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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred all your shares** in Sheng Ye Capital Limited, you should at once hand this circular to the purchaser(s) or transferee(s), or to the bank or licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected, for transmission to the purchaser(s) or transferee(s).

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**盛業資本**  
SHENG YE CAPITAL

**SHENG YE CAPITAL LIMITED**

**盛業資本有限公司**

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

**Stock code: 8469**

**MAJOR TRANSACTIONS —**

- (I) SUPPLEMENTAL REFACTURING AGREEMENT (CUSTOMER A);**
- (II) SUPPLEMENTAL FACTORING AGREEMENT (CUSTOMER E);**
- (III) FACTORING AGREEMENT (CUSTOMER F);**
- (IV) SUPPLEMENTAL FACTORING AGREEMENT (CUSTOMER G);**
- (V) FACTORING AGREEMENT (CUSTOMER H);**
- (VI) FACTORING AGREEMENT (CUSTOMER I);**
- (VII) FACTORING AGREEMENT (CUSTOMER J); AND**
- (VIII) SECOND SUPPLEMENTAL FACTORING AGREEMENT (CUSTOMER K)**

**MATERIAL CHANGE OF TERMS OF THE PREVIOUSLY ANNOUNCED MAJOR TRANSACTION — FACTORING AGREEMENT (CUSTOMER D)**

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*Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.*

*A letter from the Board is set out on pages 6 to 17 of this circular.*

*This circular will remain on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and, in the case of this circular, on the "Latest Company Announcements" page for at least 7 days from the date of its posting. This circular will also be published on the Company's website at [www.shengyecapital.com](http://www.shengyecapital.com).*

22 June 2018

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## CHARACTERISTICS OF GEM

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**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Announcement”	The announcement of the Company dated 21 May 2018 in relation to the entering into of the Factoring Agreements
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Sheng Ye Capital Limited, an exempted company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the GEM of the Stock Exchange
“Confirmation Letter(s)”	the confirmation letter(s) between SY Factoring and each of Customer B and Customer C dated 18 May 2018
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Customer A”	a company established in the PRC which principally engages in, among other things, commercial factoring
“Customer B”	a company established in the PRC which principally engages in, among other things, oil storage and logistics. Customer B, Customer C and Customer D are owned by the same ultimate beneficial owner
“Customer C”	a company established in the PRC which principally engages in, among other things, sale of oil products, import and export trade. Customer B, Customer C and Customer D are owned by the same ultimate beneficial owner
“Customer D”	a company established in the PRC which principally engages in, among other things, sale of oil products import and export trade. Customer B, Customer C and Customer D are owned by the same ultimate beneficial owner
“Customer E”	a company established in the PRC which principally engages in, among other things, the wholesale of anesthetics, psychotropics and Chinese medicine
“Customer F”	a company established in the PRC which principally engages in, among other things, wholesale of medicine and retail of medical equipment

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## DEFINITIONS

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“Customer G”	a company established in the PRC which principally engages in, among other things, purchase and sales of construction and decoration materials
“Customer H”	a company established in the PRC which principally engages in, among other things, sale of ore products and construction materials. Customer H, Customer I, Customer J and Customer K are owned by the same ultimate beneficial owner
“Customer I”	a company established in the PRC which principally engages in, among other things, trading of metals and construction metals. Customer H, Customer I, Customer J and Customer K are owned by the same ultimate beneficial owner
“Customer J”	a company established in the PRC which principally engages in, among other things, trading of steel and chemicals. Customer H, Customer I, Customer J and Customer K are owned by the same ultimate beneficial owner
“Customer K”	a company established in the PRC which principally engages in, among other things, sale of ore products and chemicals. Customer H, Customer I, Customer J and Customer K are owned by the same ultimate beneficial owner
“Customers”	collectively, Customer A, Customer B, Customer C, Customer D, Customer E, Customer F, Customer G, Customer H, Customer I, Customer J and Customer K
“Director(s)”	the director(s) of the Company
“Eander”	Eander Limited (鷹德有限公司), a company incorporated in BVI with limited liability and wholly owned by TMF Trust
“Factoring Agreement (Customer D)”	the factoring agreement between Customer D and SY Factoring on 21 May 2018
“Factoring Agreement (Customer F)”	the factoring agreement between Customer F and SY Factoring on 21 May 2018
“Factoring Agreement (Customer H)”	the factoring agreement between Customer H and SY Shenzhen on 21 May 2018
“Factoring Agreement (Customer I)”	the factoring agreement between Customer I and SY Shenzhen on 21 May 2018
“Factoring Agreement (Customer J)”	the factoring agreement between Customer J and SY Shenzhen on 21 May 2018

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## DEFINITIONS

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“Factoring Agreements”	collectively, Supplemental Refactoring Agreement (Customer A), Supplemental Factoring Agreement (Customer E); Factoring Agreement (Customer F); Supplemental Factoring Agreement (Customer G); Factoring Agreement (Customer H); Factoring Agreement (Customer I); Factoring Agreement (Customer J); Second Supplemental Factoring Agreement (Customer K); and Factoring Agreement (Customer D)
“GEM”	the GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, independent of and not connected with the Company and the connected person(s) (as defined in the GEM Listing Rules) of the Company
“Latest Practicable Date”	20 June 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Mr. Tung”	Mr. Tung Chi Fung, an executive Director and a controlling Shareholder (as defined in the GEM Listing Rules)
“PJ Trust”	Pak Jeff Trust, an irrevocable reserved power trust established by Mr. Tung with Mr. Tung and his family members as the beneficiaries and TMF Trust as the trustee
“PRC”	the People’s Republic of China, for the purpose of this circular only, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Previous Agreement (Customer A)”	the refactoring agreement between Customer A and SY Factoring on 29 December 2017
“Previous Agreements (Customer B)”	collectively, the framework agreement, the factoring agreement and the first supplemental factoring agreement between Customer B and SY Factoring on 13 September 2017 and 19 January 2018 respectively

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## DEFINITIONS

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“Previous Agreements (Customer C)”	collectively, the framework agreement, the factoring agreement and the first supplemental factoring agreement between Customer C and SY Factoring on 13 September 2017 and 19 January 2018 respectively
“Previous Agreements (Customer E)”	collectively, the framework agreement, the pool financing agreement, the purchase order financing agreement and the factoring agreement between Customer E and Sheng Peng on 26 December 2017
“Previous Agreements (Customer G)”	collectively, the framework agreement, the supplemental framework agreement, the purchase order financing agreement and the factoring agreement between Customer G and SY Factoring on 3 August 2015, 20 July 2016, 1 June 2017 and 5 June 2017
“Previous Agreements (Customer K)”	collectively, the framework agreement, the factoring agreement and the first supplemental factoring agreement between Customer K and SY Shenzhen on 25 April 2018 and 10 May 2018
“RMB”	Renminbi, the lawful currency of the PRC
“Second Supplemental Factoring Agreement (Customer B)”	the second supplemental factoring agreement between SY Factoring and Customer B on 16 April 2018
“Second Supplemental Factoring Agreement (Customer C)”	the second supplemental factoring agreement between SY Factoring and Customer C on 16 April 2018
“Second Supplemental Factoring Agreement (Customer K)”	the second supplemental factoring agreement between Customer K and SY Shenzhen on 21 May 2018
“Shares”	ordinary share(s) having a par value of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	the holder(s) of Shares
“Sheng Peng”	盛鵬商業保理有限公司 (Sheng Peng Factoring Limited*), a company established in the PRC with limited liability and a subsidiary of the Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Supplemental Refactoring Agreement (Customer A)”	the supplemental refactoring agreement between Customer A and SY Factoring on 21 May 2018

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## DEFINITIONS

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“Supplemental Factoring Agreement (Customer E)”	the supplemental factoring agreement between Customer E and Sheng Peng on 21 May 2018
“Supplemental Factoring Agreement (Customer G)”	the supplemental factoring agreement between Customer G and SY Factoring on 21 May 2018
“SY Factoring”	盛業商業保理有限公司 (SY Factoring Limited), a company established in the PRC with limited liability and a subsidiary of the Group
“SY Shenzhen”	盛業(深圳)商業保理有限公司 (Sheng Ye (Shenzhen) Factoring Limited*), a company established in the PRC on 21 March 2016 and a subsidiary of the Group
“TMF Trust”	TMF (Cayman) Ltd., a company incorporated in the Cayman Islands and the trustee of the PJ Trust
“Wisdom Cosmos”	Wisdom Cosmos Limited (慧普有限公司), a company incorporated in BVI with limited liability and wholly owned by Eander and the controlling shareholder (as defined in the GEM Listing Rules) of the Company
“%”	per cent

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



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LETTER FROM THE BOARD

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**盛業資本**  
SHENG YE CAPITAL

**SHENG YE CAPITAL LIMITED**

**盛業資本有限公司**

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

**Stock code: 8469**

*Executive Directors*

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

*Non-executive Director*

Ms. Tung Ching Ching

*Independent non-executive Directors*

Mr. Hung Ka Hai Clement  
Mr. Loo Yau Soon  
Mr. Tsoon Wai Mun, Benjamin

*Registered Office*

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Business in the PRC*

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*Principal place of business in  
Hong Kong*

Room 4202, 42/F, Tower 1,  
Lippo Centre, 89 Queensway,  
Admiralty, Hong Kong

22 June 2018

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTIONS —**

- (I) SUPPLEMENTAL REFACTURING AGREEMENT (CUSTOMER A);**
- (II) SUPPLEMENTAL FACTORING AGREEMENT (CUSTOMER E);**
- (III) FACTORING AGREEMENT (CUSTOMER F);**
- (IV) SUPPLEMENTAL FACTORING AGREEMENT (CUSTOMER G);**
- (V) FACTORING AGREEMENT (CUSTOMER H);**
- (VI) FACTORING AGREEMENT (CUSTOMER I);**
- (VII) FACTORING AGREEMENT (CUSTOMER J); AND**
- (VIII) SECOND SUPPLEMENTAL FACTORING AGREEMENT  
(CUSTOMER K)**

**MATERIAL CHANGE OF TERMS OF THE PREVIOUSLY ANNOUNCED MAJOR  
TRANSACTION — FACTORING AGREEMENT (CUSTOMER D)**

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## LETTER FROM THE BOARD

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### INTRODUCTION

Reference is made to the announcement of the Company dated 21 May 2018 in relation to the entering into of the Factoring Agreements.

The primary purpose of this circular is to provide you with, among other things, (i) further details of the Factoring Agreements; and (ii) the financial information of the Group.

### (I) SUPPLEMENTAL FACTORING AGREEMENT (CUSTOMER A)

#### Background

On 29 December 2017, SY Factoring, an indirect wholly owned subsidiary of the Company, entered into the Previous Agreement (Customer A) with Customer A pursuant to which SY Factoring agreed to provide a revolving refactoring loan with a credit limit of RMB300,000,000 at an annual interest rate of not more than 8% (the exact interest rate to be determined upon each drawdown) being secured by accounts receivables being assigned to Customer A by Customer A's factoring customers which would expire on 28 December 2018. The refactoring was with recourse.

To the knowledge of the Directors, Customer A previously granted factoring loan credit limits to its customers being secured by the accounts receivable assigned from its customers to Customer A. In a refactoring transaction under the Previous Agreement (Customer A) (as supplemented by the Supplemental Refactoring Agreement (Customer A)), Customer A will first make an application for refactoring services stipulating the amount of refactoring loan to be drawn down and the list of accounts receivable being proposed to be reassigned to SY Factoring. SY Factoring will then make credit assessment. If the credit assessment is to the satisfaction of SY Factoring, SY Factoring will approve the drawdown of the refactoring loan. The accounts receivable which were assigned to Customer A by its customers would then be reassigned to SY Factoring as security for the refactoring loan credit limit granted by SY Factoring to Customer A. The approved refactoring loan drawdown amount is calculated based on the credit limit granted by Customer A to its customers multiplied by the refactoring loan prepayment ratio.

After the entering into of the Previous Agreement (Customer A), Customer A applied for utilizations of the revolving refactoring loan via several applications respectively which had been approved and granted by SY Factoring. As at the date of the Announcement, RMB285,281,025.68 of the revolving refactoring loan which was utilized remained outstanding.

#### Supplemental Refactoring Agreement (Customer A)

On 21 May 2018, SY Factoring entered into the Supplemental Refactoring Agreement (Customer A) with Customer A, pursuant to which i) the revolving refactoring loan credit limit granted to Customer A was revised from RMB300,000,000 to RMB1,000,000,000; ii) the refactoring prepayment ratio was revised from 90% to 100% of the accounts receivable reassigned; iii) the annual interest rate was revised from not more than 8% to not more than 15%; iv) the expiry date of the credit period was revised from 28 December 2018 to 30 April 2019; and v) the credit limit could be granted by SY Factoring or any of its associated companies but the accumulated credit limit would not exceed the credit limit granted by SY Factoring.

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## LETTER FROM THE BOARD

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Save as disclosed above, all the terms of the Previous Agreement (Customer A) shall remain materially unchanged and in full force and effect and binding on the parties.

The interest rate was determined by the parties on arm's length negotiation taking into account i) the credit rating of Customer A and the debtors of the accounts receivables assigned to Customer A from Customer A's factoring customers; and ii) the credit period.

### **Condition precedent**

The Supplemental Factoring Agreement (Customer A) is conditional upon the Company's compliance with the requirements under the GEM Listing Rules relating to the Supplemental Factoring Agreement (Customer A) and the transactions contemplated thereunder. As of the Latest Practicable Date, the condition precedent has been fulfilled and the Supplemental Factoring Agreement (Customer A) has been completed.

## **(II) SUPPLEMENTAL FACTORING AGREEMENT (CUSTOMER E)**

### **Background**

On 26 December 2017, Sheng Peng entered into the Previous Agreements (Customer E) with Customer E pursuant to which Sheng Peng agreed to provide to Customer E, among other things, i) a revolving factoring loan with a credit limit of RMB200,000,000 at an annual interest rate of 9% (including tax, to be paid by Customer E to Sheng Peng within the first five business days each month) being secured by a pool of accounts receivables of Customer E which would expire on 25 December 2018; ii) accounts receivable management services and accounts receivable collection services for a period of 2 years from the date of signing of the framework agreement. The factoring was with recourse and without notification.

After the entering into of the Previous Agreements (Customer E), Customer E applied for utilizations of the revolving factoring loan via several applications respectively which had been approved and granted by Sheng Peng. As at the date of the Announcement, RMB199,590,000 of the revolving factoring loan which was utilized remained outstanding.

### **Supplemental Factoring Agreement (Customer E)**

On 21 May 2018, Sheng Peng entered into the Supplemental Factoring Agreement (Customer E) with Customer E pursuant to which i) the revolving factoring loan credit limit granted to Customer E was revised from RMB200,000,000 to RMB600,000,000; ii) the factoring loan prepayment ratio was revised from not more than 70% of the accounts receivable assigned to not more than 80% of the accounts receivable assigned or not more than 50% of the purchase order assigned (as the case may be); iii) the annual interest rate was revised from 9% to not more than 10%; iv) the expiry date of the credit period was revised from 28 December 2018 to 30 April 2019; v) the factoring was revised from being without notification to being with or without notification which would be determined based on the accounts receivable assigned; and vi) the credit limit could be granted by Sheng Peng or any of its associated companies but the accumulated credit limit would not exceed the credit limit granted by Sheng Peng.

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## LETTER FROM THE BOARD

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Save as disclosed above, all the terms of the Previous Agreements (Customer E) shall remain materially unchanged and in full force and effect and binding on the parties.

The interest rate was determined by the parties on arm's length negotiation taking into account i) the credit rating of Customer E and the debtors of the accounts receivables provided by Customer E; ii) the credit period; and iii) the factoring was with recourse.

If Customer E does not utilize the credit limit within 90 days from the date of signing of the Supplemental Factoring Agreement (Customer E), Sheng Peng shall cease the provision of the credit limit to Customer E.

### **Condition precedent**

The Supplemental Factoring Agreement (Customer E) is conditional upon the Company's compliance with the requirements under the GEM Listing Rules relating to the Supplemental Factoring Agreement (Customer E) and the transactions contemplated thereunder. As of the Latest Practicable Date, the condition precedent has been fulfilled and the Supplemental Factoring Agreement (Customer E) has been completed.

### **(III) FACTORING AGREEMENT (CUSTOMER F)**

#### **Factoring Agreement (Customer F)**

On 21 May 2018, SY Factoring entered into the Factoring Agreement (Customer F) with Customer F pursuant to which SY Factoring and its subsidiaries jointly granted to Customer F a revolving factoring loan credit limit of RMB600,000,000 at an annual interest rate of not more than 10% (including tax, to be paid within the first five business days each month) with an expiry date of 30 April 2019. The factoring was with or without recourse which would be determined based on the situation and whether it was with or without notification would be determined based on the accounts receivable assigned.

The interest rate was determined by the parties on arm's length negotiation taking into account i) the credit rating of Customer F and the debtors of the accounts receivables provided by Customer F; ii) the credit period; and iii) the factoring was with recourse.

If Customer F does not utilize the credit limit within 90 days from the date of signing of the Factoring Agreement (Customer F), SY Factoring shall cease the provision of the credit limit to Customer F.

### **Condition precedent**

The Factoring Agreement (Customer F) is conditional upon the Company's compliance with the requirements under the GEM Listing Rules relating to the Factoring Agreement (Customer F) and the transactions contemplated thereunder. As of the Latest Practicable Date, the condition precedent has been fulfilled and the Factoring Agreement (Customer F) has been completed.

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## LETTER FROM THE BOARD

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### (IV) SUPPLEMENTAL FACTORING AGREEMENT (CUSTOMER G)

#### **Background**

On 13 August 2015, 20 July 2016, 1 June 2017 and 5 June 2017, SY Factoring entered into the Previous Agreements (Customer G) with Customer G pursuant to which SY Factoring agreed to provide to Customer G, among other things, i) a revolving factoring loan with a credit limit of RMB320,000,000 at an annual interest rate of not more than 15% (including tax, the exact interest rate to be negotiated upon each drawdown) and a service fee of not more than 2% (including tax, the exact service fee to be negotiated upon each drawdown) being secured by the accounts receivables of Customer G which would expire on 4 June 2018; and ii) accounts receivable collection services for a period of 3 years from the date of signing of the framework agreement. The factoring was with recourse and whether it was with or without notification would be determined based on the accounts receivable assigned.

After the entering into of the Previous Agreements (Customer G), Customer G applied for utilizations of the revolving factoring loan via several applications respectively which had been approved and granted by SY Factoring. As at the date of the Announcement, RMB220,255,719.18 of the revolving factoring loan which was utilized remained outstanding.

#### **Supplemental Factoring Agreement (Customer G)**

On 21 May 2018, SY Factoring entered into the Supplemental Factoring Agreement (Customer G) with Customer G pursuant to which the expiry date of the credit period was revised from 4 June 2018 to 30 April 2019.

Save as disclosed above, all the terms of the Previous Agreements (Customer G) shall remain materially unchanged and in full force and effect and binding on the parties.

The interest rate and the service fee were determined by the parties on arm's length negotiation taking into account i) the credit rating of Customer G and the debtors of the accounts receivables provided by Customer G; ii) the credit period; and iii) the factoring was with recourse.

If Customer G does not utilize the credit limit within 90 days from the date of signing of the Supplemental Factoring Agreement (Customer G), SY Factoring shall cease the provision of the credit limit to Customer G.

#### **Condition precedent**

The Supplemental Factoring Agreement (Customer G) is conditional upon the Company's compliance with the requirements under the GEM Listing Rules relating to the Supplemental Factoring Agreement (Customer G) and the transactions contemplated thereunder. As of the Latest Practicable Date, the condition precedent has been fulfilled and the Supplemental Factoring Agreement (Customer G) has been completed.

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## LETTER FROM THE BOARD

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**(V) FACTORING AGREEMENT (CUSTOMER H)**

**(VI) FACTORING AGREEMENT (CUSTOMER I)**

**(VII) FACTORING AGREEMENT (CUSTOMER J)**

**(VIII) SECOND SUPPLEMENTAL FACTORING AGREEMENT (CUSTOMER K)**

### **Background**

On 25 April 2018 and 10 May 2018, SY Shenzhen entered into the Previous Agreements (Customer K) with Customer K pursuant to which SY Shenzhen agreed to provide to Customer K, among other things, i) a revolving factoring loan with a credit limit of RMB70,000,000 at an annual interest rate of 12% (including tax, to be collected upon each drawdown) being secured by the accounts receivables of Customer K which would expire on 24 October 2018; ii) accounts receivable management services and accounts receivable collection services for a period of 2 years from the date of signing of the framework agreement. The factoring was with recourse and with notification.

After the entering into of the Previous Agreements (Customer K), Customer K applied for utilizations of the revolving factoring loan via several applications respectively which had been approved and granted by SY Shenzhen. As at the date of the Announcement, RMB65,000,000 of the revolving factoring loan which was utilized remained outstanding.

### **Factoring Agreement (Customer H), Factoring Agreement (Customer I), Factoring Agreement (Customer J) and Second Supplemental Factoring Agreement (Customer K)**

On 21 May 2018, SY Shenzhen entered into the Factoring Agreement (Customer H), Factoring Agreement (Customer I) and Factoring Agreement (Customer J) with Customer H, Customer I and Customer J respectively pursuant to which a revolving factoring loan credit limit of RMB400,000,000 was granted to Customer H, Customer I, Customer J and Customer K jointly at the sum of annual interest rate and service fee being not more than 15% (including tax, the exact sum of interest rate and service fee to be negotiated upon each drawdown) which would expire on 30 April 2019. The credit limit could be granted by SY Shenzhen or any of its associated companies but the accumulated credit limit would not exceed the credit limit granted by SY Shenzhen. Further, whether the factoring was with notification or without notification to the debtors would be determined based on the accounts receivable assigned.

On 21 May 2018, SY Shenzhen entered into the Second Supplemental Factoring Agreement (Customer K) with Customer K pursuant to which i) the revolving factoring loan credit limit was revised from RMB70,000,000 (for Customer K only) to RMB400,000,000 (for Customer H, Customer I, Customer J and Customer K jointly); ii) the annual interest rate was revised from 12% to the sum of annual interest rate and service fee being not more than 15%; iii) the expiry date of the credit period was revised from 24 October 2018 to 30 April 2019; iv) the factoring was revised from being with notification to being with or without notification which would be determined based on the accounts receivable assigned; v) the credit limit could be granted by SY Shenzhen or any of its associated companies but the accumulated credit limit would not exceed the credit limit granted by SY Shenzhen.

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## LETTER FROM THE BOARD

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Under the Factoring Agreement (Customer H), Factoring Agreement (Customer I), Factoring Agreement (Customer J) and Second Supplemental Factoring Agreement (Customer K), the credit limit is to be shared among Customer H, Customer I, Customer J and Customer K jointly.

Save as disclosed above, all the terms of the Previous Agreements (Customer K) shall remain materially unchanged and in full force and effect and binding on the parties.

The interest rate and service fee were determined by the parties on arm's length negotiation taking into account i) the credit rating of Customer H, Customer I, Customer J and Customer K and the debtors of the accounts receivables provided by them; ii) the credit period; and iii) the factoring was with recourse.

If none of Customer H, Customer I, Customer J and Customer K utilizes the credit limit within 90 days from the date of signing of the Factoring Agreement (Customer H), Factoring Agreement (Customer I), Factoring Agreement (Customer J) and Second Supplemental Factoring Agreement (Customer K), SY Shenzhen shall cease the provision of the credit limit to Customer H, Customer I, Customer J and Customer K.

### **Condition precedent**

The Factoring Agreement (Customer H), Factoring Agreement (Customer I), Factoring Agreement (Customer J) and Second Supplemental Factoring Agreement (Customer K) are conditional upon the Company's compliance with the requirements under the GEM Listing Rules relating to the Factoring Agreement (Customer H), Factoring Agreement (Customer I), Factoring Agreement (Customer J) and Second Supplemental Factoring Agreement (Customer K) and the transactions contemplated thereunder. As of the Latest Practicable Date, the condition precedent has been fulfilled and the Factoring Agreement (Customer H), Factoring Agreement (Customer I), Factoring Agreement (Customer J) and the Second Supplemental Factoring Agreement (Customer K) have been completed.

### **MATERIAL CHANGE OF TERMS OF THE PREVIOUSLY ANNOUNCED MAJOR TRANSACTION — FACTORING AGREEMENT (CUSTOMER D)**

Reference is made to the announcement of the Company dated 16 April 2018 and the circular of the Company dated 25 May 2018.

On 16 April 2018, SY Factoring entered into the Second Supplemental Factoring Agreement (Customer B) with Customer B and the Second Supplemental Factoring Agreement (Customer C) with Customer C. The Second Supplemental Factoring Agreement (Customer B) and the Second Supplemental Factoring Agreement (Customer C) constituted major transactions for the Company under Chapter 19 of the GEM Listing Rules and they were approved by the written Shareholders' approval. Details of the Second Supplemental Factoring Agreement (Customer B) and the Second Supplemental Factoring Agreement (Customer C) were set out in the announcement of the Company dated 16 April 2018 and the circular of the Company dated 25 May 2018.

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## LETTER FROM THE BOARD

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After the entering into of the Second Supplemental Factoring Agreement (Customer B) and Second Supplemental Factoring Agreement (Customer C), Customer B and Customer C applied for utilizations of the revolving factoring loan via several applications which had been approved and granted by SY Factoring. As at the date of the Announcement, RMB168,685,637.85 of the revolving factoring loan which was utilised remained outstanding.

On 21 May 2018, each of Customer B and Customer C entered into the Confirmation Letter with SY Factoring pursuant to which SY Factoring agreed that the credit limit granted to Customer B and Customer C jointly would be shared among the associated companies of Customer B and Customer C.

Immediately after entering into the Confirmation Letters, on 21 May 2018, SY Factoring entered into the Factoring Agreement (Customer D) with Customer D (an associated company of Customer B and Customer C) pursuant to which SY Factoring granted a revolving factoring loan credit limit of RMB600,000,000 to Customer B, Customer C, Customer D and their associated companies jointly at an annual interest rate of 10-15% (including tax, the exact interest rate to be negotiated upon each drawdown) and a service fee of not more than 1% of the accounts receivable assigned (including tax, the exact service fee to be negotiated upon each drawdown) which would expire on 30 April 2019.

The interest rate and the service fee were determined by the parties on arm's length negotiation taking into account i) the credit rating of Customer B, Customer C and Customer D and the debtors of the accounts receivables provided by them; ii) the credit period; and iii) the factoring was with recourse.

If none of the Customer B, Customer C and Customer D utilizes the credit limit within 90 days from the date of signing of the Factoring Agreement (Customer D), SY Factoring shall cease the provision of the credit limit to Customer B, Customer C and Customer D.

### **Condition precedent**

The Factoring Agreement (Customer D) is conditional upon the Company's compliance with the requirements under the GEM Listing Rules relating to the Factoring Agreement (Customer D) and the transactions contemplated thereunder. As of the Latest Practicable Date, the condition precedent has been fulfilled and the Factoring Agreement (Customer D) has been completed.

### **COMMITMENTS UNDER THE FACTORING AGREEMENTS**

According to the Factoring Agreements, SY Factoring has granted a credit limit to the relevant Customers which may or may not be utilized by the Customers. SY Factoring has the sole discretion to decide whether to approve the Customers' applications for factoring loans and to adjust the credit limit of the Customers. In assessing whether to approve the Customers' factoring loan applications, SY Factoring will review a number of factors including whether the Group has sufficient source of funds for granting the loans and the costs of the funds.



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## LETTER FROM THE BOARD

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The Company expects that the factoring loans under the Factoring Agreements will be funded by the internal resources of the Group, possible external financing obtained by the Group, the factoring assets provided by the customers and the money repaid by the customers of the Group to whom the Group provided factoring loans.

### FINANCIAL EFFECT OF THE FACTORING AGREEMENTS

Taking into account the interest and service fee income which could be derived from the factoring loans as contemplated under the Factoring Agreements and that the interest and service fees income from the Customers would cover all necessary expense, the Company expects to have positive effect on its earnings and earnings per share for the Shareholders.

The Company expects that the factoring loans under the Factoring Agreements will be funded by the internal resources of the Group, possible external financing obtained by the Group, the factoring assets provided by the customers and the money repaid by the customers of the Group to whom the Group provided factoring loans. Save for the aforesaid, there would be no material effect on the Group's assets and liabilities as a result of the transactions contemplated under the Factoring Agreements.

### REASONS FOR THE FACTORING AGREEMENTS

Customer A is a company established in the PRC and is principally engaged in, among other things, commercial factoring. The Company indirectly holds 10% equity interest in Customer A.

Customer B, Customer C and Customer D are companies established in the PRC and are principally engaged in, among other things, oil storage, logistics and trading in oil commodities. Customer B, Customer C and Customer D are owned by the same ultimate beneficial owner.

Customer E is a company established in the PRC and is principally engaged in, among other things, the wholesale of anesthetics, psychotropics and Chinese medicine.

Customer F is a company established in the PRC and is principally engaged in, among other things, wholesale of medicine and retail of medical equipment.

Customer G is a company established in the PRC and is principally engaged in, among other things, purchase and sales of construction and decoration materials.

Customer H is a company established in the PRC and is principally engaged in, among other things, sale of ore products and construction materials.

Customer I is a company established in the PRC and is principally engaged in, among other things, trading of metals and construction metals.

Customer J is a company established in the PRC and is principally engaged in, among other things, trading of steel and chemicals.

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## LETTER FROM THE BOARD

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Customer K is a company established in the PRC and is principally engaged in, among other things, sale of ore products and chemicals.

Customer H, Customer I, Customer J and Customer K are owned by the same ultimate beneficial owner.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save as disclosed herein, each of the Customers and their respective ultimate beneficial owners are Independent Third Parties.

The Group is principally engaged in the provision of enterprise financial services offering accounts receivable financing and other related solutions, mainly in the energy, construction and medical sectors in the PRC. The Directors consider that the Factoring Agreements were entered into on normal commercial terms and in the ordinary and usual course of business of the Group.

Owing to its business need, each of the Customers negotiated with the Group for the increase of credit limit under the respective previous agreements. Since each of the Customers is able to increase the accounts receivable or purchase orders assignable to the Group, upon the request of each of the Customers and upon the approval of such request by the Group after assessment on the quality of the accounts receivable or purchase orders provided by each of the Customers, the Group entered into the Factoring Agreements with each of the Customers respectively.

The Directors consider that the revolving refactoring loan arrangement with Customer A and the revision of the refactoring prepayment ratio from 90% to 100% will not pose any material risks to the Company in view of the fact that 1) refactoring transactions and factoring transactions are similar in nature except that Customer A is also a factoring services provider and the accounts receivable were reassigned by Customer A to SY Factoring; 2) SY Factoring will do credit assessment on the accounts receivable being proposed to be reassigned to SY Factoring by Customer A before approving drawdown of the refactoring loan; and 3) based on the experience of SY Factoring in previous dealings with Customer A and the underlying debtors of the accounts receivable being reassigned to SY Factoring, SY Factoring is satisfied that the underlying debtors are of satisfactory credit worthiness to justify approving drawdown of refactoring loan by Customer A of amounts being the same as the amount of factoring loan granted by Customer A to its customers (i.e. adopting a refactoring loan prepayment ratio of 100%).

SY Factoring had entered into both accounts receivable factoring transactions and purchase orders factoring transactions with Customer E. Before entering into purchase orders factoring transactions, SY Factoring will first enter into factoring transactions being secured by accounts receivable arising from purchase orders where accounts receivable had already materialized. During the course of the said factoring transactions, if SY Factoring is satisfied that the chance that purchase orders of similar nature to the said materialized purchase orders will not give rise to accounts receivable is rather remote, SY Factoring will enter into factoring transactions being secured by such purchase orders even though such purchase orders have not given rise to accounts receivable yet. Further, before entering into a purchase orders factoring transaction, SY Factoring will make credit

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## LETTER FROM THE BOARD

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assessment and verify the genuineness of the purchase orders. Based on the above, the Directors consider that factoring transactions with Customer E under the Supplemental Factoring Agreement (Customer E) secured by either the accounts receivable or the purchase orders will not pose any material risks to the Company.

Given that the entering into of the Factoring Agreements are being conducted in the ordinary and usual course of business of the Group, which will contribute profit to the Company over the financing term, are under normal commercial terms, and are beneficial to the Group in its business expansion and establishment of long term business relationship with each of the Customers, the Directors are of the view that the terms of the Factoring Agreements are fair and reasonable and are in the interests of the Company and Shareholders as a whole.

### GEM LISTING RULES IMPLICATIONS

The Directors consider that the Factoring Agreement (Customer D) constitute material change to the terms of its respective preceding agreements and the Company shall re-comply with the requirements under Chapter 19 of the GEM Listing Rules.

As the highest applicable percentage ratio for the Company as calculated under Rule 19.07 of the GEM Listing Rules in relation to each of the Factoring Agreements exceeds 25%, the entering into of each of the Factoring Agreements constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under the GEM Listing Rules.

Pursuant to Rule 19.44 of the GEM Listing Rules, Shareholders' approval of the Factoring Agreements may be given by way of written Shareholders' approval in lieu of holding a general meeting if (1) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Factoring Agreements and the transactions contemplated thereunder; and (2) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the Factoring Agreements and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, and after having made all reasonable enquiries, no Shareholder including Wisdom Cosmos is required to abstain from voting if the Company were to convene a general meeting for approving the Factoring Agreements and the transactions contemplated thereunder. As of the Latest Practicable Date, Wisdom Cosmos, holding 555,000,000 Shares, representing 75% of the issued share capital of the Company, has provided written shareholder's approvals on the Factoring Agreements and the transactions contemplated thereunder. As such, no general meeting will be convened for approving the Factoring Agreements and the transactions contemplated thereunder pursuant to Rule 19.44 of the GEM Listing Rules.

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**LETTER FROM THE BOARD**

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**ADDITIONAL INFORMATION**

Your attention is also drawn to the information set out in the appendices to this circular.

By order of the Board  
**Sheng Ye Capital Limited**  
**Tung Chi Fung**  
*Chairman*

## 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the two years ended 31 December 2015 and 2016 is disclosed in the prospectus of the Company dated 26 June 2017 from pages 175 to 209 and pages I-1 to I-52. The said prospectus has been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.shengyecapital.com](http://www.shengyecapital.com)). Please also see below quick link to the prospectus of the Company dated 26 June 2017:

<http://www.hkexnews.hk/listedco/listconews/GEM/2017/0626/GLN20170626023.pdf>

The financial information of the Group for the year ended 31 December 2017 is disclosed in the annual report 2017 of the Company. The said report has been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.shengyecapital.com](http://www.shengyecapital.com)). Please also see below quick link to the annual report 2017 of the Company:

<http://www.hkexnews.hk/listedco/listconews/GEM/2018/0329/GLN20180329187.pdf>

## 2. STATEMENT OF INDEBTEDNESS

### Other borrowings

The following table sets out our other borrowings as at the date indicated:

	<b>As at</b> <b>30 April 2018</b> <i>RMB'million</i>
<b>Carrying amount</b>	
- Secured and unguaranteed trust loans	101.0
- Secured and unguaranteed loans from an asset management scheme	115.0
- Unsecured and unguaranteed entrusted loans	240.2
- Unsecured and unguaranteed private placement loans	<u>590.9</u>
	<u><u>1,047.1</u></u>

As at 30 April 2018, the secured trust loans are secured by certain factoring assets. The loans from an asset management scheme are secured by underlying factoring assets under an asset management scheme named 山西證券-盛業保理醫藥資產一期資產支持專項計劃。

As at 30 April 2018, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this circular, we had total other borrowings of approximately RMB1,047.1 million.

As at 11 May 2018 and 28 May 2018, the Group obtained facilities from financial institution A and financial institution B in an amount of RMB3 billion and RMB20 billion respectively.

**Contingent liabilities**

As at 30 April 2018, we did not have any material contingent liabilities.

Except as described above and apart from intra-group liabilities and normal trade payables, as at 30 April 2018, being the latest practicable date for determining our indebtedness, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, finance leases, guarantees (other than ordinary course of business), hire purchase commitments or other material contingent liabilities.

**3. WORKING CAPITAL STATEMENT**

After taking into account the Group's internal resources, including internally generated cash flows of the Group together with cash and cash equivalents available, the transactions contemplated under the Factoring/Refactoring Agreements with certain customers, the available facilities and in the absence of unforeseen circumstances, the Directors are of the opinion that the Group will have sufficient working capital to meet its present requirements for the next twelve months from the date of this circular.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date of which the latest published audited consolidated financial statements of the Group were made up.

**5. FINANCIAL AND TRADING PROSPECT OF THE GROUP**

The Company was listed on the GEM of the Stock Exchange of Hong Kong on 6 July 2017. The listing has enhanced the profile of the Group and with the listing proceeds received, the Group has a stronger financial position and enjoy boosted competitiveness. The Group will continue to focus on construction, energy and medical sectors, work hard to expand its clientele and factoring assets. The management also expects the listing to help raise investor awareness and acceptance of the "Sheng Ye" brand, which will enable the Group to gain access to more efficient financing channels, at home and overseas, to support the business growth. The Group will also explore new and relatively low-cost financing channels to raise funds for growing our business most cost-effectively.

In May 2017, the People’s Bank of China, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission, the China Banking Regulatory Commission and the Foreign Exchange Bureau jointly issued the “Work Plan for the Task Force of Accounts Receivable Financing of Micro and Small Enterprises (2017-2019)” (小微企業應收賬款融資專項行動工作方案(2017-2019年)), which is of great significance to small and micro enterprises as it has improved account receivables financing efficiency for them. It is also a strong signal that the financing industry is gaining the attention and recognition of the regulatory authorities in the PRC.

The entering into of the Factoring Agreements will further strengthen the strategic cooperative relationship between the Group and the Customers and will also facilitate the Group in its business development. Thus, the Directors believe that the entering into of the Factoring Agreements will have a positive impact on the future earnings of the Group.

Looking forward, the Group will continue to capitalise on the strengths and core competencies of the Group in conducting business. At the same time, the Group will continue to develop the Group’s online factoring platform and enhance risk management. With its advanced online factoring platform “Sheng Yi Tong” (or 盛易通) and a professional risk management mechanism, the Group is able to standardise its financial products and customise solutions and offers customers with integrated factoring services, account receivable financing, account receivable management services, credit evaluation, among others, helping them secure funding in their different stages of development.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the GEM Listing Rules of the Stock Exchange for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTEREST

### (a) Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures of the company or any associated corporation

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### *Interest in the Company*

<b>Name of Director</b>	<b>Capacity/nature of interest</b>	<b>Number and class of securities</b>	<b>Percentage of shareholding</b>
Mr. Tung ( <i>Note 1</i> )	Beneficiary of a trust and settlor of discretionary trust	555,000,000 (L) ( <i>Note 2</i> )	75%
Mr. Chen Jen-Tse	Share option	2,000,000 ( <i>Note 3</i> )	0.27%

#### *Notes:*

1. Wisdom Cosmos, a company incorporated in the BVI, is the beneficial owner of 555,000,000 Shares, representing 75% shareholding interests in the Company. The entire issued share capital of Wisdom Cosmos is owned by Eander, a company incorporated in the BVI, which is in turn wholly owned by TMF Trust, trustee of the PJ Trust, an irrevocable reserved power trust established by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, TMF Trust and Eander are deemed to be interested in all the Shares registered in the name of Wisdom Cosmos.
2. The letter "L" denotes long position of the Shares.
3. This refers to the number of underlying Shares covered by its share option scheme.



Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their associates (as defined in the GEM Listing Rules) had any interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders' and other persons' interests and short positions in Shares, underlying Shares and debentures of the company**

As at the Latest Practicable Date, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 10% or more of issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity/nature of interest	Number and class of securities (Note 1)	Percentage of shareholding
TMF Trust (Note 2)	Trustee	555,000,000 (L)	75%
Eander (Note 2)	Interest in a controlled corporation	555,000,000 (L)	75%
Wisdom Cosmos (Note 2)	Beneficial owner	555,000,000 (L)	75%

*Notes:*

1. The letter "L" denotes long position of the Shares.
2. Wisdom Cosmos, a company incorporated in the BVI, is the beneficial owner of 555,000,000 Shares, representing 75% shareholding interests in the Company. The entire issued share capital of Wisdom Cosmos is owned by Eander, a company incorporated in the BVI, which is in turn wholly owned by TMF Trust, trustee of the PJ Trust, an irrevocable reserved power trust established by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, TMF Trust and Eander are deemed to be interested in all the Shares registered in the name of Wisdom Cosmos.

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

### **3. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### **4. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date:

- (i) none of the Directors had any interests, direct or indirect, in any assets which have been, since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (ii) none of the Directors was materially interested in any contract or arrangement entered into with any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

### **5. COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors, controlling Shareholder, substantial Shareholder or, so far as is known to them, any of their respective close associates was interested in any business which competes or is likely to compete either directly or indirectly with the business of the Group (as would be required to be disclosed under the GEM Listing Rules if each of them were a controlling shareholder).

## 6. COMPLIANCE ADVISER'S INTERESTS

As at the Latest Practicable Date, neither Dakin Capital Limited, the compliance adviser of the Company, nor any of its directors, employees or close associates (as defined in the GEM Listing Rules), except for (i) the participation of Dakin Capital Limited as the sponsor in relation to the Company's listing on GEM; and (ii) the compliance adviser agreement entered into between the Company and Dakin Capital Limited dated 13 March 2017, has any interests in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## 7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the member of the Group within two years immediately preceding the date of this circular and are or may be material:

- (i) a reorganisation agreement dated 19 June 2017 made among the Company, Sheng Ye Financial Group Limited and Mr. Tung in relation to the Company's acquisition of the entire issued share capital of Sheng Ye International Capital Limited in consideration of which the Company issued and allotted one Share to Wisdom Cosmo;
- (ii) a sale and purchase agreement dated 14 March 2017 made among the Company, Talent Group Global Limited and Mr. Tung in relation to acquisition of the entire issued share capital of Nice Day Corporation Limited in consideration of which Talent Group Global Limited issued and allotted one share in Talent Group Global Limited to the Company;
- (iii) the deed of indemnity dated 19 June 2017 entered into by the controlling shareholders of the Company in favour of the Company (for itself and as trustee for the subsidiaries of the Company);
- (iv) the deed of non-competition undertaking dated 19 June 2017 entered into by the controlling shareholders of the Company in favour of the Company (for itself and as trustee for the subsidiaries of the Company);
- (v) the Hong Kong underwriting agreement dated 23 June 2017 relating to the Hong Kong public offer of the Company;
- (vi) the international underwriting agreement dated 30 June 2017 relating to the international placing of the Company;
- (vii) the cornerstone investment agreement dated 22 June 2017 made between the Company and Mason Strategic Investments (Asia) Limited pursuant to which Mason Strategic Investments (Asia) Limited has agreed to subscribe for 29,600,000 Shares;

- (viii) the cornerstone investment agreement dated 22 June 2017 made between the Company and Renowned Idea Investments Limited pursuant to which Renowned Idea Investments Limited has agreed to subscribe for 7,400,000 Shares;
- (ix) the cornerstone investment agreement dated 22 June 2017 made between the Company and Mr. Yeung Chi Hang pursuant to which Mr. Yeung Chi Hang has agreed to subscribe for 7,400,000 Shares;
- (x) the second supplemental factoring agreement dated 19 July 2017 entered into between SY Factoring and Guangdong Kunteng Industrial Co Ltd\* (“**Guangdong Kunteng**”) pursuant to which the revolving factoring loan credit limit granted to Guangdong Kunteng was revised to RMB260,000,000;
- (xi) the framework agreement dated 13 September 2017 entered into between SY Factoring and Zhejiang Tianlu Energy Co. Ltd.\* (“**Tyloo Energy**”) pursuant to which SY Factoring agreed to provide factoring service to Tyloo Energy;
- (xii) the framework agreement dated 13 September 2017 entered into between SY Factoring and Zhejiang Tianlu Petroleum and Petrochemical Co. Ltd.\* (“**Tyloo Oil**”) pursuant to which SY Factoring agreed to provide factoring service to Tyloo Oil;
- (xiii) the factoring agreement dated 13 September 2017 entered into between SY Factoring and Tyloo Energy pursuant to which SY Factoring granted a revolving factoring loan credit limit of RMB200,000,000 to Tyloo Energy and Tyloo Oil jointly;
- (xiv) the factoring agreement dated 13 September 2017 entered into between SY Factoring and Tyloo Oil pursuant to which SY Factoring granted a revolving factoring loan credit limit of RMB200,000,000 to Tyloo Energy and Tyloo Oil jointly;
- (xv) the supplemental factoring agreement dated 30 September 2017 entered into between SY Factoring and Gansu Zhongyao Medical Co. Ltd.\* (“**Gansu Zhongyao**”) pursuant to which the revolving factoring loan credit limit granted by SY Factoring to Gansu Zhongyao was revised to RMB140,000,000;
- (xvi) the supplemental factoring agreement dated 23 October 2017 entered into between SY Factoring and Ningxia ZhongXin LianHe Zhongxin Pharmaceutical Co., LTD\* (“**Ningxia ZhongXin**”) pursuant to which the revolving factoring loan credit limit granted by SY Factoring to Gansu Zhongyao was revised to RMB128,000,000;
- (xvii) the supplemental factoring agreement dated 26 October 2017 entered into between SY Factoring and Chongqing Pharmaceutical Group Hubei HengAnZe Medicine Co., LTD\* (“**HengAnZe**”) pursuant to which a revolving factoring loan credit limit granted by SY Factoring to HengAnZe and Chongqing Pharmaceutical Shiyao Co., LTD\* (“**Shiyao**”) jointly was revised to two standalone revolving factoring loan credit limits of RMB70,000,000 and RMB35,000,000 respectively;

- (xviii) the supplemental factoring agreement dated 26 October 2017 entered into between SY Factoring and Shiyuan pursuant to which a revolving factoring loan credit limit granted by SY Factoring to HengAnZe and Shiyuan jointly was revised to two standalone revolving factoring loan credit limits of RMB70,000,000 and RMB35,000,000 respectively;
- (xix) the second supplemental factoring agreement dated 15 November 2017 entered into between SY Factoring and Ningbo Wanrong Tiancheng International Trading Company Limited\* (“**Ningbo Wanrong**”) pursuant to which the revolving factoring loan credit limit granted by SY Factoring to Ningbo Wanrong was revised to RMB250,000,000;
- (xx) the framework agreement dated 26 December 2017 entered into between Sheng Peng Factoring Limited\* (“**Sheng Peng**”) and Zhengzhou Tongda Yaoye Company Limited\* (“**Zhengzhou Tongda**”) pursuant to which Sheng Peng agreed to provide factoring service to Zhengzhou Tongda;
- (xxi) the pool financing agreement dated 26 December 2017 entered into between Sheng Peng and Zhengzhou Tongda pursuant to which Sheng Peng agreed to provide service of financing being secured by a pool of accounts receivable of Zhengzhou Tongda;
- (xxii) the factoring agreement dated 26 December 2017 entered into between Sheng Peng and Zhengzhou Tongda pursuant to which Sheng Peng granted a revolving factoring loan credit limit of RMB200,000,000 to Zhengzhou Tongda;
- (xxiii) the refactoring agreement dated 29 December 2017 entered into between Sheng Peng and Hong Ji Commercial Factoring (Shenzhen) Limited\* (“**Hong Ji**”) pursuant to which Sheng Peng granted a revolving factoring loan credit limit of RMB300,000,000 to Hong Ji;
- (xxiv) the novation agreements dated 29 December 2017 entered into between SY Factoring and Sheng Peng, and each of Gansu Zhongyao, Ningxia ZhongXin, HengAnZe, Shiyuan and Chongqing Pharmaceutical Group Yibin Medicine Co., Ltd\* pursuant to which the rights and obligations under the respective framework agreements, pool financing agreements (if applicable), factoring agreements and other agreements ancillary to the aforementioned agreements would be assumed by Sheng Peng in substitution of SY Factoring;
- (xxv) the credit limit (with recourse) agreement between SY Factoring and Shanghai Yaohe Trading Co. Ltd.\* (“**Shanghai Yaohe**”) dated 19 January 2018 pursuant to which a revolving factoring loan credit limit granted by SY Factoring to Shanghai Yaohe was revised from RMB65,000,000 to RMB350,000,000;
- (xxvi) the credit limit (with recourse) agreement between SY Factoring and (Zhoushan City Tiansheng Petroleum and Petrochemical Co. Ltd.\* (“**Zhoushan Tiansheng**”) dated 19 January 2018 pursuant to which a revolving factoring loan credit limit granted by SY Factoring to Zhoushan Tiansheng was revised from RMB80,000,000 to RMB390,000,000;

- (xxvii) the credit limit (with recourse) agreement between SY Factoring and Guangdong Kunteng dated 19 January 2018 pursuant to which i) the interest rate per annum was revised from 13.5% to 10-15%; ii) the service fee was revised from 0.35% (paid within the first 5 business days of the next month) to not more than 0.35% per drawdown; and iii) the expiry date of the credit period was revised from 28 February 2018 to 15 April 2018;
- (xxviii) the credit limit (with recourse) agreement between SY Factoring and Tyloo Energy dated 19 January 2018 pursuant to which the expiry date of the credit period was revised from 11 February 2018 to 1 May 2018;
- (xxix) the credit limit (with recourse) agreement between SY Factoring and Tyloo Oil dated 19 January 2018 pursuant to which the expiry date of the credit period was revised from 11 February 2018 to 1 May 2018;
- (xxx) the credit limit (with recourse) agreement between Sheng Peng and a customer dated 15 March 2018 pursuant to which i) the credit limit was revised from RMB128 million to RMB180 million; ii) the interest rate per annum was revised from 8% to not more than 10% (the exact interest rate to be determined at the time of each drawdown); and iii) the expiry date of the credit period was revised from 15 March 2018 to 14 March 2019;
- (xxxi) the cooperation agreement entered into between SY Factoring and China Merchant Securities Asset Management Company Limited\* (“**CMS Asset Management**”) on 29 March 2018 relating to the cooperation between SY Factoring and CMS Asset Management for the issue of the asset-backed securities products with a maximum amount RMB20 billion;
- (xxxii) the cooperation agreement entered into between SY Factoring and Country Garden Holdings Company Limited together with its subsidiaries (the “**Country Garden Group**”) on 29 March 2018 relating to the cooperation between SY Factoring and Country Garden Group for the issue of the asset-backed securities products with a maximum amount RMB20 billion;
- (xxxiii) the reverse factoring agreement between SY Factoring and a customer dated 30 March 2018 pursuant to which SY Factoring agreed to grant a revolving guarantee limit of not more than RMB390,000,000 for guarantee of the payment obligations of the customer under the Accounts Receivable until 29 March 2019;
- (xxxiv) the service fee agreement entered into between SY Factoring and CMS Asset Management on 11 April 2018 pursuant to which SY Factoring will provide factoring services in relation to the accounts receivable of the supplier(s) for the goods and services provided to Country Garden Group (the “**Batch 1 Suppliers**”) for the purpose of the CMS Capital — SY Factoring Asset Backed Securities Project Phase 1\*;
- (xxxv) the agreements entered into between SY Factoring and each of the Batch 1 Suppliers on 9 April 2018 for acquiring the accounts receivable of the Suppliers by SY Factoring from each of the Batch 1 Suppliers;

- (xxxvi) the agreement entered into between SY Factoring and CMS Asset Management on 11 April 2018 for the disposal of the accounts receivable of the Batch 1 Suppliers from SY Factoring to CMS Asset Management;
- (xxxvii) the third supplemental factoring agreement entered into between a customer and SY Factoring on 16 April 2018 pursuant to which i) the revolving factoring loan credit limit granted by SY Factoring to the customer was revised from RMB260,000,000 to RMB600,000,000; ii) the service fee was revised from not more than 0.35% of each accounts receivable assigned to not more than 1% of each accounts receivable assigned; and iii) the expiry date of the credit period was revised from 15 April 2018 to 28 March 2019;
- (xxxviii) the second supplemental factoring agreement entered into between a customer and SY Factoring on 16 April 2018 pursuant to which i) the revolving factoring loan credit limit granted by SY Factoring to two customers jointly was revised from RMB200,000,000 to RMB600,000,000; ii) the factoring loan prepayment ratio was revised from not more than 40% or 80% (as the case may be) of each accounts receivable assigned (for one customer) or not more than 90% of each accounts receivable assigned (for the other customer) to not more than 100% of each accounts receivable assigned (for both customers); and iii) the expiry date of the credit period was revised from 1 May 2018 to 3 April 2019;
- (xxxix) the second supplemental factoring agreement entered into between a customer and SY Factoring on 16 April 2018 pursuant to which i) the revolving factoring loan credit limit granted by SY Factoring to two customers jointly was revised from RMB200,000,000 to RMB600,000,000; ii) the factoring loan prepayment ratio was revised from not more than 40% or 80% (as the case may be) of each accounts receivable assigned (for one customer) or not more than 90% of each accounts receivable assigned (for the other customer) to not more than 100% of each accounts receivable assigned (for both customers); and iii) the expiry date of the credit period was revised from 1 May 2018 to 3 April 2019;
- (xl) the third supplemental factoring agreement entered into between a customer and SY Factoring on 16 April 2018 pursuant to which i) the revolving factoring loan credit limit granted by SY Factoring to a customer was revised from RMB250,000,000 to RMB400,000,000; ii) the interest rate was revised from not more than 13.5% per annum to 10-15% per annum; iii) the service fee was revised from not more than 0.35% of each accounts receivable assigned to not more than 1% of each accounts receivable assigned; and iv) the expiry date of the credit period was revised from 15 April 2018 to 1 April 2019;
- (xli) the seventh supplemental factoring agreement entered into between a customer and SY Factoring on 16 April 2018 pursuant to which i) the revolving factoring loan credit limit granted by SY Factoring to a customer was revised from RMB350,000,000 to RMB650,000,000; and ii) the expiry date of the credit period was revised from 16 May 2018 to 2 April 2019;

- (xlii) the second supplemental factoring agreement entered into between a customer and SY Factoring on 16 April 2018 pursuant to which i) the revolving factoring loan credit limit granted by SY Factoring to a customer was revised from RMB390,000,000 to RMB700,000,000; ii) the interest rate was revised from 10%-18% per annum to 10-15% per annum; and iii) the expiry date of the credit period was revised from 16 May 2018 to 2 April 2019;
- (xliii) the agreements entered into between SY Factoring and each of the supplier(s) for the goods and services provided to Country Garden Group (the “**Batch 2 Suppliers**”) on 18 May 2018 for acquiring the accounts receivable of the Batch 2 Suppliers by SY Factoring from each of the Batch 2 Suppliers;
- (xliv) the preliminary agreement entered into between SY Factoring and CMS Asset Management on 18 May 2018 for the disposal of the accounts receivable of the Batch 2 Suppliers from SY Factoring to CMS Asset Management;
- (xlv) the Supplemental Refactoring Agreement (Customer A);
- (xlvi) the Supplemental Factoring Agreement (Customer E);
- (xlvii) the Factoring Agreement (Customer F);
- (xlviii) the Supplemental Factoring Agreement (Customer G);
- (xlix) the Factoring Agreement (Customer H);
- (l) the Factoring Agreement (Customer I);
- (li) the Factoring Agreement (Customer J);
- (lii) the Second Supplemental Factoring Agreement (Customer K);
- (liii) the Factoring Agreement (Customer D);
- (liv) the factoring agreement entered into between SY Factoring and a customer on 21 May 2018 pursuant to which SY Factoring granted to the customer a revolving factoring loan credit limit of RMB100,000,000;
- (lv) the supplemental factoring agreement entered into between SY Factoring and a customer on 21 May 2018 pursuant to which i) the revolving factoring loan credit limit granted by SY Factoring to the customer was revised from RMB43,000,000 to RMB100,000,000; ii) the factoring loan prepayment ratio was revised from not more than 80% of the accounts receivable assigned to not more than 100% of the accounts receivable assigned or not more than 80% of the purchase order assigned (as the case may be); iii) the annual interest rate was revised from 14% (including tax) to not more than 15% (including tax, the exact interest rate to be determined upon each drawdown); iv) the service fee was revised from nil to not more than 2% of the accounts receivable assigned (including tax, the exact



service fee to be determined upon each drawdown); v) the expiry date of the credit period was revised from 20 April 2019 to 30 April 2019; and vi) the factoring was revised from being without notification to being with or without notification which would be determined based on the accounts receivable assigned;

- (lvi) the factoring agreement entered into between SY Factoring and a customer on 21 May 2018 pursuant to which SY Factoring granted to the customer a revolving factoring loan credit limit of RMB170,000,000;
- (lvii) the third supplemental factoring agreement entered into between Sheng Peng and a customer on 21 May 2018 pursuant to which i) the factoring loan prepayment ratio was revised from not more than 50% of the purchase orders assigned or not more than 80% of the accounts receivable assigned (as the case may be) to not more than 50% of the purchase orders assigned or not more than 90% of the accounts receivable assigned (as the case may be); (ii) the expiry date of the credit period was revised from 14 March 2019 to 30 April 2019; (iii) the factoring was revised from being without notification to being with or without notification which would be determined based on the accounts receivable assigned; and (iv) the credit limit could be granted by Sheng Peng or any of its associated companies but the accumulated credit limit would not exceed the credit limit granted by Sheng Peng; and
- (lviii) the disposal agreements entered into between SY Factoring and a purchaser on 15 June 2018 pursuant to which SY Factoring agreed to dispose of and the Purchaser agreed to acquire two accounts receivable at a consideration of approximately RMB219.1 million and RMB108.8 million respectively.

## **8. MATERIAL LITIGATION**

As at the Latest Practicable Date, there were no litigations or claims of material importance pending or threatened against any member of the Group which was known to the Directors.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Room 4202, 42/F, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong for a period of 14 days from the date of this circular:

- (i) the memorandum and articles of association of the Company;
- (ii) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (iii) the audited combined financial statements of the Company for the two financial years ended 31 December 2015 and 2016 included in the accountant's report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to the prospectus of the Company dated 26 June 2017 in relation to the global offering of the Company;
- (iv) the annual report 2017 of the Company for the year ended 31 December 2017;

- (v) each circular issued by the Company pursuant to the requirements set out in Chapter 19 and/or 20 of the GEM Listing Rules which have been issued since the date of the latest published audited accounts of the Company (i.e. the circulars of the Company dated 25 May 2018, 25 May 2018 and 12 June 2018); and
- (vi) this circular.

## 10. MISCELLANEOUS

- (i) The company secretary of the Company is Mr. Lo Wai Hung who is a fellow member of Hong Kong Institute of Certified Public Accountants.
- (ii) The compliance officer of the Company is Mr. Tung, who is also an executive Director and the chairman of the Board.
- (iii) The Company established the Audit Committee on 19 June 2017 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of the external auditors; review the financial statements and provide material advice in respect of financial reporting; and oversee the interim control and risk management procedures of the Company. The Audit Committee currently consists of three members, namely Mr. Hung Ka Hai Clement, Mr. Tsoon Wai Mun, Benjamin, and Mr. Loo Yau Soon. The Chairman of the Audit Committee is Mr. Hung Ka Hai Clement.

**Mr. Hung Ka Hai Clement** (“**Mr. Hung**”), aged 62, is the independent non-executive Director. He was appointed as the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee since 6 July 2017.

Mr. Hung had served Deloitte China for 31 years. He retired from the Chairman role of Deloitte in June 2016 and had represented Deloitte China in the Deloitte Global Board and Governance Committee as a member during at that time. He has extensive experience in the areas of initial public offerings, mergers and strategic acquisitions and corporate finance, and advising multinational corporations, public companies and enterprises in Hong Kong and the People’s Republic of China and is an expert in listings in Main Board and GEM in the Hong Kong Stock Exchange. In June, 2016, the Ministry of Finance of People’s Republic of China appointed Mr. Hung as an expert Consultant under his extensive experience as a Hong Kong accounting professionals.

Mr. Hung had also assumed various leadership roles in Deloitte before he took up the appointment as Chairman. He was the Audit group leader and the Office Managing Partner of Deloitte Shenzhen Office and Guangzhou Office. He was also a member of the China Management Team. Later on, Mr. Hung assumed the role of the Southern Audit Leader and the Deputy Managing Partner of the Southern Region.

Mr. Hung has become an honorary member of the Shenzhen Institute of Certified Public Accountants in 2004. He has served as the Guangzhou Institute of Chartered Accountants consultant from 2009. During 2006 to 2012, he also served as a member of the Political Consultative Committee of Luohu District, Shenzhen.

Mr. Hung has been appointed as an independent non-executive director of Gome Finance Technology Co., Ltd. (stock code: 0628) since 31 October 2016., as an independent non-executive director of SMI Holdings Group Limited (stock code: 0198) on 16 January 2017 and re-designated as non-executive director thereof with effect from 15 March 2017., as an independent nonexecutive director of LT Commercial Real Estate Limited (stock code: 0112) on 24 February 2017, re-designated as non-executive director with effect from 3 March 2017 and re-designated as an independent non-executive director thereof with effect from 30 June 2017., as a non-executive director of High Fashion International Limited (stock code:0608) since 1 December 2017 and as an independent non-executive director of Henry Group Holdings Limited (stock code: 0859) since 12 January 2018.

**Mr. Loo Yau Soon (“Mr. Loo”)**, aged 45, is the independent non-executive Director. He was appointed as the chairman of the Remuneration Committee and a member of the Audit Committee since 6 July 2017. From November 2007 to August 2014, he had been an independent director and chairman of the audit committee for Indiabulls Property Investment Trust, a company listed on Singapore Exchange in Singapore. Since February 2014, he has been a director of Seri Venture Capital Management Sdn Bhd in Brunei. On March 2016, he was appointed as the chief executive officer and managing director of Darussalam Enterprise in Brunei.

Mr. Loo has extensive teaching experience and has taken advisory roles in various organisations. Since 2008, he has been adjunct faculty and visiting professors in entrepreneurship and new venture creation in universities across Singapore and Brunei. In 2016, he was appointed a board member of Brunei Economic Development Board and a state representative of Brunei in APEC Business Advisory Council. Afterwards, since March 2017 he has been appointed as the chief executive officer of Brunei Economic Development Board.

**Mr. Twoon Wai Mun, Benjamin (“Mr. Twoon”)**, aged 29, is the independent non-executive Director. He was appointed as a member of each of the Audit Committee and the Nomination Committee since 6 July 2017. Mr. Twoon’s experiences include financial services, corporate finance and financial technology. He was as a management associate at Citibank N.A. (Singapore) from July 2013 to September 2014, where he worked on the landmark Citi-AIA joint venture, as well as the implementation of productivity initiatives across the Bank’s branches in the region. From September 2014 to April 2015, Mr. Twoon worked as a business development (M&A) executive in Pavilion Energy Management Pte Ltd., in Singapore, where he was responsible for the evaluation and management of investments in the oil and gas industry in various countries, formulating investment strategies and identifying potential acquisition targets. Mr. Twoon is currently the co-founder and chief operating officer of a licensed regional Fintech platform, Fundnel Pte Limited, since July 2015, and he is responsible for investments, business development and overseeing the operations of the company in 6 markets. Mr. Twoon is also a non-executive

Director of Anthill Capital Pte Ltd since May 2016, a regional investment and incubation platform, where he is responsible for evaluation of investments and syndication efforts across technology-related opportunities across Asia. In May 2017, Mr. Tsoon was appointed as a nonexecutive Director of Y Ventures Group, an e-commerce retailer and distributor listed on the Singapore Stock Exchange. He sits on the Remuneration Committee and he is involved in the development of business and growth strategies, as well as frameworks for corporate governance.

- (iv) The headquarters and principal place of business of the Company in the PRC is located at 10/F, Kerry Plaza Tower 2, 1-1 Zhong Xin No. 4 Road, Futian, Shenzhen 518048, PRC.
- (v) The principal place of business of the Company in Hong Kong is located at Room 4202, 42/F, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong.
- (vi) The Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, is located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (vii) The English text of this circular shall prevail over the Chinese text.