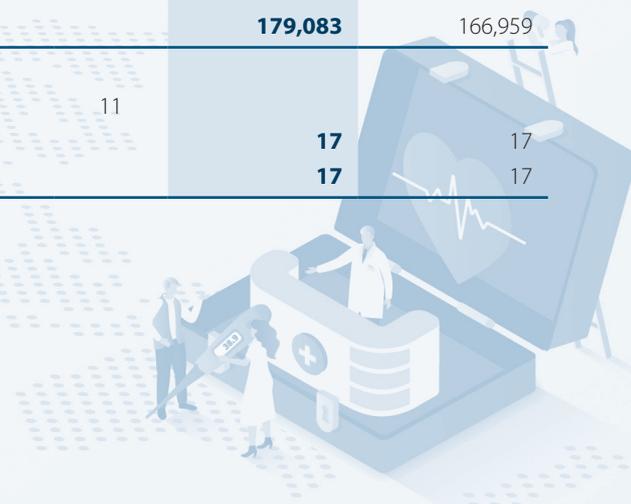
24 August 2022



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	NOTES	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>	4		
— Platform-based services		<b>29,324</b>	23,261
— Supply chain technology services		<b>284</b>	—
<i>Income from digital financing solutions</i>	4		
— Interest income		<b>292,987</b>	192,896
— Guarantee income		<b>9,349</b>	7,690
<i>Gain on sales of supply chain assets</i>	4	<b>54,312</b>	75,427
<b>Revenue and income from principal activities</b>		<b>386,256</b>	299,274
Other income	5(a)	<b>21,091</b>	12,196
Other gains and losses	5(b)	<b>1,351</b>	22,047
Staff costs	9(a)	<b>(60,133)</b>	(53,006)
Depreciation and amortisation	9(a)	<b>(14,091)</b>	(11,197)
Consumables used	9(a)	<b>(354)</b>	—
Other operating expenses		<b>(27,245)</b>	(23,418)
Impairment losses under expected credit loss ("ECL") model, net of reversal	18	<b>(2,320)</b>	(16,587)
Finance costs	6	<b>(118,662)</b>	(50,595)
Donation	9(a)	<b>(329)</b>	(700)
Share of profit of associates		<b>2,290</b>	9,518
<b>Profit before taxation</b>		<b>187,854</b>	187,532
Taxation	7	<b>(8,771)</b>	(20,573)
<b>Profit for the period</b>	9(a)	<b>179,083</b>	166,959
Attributable to:			
— Owners of the Company		<b>168,212</b>	160,589
— Non-controlling interests		<b>10,871</b>	6,370
		<b>179,083</b>	166,959
Earnings per share	11		
— Basic (RMB cents)		<b>17</b>	17
— Diluted (RMB cents)		<b>17</b>	17



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	NOTES	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Profit for the period</b>	9(a)	<b>179,083</b>	166,959
<b>Other comprehensive income (expense) ("OCI"):</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(32)	16
Fair value gain, net of ECL, and reclassification of fair value through OCI ("FVTOCI") reserves upon derecognition on:			
— supply chain assets at FVTOCI	9(b)	2,942	8,823
Income tax relating to items that may be reclassified subsequently		(812)	(1,326)
Share of other comprehensive income of associates, net of related income tax		351	1,912
Other comprehensive income for the period, net of income tax		<b>2,449</b>	9,425
Total comprehensive income for the period		<b>181,532</b>	176,384
Attributable to:			
— Owners of the Company		<b>170,869</b>	169,747
— Non-controlling interests		<b>10,663</b>	6,637
		<b>181,532</b>	176,384



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

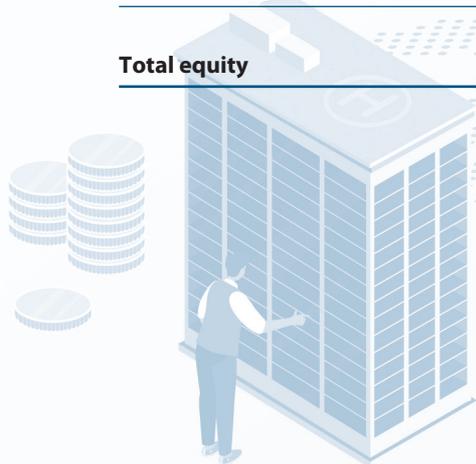
	NOTES	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>Non-current assets</b>			
Property and equipment	12	6,845	7,687
Right-of-use assets	12	97,653	15,372
Investment property	12	32,303	–
Goodwill		316,028	316,028
Intangible assets		152,537	148,435
Investments in associates	13	14,021	11,380
Deferred tax assets	14	16,854	28,289
Supply chain assets at FVTOCI	15	249,159	115,974
Derivative financial instruments	16(a)	922	–
Other financial assets at fair value through profit or loss ("FVTPL")	16(b)	178,364	93,165
Time deposits		103,806	–
Prepayments for non-current assets		10,770	11,066
Refundable rental deposits		698	3,924
		<b>1,179,960</b>	751,320
<b>Current assets</b>			
Supply chain assets at FVTOCI	15	6,425,375	6,562,402
Derivative financial instruments	16(a)	2,064	–
Other financial assets at FVTPL	16(b)	345,418	190,233
Debt instrument at amortised cost	17	37,965	–
Receivables from guarantee customers	19(a)	5,744	6,253
Trade and bill receivables	19(b)	25,441	19,968
Other receivables, prepayments and others	19(c)	32,540	41,183
Contract costs		14,479	1,747
Time deposits		8,684	–
Restricted/pledged bank deposits		445,165	429,257
Cash and cash equivalents		958,417	800,410
		<b>8,301,292</b>	8,051,453



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	NOTES	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>Current liabilities</b>			
Loans from related parties	28	731,797	399,866
Other payables and accrued charges	20	471,371	345,607
Derivative financial instruments	16(a)	538	13,205
Contract liabilities		6,230	5,978
Income tax payable		23,788	36,835
Liabilities arising from guarantee contracts	21	23,114	20,116
Borrowings	22	3,345,847	3,000,013
Lease liabilities		9,280	12,051
		<b>4,611,965</b>	3,833,671
<b>Net current assets</b>			
		<b>3,689,327</b>	4,217,782
<b>Non-current liabilities</b>			
Derivative financial instruments	16(a)	1,767	–
Borrowings	22	741,409	941,000
Lease liabilities		2,364	3,804
Deferred tax liabilities	14	53,639	70,704
		<b>799,179</b>	1,015,508
<b>Net assets</b>			
		<b>4,070,108</b>	3,953,594
<b>Capital and reserves</b>			
Share capital	23	8,698	8,687
Reserves		3,867,998	3,762,158
		<b>3,876,696</b>	3,770,845
Equity attributable to owners of the Company		<b>3,876,696</b>	3,770,845
Non-controlling interests		193,412	182,749
<b>Total equity</b>		<b>4,070,108</b>	3,953,594



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Share held for restricted share unit scheme ("RSU Scheme") RMB'000	Capital reserves RMB'000	FVTOCI reserves RMB'000 (note i)	Translation reserves RMB'000	Share-based payments reserves RMB'000	Statutory reserves RMB'000 (note ii)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2022 (unaudited)	8,687	2,319,847	-	1,547	4,007	33	27,381	93,173	1,316,170	3,770,845	182,749	3,953,594
Profit for the period	-	-	-	-	-	-	-	-	168,212	168,212	10,871	179,083
Other comprehensive income (expense) for the period	-	-	-	-	2,689	(32)	-	-	-	2,657	(208)	2,449
Total comprehensive income (expense) for the period	-	-	-	-	2,689	(32)	-	-	168,212	170,869	10,663	181,532
Purchase of shares under RSU Scheme (note 25)	-	-	(6,844)	-	-	-	-	-	-	(6,844)	-	(6,844)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	1,146	-	-	1,146	-	1,146
Dividends recognised as distribution (note 10)	-	(64,411)	-	-	-	-	-	-	-	(64,411)	-	(64,411)
Exercise of share options	11	6,777	-	-	-	-	(1,697)	-	-	5,091	-	5,091
Lapse of share options	-	-	-	-	-	-	(2,697)	-	2,697	-	-	-
At 30 June 2022 (unaudited)	8,698	2,262,213	(6,844)	1,547	6,696	1	24,133	93,173	1,487,079	3,876,696	193,412	4,070,108



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company										Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	FVTOCI reserves RMB'000 (note i)	Translation reserves RMB'000	Share-based payments reserves RMB'000	Statutory reserves RMB'000 (note ii)	Retained profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	
At 1 January 2021 (audited)	8,127	1,886,952	1,547	(29)	–	21,466	84,621	913,363	2,916,047	111,297	3,027,344
Profit for the period	–	–	–	–	–	–	–	160,589	160,589	6,370	166,959
Other comprehensive income for the period	–	–	–	9,142	16	–	–	–	9,158	267	9,425
Total comprehensive income for the period	–	–	–	9,142	16	–	–	160,589	169,747	6,637	176,384
Deregistration of subsidiaries (note 8)	–	–	–	–	–	–	–	–	–	(23,040)	(23,040)
Recognition of equity-settled share-based payments	–	–	–	–	–	6,102	–	–	6,102	–	6,102
Dividends recognised as distribution (note 10)	–	(49,146)	–	–	–	–	–	–	(49,146)	–	(49,146)
Exercise of share options	12	7,399	–	–	–	(1,873)	–	–	5,538	–	5,538
Lapse of share options	–	–	–	–	–	(147)	–	147	–	–	–
At 30 June 2021 (unaudited)	8,139	1,845,205	1,547	9,113	16	25,548	84,621	1,074,099	3,048,288	94,894	3,143,182

Notes:

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



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	<b>460,205</b>	(266,200)
INVESTING ACTIVITIES		
Proceeds from disposal of other financial assets at FVTPL	<b>372,239</b>	54,265
Repayment of a loan receivable	<b>83,345</b>	–
Redemption of a debt instrument at amortised cost	<b>10,847</b>	–
Bank interest income received	<b>4,982</b>	1,975
Withdrawal of pledged bank deposits for derivative financial instruments	<b>2,000</b>	5,488
Interest received from a loan receivable	<b>1,040</b>	–
Net cash inflow arising on acquisition of assets through acquisition of a subsidiary (note 29)	<b>262</b>	–
Repayment of security deposits for derivative financial instruments	<b>201</b>	7,280
Refundable rental deposits received	<b>95</b>	200
Proceeds from disposal of equipment	<b>1</b>	3
Payments for refundable rental deposits	–	(99)
Investment in an associate	–	(200)
Placement of pledged bank deposits for derivative financial instruments	–	(3,689)
Security deposits paid for derivative financial instruments	–	(6,366)
Net cash outflow arising on deregistration of subsidiaries (note 8)	–	(24,500)
Purchase of equipment	<b>(659)</b>	(2,414)
Payment for development costs and purchase of other intangible assets	<b>(9,465)</b>	(7,976)
Payment for settlement of derivative financial instruments	<b>(10,666)</b>	(22,902)
Purchases of debt instruments at amortised cost	<b>(47,739)</b>	–
Advances of a loan receivable	<b>(83,345)</b>	–
Payments for right-of-use assets	<b>(86,314)</b>	(144)
Placement of time deposits	<b>(112,490)</b>	–
Purchase of other financial assets at FVTPL	<b>(430,773)</b>	(171,612)
NET CASH USED IN INVESTING ACTIVITIES	<b>(306,439)</b>	(170,691)



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
FINANCING ACTIVITIES		
New borrowings raised	<b>2,336,292</b>	1,372,815
Loans raised from related parties	<b>521,000</b>	155,126
Withdrawal of restricted/pledged bank deposits for borrowings	<b>88,183</b>	41,381
Proceeds received on exercise of equity-settled share options	<b>4,143</b>	5,538
Withdrawal of pledged bank deposits for bank overdraft	–	8,419
Interest paid for bank overdraft	–	(79)
Dividends paid to a non-controlling shareholder of a PRC subsidiary	–	(5,531)
Security deposits paid for loans from an associate	–	(20,000)
Dividends paid to the shareholders of the Company	–	(49,158)
Interest paid for lease liabilities	<b>(448)</b>	(751)
Purchase of shares under RSU Scheme	<b>(6,844)</b>	–
Repayment of lease liabilities	<b>(7,002)</b>	(5,806)
Interest paid for loans from related parties	<b>(13,658)</b>	(986)
Security deposits paid for borrowings	<b>(16,503)</b>	–
Placement of restricted/pledged bank deposits for borrowings	<b>(79,368)</b>	(146,600)
Interest paid for borrowings	<b>(101,986)</b>	(56,479)
Placement of structured deposits pledged for borrowings	<b>(160,000)</b>	–
Repayment of loans from related parties	<b>(190,000)</b>	(90,126)
Repayment of borrowings	<b>(2,345,966)</b>	(814,164)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>27,843</b>	393,599
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>181,609</b>	(43,292)
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>800,410</b>	337,887
<b>Effect of foreign exchange rate changes</b>	<b>(23,602)</b>	6,738
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>958,417</b>	301,333



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from the application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), and the application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

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

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

### 2.1 Accounting policies which became relevant to the Group

#### Investment property

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

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

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### 2.1 Accounting policies which became relevant to the Group *(Continued)*

#### Leases

##### *The Group as a lessor*

#### Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

#### Refundable rental deposits

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

## 3. SEGMENT INFORMATION

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

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 4. REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES

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

### (i) Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<i>Platform-based services</i>		
— Loan facilitation services	27,684	17,400
— Technology service for asset-backed securitisation ("ABS") products	1,199	3,130
— Other services (note)	441	2,731
	<b>29,324</b>	23,261
<i>Supply chain technology services</i>	<b>284</b>	–
	<b>29,608</b>	23,261

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 4. REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES *(Continued)*

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Timing of revenue recognition</b>		
Over time		
— Loan facilitation services	27,684	17,400
— Supply chain technology services	284	—
— Other services	441	2,232
	<b>28,409</b>	19,632
A point in time		
— Technology service for ABS products	1,199	3,130
— Other services	—	499
	<b>1,199</b>	3,629
	<b>29,608</b>	23,261

### (ii) Income from digital financing solutions

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Digital financing solutions</b>		
— Interest income	292,987	192,896
— Guarantee income	9,349	7,690
	<b>302,336</b>	200,586



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 4. REVENUE AND INCOME FROM PRINCIPAL ACTIVITIES *(Continued)*

### (iii) Gain on sales of supply chain assets

For the six months ended 30 June 2022 and 2021, the Group sold part of supply chain assets to certain financial institutions in the PRC. Sales of supply chain assets gave rise to full derecognition of the supply chain assets pursuant to the terms of sale agreements signed between the Group and relevant financial institutions.

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Gain on sales of supply chain assets	54,312	75,427

## 5. OTHER INCOME/OTHER GAINS AND LOSSES

### (a) Other income

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Government subsidies (note)	13,703	10,201
Bank interest income	4,982	1,975
Interest income from debt instruments at amortised cost	1,073	–
Interest income from a loan receivable	1,040	–
Rental income	34	–
Others	259	20
	21,091	12,196

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 5. OTHER INCOME/OTHER GAINS AND LOSSES *(Continued)*

### (b) Other gains and losses

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net gain from changes in fair value of other financial assets at FVTPL	21,850	27,773
Net gain (loss) arising from changes in fair value of derivative financial instruments	3,220	(10,976)
Gain (loss) from modification of lease contracts	33	(1)
Loss on disposal of equipment	–	(11)
Loss on deregistration of subsidiaries (note 8)	–	(1,460)
Exchange (loss) gain, net	(23,641)	6,722
Others	(111)	–
	<b>1,351</b>	<b>22,047</b>

## 6. FINANCE COSTS

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest and guarantee expenses on borrowings (note)	103,625	48,559
Interest on loans from related parties (note 28)	14,589	1,206
Interest on lease liabilities (note)	448	751
Interest on bank overdraft	–	79
	<b>118,662</b>	<b>50,595</b>

Note: Details of the guarantee expenses on borrowings and the interest on lease liabilities in relation to related parties are set out in note 28.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 7. TAXATION

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
The charge comprises:		
Current tax		
— PRC Enterprise Income Tax ("EIT")	14,171	17,689
— Withholding tax levied on interest income of a Hong Kong subsidiary	1,042	2,085
— Withholding tax levied on dividend declared of a PRC subsidiary	—	1,500
	<b>15,213</b>	21,274
Deferred tax (note 14)	<b>(6,442)</b>	(701)
	<b>8,771</b>	20,573

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

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

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 8. DEREGISTRATION OF SUBSIDIARIES

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

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

	2021 RMB'000 (Audited)
Cash and cash equivalents	100,000
Net assets upon deregistration of subsidiaries	100,000
<b>Loss on deregistration of subsidiaries:</b>	
Cash distributed to the Group received	75,500
Net assets upon deregistration of subsidiaries	(100,000)
Non-controlling interests	23,040
Loss on deregistration of subsidiaries	(1,460)
<b>Net cash outflow arising on deregistration:</b>	
Cash distributed to the Group	75,500
Less: Cash and cash equivalents upon deregistration of subsidiaries	(100,000)
	(24,500)



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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

### (a) Profit for the period

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Directors' emoluments (note i)	65	3,999
Other staff costs (excluding directors' emoluments)		
— Salaries, allowances and other staff benefits, including share-based payment expenses	64,218	49,904
— Staff's retirement benefit scheme contributions	5,223	3,562
Total staff costs	69,506	57,465
Less: amount capitalised in intangible assets	(9,373)	(4,459)
Staff costs recognised in profit or loss	60,133	53,006
Depreciation of property and equipment	1,796	1,621
Depreciation of right-of-use assets	6,857	5,968
Depreciation of investment property	75	–
Amortisation of intangible assets	5,374	3,625
Total depreciation and amortisation	14,102	11,214
Less: amount capitalised in development costs	(11)	(17)
	14,091	11,197
Research and development costs (note ii)	4,462	10,818
Cost of consumables recognised as an expense	354	–
Donation	329	700

Notes:

- (i) During the six months ended 30 June 2022, the options granted to a director failed to satisfy a vesting condition other than a market condition and did not vest, which result in a reversal of RMB2,628,000 in the share-based payment expenses.
- (ii) During the six months ended 30 June 2022, research and development costs were mainly consists of staff costs amounted to RMB4,322,000 (six months ended 30 June 2021: RMB10,507,000).



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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

### (b) Fair value of supply chain assets at FVTOCI in the FVTOCI reserves

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Supply chain assets measured at FVTOCI		
— Fair value changes during the period, net	57,254	84,250
— Reclassification adjustment to profit or loss on derecognition	(54,312)	(75,427)
	2,942	8,823

## 10. DIVIDENDS

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
2021 final — HK7.5 cents (2021: 2020 final dividend HK6.3 cents) per share	75,318	59,064

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Shown in the condensed consolidated financial statements	64,411	49,146

The directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2022.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	168,212	160,589

	Six months ended 30 June	
	2022 '000 (Unaudited)	2021 '000 (Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,004,395	936,998
Effect of dilutive potential ordinary shares:		
Share options/RSU Scheme	1,156	2,046
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,005,551	939,044

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

During the current interim period, the Group acquired property and equipment of RMB955,000 (six months ended 30 June 2021: RMB1,813,000).

During the current interim period, the Group renewed several lease agreements and entered into several new office lease agreements with lease term ranged from 2 to 5 years. On date of lease modification or lease commencement, the Group recognised right-of-use assets of RMB3,920,000 (six months ended 30 June 2021: RMB554,000) and lease liabilities of RMB3,920,000 (six months ended 30 June 2021: RMB410,000). Besides, the Group re-signed a lease agreement to shorten the lease term, at the effective date of the modification, the Group derecognised the right-of-use assets of RMB1,096,000 (six months ended 30 June 2021: RMB7,000) and lease liabilities of RMB1,129,000 (six months ended 30 June 2021: RMB6,000) and recognised a gain or loss from lease modification as disclosed in note 5(b).



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 12. MOVEMENTS IN PROPERTY AND EQUIPMENT/RIGHT-OF-USE ASSETS/INVESTMENT PROPERTY (Continued)

During the current interim period, The Group acquired right-of-use assets of RMB86,314,000 (six months ended 30 June 2021: nil) in respect of leasehold land. The total consideration for the leasehold land was fully paid at the date of acquisition, accordingly no lease liability is recognised.

During the current interim period, the Group acquired an investment property of RMB32,378,000 (six months ended 30 June 2021: nil) through acquisition of a subsidiary as disclosed in note 29. The investment property is depreciated at an estimated useful lives over 37 years.

## 13. INVESTMENTS IN ASSOCIATES

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cost of investments in associates, unlisted	10,200	10,200
Share of post-acquisition profit	3,230	940
Share of post-acquisition OCI	591	240
	<b>14,021</b>	11,380

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

Name of entity	Place of incorporation/ establishment	Particulars of authorised and paid up capital	Proportion of ownership interest/voting rights held by the Group as at		Principal activity
			30 June 2022	31 December 2021	
Hong Ji Factoring (Shenzhen) Limited* (弘基商業保理(深圳)有限公司) ("HJ") (note)	PRC	RMB100,000,000 RMB100,000,000	10%	10%	Provision of supply chain service
Guangxi Maojing Trading Co., Ltd* (廣西茂景商貿有限公司)("GXMJ")	PRC	RMB2,000,000 RMB1,000,000	20%	20%	Provision of trade service

\* English translated name is for identification purpose only.

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 14. DEFERRED TAXATION

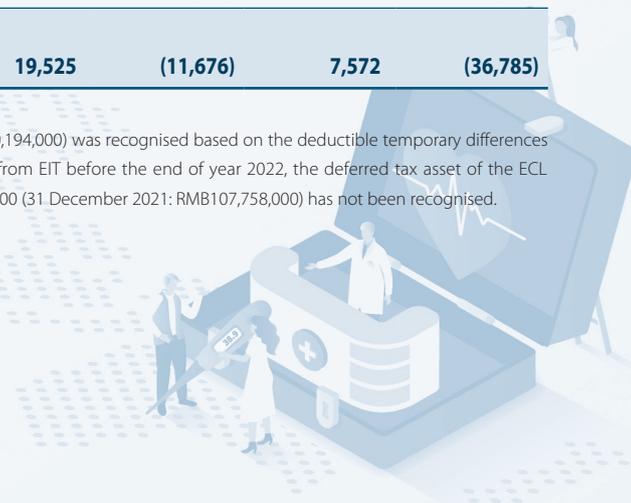
The following is the analysis of the deferred tax balances for financial reporting purposes:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Deferred tax assets	16,854	28,289
Deferred tax liabilities	(53,639)	(70,704)
	<b>(36,785)</b>	(42,415)

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

	Undistributed earnings of PRC subsidiaries RMB'000	Deferred income RMB'000	ECL provision RMB'000	Fair value adjustments RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2021 (audited)	(53,050)	5,236	12,348	4,227	–	(31,239)
(Charge) credit to profit or loss (note 7)	(7,142)	4,811	4,115	(1,083)	–	701
Charge to OCI	–	–	–	(1,326)	–	(1,326)
At 30 June 2021 (unaudited)	(60,192)	10,047	16,463	1,818	–	(31,864)
(Charge) credit to profit or loss	(6,814)	(9,919)	(2,709)	1,407	–	(18,035)
Credit to OCI	–	–	–	1,259	–	1,259
Acquisition of a subsidiary	–	(341)	6,440	126	–	6,225
At 31 December 2021 (audited)	(67,006)	(213)	20,194	4,610	–	(42,415)
Credit (charge) to profit or loss (note 7)	20,379	(5,366)	(669)	(15,474)	7,572	6,442
Charge to OCI	–	–	–	(812)	–	(812)
At 30 June 2022 (unaudited)	<b>(46,627)</b>	<b>(5,579)</b>	<b>19,525</b>	<b>(11,676)</b>	<b>7,572</b>	<b>(36,785)</b>

Note: At 30 June 2022, a deferred tax asset of RMB19,525,000 (31 December 2021: RMB20,194,000) was recognised based on the deductible temporary differences associated with ECL provision. As a PRC subsidiary of the Group was exempted from EIT before the end of year 2022, the deferred tax asset of the ECL provision of RMB6,917,000 (31 December 2021: RMB26,982,000) out of RMB88,588,000 (31 December 2021: RMB107,758,000) has not been recognised.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 14. DEFERRED TAXATION *(Continued)*

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

A deferred tax liability of RMB27,101,000 in relation to certain PRC subsidiaries has been adjusted due to the undistributed earnings of these PRC subsidiaries converted to capital injection, during the six months ended 30 June 2022.

At 30 June 2022, the Hong Kong subsidiaries had cumulative unutilised tax losses of RMB132,189,000 (31 December 2021: RMB119,776,000). No deferred tax asset has been recognised due to the unpredictability of future profit stream. Some of the unused tax losses can be carried forward indefinitely from the years in which the loss was originated to offset future taxable profits.

At 30 June 2022, the PRC subsidiaries had cumulative unutilised tax losses of RMB57,596,000 (31 December 2021: RMB19,901,000), out of which RMB27,308,000 (31 December 2021: RMB19,901,000) has not been recognised due to the unpredictability of future profit stream. Some of the unused tax losses can be carried forward up to five years from the years in which the loss was originated to offset future taxable profits.

## 15. SUPPLY CHAIN ASSETS AT FVTOCI

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Supply chain assets at FVTOCI	<b>6,674,534</b>	6,678,376
Analysed for reporting purposes as:		
Current assets	<b>6,425,375</b>	6,562,402
Non-current assets	<b>249,159</b>	115,974
	<b>6,674,534</b>	6,678,376

As at 30 June 2022, the effective interest rates of the supply chain assets at FVTOCI range mainly from 5.00% to 16.00% (31 December 2021: 3.00% to 16.00%) per annum.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 15. SUPPLY CHAIN ASSETS AT FVTOCI (Continued)

As at 30 June 2022, certain commercial acceptance bills received from customers with fair value amounting of RMB734,494,000 (31 December 2021: RMB995,377,000) as pledged bills to the supply chain assets. The bills can also be applied and used to settle any outstanding receivables of supply chain assets for the corresponding contract if default occurs, otherwise the Company needs to return the bills if the outstanding supply chain assets are settled. Until such time as default occurs and they are used to settle the supply chain assets, the commercial acceptance bills are not recognised as an asset in the condensed consolidated financial statements.

As at 30 June 2022, the gross carrying amount of supply chain assets of RMB6,925,000 is past due (31 December 2021: RMB19,500,000). When analysing the credit quality of supply chain assets at FVTOCI, the entire outstanding of balance of the supply chain assets is classified as past due in the event that instalments repayment of a supply chain asset at FVTOCI is past due.

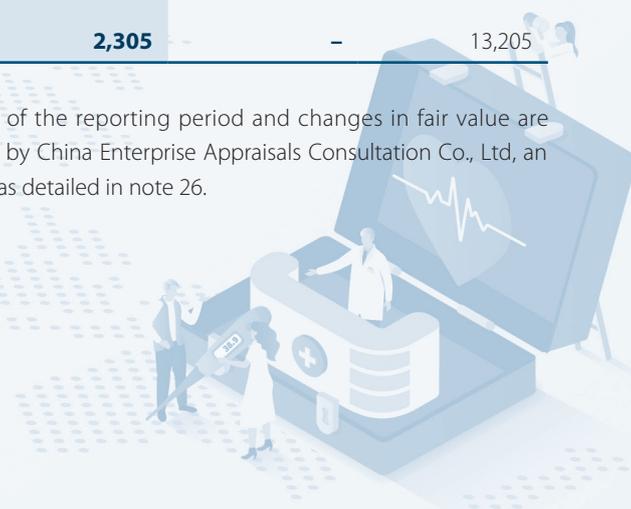
Details of impairment assessment and deposits from customers are set out in notes 18 and 20, respectively.

## 16. DERIVATIVE FINANCIAL INSTRUMENTS/OTHER FINANCIAL ASSETS AT FVTPL

### (a) Derivative financial instruments

	30 June 2022		31 December 2021	
	Assets RMB'000 (Unaudited)	Liabilities RMB'000 (Unaudited)	Assets RMB'000 (Audited)	Liabilities RMB'000 (Audited)
Cross currency swap contracts	1,422	–	–	5,784
Foreign currency forward contracts	1,182	1,812	–	–
Foreign exchange swap contracts	291	–	–	7,421
Interest rate swap contracts	91	493	–	–
	<b>2,986</b>	<b>2,305</b>	–	13,205
Analysed for reporting purposes as:				
Current	2,064	538	–	13,205
Non-current	922	1,767	–	–
	<b>2,986</b>	<b>2,305</b>	–	13,205

The above derivatives are measured at fair values at the end of the reporting period and changes in fair value are recognised in the profit or loss. Their fair values are determined by China Enterprise Appraisals Consultation Co., Ltd, an independent valuer, based on appropriate valuation techniques as detailed in note 26.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 16. DERIVATIVE FINANCIAL INSTRUMENTS/OTHER FINANCIAL ASSETS AT FVTPL

(Continued)

### (a) Derivative financial instruments (Continued)

At 31 December 2021, the security deposits of RMB201,000 and bank deposits of RMB2,000,000 were pledged as security for the derivative financial instruments. The balance of the security deposits and bank deposits can be applied and used to settle any outstanding payments for the corresponding contracts if default occurs. The amounts were fully received during the six months ended 30 June 2022.

#### Cross currency swap contracts

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

#### At 30 June 2022

Notional amounts	Commencement dates	Maturity dates	Contracted swap rates	Interest rates
United States Dollars ("US\$")4,000,000	10/09/2021	12/08/2022	US\$:RMB 1:6.4470 US\$ against RMB swap rates	From 4.92% per annum to 6 months LIBOR plus 2.0%
US\$3,300,000	14/09/2021	12/08/2022	US\$:RMB 1:6.4485 US\$ against RMB swap rates	From 5.15% per annum to 6 months Libor plus 2.0%



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 16. DERIVATIVE FINANCIAL INSTRUMENTS/OTHER FINANCIAL ASSETS AT FVTPL

(Continued)

### (a) Derivative financial instruments (Continued)

#### Cross currency swap contracts (Continued)

At 31 December 2021

Notional amounts	Commencement dates	Maturity dates	Contracted swap rates	Interest rates
US\$8,800,000	28/04/2021	01/04/2022	US\$:RMB 1:6.4860 US\$ against RMB swap rates	From 4.93% per annum to 6 months LIBOR plus 2.0%
US\$7,000,000	23/07/2021	28/04/2022	US\$:RMB 1:6.4720 US\$ against RMB swap rates	From 4.40% per annum to 3 months LIBOR plus 1.5%
US\$2,000,000	23/07/2021	28/04/2022	US\$:RMB 1:6.4750 US\$ against RMB swap rates	From 4.40% per annum to 3 months LIBOR plus 1.5%
US\$2,300,000	26/07/2021	01/04/2022	US\$:RMB 1:6.4820 US\$ against RMB swap rates	From 5.00% per annum to 6 months LIBOR plus 2.0%
US\$4,000,000	10/09/2021	12/08/2022	US\$:RMB 1:6.4470 US\$ against RMB swap rates	From 4.92% per annum to 6 months LIBOR plus 2.0%
US\$3,300,000	14/09/2021	12/08/2022	US\$:RMB 1:6.4485 US\$ against RMB swap rates	From 5.15% per annum to 6 months Libor plus 2.0%



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 16. DERIVATIVE FINANCIAL INSTRUMENTS/OTHER FINANCIAL ASSETS AT FVTPL

(Continued)

### (a) Derivative financial instruments (Continued)

#### Foreign currency forward contracts

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

#### At 30 June 2022

Notional amounts	Maturity date	Contracted exchange rate
Buy US\$885,000	26/08/2022	US\$:RMB 1:6.5274
Buy US\$445,000	01/12/2022	US\$:RMB 1:6.8768
Buy US\$99,000	30/12/2022	US\$:RMB 1:6.8593
Buy US\$321,000	30/12/2022	US\$:RMB 1:6.8593
Buy US\$885,000	28/02/2023	US\$:RMB 1:6.5709
Buy US\$445,000	01/06/2023	US\$:RMB 1:6.8798
Buy US\$99,000	30/06/2023	US\$:RMB 1:6.8453
Buy US\$321,000	30/06/2023	US\$:RMB 1:6.8453
Buy US\$885,000	28/08/2023	US\$:RMB 1:6.6000
Buy US\$445,000	01/12/2023	US\$:RMB 1:6.8858
Buy US\$99,000	29/12/2023	US\$:RMB 1:6.8573
Buy US\$321,000	29/12/2023	US\$:RMB 1:6.8573
Buy US\$15,045,000	28/02/2024	US\$:RMB 1:6.6342
Buy US\$7,565,000	31/05/2024	US\$:RMB 1:6.8988
Buy US\$1,691,000	28/06/2024	US\$:RMB 1:6.8633
Buy US\$5,449,000	28/06/2024	US\$:RMB 1:6.8633



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 16. DERIVATIVE FINANCIAL INSTRUMENTS/OTHER FINANCIAL ASSETS AT FVTPL

(Continued)

### (a) Derivative financial instruments (Continued)

#### Foreign exchange swap contracts

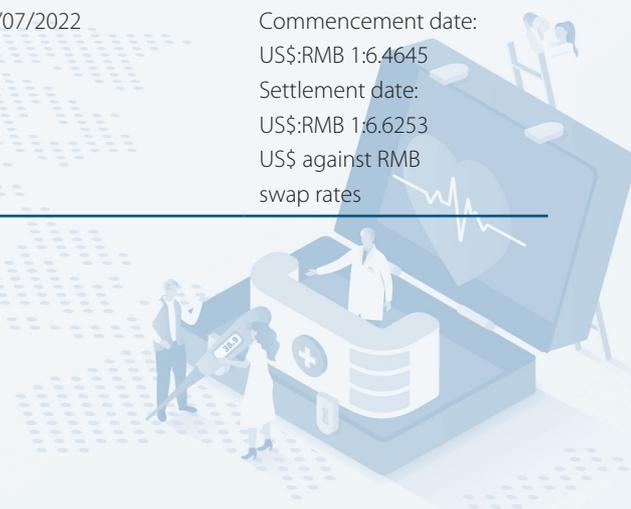
The major terms of the outstanding foreign exchange swap contracts at the end of the reporting period are as follows:

#### At 30 June 2022

Notional amounts	Commencement dates	Maturity dates	Contracted swap rates
US\$3,900,000	10/08/2021	28/07/2022	Commencement date: US\$:RMB 1:6.4645 Settlement date: US\$:RMB 1:6.6253 US\$ against RMB swap rates

#### At 31 December 2021

Notional amounts	Commencement dates	Maturity dates	Contracted swap rates
US\$17,800,000	31/05/2021	18/04/2022	Commencement date: US\$:RMB 1:6.3600 Settlement date: US\$:RMB 1:6.5220 US\$ against RMB swap rates
US\$17,000,000	19/02/2021	25/01/2022	Commencement date: US\$:RMB 1:6.4620 Settlement date: US\$:RMB 1: 6.6320 US\$ against RMB swap rates
US\$3,900,000	10/08/2021	28/07/2022	Commencement date: US\$:RMB 1:6.4645 Settlement date: US\$:RMB 1:6.6253 US\$ against RMB swap rates



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 16. DERIVATIVE FINANCIAL INSTRUMENTS/OTHER FINANCIAL ASSETS AT FVTPL

(Continued)

### (a) Derivative financial instruments (Continued)

#### Interest rate swap contracts

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

#### At 30 June 2022

Notional amounts	Commencement dates	Maturity dates	Contracted interest rates
US\$17,700,000	28/06/2022	29/08/2022	From 6.32% per annum to
US\$16,815,000	29/08/2022	28/02/2023	US\$ Secured Overnight
US\$15,930,000	28/02/2023	28/08/2023	Financing Rate ("SOFR")
US\$15,045,000	28/08/2023	28/02/2024	plus 3.11448%

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

The Group entered into an interest rate swap contracts to manage its interest risk exposures from a variable-rate bank borrowing denominated in US\$.

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 16. DERIVATIVE FINANCIAL INSTRUMENTS/OTHER FINANCIAL ASSETS AT FVTPL

(Continued)

### (b) Other financial assets at FVTPL

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Structured deposits (notes i & ii)	264,642	108,374
Equity tranche (note i)	181,361	107,545
Unlisted equity investments	75,550	65,550
Trust fund	2,229	1,929
	<b>523,782</b>	283,398
Analysed for reporting purposes as:		
Current assets	345,418	190,233
Non-current assets	178,364	93,165
	<b>523,782</b>	283,398

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

Notes:

- (i) Their fair values are determined by China Enterprise Appraisals Consultation Co., Ltd., Ravia Global Appraisal Advisory Limited or Fairdex Valuation Advisory Limited, independent valuers, based on appropriate valuation techniques as detailed in note 26.
- (ii) The structured deposits are short-term investments issued by banks with minimum guaranteed return and have a total expected return, depending on the indices quoted in the market as specified in the terms of relevant deposits.

As at 30 June 2022, the Group's structured deposits with an aggregate fair value of approximately RMB162,977,000 was pledged to several banks in the PRC respectively to secure certain bank borrowings of the Group.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 17. DEBT INSTRUMENT AT AMORTISED COST

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Investment in a senior tranche of ABS product and maturity dated in August 2022	<b>37,965</b>	–

Details of impairment assessment of debt instrument at amortised cost are set out in note 18.

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Impairment losses recognised (reversed) on:		
— Supply chain assets at FVTOCI	<b>2,293</b>	11,105
— Financial guarantee contracts	<b>24</b>	5,599
— Receivables from guarantee contracts	<b>3</b>	(117)
	<b>2,320</b>	16,587

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 18. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL *(Continued)*

As at 30 June 2022

External/Internal credit rating	12-month or lifetime ECL	Average loss rate	Gross carrying amount/exposure RMB'000 (Unaudited)	Impairment loss allowance RMB'000 (Unaudited)
<b>Supply chain assets at FVTOCI</b>				
Low risk	12-month ECL	1.09%	6,639,356	72,156
Watch list	Lifetime ECL (not credit-impaired)	4.94%	93,130	4,599
Loss	Lifetime ECL (credit-impaired)	17.37%	6,925	1,203
			<b>6,739,411</b>	<b>77,958</b>
<b>Financial assets at amortised cost</b>				
<i>Restricted/pledged bank deposits</i>				
AAA/BBB+ (note i)	12-month ECL	N/A	445,165	–
<i>Time deposits</i>				
AAA/BBB+ (note i)	12-month ECL	N/A	112,490	–
<i>Cash and cash equivalents</i>				
AAA/BBB+ (note i)	12-month ECL	N/A	958,417	–
<i>Receivables from guarantee customers</i>				
Low risk	12-month ECL	1.49%	5,697	85
Watch list	Lifetime ECL (not credit-impaired)	5.71%	140	8
<i>Refundable rental deposits</i>				
Low risk (note i)	12-month ECL	N/A	698	–
<i>Trade and bill receivables</i>				
Low risk (note i)	Lifetime ECL (not credit-impaired)	N/A	25,441	–
<i>Debt instrument at amortised cost</i>				
AAA (note i)	12-month ECL	N/A	37,965	–
<i>Other receivables</i>				
N/A (note i) (note ii)	12-month ECL	N/A	28,668	–
			<b>1,614,681</b>	<b>93</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 18. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL *(Continued)*

As at 30 June 2022 *(Continued)*

External/Internal credit rating	12-month or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000 (Unaudited)	Impairment loss allowance RMB'000 (Unaudited)
<b>Other items</b>				
<i>Financial guarantee contracts (note iii)</i>				
<i>— Loan guarantee contracts in relation to third parties</i>				
Low risk	12-month ECL	<b>1.23%</b>	<b>1,825,431</b>	<b>22,454</b>
Watch list	Lifetime ECL (not credit-impaired)	<b>4.29%</b>	<b>11,964</b>	<b>513</b>
			<b>1,837,395</b>	<b>22,967</b>



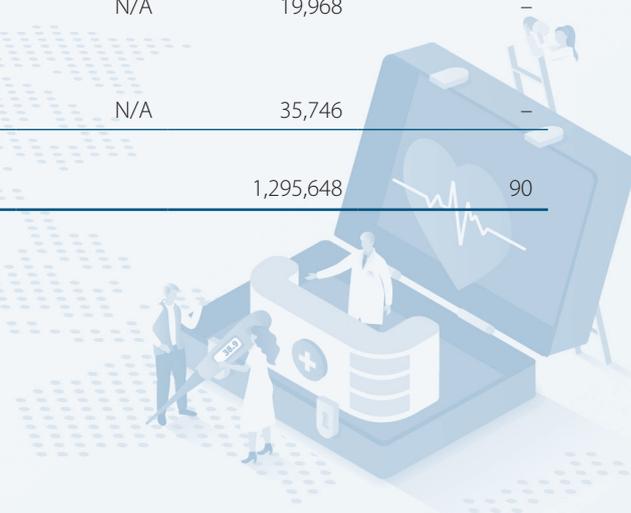
# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 18. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL (Continued)

As at 31 December 2021

External/Internal credit rating	12-month or lifetime ECL	Average loss rate	Gross carrying amount/exposure RMB'000 (Audited)	Impairment loss allowance RMB'000 (Audited)
<b>Supply chain assets at FVTOCI</b>				
Low risk	12-month ECL	1.11%	6,584,144	72,905
Watch list	Lifetime ECL (not credit-impaired)	4.91%	161,495	7,932
Loss	Lifetime ECL (credit-impaired)	82.61%	19,753	16,318
			6,765,392	97,155
<b>Financial assets at amortised cost</b>				
<i>Pledged bank deposits</i>				
AAA/BBB+ (note i)	12-month ECL	N/A	429,257	–
<i>Cash and cash equivalents</i>				
AAA/BBB+ (note i)	12-month ECL	N/A	800,410	–
<i>Receivables from guarantee customers</i>				
Low risk	12-month ECL	1.18%	6,205	73
Watch list	Lifetime ECL (not credit-impaired)	12.32%	138	17
<i>Refundable rental deposits</i>				
Low risk (note i)	12-month ECL	N/A	3,924	–
<i>Trade and bill receivables</i>				
Low risk (note i)	Lifetime ECL (not credit-impaired)	N/A	19,968	–
<i>Other receivables</i>				
N/A (note i) (note ii)	12-month ECL	N/A	35,746	–
			1,295,648	90



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 18. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL *(Continued)*

As at 31 December 2021 *(Continued)*

External/Internal credit rating	12-month or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000 (Audited)	Impairment loss allowance RMB'000 (Audited)
<b>Other items</b>				
<i>Financial guarantee contracts</i>				
<i>(note iii)</i>				
<i>— Loan guarantee contracts in relation to third parties</i>				
Low risk	12-month ECL	1.37%	1,321,102	18,055
Watch list	Lifetime ECL (not credit-impaired)	11.90%	13,561	1,614
			1,334,663	19,669

Notes:

- (i) The directors of the Company reviewed and assessed the impairment under ECL model, considering that these financial assets were determined to have low credit risk as these financial assets have a low risk of default and the debtors have a strong capacity to meet their contractual cash flow obligations in the near term, and no loss allowance was recognised as the amount of ECL was immaterial.
- (ii) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. As at 30 June 2022 and 31 December 2021, 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.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 18. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL *(Continued)*

The movements in the allowance for impairment in respect of supply chain assets at FVTOCI during the current interim period were as follows:

	12-month ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit- impaired RMB'000	Total RMB'000
As at 1 January 2022 (unaudited)	<b>72,905</b>	<b>7,932</b>	<b>16,318</b>	<b>97,155</b>
Changes due to supply chain assets at FVTOCI recognised as at 1 January:				
— Transfer to 12-month ECL	<b>22</b>	<b>–</b>	<b>(22)</b>	<b>–</b>
— Transfer to lifetime ECL – not credit-impaired	<b>(1,220)</b>	<b>1,220</b>	<b>–</b>	<b>–</b>
— Transfer to lifetime ECL – credit-impaired	<b>(810)</b>	<b>(242)</b>	<b>1,052</b>	<b>–</b>
— Impairment losses, net of reversal	<b>(41,207)</b>	<b>(5,555)</b>	<b>1,833</b>	<b>(44,929)</b>
— Disposal	<b>–</b>	<b>(1,727)</b>	<b>(3,000)</b>	<b>(4,727)</b>
— Write off	<b>–</b>	<b>–</b>	<b>(15,869)</b>	<b>(15,869)</b>
New financial assets purchased, net of settlement	<b>42,466</b>	<b>3,865</b>	<b>891</b>	<b>47,222</b>
New financial assets disposal	<b>–</b>	<b>(894)</b>	<b>–</b>	<b>(894)</b>
As at 30 June 2022 (unaudited)	<b>72,156</b>	<b>4,599</b>	<b>1,203</b>	<b>77,958</b>
As at 1 January 2021 (audited)	45,958	2,377	9,829	58,164
Changes due to supply chain assets at FVTOCI recognised as at 1 January:				
— Transfer to lifetime ECL – not credit-impaired	(343)	1,361	(1,018)	–
— Transfer to lifetime ECL – credit-impaired	(33)	–	33	–
— Impairment losses, net of reversal	(36,045)	(526)	636	(35,935)
— Disposal	–	(1,018)	–	(1,018)
New financial assets purchased, net of settlement	38,859	8,181	–	47,040
As at 30 June 2021 (unaudited)	48,396	10,375	9,480	68,251



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 18. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL *(Continued)*

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

	12-month ECL RMB'000	Lifetime ECL not credit- impaired RMB'000	Total RMB'000
As at 1 January 2022 (unaudited)	<b>18,055</b>	<b>1,614</b>	<b>19,669</b>
Changes due to financial guarantee contracts recognised as at 1 January:			
— Transfer to lifetime ECL – not credit-impaired	<b>(147)</b>	<b>147</b>	–
— Impairment losses, net of reversal	<b>(12,244)</b>	<b>(934)</b>	<b>(13,178)</b>
— Disposal	–	<b>(350)</b>	<b>(350)</b>
New financial guarantee contracts entered, net of settlement	<b>16,790</b>	<b>36</b>	<b>16,826</b>
As at 30 June 2022 (unaudited)	<b>22,454</b>	<b>513</b>	<b>22,967</b>
As at 1 January 2021 (audited)	22,382	460	22,842
Changes due to financial guarantee contracts recognised as at 1 January:			
— Transfer to lifetime ECL – not credit-impaired	(171)	171	–
— Impairment losses, net of reversal	(16,635)	(57)	(16,692)
New financial guarantee contracts entered, net of settlement	22,558	939	23,497
As at 30 June 2021 (unaudited)	28,134	1,513	29,647



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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

### (a) Receivables from guarantee customers

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

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

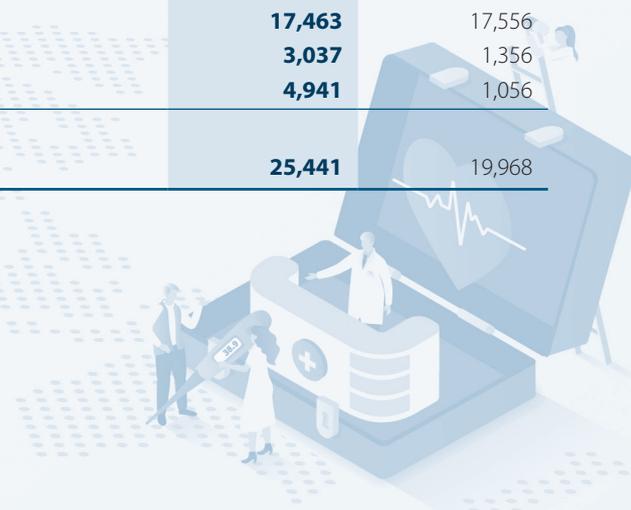
	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
0-30 days	<b>5,744</b>	6,253

### (b) Trade and bill receivables

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Contracts with customers of platform-based services	<b>24,573</b>	18,079
Contracts with customers of supply chain technology services	<b>868</b>	1,889
	<b>25,441</b>	19,968

The following is an aged analysis of trade and bill receivables presented based on the date of payment.

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
0-30 days	<b>17,463</b>	17,556
31-90 days	<b>3,037</b>	1,356
over 90 days	<b>4,941</b>	1,056
	<b>25,441</b>	19,968



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

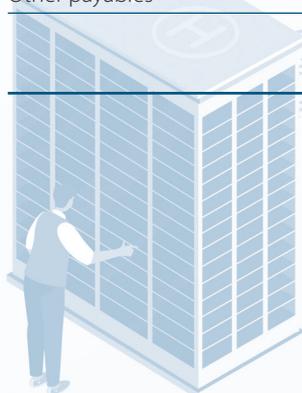
## 19. RECEIVABLES FROM GUARANTEE CUSTOMERS/TRADE AND BILL RECEIVABLES/ OTHER RECEIVABLES, PREPAYMENTS AND OTHERS (Continued)

### (c) Other receivables, prepayments and others

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Security deposits for borrowings	16,503	–
Government subsidies receivables	7,792	–
Refundable rental deposits	3,141	10
Value-added tax recoverable	2,278	1,901
Prepayments	1,594	3,536
Temporary advance	–	32,599
Security deposits for derivative financial instruments (note 16)	–	201
Other receivables	1,232	2,936
	<b>32,540</b>	<b>41,183</b>

## 20. OTHER PAYABLES AND ACCRUED CHARGES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Deposits from customers	216,263	155,101
Settlement payables to customers and funding providers	91,178	92,024
Dividend payable to shareholders of the Company	66,015	1,533
Other tax payables	43,852	38,881
Consideration payable for acquisition of assets through acquisition of a subsidiary (note 29)	32,497	–
Accrued charges	17,344	57,484
Guarantee expenses payable (note 28)	3,430	–
Refundable rental deposits received	207	–
Other payables	585	584
	<b>471,371</b>	<b>345,607</b>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 21. LIABILITIES ARISING FROM GUARANTEE CONTRACTS

	30 June 2022			31 December 2021		
	Premium less accumulated amortisation RMB'000 (Unaudited)	ECL provision RMB'000 (Unaudited)	Carrying amount RMB'000 (Unaudited)	Premium less accumulated amortisation RMB'000 (Audited)	ECL provision RMB'000 (Audited)	Carrying amount RMB'000 (Audited)
Guarantee contracts in relation to third parties	12,577	22,967	23,114	9,603	19,669	20,116

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Guarantee contracts in relation to third parties	1,837,395	1,334,663

As at 30 June 2022, the Group placed banks deposits of RMB123,043,000 (31 December 2021: RMB96,320,000) to funding providers. The Group has to pay on behalf of guarantee customers to funding providers when the customers defaulted in settlement of their outstanding liabilities with funding providers when due, after deduction of the bank deposits placed to funding providers.

As at 30 June 2022, the directors of the Company has assessed the past due status of the debts under guarantee, the financial position of the debtors as well as the economic outlook of the industries in which the debtors operate. An amount of RMB22,967,000 (31 December 2021: RMB19,669,000) has been estimated as a loss allowance, an amount of RMB24,000 (six months ended 30 June 2021: RMB5,392,000) 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.

Details of impairment assessment and deposits from customers are set out in notes 18 and 20, respectively.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 22. BORROWINGS

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Bank borrowings and bills discounted	<b>2,664,776</b>	2,764,858
ABS issued	<b>453,186</b>	452,986
Bank loans under finance arrangements (note)	<b>256,824</b>	119,725
Entrusted loans	<b>170,400</b>	187,491
Other loans	<b>542,070</b>	415,953
	<b>4,087,256</b>	3,941,013
Secured	<b>3,081,806</b>	2,434,345
Unsecured	<b>1,005,450</b>	1,506,668
	<b>4,087,256</b>	3,941,013

Note: The Group has entered into certain finance arrangements with banks. Under these arrangements, the banks issue bank's acceptance bill to the Group for providing digital financing solutions services. Taking into consideration of the nature and substance of the above arrangements, the Group presents payables to the banks under these arrangements as "borrowings" in the condensed consolidated statement of financial position. In the condensed consolidated statement of cash flows, repayments to the banks are included within financing cash flows based on the nature of the arrangements, and payments to the suppliers by the banks are disclosed as non-cash transactions. During the current interim period, bank loans under supply chain financing arrangements of RMB157,708,000 (six months ended 30 June 2021: nil) represent the payments to the suppliers by the relevant banks directly.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 22. BORROWINGS (Continued)

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
The carrying amounts of the above borrowings are repayable*:		
— within one year	<b>3,288,781</b>	2,888,036
— within a period of more than one year but not exceeding two years	<b>711,409</b>	911,000
— within a period of more than two year but not exceeding five years	<b>30,000</b>	30,000
	<b>4,030,190</b>	3,829,036
The carrying amounts of the above borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:		
— within one year	<b>57,066</b>	93,518
— within a period of more than one year but not exceeding two years	—	18,459
	<b>4,087,256</b>	3,941,013
Less: Amounts due within one year shown under current liabilities	<b>(3,345,847)</b>	(3,000,013)
Amounts shown under non-current liabilities	<b>741,409</b>	941,000

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

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

	30 June 2022 % (Unaudited)	31 December 2021 % (Audited)
Range of fixed-rate borrowings interest rates (per annum)	<b>2.40–10.00</b>	2.40–10.00
Range of variable-rate borrowings interest rates (per annum)	<b>1.28–5.67</b>	1.40–5.72



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 22. BORROWINGS (Continued)

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

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Carrying amount of borrowings guaranteed by:		
WXCI Group	<b>1,497,608</b>	1,586,179
The Company and/or subsidiaries	<b>878,996</b>	1,022,854
The Company, a subsidiary and the controlling shareholder of the Company	<b>497,350</b>	527,341
	<b>2,873,954</b>	3,136,374

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

## 23. SHARE CAPITAL

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

	<b>Number of shares</b>	<b>Share capital HK\$</b>
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 1 January 2021, 1 January 2022 and 30 June 2022 (unaudited)	5,000,000,000	50,000,000
	<b>Number of shares</b>	<b>Share capital HK\$</b>
<b>Issued:</b>		
At 1 January 2021 (audited)	936,596,000	9,365,960
Issue of new shares from placing (note)	63,068,000	630,680
Exercise of share options	4,632,500	46,325
At 31 December 2021 (audited)	1,004,296,500	10,042,965
Exercise of share options (note 25)	1,282,000	12,820
At 30 June 2022 (unaudited)	1,005,578,500	10,055,785



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 23. SHARE CAPITAL *(Continued)*

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Shown in the condensed consolidated statement of financial position	<b>8,698</b>	8,687

Note: On 24 September 2021, the Company and China International Capital Corporation Hong Kong Securities Limited (referred to as the "Sole Placing Agent") entered into a placing agreement. An aggregate of 63,068,000 ordinary shares issued by the Company have been placed by the Sole Placing Agent on 5 October 2021 at HK\$8.80 per share with the net proceeds of HK\$551.1 million (equivalent to RMB456.4 million, net of transaction cost amount of RMB3.3 million). Details are set out in the Company's announcements dated 26 September 2021 and 5 October 2021.

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

## 24. CAPITAL COMMITMENTS

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Capital expenditure contracted for but not provided for in the condensed consolidated financial statements		
— equipment	<b>703</b>	452
— intangible assets	<b>394</b>	394
— investment in an associate	<b>200</b>	200
	<b>1,297</b>	1,046



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 25. SHARE-BASED PAYMENT TRANSACTIONS

### (a) Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme"), was adopted pursuant to resolutions passed on 11 September 2017, 14 November 2018, 15 July 2020 and 10 June 2022 ("Option Grant Date") for the primary purpose of providing incentives to directors and eligible employees, and will expire on 10 September 2022, 13 November 2023, 14 July 2025 and 9 June 2032 respectively. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including certain directors of the Company and the management of an associate of the Company, to subscribe for shares in the Company.

At 30 June 2022, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 27,026,000 (31 December 2021: 21,373,000), representing 2.69% (31 December 2021: 2.13%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be offered for acceptance for a period of not less than 28 days, upon payment of HK\$1.00 by each of eligible employees determined by the board of directors of the Company. Options may be exercised at any time from 12 months from the date of grant of the share option to the 5 or 10 anniversary of the date of grant. The exercise price is determined by the directors of the Company, and shall be the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 25. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

### (a) Equity-settled share option scheme of the Company *(Continued)*

Details of specific categories of options are as follows:

#### Equity-settled share option scheme on 11 September 2017:

	Date of grant	Vesting period	Exercise period	Exercise Price	Exercise dates
Tranche 1	11/9/2017	11/9/2017–10/9/2018	11/9/2018–10/9/2022	HK\$4.20	11/9/2018
Tranche 2	11/9/2017	11/9/2017–10/9/2019	11/9/2019–10/9/2022	HK\$4.20	11/9/2019
Tranche 3	11/9/2017	11/9/2017–10/9/2020	11/9/2020–10/9/2022	HK\$4.20	11/9/2020

#### Equity-settled share option scheme on 14 November 2018:

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

#### Equity-settled share option scheme on 15 July 2020:

	Date of grant	Vesting period	Exercise period	Exercise Price	Exercise dates
Tranche 7	15/7/2020	15/7/2020–14/7/2021	15/7/2021–14/7/2025	HK\$6.68	15/7/2021
Tranche 8	15/7/2020	15/7/2020–14/7/2022	15/7/2022–14/7/2025	HK\$6.68	15/7/2022
Tranche 9	15/7/2020	15/7/2020–14/7/2023	15/7/2023–14/7/2025	HK\$6.68	15/7/2023



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 25. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

### (a) Equity-settled share option scheme of the Company *(Continued)*

#### Equity-settled share option scheme on 10 June 2022:

	Date of grant	Vesting period	Exercise period	Exercise Price	Exercise dates
Tranche 10	10/6/2022	10/6/2022–9/6/2023	10/6/2023–9/6/2032	HK\$6.46	10/6/2023
Tranche 11	10/6/2022	10/6/2022–9/6/2024	10/6/2024–9/6/2032	HK\$6.46	10/6/2024
Tranche 12	10/6/2022	10/6/2022–9/6/2025	10/6/2025–9/6/2032	HK\$6.46	10/6/2025

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

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

Grantee	Exercise period	Outstanding at 1 January 2022	Granted during period	Forfeited during period	Exercised during period	Outstanding at 30 June 2022
Directors	11/9/2018–10/9/2022	500,000	–	–	(500,000)	–
	11/9/2019–10/9/2022	700,000	–	–	(200,000)	500,000
	11/9/2020–10/9/2022	1,500,000	–	–	(200,000)	1,300,000
	14/11/2019–13/11/2023	400,000	–	(50,000)	–	350,000
	14/11/2020–13/11/2023	400,000	–	(50,000)	–	350,000
	14/11/2021–13/11/2023	1,300,000	–	(100,000)	–	1,200,000
	15/7/2021–14/7/2025	1,050,000	–	(825,000)	–	225,000
	15/7/2022–14/7/2025	1,075,000	–	(750,000)	–	325,000
	15/7/2023–14/7/2025	2,150,000	–	(1,500,000)	–	650,000
	10/6/2023–9/6/2032	–	375,000	–	–	375,000
	10/6/2024–9/6/2032	–	375,000	–	–	375,000
	10/6/2025–9/6/2032	–	750,000	–	–	750,000
		9,075,000	1,500,000	(3,275,000)	(900,000)	6,400,000
	Exercisable at the end of the reporting period	5,850,000				3,925,000
	Weighted average exercise price per share	5.99	6.46	6.69	4.20	6.00



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 25. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

### (a) Equity-settled share option scheme of the Company *(Continued)*

Grantee	Exercise period	Outstanding at 1 January 2022	Granted during period	Forfeited during period	Exercised during period	Outstanding at 30 June 2022
Employees	11/9/2018–10/9/2022	7,500	–	–	–	7,500
	11/9/2019–10/9/2022	37,500	–	–	(12,500)	25,000
	11/9/2020–10/9/2022	408,000	–	–	(104,500)	303,500
	14/11/2019–13/11/2023	353,750	–	(46,250)	(10,000)	297,500
	14/11/2020–13/11/2023	303,750	–	(46,250)	(10,000)	247,500
	14/11/2021–13/11/2023	887,500	–	(122,500)	(145,000)	620,000
	15/7/2021–14/7/2025	2,387,500	–	(87,500)	(100,000)	2,200,000
	15/7/2022–14/7/2025	2,637,500	–	(162,500)	–	2,475,000
	15/7/2023–14/7/2025	5,275,000	–	(325,000)	–	4,950,000
	10/6/2023–9/6/2032	–	2,375,000	–	–	2,375,000
	10/6/2024–9/6/2032	–	2,375,000	–	–	2,375,000
	10/6/2025–9/6/2032	–	4,750,000	–	–	4,750,000
		12,298,000	9,500,000	(790,000)	(382,000)	20,626,000
Exercisable at the end of the reporting period		4,385,500				3,701,000
Weighted average exercise price per share		6.62	6.46	6.74	6.02	6.55



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 25. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

### (a) Equity-settled share option scheme of the Company *(Continued)*

Grantee	Exercise period	Outstanding at 1 January 2021	Granted during period	Forfeited during period	Exercised during period	Outstanding at 30 June 2021
Directors	11/9/2018–10/9/2022	500,000	–	–	–	500,000
	11/9/2019–10/9/2022	500,000	–	–	–	500,000
	11/9/2020–10/9/2022	1,000,000	–	–	–	1,000,000
	14/11/2019–13/11/2023	400,000	–	–	–	400,000
	14/11/2020–13/11/2023	400,000	–	–	–	400,000
	14/11/2021–13/11/2023	800,000	–	–	–	800,000
	15/7/2021–14/7/2025	1,150,000	–	–	–	1,150,000
	15/7/2022–14/7/2025	1,150,000	–	–	–	1,150,000
	15/7/2023–14/7/2025	2,300,000	–	–	–	2,300,000
		8,200,000	–	–	–	8,200,000
Exercisable at the end of the reporting period		2,800,000				2,800,000
Weighted average exercise price per share		6.12	–	–	–	6.12



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 25. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

### (a) Equity-settled share option scheme of the Company *(Continued)*

Grantee	Exercise period	Outstanding at 1 January 2021	Granted during period	Forfeited during period	Exercised during period	Outstanding at 30 June 2021
Employees	11/9/2018–10/9/2022	852,500	–	–	(422,000)	430,500
	11/9/2019–10/9/2022	1,085,500	–	–	(308,000)	777,500
	11/9/2020–10/9/2022	2,295,000	–	–	(432,000)	1,863,000
	14/11/2019–13/11/2023	1,055,000	–	(37,500)	(130,000)	887,500
	14/11/2020–13/11/2023	1,005,000	–	(37,500)	(130,000)	837,500
	14/11/2021–13/11/2023	2,110,000	–	(150,000)	–	1,960,000
	15/7/2021–14/7/2025	3,150,000	–	(287,500)	–	2,862,500
	15/7/2022–14/7/2025	3,150,000	–	(287,500)	–	2,862,500
	15/7/2023–14/7/2025	6,300,000	–	(575,000)	–	5,725,000
		21,003,000	–	(1,375,000)	(1,422,000)	18,206,000
Exercisable at the end of the reporting period		6,293,000				4,796,000
Weighted average exercise price per share		6.22	–	6.72	4.69	6.31



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 25. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

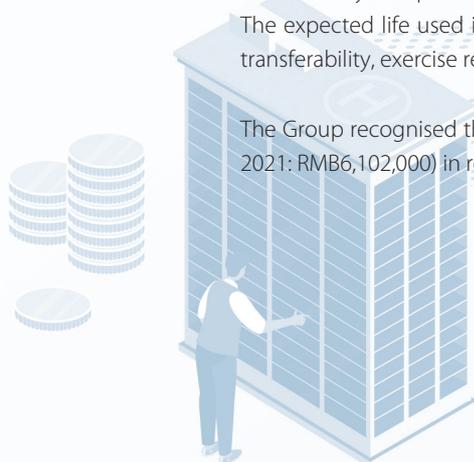
### (a) Equity-settled share option scheme of the Company *(Continued)*

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

	Grant date	Fair value per option HK\$	Share price HK\$	Exercise Price HK\$	Expected volatility	Expected life	Risk-free rate	Expected dividend yield
Tranche 1	11/9/2017	1.29	4.09	4.20	45.00%	5 years	1.00%	–
Tranche 2	11/9/2017	1.42	4.09	4.20	45.00%	5 years	1.00%	–
Tranche 3	11/9/2017	1.52	4.09	4.20	45.00%	5 years	1.00%	–
Tranche 4	14/11/2018	2.13	6.87	6.90	43.00%	5 years	2.25%	1.00%
Tranche 5	14/11/2018	2.31	6.87	6.90	43.00%	5 years	2.25%	1.00%
Tranche 6	14/11/2018	2.44	6.87	6.90	43.00%	5 years	2.25%	1.00%
Tranche 7								
— Directors	15/7/2020	2.27	6.68	6.68	42.00%	5 years	0.11%	0.76%
— Employees	15/7/2020	1.86	6.68	6.68	42.00%	5 years	0.11%	0.76%
Tranche 8								
— Directors	15/7/2020	2.27	6.68	6.68	42.00%	5 years	0.11%	0.76%
— Employees	15/7/2020	2.04	6.68	6.68	42.00%	5 years	0.11%	0.76%
Tranche 9								
— Directors	15/7/2020	2.27	6.68	6.68	42.00%	5 years	0.11%	0.76%
— Employees	15/7/2020	2.17	6.68	6.68	42.00%	5 years	0.11%	0.76%
Tranche 10								
— Director	10/6/2022	3.23	6.46	6.46	45.28%	10 years	2.63%	0.72%
— Employees	10/6/2022	1.87	6.46	6.46	45.28%	10 years	2.63%	0.72%
Tranche 11								
— Director	10/6/2022	3.25	6.46	6.46	45.28%	10 years	2.63%	0.72%
— Employees	10/6/2022	2.20	6.46	6.46	45.28%	10 years	2.63%	0.72%
Tranche 12								
— Director	10/6/2022	3.30	6.46	6.46	45.28%	10 years	2.63%	0.72%
— Employees	10/6/2022	2.47	6.46	6.46	45.28%	10 years	2.63%	0.72%

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

The Group recognised the total expense of RMB1,041,000 for the period ended 30 June 2022 (six months ended 30 June 2021: RMB6,102,000) in relation to share options granted by the Company.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 25. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

### (b) RSU Scheme of the Company

The Company's RSU Scheme was adopted pursuant to a resolution passed 6 April 2022 for the primary purpose of providing incentives to eligible persons and attracting suitable personnel for further development of the Group. The RSU Scheme shall be valid and effective for a period of ten years commencing on 6 April 2022.

The maximum number of restricted share units ("RSUs") that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall not exceed 2% of the number of shares in issue from time to time.

The Company appointed an independent trustee, GIL Trust Limited (the "RSU Trustee"), to administer the granting and vesting of RSUs granted to eligible persons pursuant to the RSU Scheme.

Pursuant to the RSU Scheme, the underlying shares for the vesting of the RSUs can be satisfied by (i) existing shares to be purchased by the RSU Trustee on the market; (ii) new shares to be allotted and issued to the RSU Trustee by the Company under the general or specific mandate sought from the shareholders of the Company in its general meeting; and/or (iii) existing share to be contributed by Controlling Shareholder of the Company to the RSU Trustee as gift.

During the six months ended 30 June 2022, the Company purchased 1,303,500 shares of the Company's own ordinary shares in the market through the RSU Trustee of the Company's RSU Scheme, at prices ranging from HK\$5.93 to HK\$6.30 per share for an aggregate consideration of approximately HK\$8,001,000 (equivalent to RMB6,844,000).

On 10 June 2022, an aggregate of 1,340,000 RSUs (the "2022 June RSU Awards") were granted to 36 eligible employees pursuant to the RSU Scheme, representing 0.13% of the issued shares of the Company at that date. The grantees of the 2022 June RSU Awards are required to pay for the grant of any RSUs under the RSU Scheme based on 20% of the closing share price on the grant date, which amounted to HK\$1.29 per RSU.

The 2022 June RSU Awards granted shall be vested in three tranches, (i) 25% of the award shares shall vest on the first anniversary date of the grant date, and (ii) the additional 25% of the award shares shall vest on the second anniversary date of the grant date, and (iii) the remaining 50% of the award shares shall vest on the third anniversary date of the grant date.

The fair value of the RSUs granted is measured with reference to the closing price of the ordinary shares of the Company at the grant date.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 25. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

### (b) RSU Scheme of the Company (Continued)

The following tables disclose movements of the Company's RSUs:

Grantee	Vesting period	Outstanding at 1 January 2022	Granted during period	Forfeited during period	Vested during period	Outstanding at 30 June 2022
Employees	10/6/2022–9/6/2023	–	335,000	–	–	335,000
	10/6/2022–9/6/2024	–	335,000	–	–	335,000
	10/6/2022–9/6/2025	–	670,000	–	–	670,000
		–	1,340,000	–	–	1,340,000

The Group recognised the total expense of approximately RMB105,000 for the period ended 30 June 2022 (six months ended 30 June 2021: nil) for in relation to RSUs granted by the Company.

## 26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

Financial assets/liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)			
Cross currency swap contracts	Assets — 1,422	Assets — —	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, as well as forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
	Liabilities — —	Liabilities — 5,784			



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

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

Financial assets/liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)			
Foreign currency forward contracts	<b>Assets —</b> <b>1,182</b> <b>Liabilities —</b> <b>1,812</b>	Assets — — Liabilities — —	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
Foreign exchange swap contracts	<b>Assets —</b> <b>291</b> <b>Liabilities —</b> <b>—</b>	Assets — — Liabilities — 7,421	Level 2	Discounted cash flow. Future cash flows are estimated based on spot exchange rates (from observable spot exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
Interest rate swap contracts	<b>Assets —</b> <b>91</b> <b>Liabilities —</b> <b>493</b>	Assets — — Liabilities — —	Level 2	Discounted cash flow. Future cash flows are estimated based on spot exchange rates (from observable spot exchange rates at the end of the reporting period) and forward interest rates (from observable yield curves at the end of the reporting period), discounted at a rate that reflects the credit risk of various counterparty.	N/A



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

Financial assets/liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30.6.2022 RMB'000 (Unaudited)	31.12.2021 RMB'000 (Audited)			
Other financial assets at FVTPL — structured deposits	<b>Assets — 264,642</b>	Assets — 108,374	Level 2	Discounted cash flow. Future cash flows are estimated based on exchange rates and Loan Prime Rate ("LPR") (from observable exchange rates and LPR at the end of the reporting period).	N/A
Other financial assets at FVTPL — unlisted equity investments	<b>Assets — 75,550</b>	Assets — 65,550	Level 2	Recent transaction price.	N/A
Supply chain assets at FVTOCI	<b>Assets — 6,674,534</b>	Assets — 6,678,376	Level 3	Discounted cash flow. Risk-adjusted discount rate and cash flow are key inputs.	Discount rate (note)
Other financial assets at FVTPL — equity tranche	<b>Assets — 181,361</b>	Assets — 107,545	Level 3	Discounted cash flow. Discount rate and cash flows are key inputs.	The higher discount rate, the lower fair value. The higher cash flows, the higher fair value.
Other financial assets at FVTPL — trust fund	<b>Assets — 2,229</b>	Assets — 1,929	Level 3	Discounted cash flow. Risk-adjusted discount rate and cash flow are key inputs.	The higher discount rate, the lower fair value.

Note: As at 30 June 2022, the discount rates of the supply chain assets range from 4.56% to 18.40% (31 December 2021: 2.25% to 16.00%). A 1% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of supply chain assets at FVTOCI by RMB18,533,000/RMB18,853,000 (31 December 2021: RMB19,694,000/RMB19,665,000).



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

### Reconciliation of Level 3 fair value measurements of financial assets

	Other Financial assets at FVTPL RMB'000	Supply chain assets at FVTOCI RMB'000
At 1 January 2022	<b>109,474</b>	<b>6,678,376</b>
Purchases	<b>60,774</b>	<b>7,707,512</b>
Settlements	<b>(3,730)</b>	<b>(7,604,194)</b>
Disposal	–	<b>(107,809)</b>
Fair value changes through OCI, net of reclassification adjustment to profit or loss (note)	–	<b>649</b>
Fair value changes through profit or loss	<b>17,072</b>	–
At 30 June 2022	<b>183,590</b>	<b>6,674,534</b>
At 1 January 2021	103,136	3,804,200
Purchases	98,612	6,727,746
Settlements	(20,121)	(6,262,957)
Fair value changes through OCI, net of reclassification adjustment to profit or loss (note)	–	(1,264)
Fair value changes through profit or loss	27,719	–
At 30 June 2021	209,346	4,267,725

All gains and losses included in OCI relate to supply chain 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 supply chain assets at FVTOCI derecognised during the period are set out in note 9(b).

### Fair value of financial instruments that are recorded at amortised cost

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 27. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's supply chain assets that were transferred to banks, non-bank financial institutions, and companies by discounting those supply chain assets on a full recourse basis or with repurchase obligation. As the Group has not transferred substantially all risks and rewards relating to these supply chain assets, it continues to recognise the full carrying amount of the supply chain assets and has recognised the cash received on the transfer as borrowings (note 22) and loans from related parties (note 28).

	Supply chain assets	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Carrying amount of transferred assets	2,535,294	2,160,802
Carrying amount of associated liabilities	2,773,291	2,118,752
Net position	(237,997)	42,050

## 28. RELATED PARTY DISCLOSURES

### (a) Related parties and relationship

During the reporting period, the following parties are identified as related parties to the Group and the respective relationships are set out below:

Name of Related Party	Relationship
TUNG CHI FUNG	Controlling shareholder of the Company
Bondlink Investment Limited	Related company controlled by TUNG CHI FUNG
Health Fame Limited	Related company controlled by TUNG CHI FUNG
Wuxi Tonghui Investment Limited ("WXTH")	Non-controlling shareholder of a material subsidiary
Wuxi Communications Industry Group Co., Ltd and its subsidiaries ("WXCI Group")	Related parties of WXTH
HJ	Associate
GXMJ	Associate
Wuxi Guojin Factoring Limited ("WXGJ")	Associate (before 6 December 2021)



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 28. RELATED PARTY DISCLOSURES *(Continued)*

### (b) Related party balances

#### (i) Refundable rental deposits

Name of Related Party	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Bondlink Investment Limited	311	403

#### (ii) Trade receivables

Name of Related Party	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
HJ	10,028	6,295

#### (iii) Receivables from guarantee customers

Name of Related Party	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
HJ	91	1

#### (iv) Supply chain assets at FVTOCI

Name of Related Party	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
HJ	909,296	908,986
GXMJ	–	1,457
	909,296	910,443

The remaining balance of supply chain assets at FVTOCI carries fixed-rate interest at the range of 5.95% to 10.00% (31 December 2021: 5.95% to 12.00%) with principal amount of RMB898,270,000 (31 December 2021: RMB888,214,000) within one year.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 28. RELATED PARTY DISCLOSURES *(Continued)*

### (b) Related party balances *(Continued)*

#### (v) Loans from related parties

Name of Related Party	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
WXCI Group	731,797	399,866

The amounts represent loans, due within one year, and carry interest at the range of 6.20% to 7.50% per annum.

The loans amounting to RMB440,000,000 were guaranteed by a PRC subsidiary.

#### (vi) Other payables and accrued charges — guarantee expenses payable

Name of Related Party	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
WXCI Group	3,430	–

#### (vii) Lease liabilities

Name of Related Party	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Bondlink Investment Limited	1,798	408
WXCI Group	574	2,250
	<b>2,372</b>	<b>2,658</b>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 28. RELATED PARTY DISCLOSURES *(Continued)*

### (c) Related party transactions

#### (i) Revenue and income from related parties

Name of Related Party	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
HJ	38,590	37,009
GXMJ	30	–
WXGJ	–	621
	<b>38,620</b>	37,630

#### (ii) Finance cost — interest on loans from related parties

Name of Related Party	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
WXCI Group	14,589	–
WXGJ	–	1,055
TUNG CHI FUNG	–	151
	<b>14,589</b>	1,206

#### (iii) Interest and guarantee expenses on borrowings

Name of Related Party	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
WXCI Group	3,430	–



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 28. RELATED PARTY DISCLOSURES (Continued)

### (c) Related party transactions (Continued)

#### (iv) Interest expenses on lease liabilities

Name of Related Party	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Bondlink Investment Limited	25	34
WXCI Group	26	–
	51	34

#### (v) Compensation of key management personnel

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Salaries and other allowances	9,623	9,188
Retirement benefit scheme contributions	187	195
Performance related bonuses	101	939
Share-based payment	28	5,018
	9,939	15,340

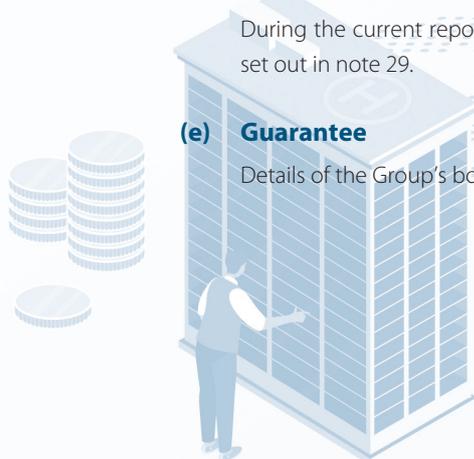
The remuneration of these key executives of the Group is determined by Chairman of the Company having regard to the performance of individuals and market trends.

#### (d) Purchase of assets through acquisition of a subsidiary

During the current reporting period, the Group purchase assets from Health Fame Limited, details of the transaction are set out in note 29.

#### (e) Guarantee

Details of the Group's borrowings guaranteed by related parties are set out in note 22.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 29. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 10 June 2022, the Group acquired 100% interest in Trade Nice Limited (“TNL”) at a cash consideration of HK\$38,000,000 (equivalent to RMB32,497,000) from a related company controlled by the Controlling shareholder. The major asset of TNL is a property located in Hong Kong.

The Group elected to apply the optional concentration test in accordance with HKFRS 3 “Business Combinations” and concluded that the property is considered as a single identifiable asset. Consequently, the Group determined that substantially all of the fair value of the gross assets (excluding cash and cash equivalents) acquired is concentrated in a single identifiable asset and conclude that the acquired TNL is not a business.

### Assets and liabilities recognised at the date of acquisition

	<b>10 June 2022</b>
	RMB'000 (Unaudited)
Investment property	32,378
Other receivable and prepayments	32
Cash and cash equivalents	262
Other payables and accrued expenses	(175)
	<b>32,497</b>

### Consideration satisfied by

	RMB'000 (Unaudited)
Consideration payable within 1 year	32,497

### Net cash inflows arising on acquisition of TNL

	RMB'000 (Unaudited)
Cash and cash equivalents acquired	262



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 30. EVENTS AFTER THE END OF THE REPORTING PERIOD

In July 2022, Shenglong Information Technology Service (Ningbo) Co., Limited ("Shenglong Technology"), a non-wholly owned subsidiary of the Group and Ningbo Development & Investment Group Co., Ltd. ("NDIG") established an entity named 寧波國富商業保理有限公司 (Ningbo Guofu Commercial Factoring Co., Ltd.) ("NBGF") in the PRC for the purpose of provision of supply chain service. The initial registered and paid-in capital of NBGF is RMB200,000,000 which is contributed as to 65% by NDIG and 35% by Shenglong Technology.

## 31. COMPARATIVE FIGURES

During the six months ended 30 June 2022, the Group set out the condensed consolidated statement of profit or loss and other comprehensive income into two statements, namely condensed consolidated statement of profit or loss and condensed consolidated statement of profit or loss and other comprehensive income. Expenses are presented in the condensed consolidated statement of profit or loss by their natures instead of by their functions. The corresponding comparative figures have been re-grouped to conform with the current period presentation and be consistent with the Group's annual financial statements for the year ended 31 December 2021.

