中國金融發展(控股)有限公司
CHINA SUCCESS FINANCE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code：3623

2020
ANNUAL REPORT

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Tiewei *(Chairman)*
Mr. Li Bin *(Chief Executive Officer)*
Ms. Dai Jing
Mr. Xu Kaiying
Mr. Pang Haoquan

Non-executive Director

Mr. He Darong

Independent non-executive Directors

Mr. Tsang Hung Kei
Mr. Au Tien Chee Arthur
Mr. Xu Yan
Mr. Zhou Xiaojiang

BOARD COMMITTEES

Audit Committee

Mr. Tsang Hung Kei *(Chairman)*
Mr. Au Tien Chee Arthur
Mr. Xu Yan

Remuneration Committee

Mr. Xu Yan *(Chairman)*
Mr. Zhang Tiewei
Mr. Tsang Hung Kei

Nomination Committee

Mr. Zhang Tiewei *(Chairman)*
Mr. Tsang Hung Kei
Mr. Xu Yan

COMPANY SECRETARY

Mr. Pang Chung Fai Benny

AUTHORISED REPRESENTATIVES

Mr. Li Bin
Mr. Pang Chung Fai Benny

REGISTERED OFFICE

Fourth Floor, One Capital Place
P.O. Box 847, Grand Cayman
KY1-1103
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

604
6th Floor
Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

STOCK CODE

3623

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

AUDITORS

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

LEGAL ADVISERS

As to Hong Kong law

Benny Pang & Co.

PRINCIPAL BANKERS

Foshan Rural Commercial Bank Co. Ltd.

COMPANY WEBSITE ADDRESS

http://www.chinasuccessfinance.com

Financial Highlights

	FOR THE YEAR ENDED 31 DECEMBER 2020 *(RMB'000)*	FOR THE YEAR ENDED 31 DECEMBER 2019 *(RMB'000)*	**CHANGE IN**
Revenue	**143,377**	69,043	107.7%
Other revenue	**14,763**	17,306	-14.7%
Loss before taxation	**(67,253)**	(463,393)	-85.5%
Loss for the year	**(84,556)**	(431,249)	-80.4%
Total comprehensive loss for the year	**(78,257)**	(433,177)	-81.9%
Basic loss per share *(RMB per share)*	**(0.16)**	(0.82)	-80.5%

	AS AT 31 DECEMBER 2020 *(RMB'000)*	AS AT 31 DECEMBER 2019 *(RMB'000)*	**CHANGE IN**
Total assets	**1,198,874**	2,151,341	-44.3%
Total equity	**479,903**	546,949	-12.3%

Five-year Financial Summary

	For the year ended 31 December				
	2020	2019	2018	2017	2016
Profitability data (RMB'000)					
Revenue	**143,377**	69,043	56,078	89,822	90,331
(Loss)/Profit from operation	**(105,499)**	(440,668)	5,674	32,542	32,416
(Loss)/Profit before taxation	**(67,253)**	(463,393)	23,181	32,343	32,023
(Loss)/Profit for the year	**(84,556)**	(431,249)	5,281	15,651	19,045
Basic (loss)/earnings per share *(RMB per share)*	**(0.16)**	(0.82)	0.01	0.03	0.04
Profitability ratios (%)					
Operating profit margin *(Note 1)*	**(46.9)**	(671.2)	41.3	36.0	35.5
Net profit margin *(Note 2)*	**(59.0)**	(624.6)	9.4	17.4	21.1
Effective tax rate *(Note 3)*	**(25.7)**	6.9	77.2	51.6	40.5
Return on total assets *(Note 4)*	**(7.1)**	(20.0)	0.3	1.5	1.9
Return on shareholders' equity *(Note 5)*	**(17.6)**	(78.8)	0.5	1.6	2.0
Cost to income ratio *(Note 6)*	**46.7%**	78.4%	93.6%	58.5%	62.1%
Operating ratios (as percentage of turnover) (%)					
Staff costs	**20.2**	32.2	43.0	30.7	28.0
Assets and liabilities data (RMB'000)					
Total assets	**1,198,874**	2,151,341	1,938,278	1,037,051	991,100
Total liabilities	**718,971**	1,604,392	960,041	77,136	34,784
Net assets	**479,903**	546,949	978,237	959,915	956,316
Assets and Working Capital data (%)					
Return on assets *(Note 7)*	**(7.0)**	(20.0)	0.3	1.6	2.0
Return on equity *(Note 8)*	**(16.2)**	(56.4)	0.6	1.7	2.2

Notes:

1. Operating profit margin is calculated based on dividing (loss)/profit before taxation by revenue and multiplied by 100%.
2. Net profit margin is calculated based on dividing the (loss)/profit for the year by revenue and multiplied by 100%.
3. Effective income tax rate is calculated based on dividing the income tax by the (loss)/profit before taxation and multiplied by 100%.
4. Return on total assets is calculated based on dividing (loss)/profit for the year by the total assets and multiplied by 100%.
5. Return on shareholders' equity is calculated based on dividing (loss)/profit for the year by the total equity and multiplied by 100%.
6. Cost to income ratio is calculated based on dividing operating expenses after deducting tax and surcharges by revenue and multiplied by 100%.
7. Return on assets is calculated based on dividing (loss)/profit attributable to equity shareholders of our Company by total asset and multiplied by 100%.
8. Return on equity is calculated based on dividing (loss)/profit attributable to equity shareholder of our Company by the weighted average balance of total equity as at the beginning and end of the relevant year and multiplied by 100%.

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of China Success Finance Group Holdings Limited (the "**Company**" or "**China Success Finance**"), I am pleased to present the audited annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020.

In 2020, the sudden outbreak of Coronavirus Disease 2019 ("**COVID-19**") swept the globe as it brought an unprecedented shock to the world's economy. Governments imposed lockdown and suspension measures, which subsequently caused disruptions of global industrial and supply chains, while shrinking international trading and investment and intensifying the volatility of global commodity markets. According to the latest World Economic Outlook issued by International Monetary Fund (IMF), global economy is estimated to contract by 3.5% in 2020, representing the worst global economic recession since the Great Depression. Furthermore, escalating geopolitical risks, foreign policy of the new U.S. administration, development of Sino-U.S. relations and Brexit chaos, among other factors, have cast a shadow on the global financial market development.

On the mainland, effective measures were taken by the government to contain the pandemic, which gradually brought it under control at the beginning of the second quarter as all walks of life also gradually resumed work and production in the second half of the year. Being the only major economy with positive economic growth last year, China's annual Gross Domestic Product (GDP) exceeded RMB100 trillion for the first time, representing an increase of 2.3% year-on-year. The country's finance regulators provided greater support to micro, small and medium-sized enterprises, as well as introducing a series of monetary and financial relief measures to foster their development. Meanwhile, these supervisory bodies also implemented the "six-sphere stability" work and "six-sphere guarantee" tasks conducted by the Chinese government and State Council through initiatives including maintaining industry's liquidity at a reasonable and abundant level, driving the market interest rates downward, increasing the limit of re-lending and rediscount, and other measures such as the phased deferment of loan principal and interest repayment for micro, small and medium-sized enterprises. Thanks to the multi-pronged policies introduced by the Chinese government to alleviate the impact of the pandemic, the financial industry has experienced a stable recovery and development.

In Hong Kong, the resurgence in COVID-19 cases and international political situation had deep repercussions on economy and consumption, resulting in a 6.1% contraction in the GDP in 2020. During the period between October 2020 and January 2021, the city's unemployment rate climbed to 7%, the highest in 17 years. Fortunately, the active coordination between Hong Kong's financial supervisory authorities and the financial industry ensured a rather smooth operation of the financial system and market, and a stable capital market.

In 2020, in accordance with the country's development trend, the Group actively supported national policies, whilst promoting a steady development of its traditional businesses. Meanwhile, the Group strengthened its plan for financial technology, and actively explored the model of "Finance & Entity" and the supply chain of livestock farming industry, in order to provide customers with professional, high-quality and comprehensive integrated financial services.

Regarding the guarantee business, the supervisory authorities successively issued "Procedures for the Off-site Supervision of Financing Guarantee Companies" and "Decision of the State Council on the Implementation of Unified Registration of Guarantee over Chattels and Rights" to facilitate the supervision on operations of financing guarantee companies, and steer the industry towards a healthier and more orderly development that fits a higher standard. The Group's subsidiary Guangdong Success Finance Guarantee Company Limited ("**Success Guarantee**") became one of the first three cooperative guarantee institutions of Foshan Financing Guarantee Fund, assisting small and medium enterprises (SMEs) to overcome financing difficulties. In addition, the local government of Guangdong implemented multiple policies to enhance the financial service standard through internet technology, advocating improved services for the real economy from financial platforms. Capitalizing on the beneficial policies and guiding by customer demand, the Group continued its intensive efforts in financial technology to satisfy customer demand for personalized financial services through the application of technology.

In terms of other traditional businesses, the economic recovery in the second half of 2020 boosted the total business output of the financial leasing industry. Along with the implementation of Greater Bay Area policies, the government strives to strengthen the interconnection of financial markets in the Greater Bay Area, thus creating flourishing opportunities in terms of market opening. The Group responded to market needs and developed its business with a pragmatic approach, striving to seize opportunities in the integrated financial market in the Greater Bay Area and support the Greater Bay Area construction.

During the year, riding on the beneficial policies and industry transformation, the Group actively explored the opportunities in the integrated model of "Finance & Entity" and invested in livestock farming industry. Through optimizing the business complementation of livestock farming and financial industries, the Group has laid a foundation for providing comprehensive financial services to upstream and downstream suppliers, and creating an agricultural ecosystem in the future.

Looking forward to 2021, since questions remain over the promptness and reliability of the vaccines, there are growing uncertainties in global economic recovery. Meanwhile, given that national debts of developed countries have risen substantially, outlook of international financial markets appears to be increasingly shaky. Being the only major economy with positive economic growth in 2020, China is expected to achieve a steady economic recovery. In particular, the implementation of new measures and policies under the 14th Five-Year Plan is counted on to stimulate economic growth and bring a new round of growth opportunities for the domestic financial industry. However, despite the IMF's prediction of a 8.1% growth in China's economy in 2021, China's future economic development is still facing threats induced by factors including the worsening pandemic and the turbulence of the external economic environment.

The Group will continue to leverage its advantages in comprehensive financial service capabilities and technological innovation, improve its service efficiency through applying technology, reinforce its professional management teams of subsidiaries, and collaborate with other financial institutions and technology companies to enhance its market competitiveness. With the enhancing commercialization of network and artificial intelligence technology, the Group will continue to dig deep into the field of financial technology and create its own economic moat. Furthermore, the Group will continue to explore new businesses and enrich product portfolio with a prudent approach, and create new profit growth drivers while maintaining stable growth.

Last but not least, on behalf of the Board, I would like to express my utmost appreciation to all shareholders, clients, business partners and staff. Faced with the uncertainties ahead, the Group will continue to adopt a prudent and stable development approach and efficacious risk management strategy, thus maintaining a stable business development, meanwhile actively capturing the market trends and opportunities to create more valuable and fruitful returns for investors and shareholders.

Zhang Tiewei
Chairman and Executive Director

30 March 2021

BUSINESS REVIEW

Overview

In 2020, in response to COVID-19, lockdown measures were imposed in countries around the world over a prolonged period of time, which subsequently caused disruptions of global industrial and supply chains. Investments in international trade shrank and unemployment rates soared, resulting in the worst global economic recession since the Great Depression. According to the latest World Economic Outlook issued by International Monetary Fund (IMF), the global growth contraction in 2020 is estimated at 3.5%. Large-scale measures were rolled out in major economies to address the issue, and the global economy managed to bottom out in the second half of 2020. However, another pandemic wave in the U.S. and Europe in the fourth quarter hindered the recovery of global economy.

2020 marked the last year of the 13th Five-Year Plan, during which China has successfully built up a comprehensive well-off society. Faced with the huge impact induced by the pandemic and the adverse challenges in both domestic and foreign markets, the Chinese government promptly coordinated and imposed various measures to contain the spread of pandemic and to facilitate social and economic development. Such measures effectively restored normal production and helped its people resume normal lives, thus setting the stage for China to stand out from the rest of the world by ensuring economic recovery. Being the only major economy with positive economic growth last year, China's annual GDP exceeded RMB100 trillion for the first time, representing an increase of 2.3% year-on-year. This achievement is a testimony to China's strong resilience and vitality in economy, with China's positive long-term economic fundamentals remaining intact and emerging. Addressing the pandemic-induced adverse impacts on micro, small and medium-sized enterprises, the financial and related authorities have invested intensified efforts to support them and introduced a series of monetary and financial relief measures for their development. Meanwhile, the financial and related authorities effectively conducted "six-sphere stability" work and "six-sphere guarantee" tasks introduced by the Chinese government and State Council, promptly implementing measures namely maintaining industry's liquidity at a reasonable and abundant level, driving the market interest rates downward, increasing the limit of re-lending and rediscount, and implementing phased deferment of loan principal and interest repayment for micro, small and medium-sized enterprises. In Hong Kong, due to multiple factors such as the pandemic and international political situation, the local economy was hit hard and the GDP shrank by 6.1%, the first time the city experienced recessions for two consecutive years. Its unemployment rate has climbed to 7%, the highest in 17 years. Decrease in household income also dampened consumer sentiments, causing an unprecedented shock across sectors.

Amidst severe straits brought by the pandemic, and the complexity and unpredictability in domestic and global markets, the Group adopted multi-pronged measures to coordinate with a pandemic caution and adhered to prudent and steady development strategies in 2020. While taking risk prevention, the Group prudently developed its traditional businesses and enhanced integrated services for the Greater Bay Area. It also reinforced cooperation channels and its competitiveness through investments, mergers and acquisitions, in order to provide customers with comprehensive, professional and efficient financial services, and cope with the negative impacts of the macro environment.

Management Discussion and Analysis

INDUSTRY AND BUSINESS REVIEW

Steadily Developing Traditional Businesses

In 2020, threatened by the pandemic and complex macroeconomic environment, the Group adopted prudent and steady business development strategies, leading to a slowdown in the development of traditional businesses. Nevertheless, no substantive impact has been observed so far. In accordance with changes in national economic policies and market conditions, the Group leveraged its own advantages and harnessed the power of technology, so as to assist customers to overcome hardships during the pandemic.

In terms of guarantee business, following the completion of business license renewals in the industry, a healthier and more systematic development with stringent standards in China's financing guarantee industry was witnessed. In order to further improve the off-site supervision of financing guarantee enterprises, the China Banking and Insurance Regulatory Commission ("**CBIRC**") issued the "Procedures for the Off-site Supervision of Financing Guarantee Companies" in July 2020, which improved the supervision reports and indicator interpretations for financing guarantee enterprises. It also unified the regulatory indicator statistics and requirements of the regulatory system, benefiting to the supervision over the operation of financing guarantee companies and fostering better support to the development of financial inclusion from these companies.

On February 23, 2020, by passing the new standards, license for financing guarantee business of the Group's subsidiary Success Guarantee was renewed by Guangdong Local Financial Supervision and Administration Bureau, further affirming its competitiveness in the market. Besides, Success Guarantee became one of the first three cooperative guarantee institutions of Foshan Financing Guarantee Fund in February 2020, contributing to the promotion of economic development in Foshan, as well as assisting SMEs to overcome financing difficulties.

While adopting pandemic precautions, the Group continued to deepen its intensive efforts in financial technology and increased investments in hiring technicians and upgrading equipment, so as to upgrade its business system. To cope with the pandemic, the Group strengthened communication with customers to meet their needs and improve their satisfaction. Meanwhile, the Group explored new service models through the application of technology, with a view to satisfying customer demand on personalized financial services. Also, responding to the policy trend, the Group continued to develop traditional guarantee businesses, strengthen interaction with financial institutions, expand business portfolio and enrich product chain to identify new profit drivers.

Regarding the financial leasing business, stricter supervision over the industry facilitated a stable operation of financial leasing enterprises, securing orderly development through industry standardization. CBIRC issued "Interim Measures for the Supervision and Administration of Financial Leasing Companies" in June 2020, which was instrumental in improving the regulatory system of the financial leasing industry. Through adopting measures including refining business operation rules, cranking up oversight of the fulfilment of regulatory standards and clarifying the division of supervising responsibilities, the supervision and management of financial leasing companies are expected to be strengthened, thereby expediting the orderly development of the financial leasing industry.

As regards asset management, after thorough consideration of the pandemic impacts and observing the new regulatory policy framework and new regulatory requirements for asset management, the People's Bank of China worked with National Development and Reform Commission, the Ministry of Finance, CBIRC, China Securities Regulatory Commission, State Administration of Foreign Exchange and other government authorities to extend the transition period of "Regulating the Asset Management Business of Financial Institutions" to the end of 2021 upon approval from the State Council. Meanwhile, incentive and disincentive mechanisms were established to optimize the supporting policy arrangements, promoting a steady and orderly development of the asset management industry.

Regarding financial leasing, factoring and asset management businesses, the Group adhered to the operating principle of "doing what should be done while leaving others alone" in 2020 to conduct business with caution.

Developing Integrated Services for the Greater Bay Area

Along with the implementation of "Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area", "Opinions Concerning Financial Support for the Establishment of Greater Bay Area", "Implementation Plan for Financial Support for the Establishment of Greater Bay Area" and policies supporting the establishment of the Greater Bay Area which were issued by government authorities within the district, the Group kept abreast of the latest policy trend and tapped the rising demand for the Greater Bay Area construction. It devised plans in developing integrated financing services in the Greater Bay Area, supporting the construction within the district.

Expanding and Reinforcing Cooperation Channels

Facing both opportunities and challenges arising from the pandemic in 2020, the Group continued to draw up plans for financial technology and actively sought opportunities to collaborate with financial institutions and financial technology companies, and develop diversified collaboration models, in order to provide customers with comprehensive and efficient integrated financial services.

Exploring New Category of Industry-finance Integration, While Investing in Livestock Farming Entities

Being one of the core industries which support national economy and people's livelihoods, the livestock farming industry has a huge market potential and stable demand growth. Currently, there is an ample room for further development and improvement in China's pig breeding industry considering the low industrial concentration and relatively low scaling level. In recent years, the Chinese government has repeatedly and strategically devised plans for the development of the pig breeding industry by setting it on the agenda of "Central Document No.1". A series of policies were launched to encourage the rapid and healthy development of the pig breeding industry, in hopes of accelerating the scale optimization and modernization of the industry.

Management Discussion and Analysis

In 2020, capitalizing on the beneficial policies, industry transformation, environmental protection and epidemic prevention, the Group actively explored opportunities in the integrated mode of "Finance & Entity". By acquiring shares of livestock farming entities, the Group invested in the construction of pig farms in the Greater Bay Area, and propelled the modernization, scale optimization and standardization of the pig breeding models. Through optimizing the business complementation of livestock farming and financial industries, the Group has laid a foundation for providing comprehensive financial services to upstream and downstream suppliers, and creating an agricultural ecosystem in the future.

Strengthening through Investments, Mergers and Acquisitions

In 2020, according to the transformation plan, the Group managed to propel construction work in Success Science and Technology Innovation Park Project, which is one of the benchmarking projects of "Three Olds Redevelopment" in Shunde District. The construction progress and influence have attracted public attention.

Besides, taking its future business development into account, the Group has purchased newly-built office properties in Foshan Xincheng District as self-use properties.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group's revenue was approximately RMB143.4 million (year ended 31 December 2019: approximately RMB69.0 million), representing an increase of approximately 107.7%. Detailed analysis of the Group's revenue is as follows:

Financial Guarantee Services

Revenue from the Group's financial guarantee services was mainly generated from the service fees charged for our financial guarantee services. For the year ended 31 December 2020, the Group's net revenue generated from financial guarantee services was approximately RMB157.4 million (year ended 31 December 2019: approximately RMB79.5 million), representing an increase of approximately 98.0%. In 2020, the Group adopted the prudent and sound business policy. On the one hand, the Group continued to intensively explore the financial technology field and apply technological strengths to improve its service efficiency; on the other hand, the Group continued to develop the traditional guarantee business to enrich the product chain. In 2020, the net income from the financial guarantee services increased significantly compared to that for the same period last year, which was mainly due to the fact that deferred income arising from the significant growth of financial guarantee business in 2019 was recognized on an accrual basis in 2020.

In 2020, the Group did not record any interest income from receivables (year ended 31 December 2019: approximately RMB0.3 million).

Non-financial Guarantee Services

Revenue from the Group's non-financial guarantee services was mainly generated from the service fees charged for providing customers with performance guarantees in relation to the performance of payment obligations and litigation guarantees. For the year ended 31 December 2020, the Group's revenue generated from non-financial guarantee services decreased by approximately 46.2% to approximately RMB0.7 million (year ended 31 December 2019: approximately RMB1.3 million). Revenue from the non-financial guarantee business decreased compared to that for the same period last year, which was mainly due to the fact that the Group adjusted the product structure according to the market needs and continued to focus mainly on the new business field, resulting in the changes in the amount and revenue incurred of the performance guarantee business and the litigation guarantee business.

Financial Consultancy Business

Revenue from the Group's financial consultancy services was mainly generated from the service fees charged for providing customers with financial consultancy services by the Group. For the year ended 31 December 2020, the Group's revenue generated from financial consultancy services was approximately RMB3.0 million (year ended 31 December 2019: approximately RMB1.3 million). Revenue from the financial consultancy services increased compared to that for the same period last year, which was mainly due to the fact that in 2020, the Group smoothly promoted the business development, proactively explored new businesses and continued to provide small and medium-sized enterprises with financial consultancy services.

Financial Leasing and Factoring Business

Revenue from the Group's financial leasing services was mainly generated from the rental fees charged by the Group in its provision of financial leasing services to customers. For the year ended 31 December 2020, the Group did not record any revenue from the financial leasing services (year ended 31 December 2019: approximately RMB5.4 million). Revenue from the factoring business in 2020 was approximately RMB2.0 million (year ended 31 December 2019: approximately RMB4.1 million).

The decrease in the revenue from the financial leasing and factoring services of the Group in 2020 as compared to 2019 was mainly due to (i) the maturity of most of the existing businesses, and (ii) the fact that affected by the macro-economic environment and in the face of the increasing market uncertainties throughout the year, the Group adopted the prudent and sound development strategy to carry out its business prudently.

Revenue from Sales of Market Hogs

For the year ended 31 December 2020, the Group's revenue from sales of market hogs was approximately RMB8.9 million.

Other Revenue

The Group's other revenue comprised fair value gain on modification of the terms of convertible bonds, interest income from bank deposits, government grants, proceeds from the investments on Yangmianshan and others. For the years ended 31 December 2019 and 2020, the Group's other revenue were approximately RMB17.3 million and RMB14.8 million, respectively, representing a decrease of approximately 14.5%. The decrease in other revenue as compared to the same period of last year was due to the one-off gains arising from the alteration of the terms and conditions of the convertible bonds completed by the Group in the first half of 2019.

Impairment and Provision (Charged)/Written Back

Impairment and provision mainly represents the provision charged/ (written back) for guarantees issued and the impairment provision for receivables from guarantee payments, factoring receivable and finance lease receivable, trade and other receivables, impairment of investment in associate where it is likely that the customers or other parties are in financial difficulties and recovery was considered to be remote. In the event that any impairment and provision was made in the previous years but subsequently recovered, impairment and provision previously made will be written back in the year in which the relevant amount is recovered. Due the impact from the COVID-19 epidemic, the Company made provision for impairment loss based the overall macro-economic conditions by use a more pessimistic scenario analysis as ever, resulting in an increase in the provision for impairment loss of RMB4.6 million made by using the three stages of the expected impairment loss model over last year.

Operating Expenses

For the year ended 31 December 2020, the operating expenses of the Group was approximately RMB67.7 million (for the year ended 31 December 2019: approximately RMB55.0 million). The Group upheld the cost-efficient principle, the operating expenses was analyzed as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries	**28,945**	22,207
Audit fee	**3,722**	2,920
Amortization charges	**145**	173
Depreciation charge	**2,088**	1,469
Rentals	**193**	1,890
Intermediary consulting expenses	**13,240**	16,546
Office, travel and entertainment expenses	**12,981**	6,371
Exchange loss	**2,013**	291
Others	**4,413**	3,161
Total	**67,740**	55,028

The increase in the salaries as compared to the corresponding period last year was mainly due to the expense incurred in relation to the share options granted by the Group to the directors and employees of the Group on 18 May 2020.

The significant increase in the office, travel and entertainment expenses as compared to the corresponding period last year was mainly due to the increase in the entertainment expenses incurred by the Group in its business development.

Share of Profits of Associates

The share of profits of associate amounted to a gain of approximately RMB0.2 for the year ended 31 December 2020, representing an increase of approximately RMB27.3 million from a loss of approximately RMB27.1 million for the year ended 31 December 2019. In 2019, the Group made provision for the impairment of Success Credit at associate level and recognized the investment loss under the equity method. In 2020, the Group made provision for the impairment of the long-term equity investment of Success Credit at group level and recognized impairment and provision charges.

Loss Before Taxation

The Group's loss before taxation decreased by approximately RMB396.1 million, or approximately 85.5%, from a loss of approximately RMB463.4 million for the year ended 31 December 2019 to a loss of approximately RMB67.3 million for the year ended 31 December 2020. Compared with the same period last year, the significant decrease in loss before taxation was mainly due to the provision for the impairment loss made by the Group in FY2020 of approximately RMB192.3 million, representing a significant decrease of approximately RMB279.7 million from the provision for impairment loss of approximately RMB472.0 million in FY2019.

The financial performance of the Group improved in FY2020. The loss before taxation was mainly due to the combined effect of the following factors: (i) the net income from the financial guarantee services of the Group in FY2020 increased significantly compared to that in FY2019; (ii) the fair value of the Group's financial assets and biological assets at fair value through current profits and losses increased significantly; (iii) the sales of market hogs business of the Group recorded net income; (iv) the Group made provision for the impairment of the long-term equity investment of Success Credit at group level in 2020; (v) the Group still had significant impairment and provision charges in 2020; and (vi) the Group recorded higher operating expenses in 2020 compared to the same period last year. The growth of the above income and assets value could not hedge against the effects of (iv), (v) and (vi) above.

Income Tax

For the year ended 31 December 2020, the Group's income tax expense amounted to approximately RMB17.3 million, representing an increase of approximately 153.9% from approximately RMB-32.1 million of income tax expense in the corresponding period of 2019. The increase in income tax was mainly attributable to the significant increase in the deferred income tax fee of the Group in 2020.

Trade and Other Receivables – Receivables from Guarantee Payments

Receivables from guarantee payments mainly represent default loan amount repaid by the Group on behalf of our customers. Upon default by a customer in respect of repayment of a bank loan, according to the relevant guarantee agreement, the outstanding balance shall be firstly settled by the Group on behalf of the customer. The Group will then subsequently request repayment from the customer or take possession of the counter-guarantee assets provided by such customer to recover the outstanding balance. Receivables from guarantee payments were interest bearing and the Group holds certain collaterals over certain customers. The net book value of receivables from guarantee payments decrease from approximately RMB63.6 million as at 31 December 2019 to approximately RMB3.1 million as at 31 December 2020. The provision for impairment losses of receivables from guarantee payments in 2020 was approximately RMB66.2 million (2019: approximately RMB167.2 million).

LIQUIDITY AND CAPITAL RESOURCES

Treasury Management and Investment Policy

In order to utilise the Group's financial resources for obtaining a better return for the shareholders effectively, the Group's general approach is to seek some alternative investment opportunities which could provide a better return with limited risk exposure.

Pledged Bank Deposits and Cash and Bank Deposits

As at 31 December 2020, the current pledged bank deposits amounted to approximately RMB175.5 million (31 December 2019: approximately RMB95.3 million), representing an increase of approximately RMB80.2 million as compared to the end of last year. Cash and bank deposits amounted to approximately RMB354.1 million (31 December 2019: approximately RMB1,067.3 million), representing a decrease of approximately RMB713.2 million, as compared to the end of last year. The decrease in cash and bank deposits was mainly attributable to (i) the decrease in pledged deposits placed by third parties as a result of the requirements for the business between the Group and its customers; and (ii) the early redemption by the Group of all of the remaining principal from the buyers of notes and the interest incurred thereon in 2020. The Company will have sufficient cash flow to fund its daily operating expenses and cover the outstanding balance of bonds.

Interest Rate Risk and Foreign Exchange Risk

As at 31 December 2020, the Group's interest rate primarily related to interest-bearing bank deposits and pledged bank deposits.

The Group's businesses for the year ended 31 December 2020 were principally conducted in RMB, while most of the Group's monetary assets and liabilities were denominated in HKD and RMB. As the RMB is not a freely convertible currency, any fluctuation in the exchange rate of HKD against RMB may have impact on the Group's result. Although foreign currency exposure does not pose a significant risk on the Group and currently, the Group does not have hedging measures against such exchange risks, the Group will continue to take proactive measures and monitor closely the risk arising from such currency movement.

Gearing Ratio

The Group's gearing ratio (total liabilities divided by total equity) decreased from approximately 293.3% as at 31 December 2019 to approximately 149.8% as at 31 December 2020, which was mainly due to the significant decrease in total liabilities. The decrease in total liabilities was mainly attributable to the decreases in guarantee liabilities (deferred income), pledged deposits payable to cooperative companies and accruals and other payables.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group recruits personnel from the open market and enters into employment contracts with them. The Group offers competitive remuneration packages to employees, including salaries and bonuses to qualified employees. The Group also provides training to the staff on a regular basis to enhance their knowledge of the financial products in the market and the applicable laws and regulations in relation to the industry in which the Group operates.

The Group maintained stable relationship with its employees. As at 31 December 2020, the Group had 61 full-time employees. Compensation of the employees primarily includes salaries, discretionary bonuses, contributions to social insurance and retirement benefit scheme. The Group incurred staff costs (including Directors' remuneration) of approximately RMB28.9 million for the year ended 31 December 2020.

The Company has adopted the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme as an incentive to the Directors and eligible employees.

On 18 May 2020, the Company has actually granted 31,755,400 share options at an exercise price of HK$0.84 per share under the Post-IPO share option scheme as an incentive, subject to the acceptance of the relevant grantees.

SOCIAL ENTERPRISE

While serving the local economic development and supporting micro, small and medium sized enterprises, the Group was also actively participated in charitable activities to fulfil social responsibilities, thereby establishing a good social image. Every year, Success Charity Foundation (集成愛心基金), which was voluntarily initiated by shareholders and employees of the Group, gives help and support to employees in need. It provides timely support and assistance to families of employees who suffer from serious illnesses or accidental injuries, and goes through difficult times with the employees and their families. In respect of poverty alleviation efforts, the Group sent representatives to visit Butuo County, Liangshan Prefecture, Sichuan Province to assist in poverty alleviation work, donated funds supporting industry development in villages under the pair-up support scheme, and consoled poor households to help Liangshan Yi Autonomous Prefecture of Sichuan Province out of poverty. In addition, Mr. Zhang Tiewei, the Chairman and Executive Director of the Group, has been teaching as an off-campus tutor of the master's degree of finance of Guangdong University of Finance and Economics to nurture brilliant students in joint efforts with higher institutions, assist students in developing the habit and thinking which integrate both theories and practices in learning, encourage students to tap into professional knowledge, train up their leadership skills and foster innovation and high moral standards. Furthermore, Mr. Zhang Tiewei also served as a supervising member of the Narcotics Association of Chancheng District in Foshan, contributed to drug prohibition efforts of Foshan by participating in anti-drug promotional events that enhanced the level of public knowledge on drugs.

PROSPECTS AND OUTLOOK

Macro Outlook

Looking forward to 2021, the rollout of COVID-19 vaccines offers a promising hope to the epidemic control, the economy is expected to witness a gradual pick-up. However, questions remain over the promptness and reliability of the vaccines, resulting in increasing uncertainties in economic recovery. While governments have remarkably added spending to stimulate economic growth, national debts have risen substantially, which has in turn increased vulnerability of financial systems and volatility in international financial markets. Factors such as ongoing trade tensions among major economies, uncertain geopolitical risks and political conflicts within several countries hinder global economic recovery.

2021 marks the start of the 14th Five-Year Plan, whereby China begins to build towards a modern socialist country. Last year, the Central Economic Work Conference announced to maintain an active fiscal policy and a prudent monetary policy, with a view to lending essential support for economic recovery, as well as fast-tracking the establishment of a new development structure that is driven primarily by the domestic cycle and complimented by the dual circulation of domestic and international economies. Being the only major economy with positive economic growth in 2020, China has exhibited tenacity and exuberance of its economy. However, uncertainties continue to overshadow the economic development in 2021. Regarding the international market, there is an unbalanced and unstable recovery given that various risks caused by epidemic threats should not be overlooked, whilst the global economy continues to endure complicated and severe conditions. Regarding the domestic market, dragged by uncertainties in the epidemic situation and external environment, there are obstacles to the development of circular economy. The exigent potential risks and serious concerns are non-neglectable, at the same time the change in China-U.S. relations and escalating geopolitical tensions is noteworthy. In Hong Kong, the mass vaccination rolled out since February is expected to ease the epidemic. Coupled with China's strong economic growth, there is a silver lining to the city's economy. Benefiting from the epidemic prevention and relief measures introduced by Hong Kong government, the economy is expected to slowly recover. Paul Chan, the Financial Secretary of the Hong Kong Special Administrative Region Government, sees a strong recovery momentum in the second half of the year, supporting a positive economic growth throughout 2021. Notwithstanding, the future economic development will continue to experience challenges, given that the level and speed of recovery are largely determined by numerous uncertain factors, especially the epidemic condition.

In 2021, in the face of the sustained influence of the epidemic, the Group will adhere to its principle of "doing what should be done while leaving others alone" and adopt a prudent approach in growing its traditional businesses. While planning for the construction of the Greater Bay Area, the Group will enhance its competitiveness through investments, mergers and acquisitions, ensuring a steady growth of the Group.

Steadily Developing Traditional Businesses with a Prudent Approach

Amidst the normalization of epidemic prevention and control, the Group will seize the occasions where the government increases its financial support to micro, small and medium-sized enterprises, to steadily develop traditional businesses, whilst consolidating resources and giving full play to its own advantages from all subsidiaries for greater capability to provide customers with integrated financial services.

For guarantee business, the Group will adapt to the changes in economy and market demand, and double its efforts in developing financial technology business. It will explore new service models for its products and improve its service efficiency by harnessing the power of technology. Through grasping the opportunities arising from the introduction of new measures for the administration of online lending by commercial banks, the Group will strengthen its partnership with financial institutions and technology companies by establishing more in-depth and wide-ranging collaboration chances. In addition, riding on the government's policy which supports the development of micro, small and medium-sized enterprises and the establishment of government guarantee fund, the Group will continue to enrich its traditional guarantee business, make constant improvements in its risk management system through harnessing the power of technology, thus customizing more financing services and products to address clients' needs. The Group will offer a series of diverse, flexible and personalized financing services to enhance its competitiveness.

On the other hand, in light of the macro environment and policy guidance, the Group will prudently provide customers with professional and specialized financial services, including financial leasing, factoring and asset management, to cater to the demand for the construction of the Greater Bay Area.

Exploring a New Model of Industry-finance Integration and Developing Integrated Financial Services for the Supply Chain

Agricultural development will remain the first priority of the Chinese government's policy in the next few years. According to the "Central Document No.1" issued by the Chinese government and the State Council in February 2021, with a view to expediting the modernization of the agricultural industry, it is necessary to accelerate the establishment of a modern breeding system and protect the basic production capacity of the pig breeding industry, so as to realize a stable and orderly long-term development of the pig breeding industry. On the other hand, the "One Belt One Road" policy will also help create a huge market and bring opportunities to the livestock farming industry.

The Group will closely follow the national policies. Leveraging its forward-looking strategies, precise judgment in grasping opportunities, efficient execution capabilities, scientific and technological strengths as well as professional teams, the Group will establish a modern farm that conforms to the industry's development trend. Looking forward, starting from a single breeding project, the Group will expand its comprehensive integrated financial services to the middle and downstream customers. The Group will cooperate with the entire industrial chain on a pilot basis, further exploring the development of financial product portfolio for the industrial chain. The Group targets to extend and replicate the success of the trial, striving to provide integrated financial services to the industrial chain, so as to enhance the Group's comprehensive competitiveness.

Propelling Integrated Services for the Greater Bay Area

The Group will continue to grasp development opportunities in the Greater Bay Area. Through seeking opportunities of integrated financial services for constructing the Greater Bay Area, the Group will provide specialized financial services and supports to regional enterprises, thereby participating in propelling the construction and development of the Greater Bay Area.

Strengthening through Investments, Mergers and Acquisitions

With regards to market opportunities and its long-term development strategy, the Group will continue to explore new investment opportunities in projects by investments, equity purchases and acquisitions, aiming to explore new businesses and enhance its comprehensive competitiveness.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The wide spread of COVID-19 around the world since the beginning of 2020 is a fluid and challenging situation facing all the industries of the society. Since the outbreak of COVID-19, ongoing prevention and control measures have been carried out by the Chinese Government and Hong Kong SAR Government. These measures have affected the Group's business and are expected to continue to adversely impact the Group's financial performance in the coming financial year. As at end of the announcement date, the operating activities in the Group were resumed.

Given the evolving nature of the COVID-19 and the unpredictability of future developments, it is not practicable to provide a reasonable estimate of the impact of the pandemic on the Group's financial performance. The Group will closely monitor the economic impacts and respond to the development of the COVID-19.

COVID-19 Outbreak is a non-adjusting event after the financial year end and does not result in any adjustments to the consolidated financial statements for the year ended 31 December 2020.

USE OF PROCEEDS

On 1 February 2018, the Company issued convertible bonds in an aggregate principal amount of HKD154 million under general mandate. The net proceeds, after deducting the administration fee of HKD1,540,010, were HKD152,459,990, and had been fully used as at 31 August 2019. An analysis of the planned amount utilized up to 31 December 2020 is set out below:

Intended use of the placing proceeds	Planned allocation (HK$ in million)	Actual utilization (HK$ in million)	Actual utilization up to 31 December 2018 (HK$ in million)	Unutilized placing proceeds as at 31 December 2018 (HK$ in million)	Actual utilization up to 30 June 2019 (HK$ in million)	Unutilized placing proceeds as at 30 June 2019 (HK$ in million)	Actual utilization up to 31 August 2019 (HK$ in million)	Unutilized placing proceeds as at 31 December 2019 (HK$ in million)	Unutilized placing proceeds as at 31 December 2020 (HK$ in million)	Expected timeline for the unutilized placing proceeds
Pursuing suitable acquisition and partnership opportunities	7.6	5.5	5.5 (note 1)	–	–	–	–	–	–	N/A
Utilized as additional net assets value, register capital and/or paid-in capital	68.6	73.2	73.2 (note 2)	–	–	–	–	–	–	N/A
Repayment of principal and interest of convertible bonds and handling charges	15.1	25.1 (note 6)	15.0 (note 3)	10.1	5.8 (note 4)	4.3	4.3 (note 5)	–	–	N/A
Utilized as general working capital of the Group	61.2	48.7	31.6	17.1	14.0	3.1	3.1	–	–	N/A
Total	152.5	152.5	125.3	27.2	19.8	7.4	7.4	–	–	N/A

Notes:

1. the HK$5.5 million utilized for the acquisition of T. M. Management Limited (the "**TM Management**"), a licensed financial institution having relevant license for the Type 9 regulated activities under the Securities & Futures Commission of Hong Kong. The Group acquired all ordinary shares of the TM Management to further extend the existing business scope of the Group.

2. the HK$73.2 million utilized for increasing the registered capital of Success Guarantee, a wholly owned subsidiary of the Group. The purpose of this use of proceeds is to enrich the Company's capital strength base to facilitate the active exploration of new business in the market with the use of new financial technologies in the favourable environment of increased financial compliance requirements. Success Guarantee will be able to undertake a larger scale of guarantee business through this capital increase.

3. the HK$15.0 million utilized comprised HK$5.0 million for repayment of interest payment of convertible bonds and HK$

   10.0 million for repayment of principal of convertible bonds.

4. the HK$5.8 million utilized for repayment of interest payment of convertible bonds and handling charges.

5. the HK$4.3 million utilized for repayment of interest payment of convertible bonds.

6. the 66.2 percent increase of the actual utilization in comparison with the initial planned allocation is from the decision of the management of the Company to repay the principal of the convertible bonds. The management of the Company has confidence that repayment of principal in advance would improve the fund use efficiency of the Group.

FAIR REVIEW OF BUSINESS

A fair review of the business of our Group as well as discussion and analysis of our Group's performance during the year ended 31 December 2020 and the material factors underlying its financial performance are set out in the "Chairman Statement" and the "Management Discussion and Analysis" sections of this annual report.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of our Group are the provision of financial and non-financial guarantees services, financial leasing and financial consultancy services in China.

FINANCIAL RESULTS

The results of our Group for the year ended 31 December 2020 and the state of our Group's affairs as at that date are set out in the consolidated financial statements on pages 74 to 188 of this annual report.

CASH FLOW POSITION

The cash flow position of our Group for the year ended 31 December 2020 is set out and analysed in the consolidated cash flow statements set out on page 79 of this annual report.

DIVIDENDS

The Board has resolved not to declare a final dividend by the Company for the year ended 31 December 2020.

PROFESSIONAL TAX ADVICE RECOMMENDED

For any taxation implications of purchasing, holding, disposing of, dealing in the shares of our Company, shareholders should consult an expert.

SUBSIDIARIES

Details of our Company's principal subsidiaries as at 31 December 2020 are set out in note 15 to the financial statements.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from 24 May 2021 to 27 May 2021 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 21 May 2021.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the aggregate amount of the distributable reserves of our Company was approximately RMB382.4 million. Movements in the distributable reserves of our Group during the year are set out in note 29(i) and note 33 to the financial statements.

RESERVES

Movements in the reserves of our Group during the year are set out in the consolidated statement of changes in equity on page 78 of this annual report.

EQUIPMENT

Details of the movements of equipment of our Group for the year ended 31 December 2020 are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in Company's share capital for the year ended 31 December 2020 are set out in note 29(c) to the financial statements.

SHARE OPTION SCHEME

Our Company maintains two share option schemes, namely the Pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") and the Post-IPO share option scheme (the "**Post-IPO Share Option Scheme**", together with the Pre-IPO Share Option Scheme, the "**Share Option Schemes**") for the purpose of recognising the contribution of the employees of our Group and retaining them for the continual operation and development of our Group. Both schemes were adopted pursuant to a written resolution of all the shareholders of our Company passed on 18 October 2013 (the "**Adoption Date**").

Under the Share Option Schemes, our Board may, at its discretion, offer any employee (including any executive Directors) of our Group, options to subscribe for shares in our Company subject to the terms and conditions stipulated in the Share Option Schemes.

The Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to enable our Company to grant options to the participants as incentive or rewards for their contributions to our Group.

The total number of shares subject to the options under the Pre-IPO Share Option Scheme is 10,000,000 Shares, which shall vest to the relevant option holder in tranches in the following manner:

(i) 50% of the options shall vest and become exercisable on 30 June 2014;

(ii) 30% of the options shall vest and become exercisable on 30 June 2016; and

(iii) 20% of the options shall vest and become exercisable on 30 June 2018.

On 6 November 2013, our Company granted 10,000,000 options under the Pre-IPO Share Option Scheme. The provisions of the Pre-IPO Share Option Scheme shall in all other respects remain in force and effect and options which are granted during the life on the Pre-IPO Share Option Scheme may continue to exercise in accordance with the respective terms of issue. During the twelve-month period ended 31 December 2020, no share options granted under the Pre-IPO share option scheme were exercised or cancelled and 20,000 share options under the Pre-IPO share option scheme were lapsed.

As at 31 December 2020, there were still 6,473,000 outstanding share options under the Pre-IPO share option scheme.

During the twelve-month period ended 31 December 2020, the movements of the options which have been granted under the Pre-IPO Share Option Scheme are set out below:

Category and name of participants	Vesting Date	Exercise period	Outstanding as at 1 January 2020	Exercised during the period	Lapsed during the period	Cancelled during the period	Balance as at 31 December 2020
Category 1 – Director							
Li Bin	30 June 2014	30 June 2014 – 5 November 2023	500,000	–	–	–	500,000
	30 June 2016	30 June 2016 – 5 November 2023	300,000	–	–	–	300,000
	30 June 2018	30 June 2018 – 5 November 2023	200,000	–	–	–	200,000
Dai Jing	30 June 2014	30 June 2014 – 5 November 2023	450,000	–	–	–	450,000
	30 June 2016	30 June 2016 – 5 November 2023	270,000	–	–	–	270,000
	30 June 2018	30 June 2018 – 5 November 2023	180,000	–	–	–	180,000
Sub-Total			1,900,000	–	–	–	1,900,000
Category 2 – Employees under continuous employment contract							
	30 June 2014	30 June 2014 – 5 November 2023	2,183,000	–	(10,000)	–	2,173,000
	30 June 2016	30 June 2016 – 5 November 2023	1,446,000	–	(6,000)	–	1,440,000
	30 June 2018	30 June 2018 – 5 November 2023	964,000	–	(4,000)	–	960,000
Sub-Total			4,593,000	–	(20,000)	–	4,573,000
Total			6,493,000	–	(20,000)	–	6,473,000

Notes:

1. The date of grant of the options is 6 November 2013.

2. The options have an exercise price of HK$1.90.

The Post-IPO Share Option Scheme

Details of the Share Option Scheme Adopted on 18 October 2013 (the "**Post-IPO Share Option Scheme**") are as follows:

(a) Purpose

The purpose of the Post-IPO Share Option Scheme is to attract and retain the best available personnel, to provide additional incentives, recognize and acknowledge the contributions of, motivate and maintain an ongoing relationship with the eligible employees (full-time and part-time), directors and consultants, whose contributions are or will be beneficial to the long-term growth of the Group (the "**Participant**").

(b) Subscription price for the Shares under the Post-IPO Share Option Scheme

The subscription price for the Shares on the exercise of options under the Post-IPO Share Option Scheme shall be a price determined by the Board and notified to the relevant Participant at the time the grant of the options is made to (subject to acceptance by) the Participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the option is granted, which date must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date on which the option is granted; and (iii) the nominal value of the Share.

(c) Maximum number of the Shares available for subscription

The maximum number of shares issuable upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the Post-IPO Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the shares in issue upon the Listing Date (i.e. 414,044,000 shares after over-allotment option has been exercised). The limit of 10% may be refreshed at any time by approval of the shareholders of our Company in general meeting provided that the total number of the shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the shares in issue as at the date of approval of the refreshed limit.

(d) *Maximum number of options to each Participant*

The total number of the Shares issued and to be issued upon exercise of the options granted to each Participant, together with all options granted and to be granted to him/her under any other share option scheme(s) of our Company, within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the Shares in issue as at the proposed date of grant. Any further grant of options to a Participant in excess of the 1% limit shall be subject to the Shareholders' approval of our Company with such Participant and his/her close associates (or his/her associates if such Participant is a connected person) abstaining from voting. The number and terms of the options to be granted to such Participant shall be fixed before the Shareholders' approval of the grant of such options.

(e) *Grant of options to connected persons*

Where any grant of options is proposed to be made to a Participant who is a Director, chief executive or substantial shareholder (each has the meaning as ascribed under the Listing Rules) of our Company or any of their respective associates, such grant must first be approved by the independent non-executive Directors of our Company (excluding independent non-executive Director who is the Participant). Where the Board proposes to grant any option to a Participant who is a substantial shareholder or an independent non-executive Director of our Company or any of their respective associates and such option would result in the Shares issued and which may fall to be issued upon the exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company in the 12-month period up to and including the proposed date of grant for such options: (i) representing in aggregate more than 0.1% of the number of the Shares then in issue; and (ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange daily quotations sheet on each relevant date of the grant (subject to acceptance) of the options, in excess of HK$5,000,000, then such grant of options must first be approved by our Shareholders in general meeting at which such person, his/her associates and all core connected persons of our Company shall abstain from voting on the relevant resolution. Any vote taken at the meeting to approve the proposed grant of such options must be taken on a poll.

(f) *Offers and acceptance*

A grant of an option shall be made to a Participant by letter in such form as the Board may from time to time determine requiring the Participant to undertake to hold the option on the terms on which it is to be granted including but not limited to the minimum period for which an option must be held before it can be exercised (if any) and to be bound by the provisions of the Post-IPO Share Option Scheme and shall remain open for acceptance by the Participant for a period of 7 days from the date of grant provided that no such grant shall be open for acceptance after the expiry of the ten-year period during which the Post-IPO Share Option Scheme is valid and effective or after the Post-IPO Share Option Scheme has been terminated. An option shall be regarded to have been accepted when the duplicate letter, comprising acceptance of the option duly signed by the Participant who accepts the grant of any option to subscribe for Shares in accordance with the terms of the Post-IPO Share Option Scheme or (where the context so permits) a person entitled under the Post-IPO Share Option Scheme to exercise any option in consequence of the death of the original grantee (the "**Grantee**"), together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof, is received by our Company.

(g) *Period of the Post-IPO Share Option Scheme*

The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Post-IPO Share Option Scheme becomes unconditional after which period no further options will be granted and accepted; and thereafter for so long as there are any outstanding unexercised options and in order to give effect to the exercise of any such options or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

The Company had announced to grant a total of 32,155,400 share options at the date of 18 May 2020, of which 400,000 share options granted had been rejected by a grantee, leaving a balance of 31,755,400 share options. Of 31,755,400 share options, 3,600,000 share options have been granted to the directors of the Board, 3,155,400 share options have been granted to the core employees of the Group, and 25,000,000 share options have been granted to the employees of the Group who have been set specific performance targets as an incentive. Each share option can be exchangeable for one ordinary share of the Company at a price of HK$0.84.

For the directors and core employees, the share options granted to them may be vested in a lump sum from the Date of Grant and may be exercised at any time before the expiration of the 10-year period from the Date of Grant (the "**Share Option Period**").

For the employees with performance assessment, the share options granted to them may be exercised only after the employees with performance assessment have achieved the specific performance targets relating to the Group. The Performance Targets have been determined by the Board and set out in the respective grant letter of each Grantee. Unless the Performance Targets are met, the share options granted to the employees with performance assessment will lapse.

The share options granted under the Post-IPO share option scheme may be exercised by the employees with performance assessment during the Share Option Period based on the following exercise schedule:

1. firstly exercising up to 25% of the share options at any time from 31 March 2021 till the expiration of the Share Option Period;

2. further exercising up to 35% of the share options at any time from 31 March 2022 till the expiration of the Share Option Period; and

3. in respect of the remaining 40% of the share options, which, for the avoidance of doubt, comprise those share options which have not been exercised (and not lapsed) since 31 March 2021, at any time from 31 March 2023 till the end of the Share Option Period.

During the twelve-month period ended 31 December 2020, no share options granted under the Post-IPO share option scheme were exercised, cancelled or lapsed.

As at 31 December 2020, there were still 31,755,400 outstanding share options under the Post-IPO share option scheme.

Options Granted Under The Post-IPO Share Option Scheme

The validity period of the following options granted shall be 10 years from the grant date and the options shall lapse at the expiry of the validity period or earlier if the service relationship between the Company and the respective grantee of the options has terminated prior to the expiry of the validity period, subject to the terms and conditions of the Post-IPO Share Option Scheme.

The following table discloses movements in the outstanding options granted to all grantees under the Post-IPO Share Option Scheme during the year ended 31 December 2020.

Category and name of participants	Vesting Date	Exercise period	Exercise price per share option	Outstanding as at 18 May 2020	Exercised during the period	Lapsed during the period	Cancelled during the period	Balance as at 31 December 2020
Category 1 – Director								
Zhang Tiewei	18 May 2020	18 May 2020 – 17 May 2030	HK$0.84	400,000	–	–	–	400,000
Li Bin	18 May 2020	18 May 2020 – 17 May 2030	HK$0.84	400,000	–	–	–	400,000
Dai Jing	18 May 2020	18 May 2020 – 17 May 2030	HK$0.84	400,000	–	–	–	400,000
Xu Kaiying	18 May 2020	18 May 2020 – 17 May 2030	HK$0.84	400,000	–	–	–	400,000
Pang Haoquan	18 May 2020	18 May 2020 – 17 May 2030	HK$0.84	400,000	–	–	–	400,000
Tsang Hung Kei	18 May 2020	18 May 2020 – 17 May 2030	HK$0.84	400,000	–	–	–	400,000
Au Tien Chee Arthur	18 May 2020	18 May 2020 – 17 May 2030	HK$0.84	400,000	–	–	–	400,000
Xu Yan	18 May 2020	18 May 2020 – 17 May 2030	HK$0.84	400,000	–	–	–	400,000
Zhou Xiaojiang	18 May 2020	18 May 2020 – 17 May 2030	HK$0.84	400,000	–	–	–	400,000
Sub-Total				3,600,000	–	–	–	3,600,000
Category 2 – Employees under continuous employment contract								
	18 May 2020	18 May 2020 – 17 May 2030	HK$0.84	3,155,400	–	–	–	3,155,400
Sub-Total				3,155,400	–	–	–	3,155,400
Category 3 – Employees with performance evaluation								
	31 March 2021	31 March 2021 – 17 May 2030	HK$0.84	6,250,000	–	–	–	6,250,000
	31 March 2022	31 March 2022 – 17 May 2030	HK$0.84	8,750,000	–	–	–	8,750,000
	31 March 2023	31 March 2023 – 17 May 2030	HK$0.84	10,000,000	–	–	–	10,000,000
Sub-Total				25,000,000	–	–	–	25,000,000
Total				31,755,400	–	–	–	31,755,400

Notes:

1. The date of grant of the options is 18 May 2020.

2. The average closing price of the shares for the five business days immediately before the Date of Grant is HK$0.816 per share.

The options granted under the Post-IPO Share Option Scheme would not have a dilutive effect on the earnings per Share for the year ended 31 December 2020. For the options granted on 18 May 2020, the exercise price per option represents the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the relevant grant date.

Save and except as disclosed above, no other options have been granted or agreed to be granted respectively by the Company under the Post-IPO Option Scheme as at the date of this Annual Report.

DIRECTORS

The directors who held office during the year ended 31 December 2020 and up to the date of this annual report are:

Executive Directors

Mr. ZHANG Tiewei (re-elected on 21 May 2020)
Mr. LI Bin (re-elected on 18 May 2018)
Mr. DAI Jing (appointed on 23 May 2019)
Mr. XU Kaiying (re-elected on 21 May 2020)
Mr. PANG Haoquan (re-elected on 23 May 2019)

Non-executive Director

Mr. HE Darong (re-elected on 18 May 2018)

Independent Non-executive Directors

Mr. TSANG Hung Kei (re-elected on 18 May 2018)
Mr. AU Tien Chee Arthur (re-elected on 23 May 2019)
Mr. XU Yan (re-elected on 23 May 2019)
Mr. ZHOU Xiaojiang (re-elected on 21 May 2020)

Pursuant to Article 108 of the articles of association of our Company (the "**Articles of Association**") and code provision A.4.2 of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), one-third of our directors will retire by rotation at the annual general meeting of our Company and will be eligible for re-election at that meeting.

Accordingly, Mr. Li Bin, Mr. He Darong and Mr. Tsang Hung Kei will retire at the forthcoming AGM and, being eligible, offer themselves for re-election.

Biographical details of the directors and senior management of our Company are set out at pages 59 to 63 of this annual report.

CHANGES OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of the directors' information of the Company since the date of our 2020 interim report until the date of this annual report are as follows:

1. Mr. Tsang Hung Kei resigned as an independent non-executive director of China Wah Yan Healthcare Limited (stock code: 0648) with effect from 31 January 2021; and

2. Mr. Tsang Hung Kei has been appointed as an independent non-executive director of Palace Banquet Holdings Limited (stock code: 1703) with effect from 31 March 2021.

DIRECTORS' SERVICE CONTRACTS

Except for (i) Ms. Dai Jing, whose service agreement commenced on 18 May 2018; (ii) Mr. Xu Kaiying, whose service agreement commenced on 4 July 2019; and (iii) Mr. Pang Haoquan, whose service agreement commenced on 6 January 2020, each of the executive directors has entered into a service agreement with our Company for a term of three years commencing on 13 November 2019, and such service agreements may be terminated in accordance with the terms of the service agreements.

Except for Mr. Zhou Xiaojiang, whose service agreement commenced on 4 July 2019, each of the non-executive director and the independent non-executive directors was appointed to our Board pursuant to their respective letters of appointment, for an initial term of three years commencing on 13 November 2019, and such appointment may be terminated in accordance with the terms of the letters of appointment.

As at 31 December 2020, none of our directors proposed for re-election at the forthcoming AGM of our Company has a service contract with members of our Group that is not determinable by our Group within one year without payment of compensation, other than statutory compensation.

EMOLUMENT POLICY

The emoluments of our directors are recommended by the remuneration committee, and decided by our Board, having regard to our Company's operating results, individual performance, experience, responsibility, workload and the prevailing market practices. No director is involved in deciding their own remuneration.

Our Company has adopted the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme as an incentive to our directors and eligible employees. Details of the schemes are set out under the section headed "Share Option Schemes" of this annual report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of our directors and the five highest paid individuals of our Group during the year under review are set out in notes 7 and 8 to the financial statements.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the financial year. Our Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, so far as is known to the Directors or chief executives of the Company, the following persons other than a Director or chief executive of the Company had an interest or a short position in the Shares and underlying Shares which were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "**SFO**") and as recorded in the register required to be kept by our Company under section 336 of the SFO:

Long Position in shares

Name of Shareholder	Capacity	Notes	Number of Shares	Approximate Percentage of Shareholding (Note 7)
Expert Depot Limited	Beneficial interest	1, 6	254,732,000	47.72%
Bliss Success Investments Limited	Beneficial interest	2, 6	254,732,000	47.72%
Novel Heritage Limited	Beneficial interest	3, 6	254,732,000	47.72%
Mr. Chen Guoxian	Interest in a controlled corporation	4, 6	254,732,000	47.72%
Insider Solution Limited	Beneficial interest	4, 6	254,732,000	47.72%
New Maestro Investments Limited	Beneficial interest	5	45,000,000	8.43%

1. Expert Depot Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. Zhang Tiewei, our Chairman and an executive Director. Out of the 254,732,000 Shares held by Expert Depot Limited, 1,638,000 Shares and 400,000 options are held by Mr. Zhang Tiewei for his own beneficial interest.

2. Bliss Success Investments Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. Xu Kaiying, an executive Director. Out of the 254,732,000 Shares held by Bliss Success Investments Limited, 400,000 options are held by Mr. Xu Kaiying for his own beneficial interest.

3. Novel Heritage Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. Pang Haoquan, an executive Director. Out of the 254,732,000 Shares held by Novel Heritage Limited, 400,000 options are held by Mr. Pang Haoquan for his own beneficial interest.

4. Insider Solution Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. Chen Guoxian.

5. New Maestro Investments Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. He Darong, the non-executive Director.

6. Pursuant to an acting in concert confirmation dated 31 May 2015, Mr. Zhang Tiewei, Mr. Xu Kaiying, Mr. Pang Haoquan and Mr. Chen Guoxian confirmed they have been acting in concert, in exercising and implementing the management and operation of the Group with each other and reached consensus before making any commercial decisions (including financial decisions and business operation decisions) on an unanimous basis. Hence, Mr. Zhang Tiewei, Mr. Xu Kaiying, Mr. Pang Haoquan and Mr. Chen Guoxian are deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

7. Calculated with reference to the number of issued Shares (533,809,312) as at 31 December 2020.

Save as disclosed herein, as at 31 December 2020, there was no other person so far as was known to the directors or chief executive of our Company, other than the directors or chief executive of our Company as having an interest or a short position in the shares or underlying shares of our Company as recorded in the register required to be kept by our Company under section 336 of the SFO.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, the interests and short positions of each director and chief executive of our Company and their respective associates in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") to be notified to our Company and the Stock Exchange, are set out below:

Long Position in shares

Name of Director	Capacity	Notes	Number of Shares	Approximate Percentage of Shareholding (Note 6)
Mr. Zhang Tiewei	(1) Beneficial Interest	1, 7	2,038,000	47.72%
	(2) Interest in a controlled corporation		252,694,000	
Mr. Xu Kaiying	(1) Beneficial Interest	2, 7	400,000	47.72%
	(2) Interest in a controlled corporation		254,332,000	
Mr. Pang Haoquan	(1) Beneficial Interest	3, 7	400,000	47.72%
	(2) Interest in a controlled corporation		254,332,000	
Mr. He Darong	Interest in a controlled corporation	4	45,000,000	8.43%
Mr. Li Bin	Beneficial Interest	5	1,400,000	0.26%
Ms. Dai Jing	Beneficial Interest	5	1,300,000	0.24%
Mr. Tsang Hung Kei	Beneficial Interest	5	400,000	0.07%
Mr. Au Tien Chee Arthur	Beneficial Interest	5	400,000	0.07%
Mr. Xu Yan	Beneficial Interest	5	400,000	0.07%
Mr. Zhou Xiaojiang	Beneficial Interest	5	400,000	0.07%

Notes:

1. Expert Depot Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. Zhang Tiewei, our chairman and executive Director.

2. Bliss Success Investments Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. Xu Kaiying, our executive Director.

3. Novel Heritage Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. Pang Haoquan, our executive Director.

4. New Maestro Investments Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. He Darong, our non-executive Director.

5. The Company granted 1,000,000 and 900,000 options under the Pre-IPO Share Option Scheme to Mr. Li Bin and Ms. Dai Jing on 6 November 2013. on 18 May 2020, the Company granted 400,000 share options each person under the Post-IPO Share Option Scheme to all the directors of the Board. Except for Mr. He Darong, the other directors all accepted the share options granted by the Company. None of the aforementioned Pre-IPO and Post-IPO share options granted was exercised or cancelled during the twelve-month period ended 31 December 2020.

6. Calculated with reference to the number of issued Shares (533,809,312) as at 31 December 2020.

7. Pursuant to an acting in concert confirmation dated 31 May 2015, Mr. Zhang Tiewei, Mr. Xu Kaiying, Mr. Pang Haoquan and Mr. Chen Guoxian confirmed they have been acting in concert, in exercising and implementing the management and operation of the Group with each other and reached consensus before making any commercial decisions (including financial decisions and business operation decisions) on an unanimous basis. Hence, Mr. Zhang Tiewei, Mr. Xu Kaiying, Mr. Pang Haoquan and Mr. Chen Guoxian are deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executives of the Company or their respective associates had any interests and short positions in the Shares, underlying shares and debentures of the Company or any associated corporation (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 and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Name of director	Date of grant	Exercise Period (subject to vesting period)	Exercise price per share HKD	Exercised during the period	Number of shares subject to outstanding options as at 31 December 2020	Approximate percentage of our Company's issued capital
Zhang Tiewei	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.07%
Li Bin	6 November 2013	30 June 2014 – 5 November 2023	1.9	Nil	1,000,000	0.19%
	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.07%
Dai Jing	6 November 2013	30 June 2014 – 5 November 2023	1.9	Nil	900,000	0.17%
	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.07%
Xu Kaiying	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.07%
Pang Haoquan	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.07%
Tsang Hung Kei	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.07%
Au Tien Chee Arthur	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.07%
Xu Yan	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.07%
Zhou Xiaojiang	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.07%

Further details of the Pre-IPO Share Option Scheme are set out in the section headed "Share Option Schemes" in this annual report.

Save as disclosed above, at no time during the year ended 31 December 2020 was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares or debentures of the Company or any other body corporate; and none of the Directors, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during the reporting period.

MANAGEMENT CONTRACTS

No contracts, other than a contract of service with any director or any person engaged in the full-time employment of our Company, concerning the management and administration of the whole or any substantial part of the business of our Company were entered into or existed during the year.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to our Group's business to which our Company or any of its subsidiaries or associated company was a party and in which any director of our Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, nor had there been any contract of significance entered into between our Group and a controlling shareholder of our Company in the year ended 31 December 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2020, no directors had interest in any business which directly or indirectly competes, or is likely to compete, with the business of our Group.

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

Our Company has granted options to subscribe for an aggregate of 10,000,000 shares (the "**Pre-IPO Share Options**") pursuant to the Pre-IPO share option scheme. During the twelve-month period ended 31 December 2020, none of the Pre-IPO Share Options have been exercised or cancelled and the Pre-IPO Share Options to subscribe for 20,000 shares were lapsed. As at 31 December 2020,the Pre-IPO Share Options to subscribe for 6,473,000 shares remained outstanding.

Our Company has actually granted options to subscribe for an aggregate of 31,755,400 shares (the "**Post-IPO Share Options**") pursuant to the Post-IPO share option scheme. None of the Post-IPO Share Options have been exercised, cancelled or lapsed during the twelve-month period ended 31 December 2020. As at 31 December 2020, the Post-IPO Share Options to subscribe for 31,755,400 shares remained outstanding.

Save as disclosed above, during the twelve-month period ended 31 December 2020, neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of our Company's listed securities.

Issuance of convertible bonds on 1 February 2018

As at 31 December 2020, the Company has redeemed from the Purchaser all the principal of the notes (i.e.HK$60,000,000) and the related interest. As stated in the former announcements, the Convertible Bonds matured on 31 January 2020 and pursuant to the terms and conditions of the Convertible Bonds, the Purchaser confirmed, agreed and acknowledged that the remaining Convertible Bonds have been extended to 31 January 2021. For details of the Convertible Bonds, please refer to the announcements of the Company dated 25 January 2018, 27 December 2018, 31 December 2018, 11 January 2019 and 13 November 2020.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under our Company's Articles of Association or the laws of Cayman Islands which oblige our Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

Our Group's customer base is diversified. The relationship between our Group and our customers has been stable. For the year ended 31 December 2020, our Group's five largest customers accounted for 6.94% (2019:17.33%) of our Group's revenue and our single largest customer accounted for 2.87% (2019:10.45%) of our Group's revenue. Our Group did not have regular or significant suppliers in view of its business nature.

None of the Directors or any of their close associates or any Shareholders which, to the best knowledge of the Directors, own more than 5% of the Company's issued shares, had any interest in our Group's five largest suppliers and customers.

PUBLIC FLOAT

Based on the information that is publicly available to our Company and within the knowledge of the directors, as at the date of this annual report, our Company maintains the prescribed percentage of public float under the Listing Rules.

NON-COMPETITION UNDERTAKING

Mr. Zhang Tiewei, Mr. Xu Kaiying, Mr. Pang Haoquan, Expert Depot Limited, Bliss Success Investments Limited and Novel Heritage Limited, each a controlling shareholder (as defined under the Listing Rules), entered into a deed of non-competition (the "**Deed of Non-competition**") in favour of our Company on 18 October 2013 pursuant to which they have undertaken to our Company (for itself and for the benefit of its subsidiaries) that it or he would not, and would procure that its or his associates (other than any member of our Group) would not, directly or indirectly, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) any business which is or may be in competition with the current businesses of our Group during the restricted period.

An annual confirmation has been received from each of the above mentioned controlling shareholders on compliance with each of their respective undertaking under the Deed of Non-competition.

The independent non-executive directors have reviewed the compliance with the Deed of Non-competition by the above mentioned controlling shareholders and confirmed that the Deed of Non-competition is fully complied with and duly enforced in the year ended 31 December 2020.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibilities, promoting the development of employees and deepening care for employees, protecting the environment and giving back to society, and practicing the concept of sustainable development.

Given the services-oriented business nature of our Group, we do not involve the generation of a plenty of wastes in our Group's ordinary course of business and the direct impact on the environment is minimal. The hazardous wastes of the Group mainly refer to a small quantity of waste medicines, lamp tubes, batteries and obsolete office equipments such as ink boxes. The non-hazardous wastes are mainly waste paper products. As for the hazardous wastes, the Group passes them to relevant qualified professional agencies for disposal. And we recycle the non-hazardous wastes to ensure that they will not cause pollution to the environment.

The Group will not discharge a large amount of harmful substances into water, land and air. Business commutes of employees, electricity consumption, which is mainly attributed to the utilization of the lighting, air-conditioning and office equipments in our Group's office premises, and the usage of papers represented most of our Group's carbon footprint. Water consumption is also immaterial as our Group's business model does not rely heavily on water usage.

Our Group implemented various energy saving measures and environment friendly initiatives in workplaces including the following:

- maintaining optimal room temperature on the air-conditioning at 26 degrees Celsius in the office;
- encourage complete power-off for computer equipment and other office equipment when not utilized; and
- employees are encouraged to read and edit documents on the computer and duplex printing is preferred if printing of which is necessary.

There was no non-compliance case noted in relation to environmental laws and regulations for the year ended 31 December 2020.

The Directors and the senior management of our Group regularly assess the environmental risks of our business and adopt preventive measures as necessary to reduce the risks and ensure compliance of the relevant laws and regulations.

For further details of environmental, social and governance policies and performance of the Group, please refer to the Environmental, Social and Governance Report for the year ended 31 December 2020, which will be published on the websites of the Stock Exchange and the Company on or before 22 April 2021.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2020, the Company had complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company such as the "Provisional Measures for the Supervision and Administration of Financial Leasing Companies" (《融資租賃公司監督管理暫行辦法》), the "Interim Measures for the Administration of Internet Loans issued by Commercial Banks" (《商業銀行互聯網貸款管理暫行辦法》) and the "Civil Code of the People's Republic of China" (《中華人民共和國民法典》), all promulgated in 2020.

The Group and its activities are subject to requirements under an array of laws, including the Company Law of the People's Republic of China, the Partnership Enterprise Law of the People's Republic of China, the Wholly Foreign-owned Enterprise Law of the People's Republic of China, the Sino-foreign Equity Joint Venture Law of the People's Republic of China, the Guarantee Law of the People's Republic of China, the Regulations on the Supervision and Administration of Financing Guarantee Companies, the Measures for Supervision and Administration of Finance Leasing Enterprises, the Interim Measures for Supervision and Administration of Private Investment Funds, the Administration Measures for Micro-credit Companies of Guangdong Province, the Contract Law of the People's Republic of China, the Labour Law of the People's Republic of China as well as other applicable regulations, guidelines and policies issued or promulgated pursuant to or in respect of these laws and regulations. In addition, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Securities and Futures Ordinance, the Companies Ordinance and the Employment Ordinance are also applicable to the Group. The Group ensures compliance with such requirements by taking various measures such as establishing internal control and approval procedures at all levels, improving the training mechanism and conducting post-event random inspections. The Group attaches great importance to the compliance of its businesses and operations, despite the fact that such measures will incur additional operating costs.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

EVENTS AFTER THE REPORTING PERIOD

Conversion of the Convertible Bonds

On 28 January 2021, the Company received a conversion notice from the Purchaser, in respect of partial conversion of the Convertible Bonds in an aggregate principal amount of HK$10,000,000 at the conversion price of HK$1.09 per Share.

As of 30 March 2021, approximately 23.81% of the original principal amount of the Convertible Bonds, which was equivalent to the amount of HK$20,000,000, was converted into Conversion Shares. The outstanding principal amount of HK$64,000,000 together with all accrued and unpaid interests shall be paid by the Company to the Purchaser in accordance with new terms to be mutually agreed by the parties. The Company has been in discussions with the Purchaser regarding future actions of the Convertible Bonds and other relevant matters. The Company has received a confirmation from the Purchaser that they have no intention to take any relevant measures until discussions on the new terms has been completed.

For details of the Convertible Bonds, please refer to the announcement of the Company dated 28 January 2021 and 29 January 2021.

CONNECTED TRANSACTIONS

During the year ended 31 December 2020, save as set out in note 32 to the financial statements and elsewhere in this report, the Company had not entered into any connected transaction or continuing connected transaction which is required to be disclosed under the Chapter 14 and 14A of the Listing Rules.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by our Company are set out in the Corporate Governance Report on pages 45 to 58 on this annual report.

SOCIAL ENTERPRISE

While serving the local economic development and supporting micro, small and medium sized enterprises, the Group was also actively participated in charitable activities to fulfil social responsibilities, thereby establishing a good social image. Every year, Success Charity Foundation (集成愛心基金), which was voluntarily initiated by shareholders and employees of the Group, gives help and support to employees in need. It provides timely support and assistance to families of employees who suffer from serious illnesses or accidental injuries, and goes through difficult times with the employees and their families. In respect of poverty alleviation efforts, the Group sent representatives to visit Butuo County, Liangshan Prefecture, Sichuan Province to assist in poverty alleviation work, donated funds supporting industry development in villages under the pair-up support scheme, and consoled poor households to help Liangshan Yi Autonomous Prefecture of Sichuan Province out of poverty. In addition, Mr. Zhang Tiewei, the Chairman and Executive Director of the Group, has been teaching as an off-campus tutor of the master's degree of finance of Guangdong University of Finance and Economics to nurture brilliant students in joint effort with higher institutions, assist students in developing the habit and thinking which integrate both theories and practices in learning, encourage students to tap into professional knowledge, train up their leadership skills and foster innovation and high moral standards. Furthermore, Mr. Zhang Tiewei also served as a supervising member of the Narcotics Association of Chancheng District in Foshan, contributed to drug prohibition efforts of Foshan by participating in anti-drug promotional events that enhanced the level of public knowledge on drugs.

AUDITORS

KPMG, the auditors of our Company, will retire at the conclusion of the forthcoming annual general meeting of our Company and be eligible to offer themselves for re-appointment. A resolution will be submitted to the AGM to be held on 27 May 2021 to seek shareholders' approval on the appointment of KPMG as our Company's auditors until the conclusion of the next annual general meeting and to authorise our Board to fix their remuneration.

By order of our Board

Zhang Tiewei
Chairman and Executive Director

Foshan City, Guangdong Province, the PRC
30 March 2021

CORPORATE GOVERNANCE PRACTICES

Our Company is committed to achieving and maintaining high standards of corporate governance consistent with the needs and requirements of its business and the shareholders. Save as disclosed below, our Company has adopted and complied with the code provisions (the "**Code Provisions**") as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules for the year ended 31 December 2020. The corporate governance principles of our Company emphasise a quality board, sound internal controls, and transparency and accountability to all shareholders.

Our Directors will review our Company's corporate governance policies and compliance with the Code Provisions from time to time.

DIRECTORS

The Board

Our Board, led by the Chairman of our Company, is responsible for leadership and control of our Company and overseeing our Group's businesses, strategic decisions and performance. Our Board has delegated to the senior management of our Company the authority and responsibility for the day-to-day management and operation of our Group. In addition, our Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

Our Board reserves its decision for all major matters of our Company, including: approving and monitoring all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

Daily management and administration functions are delegated to the management. Our Board delegates various responsibilities to the senior management of our Company. These responsibilities include implementing decisions of our Board, directing and coordinating day-to-day operation and management of our Company in accordance with the management strategies and plans approved by our Board, formulating and monitoring the operation and production plans and budgets, and supervising and monitoring the control systems.

In the year ended 31 December 2020, our Board held 9 formal meetings. Attendance of individual directors at our Board meetings and our general meeting for the year ended 31 December 2020 is as follows:

Name of Director	Attendance/ Number of Board meeting held	Attendance/ Number of general meeting held
Executive Directors:		
Mr. ZHANG Tiewei *(Chairman)*	7/9	1/1
Mr. LI Bin *(Chief Executive Officer)*	9/9	1/1
Ms. DAI Jing *(Chief Operating Officer)*	9/9	1/1
Mr. XU Kaiying	6/9	1/1
Mr. PANG Haoquan	8/9	1/1
Non-Executive Director:		
Mr. HE Darong	9/9	1/1
Independent Non-Executive Directors:		
Mr. TSANG Hung Kei	9/9	1/1
Mr. AU Tien Chee Arthur	9/9	1/1
Mr. XU Yan	9/9	1/1
Mr. ZHOU Xiaojiang	9/9	1/1

In the year ended 31 December 2020, apart from the meetings of our Board, consent/approval from our Board was also obtained by written resolutions on a number of matters.

Chairman and executive directors

The Chairman and executive director, Mr. Zhang Tiewei, provides leadership for our Board and ensures that our Board works effectively and all important issues are discussed in a timely manner. Mr. Li Bin, the Chief Executive Officer ("**CEO**"), takes the lead in our Group's operations and business development. The positions of the Chairman and the CEO are held by separate individuals to maintain an effective segregation of duties.

Board composition

Currently, our Board comprises ten directors, including five executive directors, one non-executive director and four independent non-executive directors. The current composition of our Board is as follows:

Name of Director	Membership of board committee(s)
Executive Directors:	
Mr. ZHANG Tiewei *(Chairman)*	Chairman of nomination committee Member of remuneration committee
Mr. LI Bin *(Chief Executive Officer)*	
Ms. DAI Jing *(Chief Operating Officer)*	
Mr. XU Kaiying	
Mr. PANG Haoquan	
Non-Executive Directors:	
Mr. HE Darong	
Independent Non-Executive Directors:	
Mr. TSANG Hung Kei	Chairman of audit committee Member of nomination committee Member of remuneration committee
Mr. AU Tien Chee Arthur	Member of audit committee
Mr. XU Yan	Chairman of remuneration committee Member of nomination committee Member of audit committee
Mr. ZHOU Xiaojiang	

Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. In addition, pursuant to Rules 3.10A and 3.10 (2) of the Listing Rules, every listed issuer is required to have such number of independent non-executive directors representing at least one-third of the board and at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Mr. Tsang Hung Kei is admitted as a fellow member of the Association of Chartered Certified Accountants, a fellow member of Hong Kong Institute of Certified Public Accountants and a fellow member of The Institute of Chartered Accountants in England and Wales.

Our Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. To the best of the knowledge of our Company, having made all reasonable enquiries, none of the independent non-executive directors failed to meet any of the independence guidelines set out in Rule 3.13 of the Listing Rules. Our Board has assessed the independence of all the independent non-executive directors and considered that all the independent non-executive directors are independent.

The biographies of our directors are set out on pages 59 to 63 of this annual report. Save as disclosed in the biographies of the directors, our Board members do not have any family, financial or business relationship with each other. The list of directors has been published on the website of our Company and the website of the Stock Exchange, and is disclosed in all corporate communications issued by our Company pursuant to the Listing Rules from time to time.

Appointment, re-election and removal of directors

Each of the executive directors has entered into a service contract with our Company, and each of the non-executive directors and independent non-executive directors has signed a letter of appointment with our Company. Except for (i) Ms. Dai Jing, whose service agreement commenced on 18 May 2018; (ii) Mr. Xu Kaiying and Mr. Zhou Xiaojiang, whose service agreement commenced on 4 July 2019; and (iii) Mr. Pang Haoquan, whose service agreement commenced on 6 January 2020, the terms of the directors' service contracts are for an initial term of three years commencing on 13 November 2019 and is subject to the re-appointment of each of our directors by our Company at an annual general meeting upon retirement by rotation.

The Articles of Association provide that any director appointed by our Board (i) to fill a casual vacancy in our Board shall hold office only until the next following general meeting of our Company and shall be subject to re-election at such meeting; and (ii) as an addition to our Board shall hold office until the next annual general meeting of our Company and shall then be eligible for re-election.

In addition, every director should be subject to retirement by rotation at least once every three years. At every annual general meeting, one-third of our directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not greater than one-third, shall retire from office by rotation according to Article 108 (a) of the Articles of Association.

Non-executive directors

Pursuant to Code Provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. Pursuant to the letters of appointment of our non-executive directors (including our independent non-executive directors), the term of appointment of each of such directors is three years commencing on 13 November 2019, or 4 July 2019 in the case of Mr. Zhou Xiaojiang, which may be terminated by either party by giving one month's written notice.

BOARD DIVERSITY

Our Company adopted a board diversity policy (the "**Board Diversity Policy**") on 15 March 2019. A summary of this Board Diversity Policy, together with the measurable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below:

Vision of our Board Diversity Policy

The Company acknowledge its Board of Directors should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Company is committed to equality of opportunity in all aspects of its business and does not discriminate on the grounds of race, gender, disability, nationality, religious or philosophical belief, age, sexual orientation, family status or any other factor. The Company believes that board diversity enhances decision-making capability and a diverse board is more effective in dealing with organizational changes and less likely to suffer from group thinking. Board diversity is recognised as an essential element contributing to the sustainable development of the Company by enabling it to attract, retain and motivate employees from the widest possible pool of available talent.

Measurable objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Implementing and monitoring

The nomination committee is responsible for (i) identifying suitably qualified candidates to become members of our Board, (ii) reviewing the Board Diversity Policy on a regular basis to ensure its effectiveness, and (iii) discussing any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

CONTINUING PROFESSIONAL DEVELOPMENT

Our Company is responsible for arranging and funding suitable training for our directors relating to the roles, functions and duties of a listed company director. Our Company Secretary from time to time updates and provides training to our directors, and organises seminars on the latest development of the Listing Rules, applicable laws, rules and regulations relating to directors' duties and responsibilities. Our directors participated in courses relating to the roles, functions and duties of a listed company directors by training. Our directors may request our Company, pursuant to the policy for directors to seek independent professional advice, to provide independent professional advice at the expense of our Company to discharge their duties to our Company.

Directors' securities transactions

Our Company has adopted the standard set out in the Model Code, in relation to the dealings in securities of our Company by our directors. Having made specific enquiry of all directors, each director has confirmed that he/she has complied with the standard set out in the Model Code since 1 January 2020 (or on the date of his/her appointment) and up to the date of this annual report.

Board Committees

Nomination Committee

The nomination committee of our Company was established on 18 October 2013 and adopted written terms of reference on 18 October 2013 and amended on 15 March 2019 in compliance with the Listing Rules. The duties of our nomination committee include (but without limitation) (a) to review the structure, size, composition and diversity (including the skills, knowledge, gender, age, cultural and educational background or professional experience of the Directors and the time devoted by the Directors in fulfilling their responsibilities) of the Board at least annually; (b) to identify individuals suitably qualified to become members of the Board and may select individuals nominated for directorship; (c) to assess the independence of our independent non-executive directors; and (d) to make recommendations to our Board on matters such as Board structure, the roles, responsibilities, capabilities, skills, knowledge and experience required from members of the Board, selection and the re-selection of the Directors etc., and (e) to review the Board Diversity Policy adopted by the Board on a regular basis.

Current members of the nomination committee are Mr. Tsang Hung Kei and Mr. Xu Yan, both of whom are independent non-executive directors, and Mr. Zhang Tiewei, an executive director. Mr. Zhang Tiewei is the chairman of the nomination committee.

The Company continuously seeks to enhance the effectiveness of the Board and to maintain a high standard of corporate governance and recognises and embraces the benefits of diversity in the composition of the Board.

After considering the characteristics of the Group's business model and other relevant factors, such as skills, knowledge, gender or age, the nomination committee considered that the current composition of the Board reflects the balance of skills, educational background, experience and diversity of perspectives desirable for effective management of the Company. The nomination committee will continue to review the diversity policy of the Board from time to time to ensure its continued effectiveness and to identify qualified candidates on a merit basis and candidates will be considered against objective criteria, with due regard to the benefits of diversity on the Board.

For the year ended 31 December 2020, the nomination committee held 1 meetings. Attendance of individual members of the nomination committee for the year ended 31 December 2020 is as follows:

Name of Director	Attendance/Number of meetings held
Mr. Zhang Tiewei	1/1
Mr. Tsang Hung Kei	1/1
Mr. Xu Yan	1/1

Note: The meetings were attended by the Directors themselves, not an alternate.

The terms of reference of the nomination committee are available on the website of our Company and the website of the Stock Exchange.

The work performed by the nomination committee during the year ended 31 December 2020 is summarised as follows:

1. reviewed structure, size and diversity of the Board;

2. reviewed the independence of the independent non-executive directors; and

3. made recommendations to the Board on the appointment and redesignation of directors and the nomination of directors for re-election at the annual general meeting.

Remuneration Committee

The remuneration committee of our Company was established on 18 October 2013 with written terms of reference in compliance with the Listing Rules. The duties of our remuneration committee include (but without limitation) (a) making recommendations to our Board on our policy and structure for all remuneration of our directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (b) determining the specific remuneration packages of all our executive directors and senior management, including benefits in kind, pension rights and compensation payments; (c) making recommendations to our Board of the remuneration of our directors; and (d) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time. The existing members of the remuneration committee include Mr. Zhang Tiewei, Mr. Xu Yan and Mr. Tsang Hung Kei. Both Mr. Xu Yan and Mr. Tsang Hung Kei are independent non-executive directors and Mr. Zhang Tiewei is an executive director. Mr. Xu Yan is the chairman of the remuneration committee.

For the year ended 31 December 2020, the remuneration committee held 1 meetings. Attendance of individual members of the remuneration committee for the year ended 31 December 2020 is as follows:

Name of Director	Attendance/Number of meetings held
Mr. Xu Yan	1/1
Mr. Zhang Tiewei	1/1
Mr. Tsang Hung Kei	1/1

Note: The meetings were attended by the Directors themselves, not an alternate.

The terms of reference of the remuneration committee are available on the website of our Company and the website of the Stock Exchange.

The work performed by the remuneration committee during the year ended 31 December 2020 is summarised as follows:

1. made recommendations to the Board on the remuneration packages and policy of directors, senior management and employees; and

2. evaluated the performance of all directors and senior management.

Audit committee

The audit committee of our Company was established on 18 October 2013 and adopted written terms of reference on 18 October 2013 and amended on 31 December 2015 and 15 March 2019 in compliance with the Listing Rules. The duties of our audit committee include (but without limitation) (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor; (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; (c) to develop and implement policy on the engagement of an external auditor to supply non-audit services; (d) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them; and (e) to review the Company's financial controls, the Company's internal control and risk management systems.

The existing members of the audit committee include Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur and Mr. Xu Yan, all of whom are independent non-executive directors. Mr. Tsang Hung Kei is the chairman of the audit committee.

The Audit Committee has reviewed this annual report and the consolidated financial statements of our Company for the year ended 31 December 2020. The Audit Committee is of the view that the consolidated financial statements of our Company for the year ended 31 December 2020 have been prepared in accordance with the applicable accounting standards, the Listing Rules and statutory provisions, and sufficient disclosures have already been made.

For the year ended 31 December 2020, the audit committee held 2 meetings. Attendance of individual members of the audit committee for the year ended 31 December 2020 is as follows:

Name of Director	Attendance/Number of meetings held
Mr. Xu Yan	2/2
Mr. Zhang Tiewei	2/2
Mr. Tsang Hung Kei	2/2

Note: The meetings were attended by the Directors themselves, not an alternate.

The terms of reference of the audit committee are available on the website of our Company and the website of the Stock Exchange.

The work performed by the audit committee during the year ended 31 December 2020 is summarised below:

1. reviewed the Group's annual and interim results statements and the related result announcements, documents and other matters or issues raised by external auditors;

2. reviewed the findings from external auditors;

3. reviewed the independence of the external auditors and engagement of external auditors for annual audit;

4. reviewed the audit plans, internal control plan, the development in accounting standards and its effects on the Group, financial reporting matters and risk management;

5. reviewed the adequacy of resources, qualifications, experience of staff of the Group's accounting and financial reporting function;

6. approved the current year external audit plan, reviewed and monitored internal control performance as well as the effectiveness of the internal control system; and

7. reviewed the corporate governance compliance.

Corporate governance function

Our Board is responsible for, amongst other things, the development and review of the policies and practices on corporate governance of our Group and monitoring the compliance with legal and regulatory requirements, reviewing and monitoring the training and continuous professional development of directors and senior management, and reviewing the corporate governance compliance with the Code Provisions and disclosure in the annual report.

This corporate governance report has been reviewed by our Board in discharge of its corporate governance function.

Accountability and audit financial reporting

Financial results of our Group are announced in a timely manner in accordance with all statutory requirements, particularly the timeframe stipulated in Rule 13.49 (1) and (6) of the Listing Rules.

All directors acknowledge their responsibility for preparing the consolidated financial statements of our Group for the year ended 31 December 2020. The finance department of the Company is taken charge by the Chief Financial Officer of the Company. With the assistance of the finance department, the directors ensure that the consolidated financial statements of our Group have been properly prepared in accordance with relevant regulations and applicable accounting principles. Currently, our Company's external auditors are KPMG (the "**Auditors**").

During the year ended 31 December 2020, the fees paid or payable to KPMG comprise service charges for the following:

	2020 RMB'000	2019 RMB'000
Statutory audit	2,480	1,850
Review of interim results	830	680
Others	0	470

The statement of the Auditors about their reporting responsibilities on the financial statements of our Group is set out in the Independent Auditor's Report on pages 64 to 73 of this annual report.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Risk management and internal controls

Our Board recognises that sound and effective risk management and internal control systems are important to safeguard our shareholders' investment and our Company's assets, and recognises that its responsibility to ensure that our Company maintains a sound and effective risk management and internal control system. Our Group's internal control system is designed to safeguard assets against misappropriation and unauthorized disposition and to manage operational risks.

For the year ended 31 December 2020, review of our Group's internal controls covered major financial, operational and compliance controls, as well as risk management functions. The controls that were built into the risk management system are intended to manage significant risks in our Group's business environment.

Our Group's risk management framework includes the following elements:

- identify significant risks in our Group's operation environment and evaluate the impacts of those risks on our Group's business;
- develop necessary measures to manage those risks; and
- monitor and review the effectiveness of such measures.

The implementation of risk management framework of our Group was assisted by our Group's risk management department, so that our Group could ensure new and emerging risks relevant to our Group's operation are promptly identified by management, assess the adequacy of action plans to manage these risks and monitor and evaluate the effectiveness of the action plans. These are on-going processes and our Audit Committee reviews periodically our Group's risk management systems. Our Audit committee reported to our Board the implementation of our Group's risk management and internal control policy which, among other things, included the determination of risk factors, evaluation of risk level our Group could take and effectiveness of risk management measures.

Based on the reports from our Group's risk management department and our Audit Committee, our Board considers that our Group's risk management and internal control system is adequate and effective and our Group has complied with the provisions on risk management and internal controls as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

Delegation by our Board

In general, our Board oversees our Company's strategic development and determines the objectives, strategies and policies of our Group. Our Board also monitors and controls operation and financial performance and sets appropriate policies for risk management in pursuit of our Group's strategic objectives. Our Board delegates the implementation of strategies and day-to-day operation of our Group to the management.

Company secretary

The company secretary is Mr. Pang Chung Fai Benny ("**Company Secretary**"). Please refer to his biographical details set out on page 63 of this annual report. All Directors have access to our Company Secretary to ensure that board procedures and all applicable law, rules and regulations, are followed. During the year, our Company Secretary has taken no less than 15 hours relevant professional training as required under rule 3.29 of the Listing Rules.

Effective communication with shareholders

Our Board recognises the importance of maintaining a clear, timely and effective communication with our shareholders. Our Board also recognises that effective communication with our Company's investors is critical in establishing investor confidence and to attract new investors. Therefore, our Group is committed to maintaining a high degree of transparency to ensure our shareholders and the investors of our Company will receive accurate, clear, comprehensive and timely information of our Group through the publication of annual reports, interim reports, announcements and circulars.

Moreover, the Company's AGM encourages face-to-face communication with shareholders. Members of the Board and chairmen of various board committees will attend the forthcoming AGM of the Company to be held on 27 May 2021. The directors will answer questions on the performance of the Group raised by shareholders.

Shareholders' rights

1. Procedures for Shareholders to convene an Extraordinary General Meeting

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

2. Procedures for raising enquiries

Shareholders may direct their queries about their shareholdings, share transfer, registration and payment of dividend to our Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited:

Address:	17M Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Online Feedback Platform:	https://www.computershare.com/hk/en/online_feedback
Tel:	(852) 2862 8555
Fax:	(852) 2865 0990/2529 6087

Shareholders may raise enquiries in respect of our Company at the following designated contact, correspondence address, email address and enquiry hotlines of our Company:

Attention:	Mr. Li Bin
Address:	604, 6th Floor Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
Email:	hkinfo@chinasuccessfinance.com
Tel:	(852) 2180 7189
Fax:	(852) 3152 2010

3. Procedures for putting forward proposals at Shareholders' Meetings

a) Proposal for election of a person other than a director as a director:

Pursuant to Article 113 of the Articles of Association, a shareholder who wishes to propose a person other than a retiring director for election to the office of director at any general meeting should lodge (1) notice in writing of the intention to propose that person for election as a director; and (ii) notice in writing by that person of his willingness to be elected, at either (a) our Company's Hong Kong office 604, 6/Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, or (b) the registration office of our Company in Hong Kong at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The period for lodgment of the notices mentioned above will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to our Company may be given will be at least seven days.

b) ***Other proposals:***

If a Shareholder wishes to make other proposals (the "**Proposal(s)**") at a general meeting, he may lodge a written request, duly signed, at our Company's Hong Kong office 604, 6/Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

The identity of the Shareholder and his/her request will be verified with our Company's Hong Kong share registrar and upon confirmation by the share registrar that the request is proper and in order, and is made by a Shareholder, our Board will in its sole discretion decide whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

i. Notice of not less than 21 days in writing if the Proposal requires approval in an annual general meeting of our Company.

ii. Notice of not less than 21 days in writing if the Proposal requires approval by way of a special resolution in an extraordinary general meeting of our Company.

iii. Notice of not less than 14 days in writing if the Proposal requires approval by way of an ordinary resolution in an extraordinary general meeting of our Company.

Constitutional documents

Pursuant to a special resolution of the shareholders passed on 18 October 2013, the Amended and Restated Memorandum and Articles of Association were adopted with effect from the Listing Date. The Amended and Restated Memorandum and Articles of Association of our Company are available on the website of the Stock Exchange. For the year ended 31 December 2020, there is no change in the Amended and Restated Memorandum and Articles of Association of our Company.

EXECUTIVE DIRECTORS

Mr. ZHANG Tiewei, aged 58, is one of the founders of our Group. He was appointed as our director on 16 January 2012 and redesignated as the Chairman of our Board and executive director on 18 October 2013. Mr. Zhang is responsible for our Group's strategic planning and overall business management.

Mr. Zhang has more than 22 years of experience in the financial industry in the PRC during which Mr. Zhang has been acting as (i) the director of Great Wall Futures Co., Ltd. since 1997 which engages in commodity futures brokerages and financial futures brokerages; (ii) the chairman of Foshan Chancheng Success Micro Credit Co., Ltd. ("**Success Credit**") since its establishment in 2009 which engages in the provision of small loans lending; (iii) the director of Guangdong Success Venture Capital Company Limited since 2008 which engages in venture capital; (iv) the Chairman of Success Investment Holdings Group Company Limited ("**Success Investment Holdings**") since its establishment in 2005 which engages in the investment in real estate, public utilities, medical and industrial project; (v) the director of Foshan Success Finance Group Company Limited which engages in the investment in the modern financial industry, investment in the financial services industry, capital management, asset management, etc; and (vi) the chairman of Guangdong Jiayou Network Technology Co., Ltd. ("**Jiayou Network**"). Mr. Zhang accumulated business and financial experiences which are relevant to the business of our Group when acting as the director or chairman of the above named companies. Mr. Zhang has also been acting as the legal representative of Success Guarantee, our operating subsidiary, since its establishment in 1996. Mr. Zhang is also a director of each of Double Chance Developments Limited, China Success Finance Holdings Limited, Guangdong Success Asset Management Company Limited ("**Success Asset**"), Shenzhen Qianhai Success Housing Wealth Management Company Limited, all being subsidiaries of our Company.

Mr. Zhang is currently a member of the 12th Foshan Committee of the Chinese People's Political Consultative Conference, the vice president of the 14th executive committee of Foshan General Chamber of Commerce and the chairman of Chancheng District Branch of Foshan General Chamber of Commerce. Mr. Zhang was the standing committee member of the 11th executive committee of Guangdong Federation of Industry & Commerce and the chairman of the 1st council of Foshan Investment Chamber of Private Entrepreneurs. Mr. Zhang has been awarded as an Outstanding Corporate Manager in Guangdong Province in 2011 by the Guangdong Enterprises Confederation and the Guangdong Entrepreneurs Association. He was also granted the title of "Top 10 Influential Men in Economy of Guangdong" in 2013 and was granted the honorable title of "The Fifth Excellent Constructers of the Socialism Undertaking with Chinese Characteristics of the Players of Non-public Sectors of the Economy in Guangdong Province" in 2019. Mr. Zhang was conferred Doctorate in Business Administration by Singapore Management University in February 2020.

Mr. LI Bin, aged 48, was the executive director and the chief executive officer of our Group. Mr. Li joined our Group in 2006 as an assistant to the general manager of Success Guarantee and manager of the post– guarantee management department. He was promoted to general manager of Success Guarantee in 2009 and was appointed as the executive director and the chief executive officer of the Group on 18 October 2013. Mr. Li resigned as the chief executive officer of our Company with effect from 15 September 2014 in order to focus his time and effort on the development of the guarantee business of the Company and continue to serve as an executive director of our Company. Mr. Li was appointed as the chief operating officer of our Group on 31 August 2015 and is responsible for overseeing our Group's operations and internal management system. He was appointed as the vice chairman of Success Guarantee in 2016. He resigned from the chief operating officer of the Group and was appointed as the chief executive officer of the Group on 18 May 2018, and he will continue to serve as an executive director.

Prior to joining our Group, Mr. Li had worked at the Foshan branch of Bank of China from 1993 to 2005 and was responsible for sales and marketing activities in the bank and specialising in the provision of loans and credits which are relevant to the business of our Group. His last position in the bank was assistant manager of the sales department. Mr. Li obtained a master of business administration degree from Jinan University in Guangdong, the PRC in June 2007.

Ms. Dai Jing, aged 50, was the executive director and the chief operating officer of our Company, effective from 18 May 2018. Ms. Dai joined Success Investment Holdings in August 2006 as manager of the legal affairs department and was subsequently promoted to vice general manager of Success Guarantee in January 2007. She was promoted to senior vice general manager and general manager of Success Guarantee in January 2010 and April 2016, respectively. Prior to joining our Group, Ms. Dai worked at the Bank of China from 1993 to 2005 for handling credit approval, credit management and asset protection. Her last position with the Bank of China was deputy manager of the asset protection department. Ms. Dai also worked with the China Merchants Bank from 2005 to 2006 as a manager for handling bank management matters. Ms. Dai was admitted as a lawyer in the PRC in September 1995. Ms. Dai obtained a bachelor's degree in law from Wuhan University in Hubei, the PRC in July 1993.

Mr. XU Kaiying, aged 57, was appointed as our non-executive director on 18 October 2013 and re-designated as our executive director on 4 July 2016. Mr. Xu invested in our Group as a shareholder of Success Guarantee in February 2001. Mr. Xu is the general manager of Foshan Success Industry Investment Company Limited, the director of China Success Capital (HK) Limited, the director of Success Investment Holdings and the director of Jiayou Network. Mr. Xu is also the director, the vice chairman of Success Asset and Success Guarantee respectively, all being our Group companies.

Mr. Xu is a member of the 12th Foshan Committee of the Chinese People's Political Consultative Conference, the chairman of Foshan Air-Conditioner Retail Industry Association, the standing committee member of the 14th executive committee of Foshan General Chamber of Commerce, and the executive chairman of Foshan Investment Chamber of Private Entrepreneurs. Mr. Xu obtained a bachelor's degree in finance management from Beijing Economic and Technological College in July 2008. Mr. Xu has completed a post-EMBA degree at the Peking University.

Mr. PANG Haoquan, aged 56, was appointed as our non-executive director of the Group on 18 October 2013 and re-designated as our executive director on 6 January 2017. Mr. Pang invested in our Group as a shareholder of Success Guarantee in February 2001. Mr. Pang is also a director of each of Success Investment Holdings and Jiayou Network.

Mr. Pang is also the chairman of Guangdong Yinhe Motor Group Company Limited (廣東銀河摩托車集團有限公司). Mr. Pang obtained a diploma in automation from Guangzhou Open University in July 1982.

NON-EXECUTIVE DIRECTOR

Mr. HE Darong, aged 61, was appointed as our non-executive director on 18 October 2013. Mr. He invested in our Group as a shareholder of Success Guarantee in July 2010. Mr. He also owns 9.09% equity interests in Success Credit.

Mr. He is the vice chairman of Foshan Lecong Real Estate Square Company Limited. Mr. He is currently the general manager of Foshan Tiefeng Industrial Investment Company Limited, and Foshan Shunde Shihai Industrial Investment Company Limited. Mr. He obtained a master degree in business administration from the Tsinghua University in 1998.

Mr. He was an NPC deputy of Lecong Town, Shunde District, Foshan City in 2015. He was a member of the 10th Shunde Committee of the Chinese People's Political Consultative Conference and is the vice president of The Steel and Iron Trade Association of Lecong Shunde District Foshan City.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TSANG Hung Kei, aged 50, was appointed as our independent non-executive director on 18 October 2013. Mr. Tsang has more than 25 years of experience in financial management and reporting and corporate governance. He is a Fellow of the Association of Chartered Certified Accountants, a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Institute of Chartered Accountants in England and Wales. He had years of working experience in an international accounting firm and is currently the chief financial officer of Pak Fah Yeow International Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Main Board**"), and an executive director of its major subsidiaries. He is also an independent non-executive director of Ground International Development Limited and Palace Banquet Holdings Limited, the issued shares of which are listed on the Main Board. Mr. Tsang holds a bachelor degree in computer science and accounting at the University of Manchester, United Kingdom.

Mr. AU Tien Chee Arthur, age 48, was appointed as our independent non-executive director on 18 October 2013. Mr. Au is a lawyer with over 21 years of legal and industry operations experience in corporate and private practice settings. He is the Global Legal Director for Strategic Projects and Operations at Byton, a global electric car manufacturer headquartered in Nanjing with international footprints in the U.S. and Germany. Previously Mr. Au worked with multinational companies such as The Hong Kong Exchange, Sands Group, Peninsula Hotel, Accenture, Hasbro etc. and biotech startup in Hong Kong as well as technology companies such as Google, Apple both in in-house or external counsel capacities. Before returning to Hong Kong. Mr. Au worked in Silicon Valley for well over a decade. He was the Director of Intellectual Property at Thoratec Corporation, and practiced law in the firms of Blakely, Sokoloff, Taylor & Zafman LLP and Morgan Lewis as well as being a seasoned engineer with industry experience. Mr. Au has a Bachelor of Science Degree in Biomedical and Electrical Engineering from Duke University, a Master of Science Degree in Biomedical Engineering from Case Western Reserve University, and a Juris Doctor Law Degree from Santa Clara University School of Law. He was admitted as a member of the State Bar of California and registered to practise with the US Patent and Trademark Office.

Mr. XU Yan, aged 48, was appointed as our independent non-executive director on 18 October 2013. Mr. Xu has over 20 years in the area of trade economy and banking. Mr. Xu began his career with the Foreign Affairs Department of the State Economic & Trade Commission (the predecessor of the State-owned Assets Supervision and Administration Commission of the State Council) as a deputy director from July 1994 to August 2000. He then worked for Cazenove Asia Limited as a manager, vice president and representative in chief of Beijing representative office from May 2002 to February 2009. In February 2009, Cazenove Asia Limited was taken over by the Standard Chartered Bank and renamed as Standard Chartered Securities (Hong Kong) Limited where Mr. Xu worked until he left in June 2012. Mr. Xu has also been the Chief Strategy Officer in China Minshen Future Holdings Group Limited (中民未來控股集團有限公司)from October 2015 to 31 December 2018. Mr. Xu obtained a bachelor's degree in English from Beijing Foreign Studies University in July 1994 and a master degree in business administration from the University of Manchester in June 2002.

Mr. ZHOU Xiaojiang, aged 58, was appointed as the independent non-executive Director on 4 July 2016. Mr. Zhou has been a director in Grandtopeak Land Consolidation Group Co., Ltd. (國泰土地整理集團有限公司), the chairman and legal representative of Beijing Zhong Di Land Consolidation Co., Ltd. (北京中地土地整理有限公司), the chairman and legal representative of Beijing Guotai Balance Land Layout and Design Co., Ltd. (北京國泰天平行土地規劃設計有限公司), the chairman and legal representative of Beijing Hongtai Entrepreneurial Land Consolidation Co., Ltd. (北京宏泰創業土地整理有限公司), the chairman and legal representative of Beijing Guoxing Weiye Land Consolidation Co., Ltd. (北京國興偉業土地整理有限公司), the chairman and legal representative of Beijing Guotai Pilot Sailing Boat Investment Co., Ltd. (北京國泰領航帆艇投資有限公司), and the general manager and legal representative of Guotai Jinglu Investment Holdings Co., Ltd. (國泰京魯投資控股有限公司)since December 2007.

Mr. Zhou was the chairman and legal representative of Guoyu Economic Development Corporation (國宇經濟發展總公司) (formerly China Three Gorges Economic Development Corporation (中國三峽經濟發展總公司)) from December 2004 to May 2007. He was also the general manager and legal representative of Hualian Real Estate Development Company (中國華聯房地產開發公司)from March 2001 to May 2007. Mr. Zhou obtained a bachelor degree of science, majoring in urban planning, from Chongqing University (formerly known as Chongqing Construction Engineering College (重慶建築工程學院)) in August 1983 and an MBA from Murdoch University in Australia in 2001.

SENIOR MANAGEMENT

Our senior management consists of our executive directors and the following persons:

Name	Age	Position in our Group
Mr. LIANG Tao	38	Chief financial officer of our Group
Mr. ZHONG Zhiqiang	47	Risk control director of Success Guarantee
Mr. PANG Chung Fai Benny	48	Company Secretary

Mr. LIANG Tao, aged 38, was appointed as the chief financial officer of our Group on 18 October 2013 and is responsible for overseeing the financial matters of our Group. Mr. Liang has over 12 years of experience in financial management. Mr. Liang joined our Group in December 2010 and was responsible for the initial public offering of the Company in 2013. Prior to joining our Group, Mr. Liang has experience on undertaking the listing of a mainland enterprise in NASDAQ. Mr. Liang has been with L & L Energy, Inc., a US public company, and United Group Rail (NZ) Limited, an Australian listed company, and has been responsible for financial matters of the two companies. He holds Bachelor of Business Studies of Massey University majoring in accounting.

Mr. ZHONG Zhiqiang, aged 47, is the director of Investment and Financing Committee and is responsible for the investment and financing management of the Group. He is also the risk control director of Success Guarantee and is responsible for overseeing the risk management department of Success Guarantee. Mr. Zhong joined our Group in October 2009. Prior to joining of our Group, Mr. Zhong worked at the Bank of China from 1991 to 2009 for handling foreign exchange settlement, provision of loans and credits and sales and personal financing. His last position with the bank was assistant manager of the personal financial department. Mr. Zhong obtained a bachelor's degree in economics majoring in finance from Jinan University in Guangdong, the PRC in January 2004.

COMPANY SECRETARY

Mr. PANG Chung Fai Benny, aged 48, was appointed as our Company Secretary on 18 October 2013. Mr. Pang is the sole proprietor of Benny Pang & Co., a firm of solicitors in Hong Kong. Mr. Pang has been practising as a lawyer for over 20 years. Mr. Pang is currently (i) an independent non-executive director of Yuanda China Holdings Limited, a company listed on the Main Board with stock code 2789; (ii) an independent non-executive director of Sanbase Corporation Limited, a company listed on the growth enterprise market of the Stock Exchange with stock code 8501; (iii) an independent non-executive director of Janco Holdings Limited, a Company listed on the growth enterprise market of the Stock Exchange with stock code 8035; and (iv) a non-executive director of Huabang Financial Holdings Limited Technology Holdings Limited, a company listed on the Main Board with stock code 3638.

Independent Auditor's Report

Independent auditor's report to the shareholders of China Success Finance Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Success Finance Group Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 74 to 188, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Impairment of receivables and provisions of guarantee losses

Refer to notes 12, 13, 14 and 22 to the consolidated financial statements and the accounting policies on pages 90 and 98.

The Key Audit Matter	How the matter was addressed in our audit
The Group has applied Hong Kong Financial Reporting Standard No.9 – Financial Instruments ("HKFRS 9") since 1 January 2018 and developed a new expected credit loss model ("ECL model") for measuring impairment losses on financial assets and provisions for losses on financial guarantees issued by the Group. The determination of loss allowances using the ECL model is subject to a number of key parameters and assumptions, including the identification of credit-impaired stage, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions. In particular, the determination of the loss allowances and provisions for guarantee losses is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The Group's expected credit losses and provisions for guarantee losses are derived from estimates including the Group's historical losses, internal and external credit grading and other adjustment factors.	Our audit procedures to assess the impairment of receivables and provisions for guarantee losses included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of receivables and financial guarantees issued, the identification of the three stages of ECL model and the measurement of impairment losses for receivables and provisions for financial guarantees issued; • assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of credit-impaired stage, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments.

Impairment of receivables and provisions of guarantee losses *(continued)*

Refer to notes 12, 13, 14 and 22 to the consolidated financial statements and the accounting policies on pages 90 and 98. (continued)

The Key Audit Matter	How the matter was addressed in our audit
Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the debtors, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Whilst the Group appoints external valuers for the valuation of certain properties and other illiquid collateral, the enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of impairment losses and provisions for guarantee losses as at the end of the reporting period. We identified the impairment of receivables and provisions for guarantee losses as a key audit matter because of the inherent uncertainty and management judgment involved and because of their significance to the financial results and capital of the Group.	• assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to receivables or guarantees agreements, we compared the total balance of the receivables grading report and guarantee list, which contain information used by management to assess impairment losses and provisions for guarantee losses with the general ledger, selecting samples and comparing individual receivables and guarantee information with the underlying receivables and guarantee agreements and other related documentation to assess the accuracy of compilation of the receivables grading report and of the guarantee list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources. • for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral.

Impairment of receivables and provisions of guarantee losses *(continued)*

Refer to notes 12, 13, 14 and 22 to the consolidated financial statements and the accounting policies on pages 90 and 98. (continued)

The Key Audit Matter	How the matter was addressed in our audit
	As part of these procedures, we challenged management’s revisions to estimates and input parameters compared with prior period and on transition to the new accounting standard and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development. • evaluating the validity of management’s assessment on whether the credit risk of the receivables and guarantees have, or have not, increased significantly since initial recognition and whether the receivables and guarantees are credit-impaired by selecting samples in industries more vulnerable to the current economic situation. We checked the overdue information, making enquiries of the credit managers about the debtors’ business operations, checking debtors’ financial information and researching market information about debtors’ businesses. • for receivables that are credit-impaired, evaluating management’s assessment of the value of any property collateral held by comparison with market prices based on the location and use of the property and the prices of neighbouring properties.

Impairment of receivables and provisions of guarantee losses *(continued)*

Refer to notes 12, 13, 14 and 22 to the consolidated financial statements and the accounting policies on pages 90 and 98. (continued)

The Key Audit Matter	How the matter was addressed in our audit
	We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms. • recalculating the amount of credit loss allowance for 12 month and life time credit losses using the expected credit loss model based on the above parameters and assumptions for receivables and guarantees where the credit risk of receivables and guarantees has not, or has, increased significantly since initial recognition, with the assistance of our internal specialists in financial risk management, establishing our own valuation models to perform revaluations. • assessing the completeness and accuracy of outstanding financial guarantees by inspecting contracts, on a sample basis, and obtaining confirmations from the beneficiaries of all financial guarantees issued. • evaluating whether the disclosures on impairment of receivables and provisions for guarantee losses meet the disclosure requirements in Hong Kong Financial Reporting Standard No.7 –Financial Instruments: Disclosures ("HKFRS 7").

Assessing the fair value of FVTPL

Refer to note 19 to the consolidated financial statements and the accounting policies on pages 85 and 86.

The Key Audit Matter	How the matter was addressed in our audit

The Group's 3.5% interest in Foshan Shengshi Junen Enterprise Management Company Limited ("Shengshi Junen"), and 12.9% interest in Guangdong MuPai Technology Company Limited ("MuPai") which are both classified as FVTPL in the consolidated statement of financial position.
 	
Under the HKFRS 9, the initial measurement and subsequent measurement of FVTPL shall adopt fair value measurement and its changes shall be included in profit or loss.
 	
Management involved valuer to prepare estimates of these FVTPL by the asset-based approach which is mainly to separate the assets and liabilities of target company and evaluate the value respectively. A number of key assumptions and judgements were made by management in determining the inputs for the method which included:
 	
• The prospective earnings would provide a reasonable return to the Appraised asset, and that target company has adequate working capital to operate its business from time to time;
	Our audit procedures to assess the fair value of FVTPL included the following:
	
	• getting access to the details of the contracts, inspecting the accuracy of classification of financial instruments;
	
	• discussing the purpose of equity investments with management, visiting "Shengshi Junen" and "MuPai" project site in sudden inspection;
	
	• collecting, checking the qualification and valuation reports of the valuer hired by the management;
	
	• engaging our valuation specialists to assist us in evaluating the assumptions and judgements adopted by management relating to inflation, terminal values and the discount rate used to form the fair value of FVTPL through the following procedures:
	
	    • conducting research on the assumptions and judgements relating to inflation, terminal values and the discount rate based on market information available;
	
	    • performing an alternative calculation of the discount rate and comparing this calculation with the discount rate applied by management;

Assessing the fair value of FVTPL *(continued)*

Refer to note 19 to the consolidated financial statements and the accounting policies on pages 85 and 86. (continued)

The Key Audit Matter	How the matter was addressed in our audit
• The Appraised Asset has obtained relevant government's approvals for the sale of the Appraised Asset or the assets owned by target company and is able to dispose of and transfer free of all encumbrances (including but not limited to the cost of transaction) in the market; and • The Appraised Asset can be freely disposed and transferred free of all encumbrances for its existing uses in the market to both local and overseas purchasers without payment of any premium to the government. We identified assessing the fair value of FVTPL as a key audit matter because of its significance to the consolidated financial statements and there are significant judgements in classification of financial instruments under HKFRS 9.	• checking the qualification and independence, reviewing the working paper of the valuer involved by engagement team;

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Choi Ching Hin.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2021

Consolidated Statement of Profit or Loss

for the year ended 31 December 2020
(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Guarantee income		**890,147**	1,419,386
Less: guarantee service fee		**(732,046)**	(1,338,833)
Net guarantee fee income		**158,101**	80,553
Interest income		**1,950**	9,754
Less: interest expenses		**(28,578)**	(22,518)
Net interest expenses		**(26,628)**	(12,764)
Sales of market hogs		**8,922**	–
Service fee from consulting services		**2,982**	1,254
Revenue	3	**143,377**	69,043
Other revenue	4	**14,763**	17,306
Cost of market hogs sold		**(3,553)**	–
Impairment and provision charged	5(a)	**(192,346)**	(471,989)
Operating expenses		**(67,740)**	(55,028)
Net fair value gain on other financial assets		**20,434**	4,336
Net changes in fair value of biological assets		**17,566**	–
Share of gains/(losses) of associates		**246**	(27,061)
Loss before taxation		**(67,253)**	(463,393)
Income tax	6(a)	**(17,303)**	32,144
Loss for the year		**(84,556)**	(431,249)
Attributable to:			
Equity shareholders of the Company		**(83,419)**	(430,061)
Non-controlling interests		**(1,137)**	(1,188)
Loss for the year		**(84,556)**	(431,249)
Loss per share (RMB per share)			
Basic	9(a)	**(0.16)**	(0.82)
Diluted	9(b)	**(0.16)**	(0.82)

The notes on pages 80 to 188 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 29(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020
(Expressed in Renminbi)

	2020 RMB'000	2019 RMB'000
Loss for the year	**(84,556)**	(431,249)
Other comprehensive income/(loss) for the year (after tax and reclassification adjustments)		
Item that may be reclassified to profit or loss:		
Exchange differences on translation of financial statements of operations outside the mainland China	**6,299**	(1,928)
Total comprehensive loss for the year	**(78,257)**	(433,177)
Attributable to:		
Equity shareholders of the Company	**(77,120)**	(431,989)
Non-controlling interests	**(1,137)**	(1,188)
Total comprehensive loss for the year	**(78,257)**	(433,177)

The notes on pages 80 to 188 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2020
(Expressed in Renminbi)

	Note	**31 December 2020 RMB'000**	31 December 2019 RMB'000
Assets			
Cash and bank deposits	10	**354,105**	1,067,291
Pledged bank deposits	11	**175,495**	95,289
Trade and other receivables	12	**302,342**	705,669
Factoring receivable	13	**56,084**	59,112
Finance lease receivable	14	**41,579**	45,339
Interests in associates	16	**25,482**	68,541
Biological assets	17	**28,399**	–
Property, plant and equipment	18	**103,749**	1,217
Intangible assets		**1**	3
Other financial assets	19	**64,187**	43,753
Deferred tax assets	20(c)	**47,451**	65,127
Goodwill	21	**–**	–
Total assets		**1,198,874**	2,151,341
Liabilities			
Liabilities from guarantees	22	**273,308**	486,645
Pledged deposits received	23	**239,818**	766,997
Interest-bearing borrowings	24	**50,000**	38,555
Liability component of convertible bonds	25	**60,015**	66,771
Accruals and other payables	26	**65,393**	223,450
Current tax	20(a)	**18,908**	21,305
Lease liabilities	27	**11,529**	669
Total liabilities		**718,971**	1,604,392
NET ASSETS		**479,903**	546,949

The notes on pages 80 to 188 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2020
(Expressed in Renminbi)

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
CAPITAL AND RESERVES			
Share capital	29(c)	**4,266**	4,187
Reserves		**476,091**	542,079
Total equity attributable to equity shareholders of the Company		**480,357**	546,266
Non-controlling interests		**(454)**	683
TOTAL EQUITY		**479,903**	546,949

Approved and authorised for issue by the board of directors on 30 March 2021.

張鐵偉
Zhang Tiewei
Director

李斌
Li Bin
Director

The notes on pages 80 to 188 form part of these financial statements

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020
(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
		Share capital RMB'000 Note 29(c)	Share premium RMB'000 Note 29(d)	Capital reserve RMB'000 Note 29(e)	Surplus reserve RMB'000 Note 29(f)	Regulatory reserve RMB'000 Note 29(g)	Exchange reserve RMB'000 Note 29(h)	Accumulated losses RMB'000	Total RMB'000	RMB'000	RMB'000
Balance at 31 December 2019 and 1 January 2020		4,187	442,174	319,487	56,997	30,988	7,900	(315,467)	546,266	683	546,949
Changes in equity for 2020											
Loss for the year		–	–	–	–	–	–	(83,419)	(83,419)	(1,137)	(84,556)
Exchange differences on translation of financial statements of operations outside the mainland China		–	–	–	–	–	6,299	–	6,299	–	6,299
Total comprehensive loss		–	–	–	–	–	6,299	(83,419)	(77,120)	(1,137)	(78,257)
Convertible bonds convert to share capital	29(c)	79	8,470	–	–	–	–	–	8,549	–	8,549
Shares issued under share option scheme	29(d)	–	2,404	3,465	–	–	–	–	5,869	–	5,869
Effective by using IFRS16 (Yangmianshan)		–	–	–	–	–	–	(3,207)	(3,207)	–	(3,207)
Balance at 31 December 2020		4,266	453,048	322,952	56,997	30,988	14,199	(402,093)	480,357	(454)	479,903

	Note	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
		Share capital RMB'000 Note 29(c)	Share premium RMB'000 Note 29(d)	Capital reserve RMB'000 Note 29(e)	Surplus reserve RMB'000 Note 29(f)	Regulatory reserve RMB'000 Note 29(g)	Exchange reserve RMB'000 Note 29(h)	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000	RMB'000	RMB'000
Adjusted balance at 1 January 2019		4,187	442,174	334,697	56,997	30,988	9,828	97,495	976,366	1,871	978,237
Changes in equity for 2019											
Loss for the year		–	–	–	–	–	–	(430,061)	(430,061)	(1,188)	(431,249)
Exchange differences on translation of financial statements of operations outside the mainland China		–	–	–	–	–	(1,928)	–	(1,928)	–	(1,928)
Total comprehensive loss		–	–	–	–	–	(1,928)	(430,061)	(431,989)	(1,188)	(433,177)
Contribution from shareholder	29(e)	–	–	1,889	–	–	–	–	1,889	–	1,889
Convertible bonds capital reserve	29(e)	–	–	(17,099)	–	–	–	17,099	–	–	-
Balance at 31 December 2019		4,187	442,174	319,487	56,997	30,988	7,900	(315,467)	546,266	683	546,949

The notes on pages 80 to 188 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2020
(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Operating activities			
Cash used in operations	10(b)	**(24,726)**	(16,990)
PRC income tax paid	20(a)	**(2,024)**	(22,330)
Net cash used in operating activities		**(26,750)**	(39,320)
Investing activities			
Payments for a subsidiary	15	**3,810**	23,000
Investment in capital withdrawal of an associate	16	**–**	(4,000)
Proceeds from sales of subsidiaries		**1,023**	–
Payments for purchase of equipment and constructions	12&18	**(86,303)**	(28)
Acquisition of financial assets	19	**–**	(11,850)
Interest received		**10,340**	10,336
Net cash (used in)/generated from investing activities		**(71,130)**	17,458
Financing activities			
Interest paid	10(c)	**(1,127)**	(9,611)
Payment on redemption of interest-bearing borrowings	25	**–**	(8,958)
Payment on note payables	24	**(37,482)**	–
Capital and Interest element of lease rentals paid	10(c)	**(2,075)**	(1,102)
Proceeds from bank loans		**50,000**	–
Payment on bank loans and loan interests		**(16,678)**	–
Net cash used in financing activities		**(7,362)**	(19,671)
Net decrease in cash and cash equivalents		**(105,242)**	(41,533)
Cash and cash equivalents at 1 January	10	**193,837**	235,661
Effect of foreign exchange rate changes		**(2,013)**	(291)
Cash and cash equivalents at 31 December	10	**86,582**	193,837

The notes on pages 80 to 188 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investments in debt and equity securities (see note 1(g));

– derivative financial instruments (see note 1(h)); and

– biological assets (see note1(m)).

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Changes in accounting policies *(continued)*

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has adopted the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 18(b)). There is no impact on the opening balance of equity at 1 January 2020.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests *(continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and (l)(iii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Associates *(continued)*

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the ECL model to such other long-term interests where applicable (see note 1(l)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in an associate or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 1(l)), unless classified as held for sale.

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Goodwill *(continued)*

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 30(d). These investments are subsequently accounted for as follows, depending on their classification.

(A) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(w)(i)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Other investments in debt and equity securities *(continued)*

(A) Investments other than equity investments *(continued)*

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(B) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(w)(iv).

(h) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)(iii)):

– right-of-use assets arising from lease land where the Group is not the registered owner of the land; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying equipment (see note 1(k)).

Construction in progress is stated at cost less impairment losses (see note 1(l)(iii)). Cost comprises direct costs of construction expense capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

Gains or losses arising from the retirement or disposal of an item of equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful life
Motor vehicles	4-5 years
Office and other equipment	3-5 years
Leased land	5-28 years

Where parts of an item of equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Software	5 years

Both the period and method of amortisation are reviewed annually.

(k) Leased assets

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

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Leased assets (Continued)

(i) As a lessee (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group presents right-of-use assets that do not meet the definition of investment property in 'other assets' and presents lease liabilities separately in the statement of financial position.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Leased assets (Continued)

(ii) As a lessor

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

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, including loans to associates, which is held for the collection of contractual cash flows which represent solely payments of principal and interest); and

– lease receivables.

Other financial assets measured at fair value, including units in bond funds, equity and debt securities and derivative financial assets measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments and lease receivables *(continued)*

Measurement of ECLs (continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– lease receivables: discount rate used in the measurement of the lease receivable;

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

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, finance lease receivables and factoring receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(I) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments and lease receivables *(continued)*

Measurement of ECLs (continued)

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

– failure to make payments of principal or interest on their contractually due dates;

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

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

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments and lease receivables *(continued)*

Significant increases in credit risk (continued)

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

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

Basis of calculation of interest income

Interest income recognised in accordance with note 1(w)(i) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(I) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments and lease receivables *(continued)*

Basis of calculation of interest income (continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default;

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

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued (see note 1(w)(ii)).

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(l)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets (other than property carried at revalued amounts);

– intangible assets;

– goodwill; and

– investments in subsidiaries, associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(iii) Impairment of other non-current assets *(continued)*

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 1(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Biological assets

The biological assets of the Group include finishing hogs which are classified as current assets of the Group.

Biological assets are measured on initial recognition and at the end of each reporting period at their fair values less costs to sell.

Any resultant gain or loss arising on initial recognition and from changes in fair value less costs to sell is charged to the profit or loss for the period in which the gain or loss arises.

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(l)(i)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(l)(i).

(p) Other payables

Other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(l)(ii), other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs. Borrowing costs are expensed in the period in which they are incurred.

(r) Convertible bonds

(i) Convertible bonds that contain an equity component

Convertible bonds that can be converted into ordinary shares at the option of the Purchaser, where the number of shares to be issued is fixed, are accounted for as compound financial instruments, i.e. they contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured at fair value based on the future interest and principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The equity component is the difference between the initial fair value of the convertible bonds as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the bonds are converted or redeemed.

If the bonds are converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bonds are redeemed, the capital reserve is released directly to retained profits.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Employee benefits

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

Salaries, annual bonuses, paid annual leave and contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pursuant to the relevant laws and regulations of the PRC, the Group's subsidiaries in the PRC have joined defined contributions for the employees, such as basic pension scheme, housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes contributions to the above mentioned schemes at the applicable rates based on the amounts stipulated by the government organisation. The contributions are charged to profit or loss on an accrual basis.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the share issued) or the option expires (when it is released directly to retained profits).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Employee benefits *(continued)*

(iii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognised in profit or loss and allocated by function as part of "cost of sales", "distribution costs" or "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

When the benefits of a plan are changed, or when a plan is curtailed, current service cost for the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Employee benefits *(continued)*

(iv) Termination benefits

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

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Income tax *(continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

The Group issues performance guarantee and litigation guarantee contracts, in which the Group agrees to provide guarantees to its customers who entered into contracts with third parties for services to be rendered, goods to be supplied or obligation to fulfil within an agreed time period. The Group is required to compensate the guarantee holder if a specified uncertain future event adversely results in the counterparties' failure to delivery services and goods, or to fulfil the obligation.

Where the Group issues a guarantee, the fair value of the guarantee is initially recognised as deferred income within liabilities from guarantees. The fair value of guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The fair value of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from guarantees issued. In addition, provisions are recognised in accordance with note 1(t) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in deferred income in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Provisions and contingent liabilities

Provisions are when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(w) Revenue and other income

Income is classified by the Group as revenue when it arises from the provide service, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business and sales of market hogs.

Revenue is recognised when control over service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Revenue and other income *(continued)*

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(l)(i)).

(ii) Income from financial guarantees issued

Income from financial guarantees issued is recognised over the term of the guarantees (see note 1(l)(ii)).

(iii) Service fee from consulting services

The Group collects service fee by providing various consulting services to customers.

- If one of the following conditions is met, the Group will recognize the revenue according to the performance progress in the period:
  - the customer obtains the economic benefits through the Group's performance;
  - the customer is able to control the services performed by the Group in the performance process;
  - the services performed by the Group in the performance process have irreplaceable uses, and the Group has the right to collect the payment for the part of performance that has been completed.
- In other cases, the Group recognizes the revenue when the customer obtains the relevant service control right.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Revenue and other income *(continued)*

(iv) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Sales of market hogs

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(x) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Translation of foreign currencies *(continued)*

The results of foreign operations are translated into Renminbi ("RMB") at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(z) Related parties

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

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

(ii) has significant influence over the Group; or

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) Related parties *(continued)*

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

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

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

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical location.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

During the reporting period, the directors have determined that the Group has two business components/reportable segments as the Group starts to engaged in sales of market hogs from 2020 besides its principally in providing financing solutions to customers, which are the basises to allocate resources and assess performance of the Group.

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC as its country of domicile. All the Group's revenue and non-current assets are principally attributable to the PRC, being the single geographical region.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

- Note 1(l): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

- Note 1(l): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

(b) Sources of estimation uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2020 is included in the following notes.

- Note 1(l): impairment of financial instruments: determining inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

- Note 1(t): recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the provision of guarantees, financial leasing, factoring, sales of market hogs and financial consultancy services. The amount of each significant category of revenue recognised during the year is as follows:

	2020 RMB'000	2019 RMB'000
Guarantee fee income		
– Income from financial guarantees	**3,025**	8,447
– Income from online financial guarantees	**886,390**	1,409,603
– Income from performance guarantees	**711**	1,279
– Income from litigation guarantees	**21**	57
Gross guarantee fee income	**890,147**	1,419,386
Less: guarantee service fee	**(732,046)**	(1,338,833)
Net guarantee fee income	**158,101**	80,553
Interest income/(expenses)		
– Interest income from receivables	**–**	305
– Interest income from finance leasing	**–**	5,381
– Interest income from factoring	**1,950**	4,068
Less: interest expenses	**(28,578)**	(22,518)
Net interest expenses	**(26,628)**	(12,764)
Service fee from consulting services	**2,982**	1,254
Sales of market hogs	**8,922**	–
Total	**143,377**	69,043

During the year 2020, the Group's largest single customer contributed 2.87% of the Group's revenue (2019: 10.45%); while the percentage of the Group's top 5 customers' revenue was 6.94% (2019: 17.33%).

3 REVENUE AND SEGMENT REPORTING *(continued)*

(a) Revenue *(continued)*

During the year 2020, the Group's largest single cooperation third party that referring customers to the Group has referred customers' revenue of 58.25% (2019: 33.98%) of the Group's revenue; while the percentage of the Group's top 5 cooperation third parties that referring customers to the Group have referred customers' revenue was 89.12% (2019: 77.72%).

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Financial services: providing guarantee service, factoring service, financial leasing service and consulting service in the People's Republic of China (the "PRC"). Income of guarantee service takes major portion of financial services in year 2020.

- Pig selling: start with year 2020, the Group acquired Yangmianshan Company Limited ("Yangmianshan") to diversify the business of the Group. The main business of Yangmianshan is sales of market hogs in the PRC. Even if the sales of market hogs takes portion less than 10% of the total revenue of the Group, based on its nature the Group has presented it as a reportable segment.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets, interests in associates, investments in financial assets, deferred tax assets and biological assets. Segment liabilities include liabilities from guarantees, pledged deposits received, interest-bearing borrowings, liability component of convertible bonds, accruals and other payables, current tax and lease liabilities.

Revenue and expenses are separate recognized to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the Group's share of profit arising from the activities of the Group's associates.

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

The measure used for reporting segment profit is "loss/profit for the year". To arrive at loss/profit for the year the Group's revenue are further adjusted for items, such as impairment, operating expenses and share of gains of associates.

Disaggregation of revenue by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource assessment of segment performance for the years ended 31 December 2020 is set out below:

	Financial services 2020 RMB'000	Yangmianshan 2020 RMB'000	Total 2020 RMB'000
Disaggregated by timing of revenue recognition			
Over time:			
Guarantee income	890,423	–	890,423
Inter-segment revenue	(276)	–	(276)
Less: guarantee service fee	(732,046)	–	(732,046)
Net guarantee fee income	158,101	–	158,101
Interest income	1,950	–	1,950
Less: interest expenses	(26,136)	(2,442)	(28,578)
Net interest expenses	(24,186)	(2,442)	(26,628)
Service fee from consulting services	2,982	–	2,982
Point in time:			
Sales of market hogs	–	8,922	8,922
Reportable segment revenue	136,897	6,480	143,377

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

	Financial services 2020 RMB'000	Yangmianshan 2020 RMB'000	Total 2020 RMB'000
Other revenue	14,756	7	14,763
Cost of market hogs sold	–	(3,553)	(3,553)
Impairment and provision charged	(192,346)	–	(192,346)
Operating expenses	(63,445)	(4,767)	(68,212)
Inter-segment operating expenses	–	472	472
Net fair value gain on other financial assets	20,434	–	20,434
Net changes in fair value of biological assets	–	17,566	17,566
Share of gains of associates	246	–	246
Reportable segment (loss)/ profit before taxation	(83,458)	16,205	(67,253)
Income tax	(17,303)	–	(17,303)
Reportable segment (loss)/ profit for the year	(100,761)	16,205	(84,556)
Reportable segment assets	992,011	133,930	1,125,941
Reportable segment liabilities	584,005	115,862	699,867

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting (Continued)

(ii) Reportable segment assets and liabilities

	Financial service 2020 RMB'000	Yangmianshan 2020 RMB'000	Total 2020 RMB'000
Assets			
Reportable segment assets	992,011	133,930	1,125,941
Interests in associates	25,482	–	25,482
Deferred tax assets	47,451	–	47,451
Consolidated total assets	1,064,944	133,930	1,198,874

	Financial service 2020 RMB'000	Yangmianshan 2020 RMB'000	Total 2020 RMB'000
Liabilities			
Reportable segment liabilities	584,005	115,862	699,867
Elimination of deferred income	196	–	196
Current tax liabilities	18,908	–	18,908
Consolidated total liabilities	603,109	115,862	718,971

(iii) Geographic information

The reportable segments do not separate by geographic information as major segments business are located in the PRC.

4 OTHER REVENUE

	Note	2020 RMB'000	2019 RMB'000
Fair value gain on modification of the terms of convertible bonds		–	4,274
Interest income from bank deposits		11,580	12,073
Government grants	(a)	1,563	922
Gain from investment in Yangmianshan		1,602	–
Others		18	37
Total		14,763	17,306

(a) Guangdong Success Finance Guarantee Company Limited ("Success Guarantee") received funding support mainly from the Economic Promition Bureau of Chancheng District of Foshan City. The entitlement of the government grants was under the discretion of the relevant government bureaus. The government grants were provided to the Group for its support to small and medium enterprises. The grants were unconditional and were therefore recognised as income when received. For the year ended 31 December 2020, a government grant amounted to RMB1,547,191 (2019: RMB865,672) was rewarded to Success Guarantee.

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

(a) Impairment and provision – charged

	Note	2020 RMB'000	2019 RMB'000
Provision charged for guarantees issued	22(a)	6,209	2,945
Impairment allowances charged for:			
– receivables from guarantee payments	12(a)(ii)	66,185	167,185
– trade debtors receivables	12(a)(ii)	(40)	11,975
– down payments for investments	12(b)	24,850	50,000
– deposit and other receivables	12(c)	22,972	62,261
– amounts due from related parties	12(c)	20,480	4,883
– factoring receivable	13(b)	5,094	26,446
– finance lease receivable	14(b)	3,289	140,471
Impairment of Investment in associate	16	43,307	–
Impairment of goodwill	21	–	5,823
Total		192,346	471,989

5 LOSS BEFORE TAXATION *(continued)*

(b) Staff costs

	2020 RMB'000	2019 RMB'000
Salaries, wages and other benefits	**22,689**	21,597
Contributions to defined contribution retirement plan	**381**	610
Equity settled share-based payment expenses	**5,875**	–
Total	**28,945**	22,207

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local authority whereby the PRC subsidiaries are required to make contributions to the Schemes based on certain percentages of the eligible employees' salaries. The local government authority is responsible for the entire pension obligations payable to the retired employees.

The Group has no other material obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

On 18 May 2020, the Group granted 31,755,400 share options to directors and key personnel. These options will be exercisable at HKD0.84 per share and mature within 10 years.

(c) Other items

	Note	2020 RMB'000	2019 RMB'000
Depreciation charge		**2,088**	1,469
– right-of-use assets	18(b)	**1,797**	903
– owned equipment	18(a)	**291**	566
Amortisation		**145**	173
Operating lease charges in respect of leasing of properties		**193**	1,890
Auditors' remuneration		**3,722**	2,920
– audit services		**2,396**	1,798
– other services		**1,326**	1,122
Net foreign exchange loss		**2,013**	291

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2020 RMB'000	2019 RMB'000
Current tax		
Provision for PRC income tax for the year	(5,543)	(30,818)
Tax filing differences	5,916	5,050
Deferred tax		
Origination and reversal of temporary differences	(17,676)	57,912
Total	(17,303)	32,144

(b) Reconciliation between income tax and accounting loss at applicable tax rates:

	2020 RMB'000	2019 RMB'000
Loss before taxation	(67,253)	(463,393)
Notional tax on loss before taxation, calculated at the rates applicable in the jurisdictions concerned	16,813	115,848
Tax effect of unused tax losses not recognised	(28,079)	(88,486)
Tax effect of non-deductible expenses	(11,953)	(268)
Tax filing differences	5,916	5,050
Actual tax expense	(17,303)	32,144

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

(b) Reconciliation between income tax and accounting (loss)/profit at applicable tax rates: *(continued)*

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands, respectively.

(ii) No provision for Hong Kong Profits Tax has been made for the Company and the subsidiaries located in Hong Kong as the Company and the subsidiaries had not derived any income subject to Hong Kong Profits Tax during the year.

(iii) According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Group's PRC subsidiaries are subject to PRC income tax at the statutory tax rate of 25%.

(iv) Pursuant to the CIT Law and its related regulations, non-PRC-resident enterprises are levied withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. Distributions of earnings generated prior to 1 January 2008 are exempt from such withholding tax. As a part of the continuing evaluation of the Group's dividend policy, management considered that for the purpose of business development, the undistributed losses from 1 January 2008 of the PRC subsidiaries amounted to RMB289,023,000 as at 31 December 2020 (2019: RMB221,771,000) will not be distributed in the foreseeable future. As such, no deferred tax liabilities were recognised in respect of the PRC withholding tax.

7 DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	For the year ended 31 December 2020					
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments (note (i)) RMB'000	Total RMB'000
Chairman and executive director						
Mr. Zhang Tiewei	3,201	–	–	3,201	179	3,380
Executive directors						
Mr. Li Bin	–	2,166	–	2,166	179	2,345
Ms. Dai Jing	–	1,740	–	1,740	179	1,919
Mr. Xu Kaiying	2,134	16	–	2,150	179	2,329
Mr. Pang Haoquan	1,067	–	–	1,067	179	1,246
Non-executive director						
Mr. He Darong	213	–	–	213	–	213
Independent non-executive directors						
Mr. Tsang Hung Kei	213	–	–	213	179	392
Mr. Au Tien Chee Arthur	213	–	–	213	179	392
Mr. Xu Yan	213	–	–	213	179	392
Mr. Zhou Xiaojiang	213	–	–	213	179	392
Total	7,467	3,922	–	11,389	1,611	13,000

7 DIRECTORS' REMUNERATION *(continued)*

	For the year ended 31 December 2019					
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments (note (i)) RMB'000	Total RMB'000
Chairman and executive director						
Mr. Zhang Tiewei	3,170	–	–	3,170	–	3,170
Executive directors						
Mr. Li Bin	–	2,145	31	2,176	–	2,176
Ms. Dai Jing	–	1,772	29	1,801	–	1,801
Mr. Xu Kaiying	2,113	14	–	2,127	–	2,127
Mr. Pang Haoquan	1,057	–	–	1,057	–	1,057
Non-executive director						
Mr. He Darong	211	–	–	211	–	211
Independent non-executive directors						
Mr. Tsang Hung Kei	211	–	–	211	–	211
Mr. Au Tien Chee Arthur	211	–	–	211	–	211
Mr. Xu Yan	211	–	–	211	–	211
Mr. Zhou Xiaojiang	211	–	–	211	–	211
Total	7,395	3,931	60	11,386	–	11,386

Notes:

(i) Share-based payments

These represent the estimated value of share options granted to the director under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(s)(ii).

(ii) There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2020.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emolument, four (2019: four) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other one (2019: one) individual is as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other emoluments	1,821	1,364
Contributions to defined contribution retirement plan	22	33
Share-based payments	163	–
Total	2,006	1,397

The emoluments of the one (2019: one) individual with the highest emoluments are within the following bands:

	2020	2019
HK$1,000,000 – HK$1,500,000	–	1
HK$1,500,000 – HK$3,000,000	1	–

There were no amounts paid during the years ended 31 December 2020 and 2019 to the individuals in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join.

Other comprehensive income

Tax effects relating to each component of other comprehensive income

	2020			2019		
	Before tax amount RMB'000	Tax benefit RMB'000	Net-of-tax amount RMB'000	Before tax amount RMB'000	Tax benefit RMB'000	Net-of-tax amount RMB'000
Exchange differences on translation of:						
– financial statements of overseas subsidiaries	(8,399)	(2,100)	(6,299)	2,571	643	1,928

9 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB83,419,000 (2019 loss: RMB430,061,000) and the weighted average of 525,938,000 ordinary shares (2019: 524,635,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2020 **'000**	2019 '000
Issued ordinary shares at 1 January	**524,635**	524,635
Effect of convertible bonds transferred to shares	**1,303**	–
Weighted average number of ordinary shares at 31 December	**525,938**	524,635

(b) Diluted loss per share

The Group has convertible bonds as dilutive potential ordinary shares during the year ended 31 December 2020.

As the Group's convertible bonds have an anti-dilutive effect to the basic earnings per share calculation for the year ended 31 December 2020, and, therefore, diluted loss per share are the same as the basic loss per share.

10 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Demand deposits and term deposits with banks with original maturity less than three months	**86,463**	193,765
Bank deposit with original maturity over three months	**20,000**	102,400
Restricted customer pledged deposits	**61**	71
Restricted third-party pledged deposits	**239,757**	766,926
Other restricted funds	**7,705**	4,057
Cash in hand	**119**	72
Cash and bank deposits in the consolidated statement of financial position	**354,105**	1,067,291
Bank deposit with original maturity over three months	**(20,000)**	(102,400)
Restricted customer pledged deposits	**(61)**	(71)
Restricted third-party pledged deposits	**(239,757)**	(766,926)
Other restricted funds	**(7,705)**	(4,057)
Cash and cash equivalents in the consolidated cash flow statement	**86,582**	193,837

Pursuant to the Implementing Rules for the Administration of Financial Guarantee Companies promulgated by the People's Government of the Guangdong Province on 27 September 2010 and the Notice on Regulating the Management of Customer Pledged Deposits of Financial Guarantee Institutions announced by the Joint Committee for the Regulation of the Financial Guarantee Industry on 15 April 2012, the Group is required to set up certain arrangements to manage the customers' pledged deposits by 31 March 2011.

These arrangements include: (i) enter into tripartite custodian agreement among lending bank, customer or the third party and the Group, for ensuring the entrustment of lending bank to manage the deposits; (ii) deposit the pledged deposit received from the customer/third party into a designated custodian bank account; and (iii) such deposit is not available for use by the Group.

10 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(a) Cash and cash equivalents comprise: *(continued)*

In order to comply with the aforesaid rules and regulations, the Group had set up internal guidelines which were adopted by the Group in May 2012. However, the aforesaid rules and regulations are not enforceable to banks and the Group could not enter into tripartite custodian arrangement with certain lending banks. As at 31 December 2020, restricted customer pledged deposits of RMB56,000 (2019: RMB66,000) were deposited into a designated bank account under tripartite custodian arrangements. For those guarantee services without setting up tripartite custodian arrangements, the Group has maintained the restricted customer pledged deposits received in the Group's bank accounts.

Pursuant to the agreements in relation to the online financial guarantee business, the Group set up certain arrangements to manage the third parties' pledged deposits.

These arrangements include: (i) enter into tripartite custodian agreement among lending bank, the third party and the Group, for ensuring the entrustment of lending bank to manage the deposits; (ii) deposit the pledged deposit received from the third party into a designated custodian bank account; and (iii) such deposit is not available for use by the Group. As at 31 December 2020, restricted third-party pledged deposits of RMB239,757,000 (2019: RMB766,926,000) were deposited into a designated bank account under tripartite custodian arrangements. There are corresponding same amount of balances being recorded in pledged deposits received (note 23).

As at 31 December, the restricted pledged deposits received were maintained as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Restricted third-party pledged deposits	**239,757**	766,926
Restricted customer pledged deposits:		
– designated custodian bank accounts	**56**	66
– the Group's bank accounts	**5**	5
Total	**239,818**	766,997

10 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(b) Reconciliation of loss before taxation to cash used in from operations

	Note	2020 RMB'000	2019 RMB'000
Loss before taxation		**(67,253)**	(463,393)
Adjustments for:			
Depreciation and amortisation	5(c)	**2,233**	1,642
Impairment and provision charged	5(a)	**192,346**	471,989
Share of (gains)/losses of associates		**(246)**	27,061
Unrealised foreign exchange (gains)/losses		**(7,579)**	754
Interest income	4	**(11,580)**	(12,073)
Equity settled share-based payment expenses	5(b)	**5,875**	–
Interest expenses	3	**28,578**	22,518
Net fair value gain on other financial assets	3	**(20,434)**	(4,336)
Net fair value gain on biological assets	17	**(17,566)**	–
Other revenue on modification of the terms of convertible bonds	25	**–**	(4,274)
Changes in working capital:			
Increase in pledged bank deposits	11	**(80,206)**	(9,101)
Decrease/(increase) in trade and other receivables		**340,652**	(239,520)
(Increase)/decrease in factoring receivable	13	**(2,066)**	5,441
Decrease in finance lease receivable	14	**471**	1,096
Decrease in accruals and other payables		**(157,572)**	(170,307)
(Decrease)/increase in deferred income	22	**(219,546)**	355,513
Increase in biological assets	17	**(10,833)**	–
Cash used in operating activities		**(24,726)**	(16,990)

10 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(c) Reconciliation of liabilities arising from financing activities

	Note	Interest-bearing borrowings RMB'000	Liability component of convertible bonds RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2020		38,555	66,771	669	105,995
Changes from financing cash flows:					
Repayment of interest-bearing borrowings	24	(37,482)	–	–	(37,482)
Capital and interest element of lease rentals paid		–	–	(2,075)	(2,075)
Interest paid		(421)	(706)	–	(1,127)
Total changes from financing cash flows		(37,903)	(706)	(2,075)	(40,684)
Exchange adjustments		(11,714)	(5,140)	(12)	(16,866)
Other changes:					
Interest expenses		13,780	13,817	969	28,566
Increase in lease liabilities	27	–	–	11,978	11,978
Increase/(decrease) in other payables		47,297	(14,020)	–	33,277
Decrease in other receivables		(15)	(707)	–	(722)
Total other changes		61,062	(910)	12,947	73,099
At 31 December 2020		50,000	60,015	11,529	121,544

10 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

(d) Acquisition of a subsidiary

	the Group RMB'000
Proceeds from acquisition of a subsidiary	3,810
Cash or cash equivalents paid to subsidiary	(1,530)
Less: Cash and cash equivalents held by subsidiary	63
Net cash paid for acquiring subsidiary	(1,593)
Acquisition of non cash assets and liabilities of subsidiary	
Non cash assets	53,431
Non cash liabilities	(47,352)

11 PLEDGED BANK DEPOSITS

Pledged bank deposits represent the deposits pledged to banks for the financial guarantees that the Group provides to the customers for their borrowings from banks.

12 TRADE AND OTHER RECEIVABLES

	Note	**31 December 2020 RMB'000**	31 December 2019 RMB'000
Receivables from guarantee payments	(a)(i)	**137,233**	245,197
Less: allowances for doubtful debts	(a)(ii)	**(134,171)**	(181,617)
		3,062	63,580
Trade debtors from consultancy services		**819**	369
Trade debtors from guarantees		**1,621**	79,947
		2,440	80,316
Trade receivables	(a)	**5,502**	143,896
Down payments for investments net of impairment allowances	(b)		24,857
Deposit and other receivables, net of impairment allowances	(c)	**44,740**	70,540
Amounts due from related parties	(c)	**1,750**	20,480
		51,992	259,773
Deferred expenses of online financial guarantee business		**190,131**	425,580
Prepayments to online financial guarantees		**19,663**	(832)
Prepayments for constructions		**19,469**	–
Prepayments to third parties		**17,498**	17,377
Mortgage assets		**3,017**	3,199
Others		**572**	572
Total		**302,342**	705,669

12 TRADE AND OTHER RECEIVABLES *(continued)*

(a) Ageing analysis of trade receivables

As of the end of the reporting period, the ageing analysis of trade receivables (net of allowances for doubtful debts), based on the guarantee income recognition date or advance payment date, is as follows:

	Note	**31 December 2020 RMB'000**	31 December 2019 RMB'000
Within 1 month		**451**	66,275
Over 1 month but less than 3 months		**–**	3,233
Over 3 months but less than 1 year		**3,162**	12,464
More than 1 year		**136,060**	243,541
Total		**139,673**	325,513
Less: allowances for doubtful debts	(ii)	**(134,171)**	(181,617)
Total		**5,502**	143,896

(i) Receivables from guarantee payments

Receivables from guarantee payments represented payments made by the Group to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurred because the customers fail to make payments when due in accordance with the terms of the corresponding debt instruments. Receivables from guarantee payments were interest-bearing and the Group holds certain collaterals over certain customers.

During the year ended 31 December 2020, the Group did not dispose of receivables from guarantee payments.

12 TRADE AND OTHER RECEIVABLES *(continued)*

(a) Ageing analysis of trade receivables *(continued)*

(ii) Trade receivables that are impaired

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written-off against debtors directly (see note 1(l)).

At 31 December 2020, the Group's debtors of RMB139,673,000 (2019: RMB325,513,000) of receivables from guarantee payments were determined to be stage 3 lifetime ECL credit-impaired, see note 12(a).

These related to customers or other parties that were in financial difficulties and management assessed that the receivables are not expected to be fully recovered. Consequently, allowances for the doubtful debts were recognised as follows:

	2020 Lifetime ECL credit-impaired RMB'000
As at 31 December 2019	**181,617**
Impairment allowances	**66,185**
Reversal	**(40)**
Written-off	**(113,591)**
As at 31 December 2020	**134,171**

	2019 Lifetime ECL credit-impaired RMB'000
As at 31 December 2018	14,432
Net re-measurement of loss allowance	167,185
As at 31 December 2019	181,617

12 TRADE AND OTHER RECEIVABLES *(continued)*

(b) Down payments for investments, net of impairment allowances

	31 December 2020 RMB'000	31 December 2019 RMB'000
Down payments for investments	**81,550**	81,557
Less: allowances	**(81,550)**	(56,700)
Total	**–**	24,857

Ageing analysis

	31 December 2020 RMB'000	31 December 2019 RMB'000
More than 1 year	**81,550**	81,557
Less: allowances	**(81,550)**	(56,700)
Total	**–**	24,857

Down payments for investments represented the down payments for the acquisition project that the Group is conducting. At 31 December 2020, the Group's debtors had impairment allowances of RMB81,550,000 of down payments for investments. These related to customers or other parties that were in financial difficulties and management assessed that the receivables are not expected to be fully recovered. Down payments for investments were determined to be stage 3 lifetime ECL credit-impaired.

12 TRADE AND OTHER RECEIVABLES *(continued)*

(c) Deposit and other receivables, net of impairment allowances

	31 December 2020 RMB'000	31 December 2019 RMB'000
Deposit and other receivables	**136,073**	138,901
Less: allowances for other receivables	**(91,333)**	(68,361)
Total	**44,740**	70,540
Amounts due from related parties	**27,113**	25,363
Less: allowances	**(25,363)**	(4,883)
Total	**1,750**	20,480

Ageing analysis

Deposit and other receivables	31 December 2020 RMB'000	31 December 2019 RMB'000
Less than 1 year	**14,602**	31,508
More than 1 year	**121,471**	107,393
Total	**136,073**	138,901
Less: allowances	**(91,333)**	(68,361)
Total	**44,740**	70,540

12 TRADE AND OTHER RECEIVABLES *(continued)*

(c) Deposit and other receivables, net of impairment allowances *(continued)*

Ageing analysis *(continued)*

Amounts due from related parties	**31 December 2020 RMB'000**	31 December 2019 RMB'000
Less than 1 year	**1,750**	–
More than 1 year	**25,363**	25,363
Total	**27,113**	25,363
Less: allowances	**(25,363)**	(4,883)
Total	**1,750**	20,480

Deposit and other receivables	**2020 Lifetime ECL credit-impaired RMB'000**
As at 31 December 2019	**(68,361)**
Net re-measurement of loss allowance	**(22,972)**
As at 31 December 2020	**(91,333)**

Amounts due from related parties	**2020 Lifetime ECL credit-impaired RMB'000**
As at 31 December 2019	**(4,883)**
Net re-measurement of loss allowance	**(20,480)**
As at 31 December 2020	**(25,363)**

12 TRADE AND OTHER RECEIVABLES *(continued)*

(c) Deposit and other receivables, net of impairment allowances *(continued)*

Deposit and other receivables	2019 Lifetime ECL credit-impaired RMB'000
As at 31 December 2018	(6,100)
Net re-measurement of loss allowance	(62,261)
As at 31 December 2019	(68,361)

Amounts due from related parties	2019 Lifetime ECL credit-impaired RMB'000
As at 31 December 2018	–
Net re-measurement of loss allowance	(4,883)
As at 31 December 2019	(4,883)

As at 31 December 2020, management adopted a lifetime ECL credit impaired assessment on the Group's debtor's amounting to RMB91,333,000 (2019: RMB68,361,000).

13 FACTORING RECEIVABLE

	Note	31 December 2020		
		12-month ECL RMB'000	**Lifetime ECL credit-impaired RMB'000**	**Total RMB'000**
Factoring receivable		**56,559**	**26,950**	**83,509**
Interest receivable from factoring receivable		**2,172**	**4,986**	**7,158**
Less: allowances for factoring receivable		**(2,647)**	**(31,936)**	**(34,583)**
Carrying amount of factoring receivable		**56,084**	**–**	**56,084**

	Note	31 December 2019		
		12-month ECL RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Factoring receivable		56,559	26,950	83,509
Interest receivable from factoring receivable		196	4,896	5,092
Less: allowances for factoring receivable	(a)/(b)	(1,577)	(27,912)	(29,489)
Carrying amount of factoring receivable		55,178	3,934	59,112

13 FACTORING RECEIVABLE *(continued)*

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of factoring receivable, based on the maturity date in contracts, is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Within 1 month	**277**	105
Over 1 month but less than 3 months	**517**	–
Over 3 months but less than 1 year	**37,937**	36,560
More than 1 year	**51,936**	51,936
Total	**90,667**	88,601
Less: allowances for factoring receivable	**(34,583)**	(29,489)
Total	**56,084**	59,112

(b) Impairment of factoring receivable

Impairment losses in respect of factoring receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written-off against debtors directly (see note 1(l)).

Consequently, an allowance of impairment losses for factoring receivable during the year was recognised as follows:

	2020		
	12-month ECL RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Balance at 31 December 2019 and 1 January 2020	**1,577**	**27,912**	**29,489**
Net re-measurement of loss allowance	**1,070**	**4,024**	**5,094**
Balance at 31 December 2020	**2,647**	**31,936**	**34,583**

13 FACTORING RECEIVABLE *(continued)*

(b) Impairment of factoring receivable (Continued)

	2019		
	12-month ECL RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Balance at 1 January 2019	1,569	1,474	3,043
Net re-measurement of loss allowance	8	26,438	26,446
Balance at 31 December 2019	1,577	27,912	29,489

14 FINANCE LEASE RECEIVABLE

		31 December 2020		
	Note	**12-month ECL RMB'000**	**Lifetime ECL credit-impaired RMB'000**	**Total RMB'000**
Net amount of finance lease receivable		**46,351**	**144,568**	**190,919**
Less: allowances for finance lease receivable	(a)/(b)	**(4,772)**	**(144,568)**	**(149,340)**
Carrying amount of finance lease receivable		**41,579**	**–**	**41,579**

		31 December 2019		
	Note	12-month ECL RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Net amount of finance lease receivable		46,823	144,567	191,390
Less: allowances for finance lease receivable	(a)/(b)	(1,484)	(144,567)	(146,051)
Carrying amount of finance lease receivable		45,339	–	45,339

14 FINANCE LEASE RECEIVABLE *(continued)*

(a) The table below analyses the Group's finance lease receivable by relevant maturity grouping at the end of the reporting period:

	31 December 2020		31 December 2019	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Overdue	**144,568**	**144,568**	145,039	145,039
Within 1 year	**46,351**	**50,892**	46,351	50,898
Total	**190,919**	**195,460**	191,390	195,937
Less: allowances for finance lease receivable	**(149,340)**	**(149,340)**	(146,051)	(146,051)
Net investment in finance lease receivable	**41,579**	**46,120**	45,339	49,886

(b) Impairment allowances charged for finance lease receivable

	2020		
	12-month ECL RMB'000	**Lifetime ECL credit-impaired RMB'000**	**Total RMB'000**
Balance at 31 December 2019 and 1 January 2020	**1,483**	**144,568**	**146,051**
Net re-measurement of loss allowance	**3,289**	**–**	**3,289**
Balance at 31 December 2020	**4,772**	**144,568**	**149,340**

14 FINANCE LEASE RECEIVABLE *(continued)*

(b) Impairment allowances charged for finance lease receivable (Continued)

	2019		
	12-month ECL RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Balance at 1 January 2019	1,389	4,191	5,580
Net re-measurement of loss allowance	95	140,376	140,471
Balance at 31 December 2019	1,484	144,567	146,051

(c) An analysis of the overdue finance lease receivable is as follows:

	31 December 2020				31 December 2019			
	Overdue within 3 months RMB'000	**Overdue over 3 months but within 1 year RMB'000**	**Over 1 year RMB'000**	**Total RMB'000**	Overdue within 3 months RMB'000	Overdue over 3 months but within 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Finance lease receivable	**–**	**–**	**144,568**	**144,568**	38,985	95,830	10,224	145,039

15 INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries of the Group.

				Proportion of ownership interest			
Name of company	**Place of incorporation and kind of legal entity**	**Date of incorporation**	**Fully paid-up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Double Chance Developments Limited ("Double Chance")	BVI Ltd	8 February 2012	1 share of USD1 each	100%	100%	–	Investment holding
Yes Success Limited ("Yes Success")	BVI Ltd	3 June 2015	1 share of USD1 each	100%	100%	–	Investment holding
China Success Capital Limited ("Success Capital")	BVI Ltd	29 June 2016	1 share of USD1 each	100%	100%	–	Investment holding
China Success Finance Holdings Limited ("Success Finance")	Hong Kong Ltd	18 November 2011	10,000 shares of HKD1 each	100%	–	100%	Investment holding

(Expressed in Renminbi unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES *(continued)*

The following list contains the particulars of subsidiaries of the Group. *(continued)*

Name of company	Place of incorporation and kind of legal entity	Date of incorporation	Fully paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
China Success Capital (HK) Limited ("Success Capital (HK)")	Hong Kong Ltd	1 August 2016	–	100%	–	100%	Provision of asset management and merger services outside the PRC
Guangdong Success Asset Management Company Limited ("Success Asset")	The PRC Ltd	23 June 2004	RMB170,270,000	99.27%	–	99.27%	Provision of asset management and financial consultancy services in the PRC
Guangdong Success Finance Guarantee Company Limited ("Success Guarantee")	The PRC Ltd	26 December 1996	RMB430,000,000	99.27%	–	100%	Provision of financial guarantee services in the PRC
Shenzhen Success Financial Leasing Company Limited ("Success Financial Leasing")	The PRC Ltd	6 June 2014	USD28,000,000	100%	–	100%	Provision of financial leasing services in the PRC
Shenzhen Success Equity Investment Fund Management Limited ("Success Equity Fund")	The PRC Ltd	6 September 2014	RMB15,000,000	100%	–	100%	Equity investment in the PRC
Foshan Success Cloud Technology Company Limited ("Success Cloud")	The PRC Ltd	9 January 2019	RMB1,000,000	69.49%	–	70%	Provision of cloud technology development services in the PRC
Shenzhen Success Number One Equity Investment Fund Limited Partnership ("Success Fund")	The PRC LLP	14 January 2015	RMB194,000,000	100%	–	100%	Equity investment in the PRC
Shenzhen Qianhai Success Housing Wealth Management Company Limited ("Qianhai Success Housing")	The PRC Ltd	8 July 2015	RMB61,000,000	100%	–	100%	Provision of real estate financial services in the PRC
Foshan Success Financial Services Outsouring Limited ("Success Financial Services")	The PRC Ltd	15 October 2015	RMB30,126,000	60%	–	60%	Provision of real estate financial services in the PRC
Guangzhou Hengyue Number Six Investment Limited Partnership ("Hengyue Number Six")	The PRC LLP	23 February 2017	RMB45,070,027	99.34%	–	100%	Equity investment in the PRC
T. M. Management Limited ("T. M. Management")	Hong Kong Ltd	4 March 1986	HKD100,000	100%	–	100%	Provision of portfolio management services such as stocks, funds, bonds and so on outside the PRC
Yangmianshan Company Limited (Note 1)	The PRC Ltd	15 December 2017	RMB 3,000,000	51%	0%	51%	Provision of agricultural development services in the PRC

(Expressed in Renminbi unless otherwise indicated)

15 INVESTMENTS IN SUBSIDIARIES *(continued)*

Note 1 On 21 January 2020, Success Financial Leasing invested RMB1,530,000 in Yangmianshan Company, holding 51% of shares. The remaining 49% shares were held by Guangdong Huahuang Investment Co., Ltd. Yangmianshan Company focuses on the biological breeding industry. On merger date the identifiable net assets of Yangmianshan is RMB6,142,000. The Gain from investment in Yangmianshan is RMB1,602,000.

Note 2 On 21 February 2020, Foshan government approved the cancellation of Foshan Guangda Asset Management Co., Ltd..

Note 3 On 4 April 2020, Foshan government approved the cancellation of Foshan Success Technologies Co., Ltd..

Note 4 On 12 December 2019, Foshan government approved the cancellation of Foshan Zaisheng Number One Enterprise Management Consultancy Limited Partnership.

16 INTERESTS IN ASSOCIATES

The following list contains the particulars of the associates, which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and operation	Fully paid-up capital by all investors	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Principal activity
Foshan Chancheng Success Micro Credit Co., Ltd. ("Success Credit") 佛山市禪城集成小額貸款有限公司* (「集成貸款」)	Incorporated	The PRC	RMB250,000,000	27.08%	27.28%	Micro credit financing
Guangzhou Hengsheng Fund Management Co., Ltd. ("Guangzhou Hengsheng") 廣州恒晟基金管理有限公司* (「恒晟基金」)	Incorporated	The PRC	RMB23,900,000	40% (note 1)	40%	Equity fund management
Guangzhou Rongdacheng Information Technology Service Co., Ltd. ("Guangzhou Rongdacheng") 廣州融達成信息技術服務有限公司* (「廣州融達成」)	Incorporated	The PRC	RMB8,000,000	30% (note 2)	30%	Information technology
Guangzhou Success Capital Management Co.Ltd. ("Guangzhou Success Capital") 廣州集成資本管理有限公司* (「廣州集成資本」)	Incorporated	The PRC	RMB4,000,000	40% (note 4)	40%	Business Service

* The English translation of the names is for reference only. The official names of the entities are in Chinese.

16 INTERESTS IN ASSOCIATES *(continued)*

Note 1 Together with two entities, Success Fund established Guangzhou Hengsheng on 23 November 2015. Success Fund had fully paid up its subscribed capital of RMB20,000,000, which accounted for 40% of the total subscribed capital. In 2017, Xizang Xuekunfushen Investment Co., Ltd. (西藏雪坤富神投資有限公司), one of its shareholders, has paid up RMB3,900,000 of its subscribed capital.

Note 2 Together with two entities and two individuals, Success Fund established Guangzhou Rongdacheng on 20 July 2016. Success Fund had fully paid up its subscribed capital of RMB3,000,000, which accounted for 30% of the total subscribed capital.

Note 3 Together with two entities, Success Fund established Foshan Fozhiying Industrial Investment Co., Ltd. on 25 August 2016. Success Fund had subscribed capital of RMB2,400,000, which accounted for 30% of the total subscribed capital. Foshan Fozhiying Industrial Investment Co., Ltd has been cancelled on 8 April 2019.

Note 4 Together with three entities, Qianhai Success Housing established Guangzhou Success Capital on 24 July 2019. Qianhai Success Housing had paid RMB 4,000,000, which is half of its subscribed capital, and Qianhai Success Housing accounted for 40% of the total subscribed capital.

Note 5 The management made full impairment of interest in Success Credit in the year 2020.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

17 BIOLOGICAL ASSETS

Current biological assets	2020 RMB'000	2019 RMB'000
At 1 January	–	–
Increase due to purchasing	14,558	–
Decrease due to sales/culling	(3,725)	–
Changes in fair value less costs to sell	17,566	–
At 31 December	28,399	–

(i) Current biological assets

Current-commercial stocks include market hogs which are raised for sale.

17 BIOLOGICAL ASSETS *(continued)*

(ii) The quantities of market hogs owned by the Group at the end of the reporting period are as follows:

	At 31 December 2020 (Heads)
Current biological assets – market hogs	**5,950**

(iii) Fair value measurement of biological assets

Fair value hierarchy

The inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The fair value measurements of biological assets fall into level 3 of the fair value hierarchy.

During 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period and in which they occur.

All of the Group's biological assets were revalued as at 31 December 2020. The valuations were carried out by an independent and qualified valuer, Guangdong Zhongguangxin Asset Appraisal Co., Ltd. (the "Valuer"). The Group's chief financial officer had discussion with the Valuer on the valuation assumptions and valuation results when the valuation was performed at the end of the reporting period.

(Expressed in Renminbi unless otherwise indicated)

17 BIOLOGICAL ASSETS *(continued)*

(iii) Fair value measurement of biological assets (Continued)

Fair value hierarchy (Continued)

Information about Level 3 fair value measurement:

	Significant unobservable inputs	At 31 December 2020
Current biological assets		
– Finishing hogs (Note)	Market price	RMB36.5 per kilogram

Note:

Market prices were adopted for finishing hogs as there were active markets for the finishing hogs.

As at 31 December 2020, if market price cost increases by 10%, the estimated fair value of biological assets would have increased by RMB2,840,000, and if market price decreases by 10%, the estimated fair value of biological assets would have decreased by RMB2,840,000.

The changes in fair value of biological assets are presented in “Net changes in fair value of biological assets” in the consolidated statements of profit or loss and other comprehensive income.

18 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Motor vehicles RMB'000	Office and other equipment RMB'000	Construction in Progress RMB'000	Total Property, plant and equipment RMB'000
Cost				
At 1 January 2019	4,110	2,360	–	6,470
Additions	–	28	–	28
Disposals	–	(289)	–	(289)
Exchange adjustments	31	12	–	43
At 31 December 2019 and 1 January 2020	4,141	2,111	–	6,252
Additions	–	598	85,705	86,303
Disposals	–	(530)	–	(530)
Exchange adjustments	(86)	(2)	–	(88)
At 31 December 2020	4,055	2,177	85,705	91,937
Accumulated depreciation				
At 1 January 2019	(3,372)	(1,678)	–	(5,050)
Charge for the year	(270)	(273)	–	(543)
Written back on disposal	–	207	–	207
Exchange adjustments	(15)	(8)	–	(23)
At 31 December 2019 and 1 January 2020	(3,657)	(1,752)	–	(5,409)
Charge for the year	(244)	(105)	–	(349)
Written back on disposal	–	497	–	497
Exchange adjustments	57	1	–	58
At 31 December 2020	(3,844)	(1,359)	–	(5,203)
Net book value				
At 31 December 2020	211	818	85,705	86,734
At 31 December 2019	484	359	–	843

18 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	2020 RMB'000	2019 RMB'000
Included in "Property, plant and equipment"			
Other properties leased for own use, carried at depreciated cost	(i)	**19,715**	1,277

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Other properties leased for own use	**(2,700)**	(903)
Net book value	**17,015**	374

During the year, additions to right-of-use assets were RMB18,438,000 (2019: RMB1,280,000). This amount included right-of-use assets of leased land of RMB13,981,000 acquired through the acquisition of a subsidiary, Yangmianshan, and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

18 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Right-of-use assets *(continued)*

As disclosed in note 1(c), the Group has adopted the Amendment to HKFRS 16, Leases, Covid-19-Related Rent Concessions, and applies the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the period. Further details are disclosed in (i) below.

(i) Other properties leased for own use

The Group has obtained the right to use other properties as its office houses and the right to use land to build its pig farms and waste treatment facilities through lease agreements. The leases typically run for an initial period of 5 to 28 years.

In particular, the land leased for the Group's pig farms and waste treatment facilities was rural collective land leased by Yangmianshan to develop the pig selling business of the Group. To obtain the right to use the rural collective land, Yangmianshan has made a upfront lump sum contract payments to the previous contractor, and there are ongoing payments of lease payments to be made under the terms of the lease agreement. The lease payments are increased every five years according to the lease agreement.

19 OTHER FINANCIAL ASSETS

	Note	**31 December 2020 RMB'000**	31 December 2019 RMB'000
Financial assets measured at FVPL			
– Unlisted equity investment		**62,427**	38,375
– Conversion option embedded in convertible bonds	25	**1,728**	1,728
– Repurchase option	30(d)	**32**	3,650
Total		**64,187**	43,753

19 OTHER FINANCIAL ASSETS *(continued)*

On 6 April 2012, Success Guarantee entered into an agreement with Foshan Success Finance Group Co., Ltd. ("Foshan Finance"). On 12 October 2012, Success Asset entered into a tripartite agreement with Foshan Finance and a third party, who is a constructor. These agreements are related to acquisition of properties from Foshan Finance by Success Guarantee and Success Asset at a total consideration of RMB54,300,000. The properties are floors of a commercial building located in Foshan, the PRC. According to the agreements, Foshan Finance acts as the representative to lead the whole tender and development process, while the construction of the commercial building is subcontracted to the constructor by Foshan Finance. On 21 October 2013, Success Guarantee entered into a supplementary agreement with Foshan Finance, and Success Asset entered into a supplementary tripartite agreement with Foshan Finance and the constructor. On 23 October 2013, the prepayments of RMB20,893,000 and RMB27,300,000 were refunded to Success Guarantee and Success Asset, respectively. Prepayments of RMB6,107,000 from Success Guarantee was 3.5% of the costs of the land use rights of RMB174,480,000, which were paid by Foshan Finance to the relevant governmental bureau for and on behalf of and attributable to Success Guarantee.

On 25 January 2017, to increase the efficiency of the construction and development of the properties, Success Guarantee entered into an agreement with seven entities, which are related parties to the Group. On 9 February 2017, the eight parties established Foshan Shengshi Junen Enterprise Management Company Limited ("Shengshi Junen Enterprise Management"). Pursuant to the Article of Shengshi Junen Enterprise Management, Success Guarantee holds 3.5% shares of Shengshi Junen Enterprise Management, and contributed a 3.5% interest in the properties as the registered capital of Shengshi Junen Enterprise Management. On 14 November 2017, all shareholders of Shengshi Junen Enterprise Management paid up capital of RMB4,536,000 by cash. Success Guarantee contributed a 3.5% interest and paid up RMB159,000.

On 3 July 2019, Success Financial Leasing signed an agreement with Guangdong Yinhe Motorcycle Group Company Limited (the shareholder of Guangdong Mupai) that Success Financial Leasing acquired 12.90% equity of Guangdong Mupai through RMB11.85 million capital injection. As the transaction was facilitated by Mr. Zhang Tiewei, the Chairman and executive director of the Group, Mr Zhang Tiewei held shares indirectly in the Guangdong Mupai, it was accounted for capital reserve and deem to be a contribution from shareholder (see note 29(e)) for the difference between the acquisition price and the fair value of Guangdong Mupai's equity.

At 31 December 2020, the carrying amount of equity investment was RMB62,427,000 (2019: RMB38,375,000), 3.5% of the value of Shengshi Junen Enterprise Management and 12.9% of the value Guangdong Mupai.

20 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	Note	2020 RMB'000	2019 RMB'000
At 1 January		**21,305**	17,867
Provision for PRC income tax for the year	6(a)	**(373)**	25,768
PRC income tax paid		**(2,024)**	(22,330)
At 31 December		**18,908**	21,305

(b) Deferred tax assets and liabilities recognised

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the year are as follows:

	Deferred income RMB'000	Provision of financial guarantee losses RMB'000	Impairment allowances for trade and other receivables RMB'000	Accrued expenses RMB'000	Share of profit of an associate RMB'000	Government grants RMB'000	Interest receivables RMB'000	Long-term unamortised expenses RMB'000	Fair value change gains and losses RMB'000	Re-guarantee fee RMB'000	Total RMB'000
At 1 January 2019	30,255	(2,672)	8,753	939	(1,118)	(489)	(151)	(24,275)	(3,971)	(56)	7,215
Credited/(charged) to profit or loss	93,275	2,672	43,228	735	1,118	489	(434)	(82,087)	(1,084)	–	57,912
At 31 December 2019 and 1 January 2020	**123,530**	**–**	**51,981**	**1,674**	**–**	**–**	**(585)**	**(106,362)**	**(5,055)**	**(56)**	**65,127**
Credited/(charged) to profit or loss	**(59,233)**	**–**	**(18,438)**	**(328)**	**–**	**–**	**(307)**	**58,826**	**1,804**	**–**	**(17,676)**
At 31 December 2020	**64,297**	**–**	**33,543**	**1,346**	**–**	**–**	**(892)**	**(47,536)**	**(3,251)**	**(56)**	**47,451**

(c) Reconciliation to the consolidated statement of financial position

	31 December 2020 RMB'000	31 December 2019 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**47,451**	65,127

20 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

(d) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1 (t), the Group has not recognised deferred tax assets of RMB92,351,000 (2019: RMB80,570,000) in respect of cumulative tax losses of RMB389,789,000 (2019: RMB345,971,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The remaining unused tax losses were mainly from Success Financial Leasing (RMB124,336,000), Success Guarantee (RMB81,470,000), Success Equity Fund (RMB52,307,000) and do not expire under current tax legislation.

(e) Deferred tax liabilities not recognised

At 31 December 2020, temporary differences relating to the undistributed profits of the PRC subsidiaries amounted to RMB289,023,000 (2019: RMB221,771,000). Deferred tax liabilities of RMB28,902,000 (2019: RMB22,177,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that these profits will not be distributed in the foreseeable future (note 6 (b)(iv)).

21 GOODWILL

On 14 February 2018, the Group acquired 100% ordinary shares of T. M. Management Limited, which is licensed to carry out business of Type 9 Regulated activities as defined in the Securities and Futures Ordinance. The total consideration of the transaction was HKD6,897,000 which was paid in cash, of which HKD1,290,000 has been prepaid as at 31 December 2017. This has resulted in a goodwill arising on a business combination amounted to HKD6,500,000. Since T.M. Management conduct no business activities until 31 December 2019, the Group has charged full impairment for the goodwill of T.M. Management.

22 LIABILITIES FROM GUARANTEES

	Note	**31 December 2020 RMB'000**	31 December 2019 RMB'000
Deferred income		**256,988**	476,534
Provision of guarantee losses	(a)	**16,320**	10,111
Total		**273,308**	486,645

22 LIABILITIES FROM GUARANTEES (CONTINUED)

(a) Provision of guarantee losses

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
At 1 January		**10,111**	7,166
Charged for the year	5(a)	**6,209**	2,945
At 31 December		**16,320**	10,111

23 PLEDGED DEPOSITS RECEIVED

Pledged deposits received represent deposits received from customers or third parties as collateral security for the online financial guarantees issued by the Group. These deposits will be refunded to the customers or third parties upon expiry of the corresponding guarantee contracts. According to the contract, these deposits are expected to be settled within one year.

24 INTEREST-BEARING BORROWINGS

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
Note payables	(a)	**–**	38,555
Bank borrowings	(b)	**50,000**	–
Total		**50,000**	38,555

(A) NOTE PAYABLES

Note payables arose from the amendment deed regarding to the convertible bonds (note 25) on 11 January 2019. The fair value of Note payable was HKD46,057,000 on 11 January 2019. The maturity date of note payable is 31 January 2020, upon which the Company can apply for one year extension subject to the Purchaser's approval. 31 January 2020, the Purchaser agrees to extend the maturity date to 31 July 2020. On 27 February 2020 and 28 May 2020, the Group redeemed the principal of Note payables of HKD20,000,000 and HKD20,000,000 respectively. As at 31 December 2020, all the Note payable has been repaid by the Group.

(B) BANK BORROWINGS

As at 31 December 2020, the bank borrowings of RMB50,000,000 were repayable within one year and secured. The bank borrowings were secured by the Group's bank deposits of RMB50,800,000.

As at 31 December 2020, banking facilities of the Group totaling RMB60,000,000 were utilized to the extent of RMB50,000,000.

No covenants relating to the Group or the subsidiary's financial ratios were required by the bank as of 31 December 2020.

25 LIABILITY COMPONENT OF CONVERTIBLE BONDS

(a) On 1 February 2018, the Company issued the convertible bonds (the "Original CBs") with a principal amount of HKD154,000,000 at face value. For details, please refer to the Company's announcement on 25 January 2018. Major terms of the Original CBs are as below:

(i) The Original CBs carry 6% coupon interest per annum payable semi-annually in arrears on 1 February and 1 August in each year. The Company shall pay each Purchaser administrative fee equal to 1% of the aggregate principal amount of the outstanding bonds held by each Purchaser on each of the issue date and each anniversary thereof.

(ii) The issuer may redeem the Original CBs in full, but not in part, at any time the first anniversary of the issue date at an amount equal to the aggregate of; (i) the aggregate principal amount of all the outstanding CBs; (ii) any accrued but unpaid interest (including any default Interest) and outstanding administrative fees on such outstanding CBs; and (iii) an amount that would yield an internal rate of return of 10% on the aggregate principal amount of such outstanding CBs from the issue date until the date on which the entire outstanding amount of such redemption price has been fully paid by the issuer.

(iii) Subject to and upon compliance with those conditions in contract, the conversion right in respect of the Original CBs may be exercised, at the option of the Purchaser thereof, at any time full or in part after 12 months from the issue date up to the close of business on 1 business day prior to the maturity date (both days inclusive) by giving a notice to the issuer of not less than 10 business days. The conversion price will initially be HKD2.20 per share.

(iv) Major financial requirements of the Original CBs are as below:

– the Total Net Assets being not less than RMB800,000,000 (or its equivalent in any other currency or currencies) without taking into account the effect on the Total Net Assets caused by a change of the fair value for the Bonds;

– the Gearing Ratio being not more than forty (40) percent;

The Original CBs contain two components, the liability and equity components. The initial fair value of the two components was determined based on gross proceeds at issuance. The initial fair value less allocated transaction costs of the liability component was estimated to be approximately HKD116,928,000 as at the issuance date by using the Binomial Tree Model, taking into account the terms and conditions of the Original CBs. In subsequent periods, the liability component is measured at amortized cost using effective interest rate method. The effective interest rate of the liability component of CBs is 17.8% per annum. The residual amount less allocated transaction costs representing the value of the equity component of approximately HKD37,128,000, was presented in equity under the heading 'capital reserve'.

25 LIABILITY COMPONENT OF CONVERTIBLE BONDS (CONTINUED)

(b) On 11 January 2019, the Company entered into an amendment deed ("Amendment Deed"). Pursuant to the Amendment Deed, certain terms of the CBs were amended, including: (i) repayment of a partial principal amount of the CBs of HKD10,000,000, (ii) issuance of a HKD60,000,000.00 interest-bearing Note at an interest rate of 6%, (iii) a downward revision of Conversion Price from HKD2.20 to HKD1.09 for the outstanding 77,064,200 Conversion Shares of the CBs with a principal amount of HKD84,000,000 (the "New CBs"), and (iv) an early redemption option that the Company could redeem, or a designated third party could purchase, the outstanding New CBs with an internal rate of return of 26% on the aggregate principal amount of such outstanding New CBs, in whole or in part, from the issue date until the date on which the entire outstanding amount of such redemption price has been fully paid by the Company. For details, please refer to the Company's announcement on 27 December 2018.

The amendment resulted in the derecognition of the original CBs as a whole and the recognition of (i) an interest-bearing borrowing at fair value of RMB41,257,000 for the Note payable at 31 December 2019 and all the Note payable has been repaid by the Company at 31 December 2020 (note 24); (ii) new financial liability and equity components of the New CBs and a financial asset at fair value of RMB1,728,000 (note 19) for the early redemption option.

The New CBs contain two components, the liability and equity components. The initial fair value of the liability component was estimated to be approximately HKD66,844,000 as at 11 January 2019. In subsequent periods, the liability component is measured at amortized cost using effective interest rate method. The effective interest rate of the liability component of the New CBs is 20.6% per annum. The residual amount representing the value of the equity component of approximately HKD14,539,000, was presented in equity under the heading 'capital reserve'.

– the Group has repaid all the Note payables including interest amounted of HKD21,326,000, HKD21,870,000 and HKD11,119,500, as per the repayment schedule of the Note payables in February 2020, May 2020 and July, respectively.

– the Group has converted HKD10,000,000 to 9,174,312 ordinary shares in 10 November 2020. The converted ordinary shares account for 1.72% of all ordinary shares, and increased RMB8,470,000 share premium.

25 LIABILITY COMPONENT OF CONVERTIBLE BONDS *(continued)*

(b) *(continued)*

The movements of components of the CBs and the New CBs during the period are set out below:

	Liability component RMB'000	**Equity component** RMB'000
At the date of issue	93,660	29,695
Interest charge	16,224	–
Net increase in interest payable	(3,001)	–
Net increase in administrative fee paid in advance	112	–
Interest paid	(4,015)	–
Administrative fee paid	(1,238)	–
Exchange adjustment	8,898	–
At 1 January 2019	110,640	29,695
Interest charge	602	–
Net increase in interest payable	(245)	–
Net increase in administrative fee paid in advance	(41)	–
Exchange adjustment	2,068	–
At 11 January 2019 before modification	113,024	29,695
Derecognition of the CBs	(113,024)	(29,695)
Recognition of the New CBs upon modification	59,878	12,596
Interest charge	11,277	–
Net increase in interest payable	(1,873)	–
Net increase in administrative fee paid in advance	(11)	–
Interest paid	(2,505)	–
Administrative fee paid	(752)	–
Exchange adjustment	757	–
At 31 December 2019 and 1 January 2020	**66,771**	**12,596**
Conversion during the year	**(7,129)**	**(1,500)**
Interest charge	**13,817**	**–**
Net increase in interest payable	**(4,186)**	**–**
Net increase in administrative fee paid in advance	**(737)**	**–**
Interest paid	**(2,541)**	**–**
Administrative fee paid	**(840)**	**–**
Exchange adjustment	**(5,140)**	**–**
At 31 December 2020	**60,015**	**11,096**

26 ACCRUALS AND OTHER PAYABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Accruals and other payables	**65,393**	223,450

(i) Accruals and other payables are expected to be settled within one year or time dependent but both of them are repayable on demand.

27 LEASE LIABILITIES

At 31 December 2020, the lease liabilities were repayable as follows:

	31 December 2020		31 December 2019	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**1,055**	**1,640**	460	487
After 1 year but within 2 years	**984**	**1,511**	209	219
After 2 years but within 5 years	**2,213**	**3,524**	–	–
After 5 years	**7,277**	**12,232**	–	–
	10,474	**17,267**	209	219
	11,529	**18,907**	669	706
Less: total future interest expenses		**(7,378)**		(37)
Present value of lease liabilities		**11,529**		669

(Expressed in Renminbi unless otherwise indicated)

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company adopted a share option scheme on 18 October 2013 (the "Share Option Scheme") whereby one director and 49 employees in the Group were invited, to take up options at HKD1 to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

On 18 May 2020, the Group granted the share options (the "Post-IPO Share Options"). Upon acceptance by the relevant grantees, it has been granted 31,755,400 share options to subscribe for 31,755,400 ordinary shares of the company at HKD0.84 each. Among 31,755,400 share options, 3,600,000 share options have been granted to directors of the board of directors, 3,155,400 share options have been granted to core employees of the Group, and 25,000,000 share options have been granted to employees of the Group with specific performance targets for incentives. These options will be exercisable at HKD0.84 per share and mature within 10 years.

(a) The terms and conditions of the grants are as follows:

Date granted	Vesting date	Expiry date	Number of share options granted			Contractual life of options
			Director	Employees	Total	
18 May 2020	18 May 2020	17 May 2030	3,600,000	3,155,400	6,755,400	10 years
	31 March 2021	17 May 2030	–	6,250,000	6,250,000	10 years
	31 March 2022	17 May 2030	–	8,750,000	8,750,000	10 years
	31 March 2023	17 May 2030	–	10,000,000	10,000,000	10 years
			3,600,000	28,155,400	31,755,400	
6 November 2013	30 June 2014	5 November 2023	500,000	4,500,000	5,000,000	10 years
	30 June 2016	5 November 2023	300,000	2,700,000	3,000,000	10 years
	30 June 2018	5 November 2023	200,000	1,800,000	2,000,000	10 years
			1,000,000	9,000,000	10,000,000	

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(b) The number and weighted average exercise prices of share options are as follows:

Date granted 18 May 2020	**2020** Exercise price	**2020** Number of options '000	2019 Exercise price	2019 Number of options '000
Granted and outstanding on grant day	**HKD 0.84**	**31,755**	HKD 0.00	–
Forfeited during the period/year	**HKD 0.84**	**–**	HKD 0.00	–
Exercised during the period/year	**HKD 0.84**	**–**	HKD 0.00	–
Granted and outstanding at the end of the period/year	**HKD 0.84**	**31,755**	HKD 0.00	–
Exercisable at the end of the period/year	**HKD 0.84**	**6,755**	HKD 0.00	–

Date granted 6 November 2013	**2020** Exercise price	**2020** Number of options	2019 Exercise price	2019 Number of options
Granted and outstanding at the beginning of the year	**HKD1.90**	**6,493**	HKD1.90	6,498
Forfeited during the year	**HKD1.90**	**(20)**	HKD1.90	(5)
Exercised during the year	**HKD1.90**	**–**	HKD1.90	–
Granted and outstanding at the end of the year	**HKD1.90**	**6,473**	HKD1.90	6,493
Exercisable at the end of the year	**HKD1.90**	**6,473**	HKD1.90	6,493

Note: The options outstanding at 31 December 2020 had an exercise price of HKD0.84 or HKD1.90 and a weighted average remaining contractual life of 9.5 years or 2.8 years (31 December 2019: 3.8 years).

(Expressed in Renminbi unless otherwise indicated)

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(c) Fair value of share options and assumptions:

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value and assumptions of share options granted on 18 May 2020

Fair value (weighted average) per share option at measurement date	HKD0.42
Share price	HKD0.84
Exercise price	HKD0.84
Expected volatility rate	52%
Option life	10 years
Expected dividends	0%
Risk-free interest rate (based on Exchange Fund Notes)	0.55%

Fair value and assumptions of share options granted on 6 November 2013

Fair value (weighted average) per share option at measurement date	HKD1.60
Share price	HKD2.68
Exercise price	HKD1.90
Expected volatility rate	65%
Option life	10 years
Expected dividends	0%
Risk-free interest rate (based on Exchange Fund Notes)	1.87%

The expected volatility is based on the historic volatilities of the share prices of the comparable companies in recent years around the date of valuation. Changes in the subjective input assumptions could materially affect the fair value estimate.

The risk-free rate of interest with expected term shown above was taken to be the linearly interpolated yields of the Hong Kong Exchange Fund Notes as at the grant date.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no other market conditions associated with the share options grants.

29 SHARE CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	The Company					
	Share capital RMB'000 Note 29(c)	Share premium RMB'000 Note 29(d)	Capital reserve RMB'000 Note 29(e)	Exchange reserve RMB'000 Note 29(h)	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2019	4,187	442,174	38,728	37,780	(112,359)	410,510
Changes in equity for 2019:						
Loss for the year	–	–	–	–	(38,017)	(38,017)
Exchange differences on translation of financial statement	–	–	–	8,204	–	8,204
Total comprehensive income	–	–	–	8,204	(38,017)	(29,813)
Convertible bond	–	–	(17,099)	–	17,099	–
Balance at 31 December 2019	4,187	442,174	21,629	45,984	(133,277)	380,697

29 SHARE CAPITAL AND RESERVES *(continued)*

(a) Movements in components of equity *(continued)*

	The Company					
	Share capital RMB'000 Note 29(c)	Share premium RMB'000 Note 29(d)	Capital reserve RMB'000 Note 29(e)	Exchange reserve RMB'000 Note 29(h)	Accumulated losses RMB'000	Total RMB'000
Balance at 31 December 2019	4,187	442,174	21,629	45,984	(133,277)	380,697
Changes in equity for 2020:						
Loss for the year	–	–	–	–	11,942	11,942
Exchange differences on translation of financial statement	–	–	–	(20,419)	–	(20,419)
Total comprehensive income	–	–	–	(20,419)	11,942	(8,477)
Convertible bonds convert to share capital	79	8,470	–	–	–	8,549
Shares issued under share option scheme	–	2,404	3,465	–	–	5,869
Balance at 31 December 2020	4,266	453,048	25,094	25,565	(121,335)	386,638

(b) Dividends

The Company did not declare dividend through the year of 2020 and 2019. Thus, there is no balance for dividend payable at 31 December 2020.

29 SHARE CAPITAL AND RESERVES *(continued)*

(c) Share capital

(i) Authorised and issued share capital

	2020			2019		
	No. of shares '000	**Share capital HKD'000**	**Share capital RMB'000**	No. of shares '000	Share capital HKD'000	Share capital RMB'000
Authorised:						
Ordinary shares of HKD0.01 each	**800,000**	**8,000**	**6,512**	800,000	8,000	6,512
Ordinary shares, issued and fully paid:						
At 1 January	**524,635**	**5,246**	**4,187**	524,635	5,246	4,187
Convertible bonds convert to shares	**9,174**	**92**	**79**	–	–	–
At 31 December	**533,809**	**5,338**	**4,266**	524,635	5,246	4,187

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Purchase of own shares

The Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

	Number of shares repurchased	Highest price paid per share HKD	Lowest price paid per share HKD	Aggregate price paid HKD'000
Month/Year				
July 2018	5,770,000	1	1	5,896
October 2018	400,000	1	1	298
Total				6,194

29 SHARE CAPITAL AND RESERVES *(continued)*

(c) Share capital (Continued)

(ii) Purchase of own shares (Continued)

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of HKD6,194,000 was paid wholly out of retained profits.

(d) Share premium

Under the Companies Law of the Cayman Islands, the funds in the Company's share premium account are distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(e) Capital reserve

The capital reserve comprises the following:

– the difference between the nominal value of share capital of the Company and the paid-up capital of Success Guarantee, plus the net assets acquired from the inserting companies (holding companies of Success Guarantee, including the Company, Double Chance, Success Finance and Success Asset) pursuant to a group reorganisation completed on 17 September 2012;

– the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payment in note 1(s)(ii);

– the amount allocated to the unexercised equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes in note 1(r).

– the waiver of debts from related parties in 2013.

– Contribution from shareholder: the difference between the acquisition price and the fair value of Guangdong Mupai's equity (see note 19).

– On 18 May 2020, the Group granted 31,755,400 share options to directors and key personnel. Amortization of the share options in the current period from the amounts.

29 SHARE CAPITAL AND RESERVES *(continued)*

(f) Surplus reserve

Surplus reserve comprises statutory surplus reserve and discretionary surplus reserve.

The entities established in the PRC are required to appropriate 10% of its net profit, as determined under the China Accounting Standards for Business Enterprises (2006) and other relevant regulations issued by the Ministry of Finance of the PRC ("MOF"), to the statutory surplus reserve until the balance reaches 50% of the registered capital.

Subject to the approval of equity holders of the entities established in the PRC, statutory surplus reserves may be used to net off with accumulated losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital.

After making the appropriation to the statutory surplus reserve, the Group may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders. Subject to the approval of shareholders, discretionary surplus reserves may be used to make good previous years' losses, if any, and may be converted into capital.

(g) Regulatory reserve

According to the Interim Measures for the Administration of Financial Guarantee Companies ("Interim Measures") issued at 8 March 2010 by the relevant government authorities in the PRC, financial guarantee companies shall establish unearned premium reserve equal to 50% of guarantee premium recognised during the year, and indemnification reserve of no less than 1% of the outstanding guarantee balances undertaken by the entities established in the PRC. The Group started to accrue the required amounts set by relevant government authorities less the provision of financial guarantee losses as regulatory reserve from 2011. According to the details implementation guidance No. 149 issued by the People's Government of Guangdong Province on the Interim Measures, the use of the aforementioned regulatory reserve is subject to further guidance from the Financial Work Office of People's Government of Guangdong Province.

(h) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policies set out in note 1(z).

29 SHARE CAPITAL AND RESERVES *(continued)*

(i) Distributability of reserves

At 31 December 2020, the aggregate amounts of reserves available for distribution to equity shareholders of the Company was RMB382,372,000 (2019: RMB376,510,000).

The directors had not proposed any dividends distribution for the years ended 31 December 2020 and 2019.

(j) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and lease liabilities but excludes redeemable preference shares) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable preference shares, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, market and liquidity risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practice used by the Group to manage these risks are described below.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit risk primarily arises from the possibility that a customer or counterparty in the transaction may default, leading to losses. Credit risk is primarily attributable to outstanding guarantees issued by the Group, financial leasing service, factoring receivable and down payments for investment. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks, for which the Group considers having low credit risk.

The Group has entered into financial guarantee contracts in which it has guaranteed the financial institutions (including the banks) the repayment of loans entered into by customers of the Group. The Group has the obligation to compensate the financial institutions for the losses they would suffer if customers fail to repay.

Risk management committees of Success Guarantee, Success Financial Leasing and Success Asset under the leadership of the executive directors are tasked with organising and coordinating the risk management and internal control for guarantee business, financial leasing business and factoring business, respectively. The committees comprised of the Group's internal personnel. The committees are responsible for (i) designing and implementation of overall risk management internal control policies and procedures and establishing appropriate risk appetite; (ii) designing and execution of due diligence procedures; (iii) reviewing the creditworthiness of customers before submitting to the executive directors for final approval.

The Group has taken measures to identify credit risks arising from guarantees issued, finance lease receivable, factoring receivable and down payments for investments. The Group manages credit risk at every stage along the approval process, including pre-transaction, in-transaction and post-transaction monitoring processes. The Group conducts due diligence and evaluates customers by internal credit assessment system during the pre-approval process.

Guarantees issuance, finance leases issuance and factoring issuance are subject to approval of the risk management committees and the executive Directors.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

The project managers assigned to each case monitor the post-transaction status of the customers. Each manager is responsible for a number of customers. They visit the customers regularly to understand their operation and financial status by checking their financial reports, sale contracts, sale invoices, value added tax filing documents, utility bills and bank statements and other relevant documents.

The Group has established guidelines on the acceptability of various classes of collateral and determined the corresponding valuation parameters. The guidelines and collateral valuation parameters are subject to regular reviews to ensure their effectiveness over credit risk management. The extent of collateral coverage over the Group's outstanding guarantees depends on the type of customers and the product offered. Types of collateral mainly include land use rights, machineries and equipment, properties and vehicles, etc. As at 31 December 2020, the carrying value of outstanding guarantees of RMB4,189,363,000 (2019: RMB14,062,874,000) is fully or partially covered by collateral.

(i) Risk concentration

When a certain number of clients undertake the same business activities, stay in the same geographical locations, or bear similar economic features for their industries, their ability to fulfil contracts will be affected by the same economic changes. Concentration of credit risk reflects the sensitivity of the Group's operating results to specific industries or geographical locations. As the Group mainly operates its businesses in Guangdong Province of the PRC, there exists a certain level of geographical concentration risk for its guarantee portfolios in that it might be affected by changes in the local economic conditions.

As at 31 December 2019, the Group has a group of customers that was in the construction industry sector at Foshan in financial difficulties. The banks of this group of customers have packed their debts as assets packages and sold the assets packages to two asset management companies. Instead of arranging restructuring of these purchased debts for this group of customers, these two asset management companies announced to dispose of the collaterals in assets packages in April 2019 and June 2019, respectively. These customers have ceased their operation, accordingly. These indicators significantly increase the uncertainty of recoverability for the receivables from this group of customers. In view of these circumstances, the directors have given careful consideration and performed assessment on the future recoverability of the receivables due from this group of customers. The Group has made impairment allowances of RMB457,502,000 in total as at 31 December 2019 (notes 12, 13 and 14).

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

(i) Risk concentration *(continued)*

Shunde District People's court has accepted the bankruptcy liquidation of these customers, Ltd. at December 1, 2020, and held the first creditors' meeting on March 9, 2021. In view of these circumstances, the Group has made impairment allowances of RMB47,271,000 in total as at 31 December 2020 (note 12).

The maximum exposure to credit risk in respect of these guarantees as at 31 December is as follows:

	2020		2019	
	RMB'000	%	RMB'000	%
Traditional financial services	60,701	1%	57,303	0%
Online financial services	3,671,343	88%	13,500,136	96%
Construction and installation	315,834	8%	419,787	3%
Wholesale and retailing	83,917	2%	65,730	1%
Animal husbandry	50,000	1%	–	0%
Others	7,568	–	19,918	–
Total	4,189,363	100%	14,062,874	100%

The maximum exposure to credit risk in respect of receivables from guarantee payments, financial leasing service, factoring receivable and down payments for investments as at 31 December is as follows:

	2020		2019	
	RMB'000	%	RMB'000	%
Construction and installation	70,779	55%	140,446	54%
Business service	10,456	7%	40,713	15%
Wholesale and retailing	43,094	25%	57,556	22%
Financial services	16,431	8%	13,913	5%
Others	4,705	5%	10,800	4%
Total	145,465	100%	263,428	100%

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

(ii) Measurement of ECL

Based on whether there is a significant increase in credit risk and whether the asset has incurred credit impairment, the Group measures allowances for loss of different assets with 12-month ECL or lifetime ECL, respectively.

The Group measures loss provision of the financial instruments that meet the following conditions according to the amount of expected credit losses within the next 12 months, and measures loss allowances for other financial instruments in accordance with the amount of lifetime expected credit losses.

– The financial instruments that are determined to have low credit risk at the reporting date; or

– The financial instruments for which credit risk has not increased significantly since initial recognition.

Significant increase in credit risk

When one or more quantitative, qualitative standards or upper limits are triggered, the Group assumes that credit risk on financial instruments has increased significantly.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

(ii) Measurement of ECL *(continued)*

Significant increase in credit risk (continued)

If the counterparty is listed in the watch list and one or more of the following criteria are met:

– The credit spread increases significantly;

– Significant changes with an adverse effect that have taken place in the counterparty's business, financial and economic status;

– Application of a grace period or debt-restructuring;

– Significant changes with an adverse effect in the counterparty's operating conditions;

– Less value of the collaterals;

– Early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of guarantees;

– The payment is more than 30 days past due.

The standards used in determining whether credit risk increases significantly are regularly monitored and reviewed by the management for the appropriateness.

As at 31 December 2020, the Group has not considered that any of its financial instruments has lower credit risk and no longer compared the credit risk at the balance sheet date with that at the initial recognition to identify whether there was a significant increase in credit risk.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

(ii) Measurement of ECL *(continued)*

Definition of "default" and "credit-impaired assets"

When a financial instrument meets one or more of the following conditions, the Group considers the financial asset to be in default, and the criteria are consistent with the definition of credit-impaired assets.

The financial asset is more than 90 days past due.

The counterparty meets the criterion of "having difficulty in repayment", which indicates that the counterparty has significant financial difficulty, including:

– the counterparty has been in the grace period for a long time;

– the death of the counterparty;

– the counterparty enters bankruptcy;

– the counterparty breaches (one or more) terms of the contract that the debtor shall be subject to;

– the disappearance of an active market for the related financial asset because of financial difficulties faced by the counterparty;

– the creditor make concessions due to the financial difficulties faced by the counterparty;

– it becomes probable that the counterparty will enter bankruptcy;

– a higher discount was obtained during the acquisition of assets, and the assets has incurred credit loss when they are acquired.

The above criteria apply to all financial instruments of the Group and they are consistent with the definition of "default" adopted by the internal management of credit risk.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

(ii) Measurement of ECL *(continued)*

Notes to the parameters, assumptions and valuation techniques

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

– PD refers to the likelihood that a counterparty will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the guarantee;

– EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the guarantee;

– LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

The Group determines the expected credit losses by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future months. The Group multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). By adopting this approach, the Group can calculate the expected credit losses for the future months. The results of calculation for each month are then discounted to the balance sheet date and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime PD is deduced from using the maturity model or 12-month probability of default. The maturity model describes the development rule of the defaults of the asset portfolio over its lifetime. The model is developed based on historical observational data and applicable to all assets in the same portfolio with the same credit rating. The above method is supported by empirical analysis.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

(ii) Measurement of ECL *(continued)*

Notes to the parameters, assumptions and valuation techniques *(continued)*

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different according to different types of products.

– In respect of the guarantees with instalment repayments and bullet repayment, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of over-limit repayment and prepayments/refinancing made by the counterparty.

– In respect of the products of revolving credit agreement, the Group estimates the remaining withdrawal within the limits by using the balance of the loan after previous withdrawals and the "credit conversion factor", so as to predict the exposure at default. Based on the Group's analysis on recent default data, these assumptions vary based on differences in product type and utilization rate of the limits.

– The Group determines the 12-month LGD and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.

– As to guarantees, the Group determines the LGD according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.

– Forward-looking economic information should be considered when determining the 12-month and lifetime PD, EAD and LGD.

The Group quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

Both the assessment of the significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including GDP, increase in RMB loans, PPI, etc.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

(ii) Measurement of ECL *(continued)*

Notes to the parameters, assumptions and valuation techniques (continued)

There has been no significant changes in the valuation techniques and key assumptions during the reporting period.

The Group's other credit risk is attributable to bank deposits and security deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The bank deposits and security deposits of the Group are mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

During year 2020, Covid-19 has a great impact on the macro economy, the Group considers the related effects in the ECL model and the relevant amount has no significant influence on the allowances.

(b) Market risk

Market risk arises when the adverse changes in market prices (interest rates, exchange rates, as well as equity prices and other prices) lead to losses from the Group's on-balance sheet and off-balance sheet businesses. The Group's market risk mainly arises from currency risk and interest rate risk.

(i) Currency risk

The Group's businesses are principally conducted in RMB, while most of the Group's monetary assets and liabilities are denominated in HKD and RMB. At the end of the reporting period, the recognised assets or liabilities are mainly denominated in the functional currency of the Group entity to which they relate. Accordingly, the directors considered the Group's exposure to foreign currency risk is not significant during the year.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict to foreign currencies for current account transactions in the future.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Market risk (Continued)

(i) Currency risk (Continued)

Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividend in foreign currencies to its equity shareholders.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is principally engaged in the provision of guarantee service, finance lease service, factoring service and related consulting services to SME enterprises in the PRC. Its interest rate risk arises primarily from deposits with banks, factoring receivable, finance lease receivable and obligations under finance leases.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rate. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its cash flow risks.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Market risk *(continued)*

(iii) Interest rate profile

The following tables detail the interest rate profile of the Group's assets and liabilities as of the end of the years:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Fixed interest rate		
Financial liabilities		
– Obligations under finance leases	**(104)**	(272)
– Interest-bearing borrowings	**(50,000)**	(44,789)
– Lease liabilities	**(11,529)**	(669)
	(61,633)	(45,730)
Variable interest rate		
Financial assets		
– Cash and bank deposits	**86,448**	193,752
– Pledged bank deposits	**–**	397
	86,448	194,149

(iv) Sensitivity analysis

At 31 December 2020, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have increased/decrease the Group's loss after tax and accumulated losses for the next 12 months by approximately RMB324,000 (2019: RMB728,000).

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate non derivative instruments held by the Group at the end of the reporting period. The impact on the Group's retained loss after taxation is estimated as an annualised impact on interest expense or income of such a change in interest rates.

The analysis is performed on the same basis as 2019.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Liquidity risk

Management regularly monitors the Group's liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

As at 31 December 2020, the Group has approximately RMB60,015,000 (note 25) bond payables due to a Purchaser.

Pursuant to the subscription agreement of the bond, there are financial covenants that the Group's total net assets should be not less than RMB800,000,000 without taking into account the effect on the net assets caused by a change of fair value for the bond and the Group's gearing ratio, as defined in the subscription agreement, should not be more than 40 per cent. As at 31 December 2020, the Group's total net assets was less than RMB800,000,000 and the Group's gearing ratio is higher than 40 percent. Accordingly, the bond is subject to the bond Purchaser's right of repayment on demand. The bond Purchaser also has the right to confiscate the pledged 110,000,000 shares of the Group, held by Mr. Zhang Tiewei. Up to the date of approval of these financial statements, the Group has not received any demand notice from Purchaser of the bond for immediate repayment.

The Group is conducting capital management arrangements to manage the Group's liquidity needs and to improve the Group's financial position which include, but are not limited to, the following:

– As at 31 December 2020, all the Note payable has been repaid by the Group.

– Mr. Zhang Tiewei, the chairman and executive director, would continue to provide personal guarantee and deposit no less than 110,000,000 shares of the Group in the bond Purchaser's account for the bond; and

– the Group is negotiating with the bond's Purchaser for renewal of the financial covenants clauses and extension of the subscription agreement of the bond. The renewed agreement is still under processing by lawyers up to the date of these financial statements.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Liquidity risk *(continued)*

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

		Contractual undiscounted cash outflows as at 31 December 2020					
	Carrying amount RMB'000	Contractual undiscounted cash outflows RMB'000	Repayable on demand RMB'000	Within one year RMB'000	two years or less but over one year RMB'000	Five years or less but over two years RMB'000	over five years RMB'000
Non-derivatives financial liabilities							
Liability component of convertible bonds	60,015	62,281	62,281	–	–	–	–
Lease Liabilities	11,529	18,907	–	1,640	1,511	3,524	12,232
Interest-bearing borrowings	50,000	50,000	–	50,000	–	–	–
Total	121,544	131,188	62,281	51,640	1,511	3,524	12,232
Guarantees							
Financial guarantee	182,473	182,473	–	164,473	18,000	–	–
Online financial services	3,671,343	3,671,343	3,671,343	–	–	–	–
Performance guarantee	292,747	292,747	3,450	86,801	202,134	362	–
Litigation guarantee	42,800	42,800	42,800	–	–	–	–
Maximum guarantees exposure	4,189,363	4,189,363	3,717,593	251,274	220,134	362	–

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Liquidity risk *(continued)*

	Contractual undiscounted cash outflows as at 31 December 2019						
	Carrying amount RMB'000	Contractual undiscounted cash outflows RMB'000	Repayable on demand RMB'000	Within one year RMB'000	Two years or less but over one year RMB'000	Five years or less but over two years RMB'000	Over five years RMB'000
Non-derivatives financial liabilities							
Liability component of convertible bonds	66,771	82,770	82,770	–	–	–	–
Lease Liabilities	669	706	40	447	219	–	–
Interest-bearing borrowings	38,555	54,587	54,587	–	–	–	–
Total	105,995	138,063	137,397	447	219	–	–
Guarantees							
Financial guarantee	126,046	126,046	–	70,316	55,730	–	–
Online financial services	13,500,136	13,500,136	13,500,136	–	–	–	–
Performance guarantee	380,052	380,052	–	100,247	78,948	200,857	–
Litigation guarantee	56,640	56,640	5,735	50,905	–	–	–
Maximum guarantees exposure	14,062,874	14,062,874	13,505,871	221,468	134,678	200,857	–

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Liquidity risk *(continued)*

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled less than 12 months after the reporting date.

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
Financial assets			
Factoring receivable	13	**56,084**	55,178
Finance lease receivable	14	**41,579**	45,339
Financial liabilities			
Lease liabilities	27	**1,055**	460
Liability component of convertible bonds	25	**60,015**	66,771
Interest-bearing borrowings	24	**50,000**	38,555

For the cash and cash equivalents of the Group as at 31 December 2020 and 31 December 2019, please refer to note 10.

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date.

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
Financial assets			
Other financial assets	19	**64,187**	43,753
Financial liabilities			
Lease liabilities	27	**10,474**	209

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31 December 2020 RMB'000	**Fair value measurements as at 31 December 2020 categorised into Level 3 RMB'000**	Fair value at 31 December 2019 RMB'000	Fair value measurements as at 31 December 2019 categorised into Level 3 RMB'000
Recurring fair value measurements				
Assets:				
Equity investments	**62,427**	**62,427**	38,375	38,375
Conversion option embedded in convertible notes	**1,728**	**1,728**	1,728	1,728
Repurchase option	**32**	**32**	3,650	3,650

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Fair value measurement (Continued)

(i) Financial assets measured at fair value (Continued)

Fair value hierarchy (Continued)

As at 31 December 2020, the Group held only one other financial asset, which was an equity investment in an unlisted company (note 19), with fair value measurement categorised into level 3.

Information about Level 3 fair value measurements

The fair value of unlisted equity investment is determined using the sales comparison approach for the land element of the property and depreciated replacement cost approach for the improvement of the property.

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Other financial assets		
At 1 January	**43,753**	23,951
Additional investment acquired	**–**	13,738
Conversion option embedded in convertible bonds	**1,728**	1,728
Repurchase option	**32**	3,650
Changes in fair value recognised in profit or loss during the year	**18,674**	686
At 31 December	**64,187**	43,753

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2020 and as at 31 December 2019.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(d) Fair value measurement *(continued)*

Fair value hierarchy *(continued)*

(ii) Fair values of financial assets and liabilities carried at other than fair value (continued)

The following summarises the major methods and assumptions used in estimating the fair value of financial instruments.

(i) Trade and other receivables, factoring receivable and finance lease receivable

Trade and other receivables, factoring receivable and finance lease receivable are initially recognised at fair value and thereafter stated at amortised cost less allowances for impairment of doubtful debts. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date.

(ii) Guarantees issued

The fair value of guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

(iii) Interest rates used for determining fair value

The market interest rates adopted for determining the fair value of trade and other receivables are ranging from 2.47% to 2.95% as at 31 December 2020 (2019: 2.36% to 2.89%).

31 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2020 not provided for in the financial statements were as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Contracted for	**27,806**	–

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

During the year, transactions with the following parties are considered as related parties:

Name of related party	Relationship
Mr. Zhang Tiewei	A substantial shareholder, chairman and executive director
Mr. Xu Kaiying	A substantial shareholder and executive director
Mr. Pang Haoquan	A substantial shareholder and executive director
Mr. Li Bin	Chief executive officer and executive director
Ms. Dai Jing	Chief operation officer and executive director
Mr. He Darong	A substantial shareholder and non-executive director
Mr. Tsang Hung Kei	Independent non-executive director
Mr. Au Tien Chee Arthur	Independent non-executive director
Mr. Xu Yan	Independent non-executive director
Mr. Zhou Xiaojiang	Independent non-executive director
Foshan Finance (佛山市集成金融集團有限公司)	A company of which 100% interest is held by Mr. Zhang Tiewei, Mr. Xu Kaiying and Mr. Pang Haoquan
Success Credit (佛山市禪城集成小額貸款有限公司)	Associate of the Group since 18 December 2012
Guangdong Success Data Co., Ltd. ("Success Data") (廣東集成數據有限公司)	A company of which 70% interest is held by Mr. Zhang Tiewei, Mr. Xu Kaiying and Mr. Pang Haoquan
Guangzhou Hengsheng Fund Management Co., Ltd. (廣州恆晟基金管理有限公司)	A company of which 40% interest is held by Success Fund
Guangdong Mupai Technology Co., Ltd. (廣東睦湃科技有限公司)	A company of which 12.9% interest is held by Success Financial Leasing
Guangdong Success Venture Capital Co., Ltd. (廣東集成創業投資有限公司)	A company of which 45% interest is held by Mr. Zhang Tiewei, Mr. Xu Kaiying and Mr. Pang Haoquan

32 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Group's directors as disclosed in note 7, certain of the highest paid employees as disclosed in note 8 and two other key management personnel (Zhiqiang Zhong, RMB 555,685), is as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and other benefits	**13,620**	14,106
Contributions to defined contribution retirement plan	**38**	103
Equity compensation benefits	**1,904**	–
Total	**15,562**	14,209

Total remuneration is included in "staff costs" (note 5(b)).

(c) Related parties transactions

	Note	**2020 RMB'000**	2019 RMB'000
Service fee expense		**(2,000)**	(2,878)
Entrusting payment		**–**	(2,205)
Equity investment in Guangdong Mupai	18	**–**	(13,739)
Total		**(2,000)**	(18,822)

(d) Balances with other related parties

At the end of the reporting period, the Group had the following balances with related parties:

Amounts due from related parties

	Note	**31 December 2020 RMB'000**	31 December 2019 RMB'000
Success Credit	(i)	**–**	20,480
Success Data	12	**1,750**	–
Total		**1,750**	20,480

(i) On 20 March 2014, the shareholders of Success Credit approved to make a dividend with an amount of RMB15,000,000 to its shareholders. Success Guarantee was entitled to receive the dividend with an amount of RMB2,730,000. On 31 December 2020, the balance on borrowings from Success Guarantee to Success Credit is RMB23,210,000 , which includes a principal of RMB20,480,000 and an interest of RMB2,730,000. The interest rate of this borrowing is 12%. Based on the operating condition of Success Credit, impairment has been made for both dividend and interest receivable.

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
Assets			
Cash and bank deposits		**727**	2,948
Trade and other receivables		**451,197**	495,598
Investment in subsidiaries	15	**17,898**	12,797
Financial assets at fair value through profit or loss		**1,728**	1,728
Equipment		**16**	21
Intangible assets		**1**	3
Total assets		**471,567**	513,095
Liabilities			
Liability component of convertible bonds		**60,015**	66,771
Interest-bearing borrowing		**–**	38,555
Accruals and other payables		**24,914**	27,072
Total liabilities		**84,929**	132,398
NET ASSETS		**386,638**	380,697
CAPITAL AND RESERVES			
Share capital	29(c)	**4,266**	4,187
Reserves		**382,372**	376,510
TOTAL EQUITY		**386,638**	380,697

Approved and authorised for issue by the board of directors on 30 March 2021.

張鐵偉	李斌
Zhang Tiewei	**Li Bin**
Director	*Director*

(Expressed in Renminbi unless otherwise indicated)

34 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

As at 28 January 2021 the Group has converted HKD10,000,000 to 9,174,312 ordinary shares. After the conversion the total face value of convertible bonds decrease to HKD 64,000,000.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, Reference to the Conceptual Framework	1 January 2020
Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use	1 January 2020
Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract	1 January 2020
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.