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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

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF
HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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 Stock 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of ShengYe Capital Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

ANNUAL RESULTS

The board of Directors of the Company (the “**Board**”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2018 together with comparative figures for the year ended 31 December 2017. The financial information has been approved by the Board.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	2018 RMB'000	2017 RMB'000
Revenue	4		
Interest income from factoring service		308,484	144,127
Income from other services		37,412	13,190
Total revenue		345,896	157,317
Gain on sales of factoring assets	5	124,548	57,967
Income from factoring and other services		470,444	215,284
Other income	6(a)	17,796	10,204
Impairment losses, net of reversal		(17,761)	(2,055)
Other gains and losses	6(b)	10,186	(2,158)
Staff costs		(45,447)	(20,007)
Other operating expenses		(53,088)	(23,369)
Listing expenses		—	(8,102)
Donation		(1,800)	(400)
Share of profit (loss) of a joint venture		1,775	(166)
Share of profit of associates		4,705	—
Finance costs	7	(91,156)	(36,215)
Profit before taxation		295,654	133,016
Taxation	8	(83,780)	(44,209)
Profit for the year		211,874	88,807

	NOTE	2018 RMB'000	2017 RMB'000
Profit for the year attributable to:			
– Owners of the Company		208,421	88,807
– Non-controlling interests		3,453	—
		<u>211,874</u>	<u>88,807</u>
Earnings per share	10		
– Basic (RMB cents)		26	14
– Diluted (RMB cents)		26	14
Other comprehensive income (“OCI”):			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain, net of expected credit losses (“ECL”) on:			
– factoring assets at fair value through OCI (“FVTOCI”)		794	—
Income tax relating to items that may be reclassified subsequently		(198)	—
Share of other comprehensive expense of a joint venture, net of related income tax		(32)	—
Share of other comprehensive income of associates, net of related income tax		835	—
Other comprehensive income for the year, net of income tax		<u>1,399</u>	<u>—</u>
Total comprehensive income for the year		<u>213,273</u>	<u>88,807</u>
Total comprehensive income for the year attributable to:			
– Owners of the Company		209,345	88,807
– Non-controlling interests		3,928	—
		<u>213,273</u>	<u>88,807</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	31/12/2018	31/12/2017
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Equipment		2,728	2,138
Intangible assets		13,467	7,940
Factoring assets at FVTOCI	11	18,609	—
Investment in a joint venture	12(a)	27,077	25,334
Investments in associates	12(b)	53,540	—
Prepayments for non-current assets		1,060	—
Deferred tax assets		20,683	6,654
		137,164	42,066
CURRENT ASSETS			
Factoring assets	11	—	1,339,682
Factoring assets at FVTOCI	11	2,799,706	—
Receivables from sales of factoring assets	5	—	56,168
Loan receivable		12,986	—
Security deposits for guarantee		—	104,354
Amounts due from related parties		—	91
Other receivables, prepayments and others		7,892	2,183
Fixed deposit	13	8,764	—
Bank balances and cash	13	226,069	174,277
		3,055,417	1,676,755

	NOTES	31/12/2018	31/12/2017
		RMB'000	RMB'000
CURRENT LIABILITIES			
Loans from an associate		10,005	—
Other payables and accrued charges		55,411	24,547
Income tax payable		77,521	26,502
Deposits from counter guarantors		—	61,477
Financial liability arising from repurchase agreements		—	10,248
Borrowings	14	911,956	482,320
Contract liabilities		2,786	—
		<u>1,057,679</u>	<u>605,094</u>
NET CURRENT ASSETS		<u>1,997,738</u>	<u>1,071,661</u>
NON-CURRENT LIABILITY			
Deferred tax liabilities		18,840	8,449
NET ASSETS		<u>2,116,062</u>	<u>1,105,278</u>
CAPITAL AND RESERVES			
Share capital	15	7,623	6,442
Reserves		2,012,558	1,098,836
Equity attributable to owners of the Company		2,020,181	1,105,278
Non-controlling interests		95,881	—
TOTAL EQUITY		<u>2,116,062</u>	<u>1,105,278</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share	Share	Capital	FVTOCI	Share	Statutory	Retained	Non-		Total
	capital	premium	reserves	reserves	options	reserves	profits	Total	controlling	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	618,841	—	—	—	—	10,113	80,243	709,197	—	709,197
Profit and total comprehensive income for the year	—	—	—	—	—	—	88,807	88,807	—	88,807
Transfer to PRC statutory reserves	—	—	—	—	—	10,905	(10,905)	—	—	—
Transfers on reorganisation	(618,840)	—	618,840	—	—	—	—	—	—	—
Arising from reorganisation	—	618,840	(618,840)	—	—	—	—	—	—	—
Issue of new shares	1,610	320,438	—	—	—	—	—	322,048	—	322,048
Issue of shares by capitalisation of share premium account	4,831	(4,831)	—	—	—	—	—	—	—	—
Transaction costs attributable to issue of new shares	—	(17,135)	—	—	—	—	—	(17,135)	—	(17,135)
Recognition of equity-settled share-based payments	—	—	—	—	2,361	—	—	2,361	—	2,361
At 31 December 2017	6,442	917,312	—	—	2,361	21,018	158,145	1,105,278	—	1,105,278
Adjustments of application of accounting policy changes	—	—	—	(2,604)	—	—	—	(2,604)	—	(2,604)
At 1 January 2018 (restated)	<u>6,442</u>	<u>917,312</u>	<u>—</u>	<u>(2,604)</u>	<u>2,361</u>	<u>21,018</u>	<u>158,145</u>	<u>1,102,674</u>	<u>—</u>	<u>1,102,674</u>
Profit for the year	—	—	—	—	—	—	208,421	208,421	3,453	211,874
Other comprehensive income for the year	—	—	—	924	—	—	—	924	475	1,399
Total comprehensive income for the year	—	—	—	924	—	—	208,421	209,345	3,928	213,273
Issue of new shares from placing	1,178	705,979	—	—	—	—	—	707,157	—	707,157
Transaction costs attributable to issue of new shares from placing	—	(9,207)	—	—	—	—	—	(9,207)	—	(9,207)
Transfer to PRC statutory reserves	—	—	—	—	—	23,419	(23,419)	—	—	—
Capital contribution by non-controlling interests	—	—	1,547	—	—	—	—	1,547	91,953	93,500
Recognition of equity-settled share-based payments	—	—	—	—	7,341	—	—	7,341	—	7,341
Exercise of share options	3	1,703	—	—	(382)	—	—	1,324	—	1,324
At 31 December 2018	<u>7,623</u>	<u>1,615,787</u>	<u>1,547</u>	<u>(1,680)</u>	<u>9,320</u>	<u>44,437</u>	<u>343,147</u>	<u>2,020,181</u>	<u>95,881</u>	<u>2,116,062</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2018	2017
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit for the year	211,874	88,807
Adjustment for:		
Taxation	83,780	44,209
Share of (profit) loss of a joint venture	(1,775)	166
Share of profit of associates	(4,705)	—
Depreciation of equipment	1,289	964
Amortisation of intangible assets	696	320
Research and development costs recognised as an expense	7,485	—
Impairment losses, net of reversal	17,761	2,055
Loss on disposal of equipment	62	96
Gain on disposal of a subsidiary	(514)	—
Equity-settled share-based payments expense	7,341	2,361
Finance costs	91,156	36,215
Bank interest income	(2,003)	(257)
Interest income from a loan receivable	(136)	—
Interest income from loan to an associate	(791)	—
Investment income	—	(123)
Exchange (gain) loss, net	(10,124)	2,062
	401,396	176,875
Operating cash flows before movements in working capital	401,396	176,875
Increase in factoring assets at FVTOCI	(1,498,916)	(16,769)
Decrease (increase) in security deposits for guarantee	11,821	(105,007)
Decrease (increase) in receivables from sales of factoring assets	56,168	(56,168)
Increase in other receivables, prepayments and others	(5,709)	(814)
Decrease (increase) in amount due from a related party	90	(90)
Increase in other payables and accrued charges	31,556	6,328
Increase in contract liabilities	2,786	—
(Decrease) increase in deposits from counter guarantors	(11,821)	61,477
	(1,012,629)	65,832
Cash (used in) from operations	(1,012,629)	65,832
Enterprise Income Tax paid	(35,899)	(23,994)
	(1,048,528)	41,838
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(1,048,528)	41,838

	2018	2017
	RMB'000	RMB'000
INVESTING ACTIVITIES		
Repayments from an associate and immediate holding company	70,803	—
Net cash inflow (outflow) arising on disposal of a subsidiary	19,656	(25,500)
Bank interest income received	2,003	257
Interest income from loan to an associate	791	—
Interest income from a loan receivable	136	—
Proceeds from disposal of equipment	8	1
Redemption of structure deposits	—	304,000
Redemption of available-for-sale investment	—	1,000
Investment income received	—	123
Placement of structure deposits	—	(294,000)
Advances to a related party	(88)	—
Payment for development expense	(7,485)	—
Payment for purchase of equipment and prepayments of a property	(2,652)	(1,344)
Placement of fixed deposit	(8,764)	—
Payment for development costs and purchase of other intangible assets	(6,580)	(6,171)
Advances of a loan receivable	(13,143)	—
Investment in associates	(42,000)	—
Advances to an associate	(53,500)	—
NET CASH USED IN INVESTING ACTIVITIES	(40,815)	(21,634)

	2018 RMB'000	2017 RMB'000
FINANCING ACTIVITIES		
New borrowings raised	4,802,796	1,350,592
Issue of placing shares	697,950	—
Capital contribution from non-controlling shareholders of the subsidiaries	93,500	—
Loans from an associate/related parties raised	47,175	58,000
Exercise of equity-settled share options	1,324	—
Issue of new shares	—	322,048
Cash receipts from financial liability arising from repurchase agreements	—	170,161
Repayment to a related party	—	(4,527)
Listing expenses paid	—	(17,135)
Repayment of loans from related parties	—	(527,200)
Interest paid for loans from related parties	(132)	(19,487)
Interest paid for financial liability arising from repurchase agreements	(285)	(1,543)
Repayment of financial liability arising from repurchase agreements	(10,000)	(243,611)
Repayment of loans from an associate	(37,175)	—
Interest paid for borrowings	(77,393)	(24,882)
Repayment of borrowings	(4,386,749)	(1,010,592)
NET CASH FROM FINANCING ACTIVITIES	1,131,011	51,824
NET INCREASE IN CASH AND CASH EQUIVALENTS	41,668	72,028
Effect of foreign exchange rate changes	10,124	(2,062)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	174,277	104,311
CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by bank balances and cash	226,069	174,277

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL

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

The shares of the Company have been listed on GEM of the Stock Exchange with effect from 6 July 2017.

The Company is an investment holding company. The principal activities of the Group are provision of factoring and guarantee services in the People’s Republic of China (“PRC”).

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Consulting service;
- Information technology service;
- Other services.

As the guarantee service meets the definition of a financial guarantee contract it is accounted for under HKFRS 9 and not HKFRS 15.

Summary of effects arising from initial application of HKFRS 15

As at 1 January 2018, advances from customers of RMB4,623,000 in respect of consulting service contracts previously included in other payables and accrued charges were reclassified to contract liabilities for RMB4,406,000.

Based on the current business model, no other impact resulted from the adoption of HKFRS 15 on the amounts reported on the consolidated financial statements of the Group as at 1 January 2018.

2.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) ECL for financial assets and other items (for example, financial guarantee contracts) and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assets

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Original measurement category under HKAS39	New measurement category under HKFRS9	Closing balance At 31.12.2017 under HKAS39 RMB'000	Fair value remeasurement under HKFRS9 through reserves RMB'000	Opening balance At 1.1.2018 HKFRS9 RMB'000
Factoring assets	Loans and receivables	FVTOCI	1,339,682	(3,473)	1,336,209
Deferred tax assets	N/A	N/A	6,654	869	7,523
FVTOCI reserves	N/A	N/A	—	(2,604)	(2,604)

Note: Factoring assets with a fair value of RMB1,336,209,000 were reclassified from loans and receivables to FVTOCI, as these assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these assets are solely payments of principal and interest on the principal amount outstanding. RMB3,473,000, net effect of fair value losses of RMB20,323,000 and ECL of RMB16,850,000, was accumulated in the FVTOCI reserves as at 1 January 2018.

There were no other financial assets which the Group had previously classified as loans and receivables and financial liabilities which the Group had previously measured at amortised cost under HKAS 39 that were subject to reclassification, or which the Group has elected to reclassify upon the application of HKFRS 9.

Impairment under ECL model

Loss allowances for other financial assets at amortised cost mainly comprise receivables from sales of factoring assets, receivables from guarantee service, security deposits for guarantee, amounts due from related parties, other receivables and bank balances and cash, are measured on 12-month ECL (“12m ECL”) basis and there has been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the directors of the Company reviewed and assessed the impairment of receivables from sales of factoring assets, security deposits for guarantee, amounts due from related parties, other receivables and bank balances and cash under ECL model, considering that these financial assets were determined to have low credit risk as these financial assets have a low risk of default and the debtors have a strong capacity to meet their contractual cash flow obligations in the near term, and no additional loss allowance was recognised against retained profits as the amount was immaterial.

As at 1 January 2018, the loss allowance for the factoring assets at FVTOCI was recognised against the FVTOCI reserves. All of the Group’s factoring assets at FVTOCI are not past due. Therefore, these factoring assets are considered not to have suffered significant increase in credit risk since initial recognition and the loss allowance is measured on 12m ECL basis.

The loss allowance for factoring assets at FVTOCI as at 31 December 2017 reconciled to the opening loss allowance as at 1 January 2018 is as follows:

	(i)	(ii)	(iii)=(i)+(ii)
	HKAS 39	Reclassifications	HKFRS 9
	carrying amount	through opening	carrying amount
	31.12.2017	FVTOCI reserves	1.1.2018
	RMB’000	RMB’000	RMB’000
Financial assets			
Factoring assets at amortised cost	16,850	(16,850)	—
Factoring assets at FVTOCI	—	16,850	16,850
	<u> </u>	<u> </u>	<u> </u>

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ²
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ³
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁴ Effective for annual periods beginning on or after a date to be determined

⁵ Effective for annual periods beginning on or after 1 January 2020

3. SEGMENT INFORMATION

The chief operating decision maker (“CODM”), being the executive directors of the Company, have determined that the Group has only one operating and reportable segment throughout the reporting period, as the Group is principally engaged in providing factoring and relevant services mainly in the PRC, and the CODM, reviews the consolidated financial position and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group.

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

Information about major customers

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

	2018	2017
	RMB'000	RMB'000
Customer A	36,877	N/A ¹
Customer B	N/A¹	30,031
Customer C	N/A¹	19,481
Customer D	N/A¹	17,573
Customer E	N/A¹	16,517

Note:

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

4. REVENUE

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

An analysis of the Group's revenue for the reporting period is as follows:

	2018	2017
	RMB'000	RMB'000
Interest income from factoring service	308,484	144,127
Income from other services:		
- Guarantee service	17,962	293
- Consulting service	14,483	12,623
- Information technology service	2,621	49
- Other services	2,346	225
	37,412	13,190
	345,896	157,317

5. SALES OF FACTORING ASSETS

For the years ended 31 December 2018 and 2017, the Group sold part of factoring assets to certain financial institutions mainly in the PRC. Sales of factoring assets gave rise to full derecognition of the factoring assets pursuant to the terms of sale agreements signed between the Group and relevant financial institutions.

	2018	2017
	RMB'000	RMB'000
Gain on sales of factoring assets	<u>124,548</u>	<u>57,967</u>

No outstanding balance of receivables arising from sales of factoring assets as at 31 December 2018 (2017: RMB56,168,000).

6. OTHER INCOME/OTHER GAINS AND LOSSES

(a) Other income

	2018	2017
	RMB'000	RMB'000
Government subsidies	14,844	9,824
Bank interest income	2,003	257
Interest income from a loan receivable	136	—
Interest income from loan to an associate	791	—
Investment income	—	123
Others	22	—
	<u>17,796</u>	<u>10,204</u>

(b) Other gains and losses

	2018	2017
	RMB'000	RMB'000
Exchange gain (loss), net	10,124	(2,062)
Gain on disposal of a subsidiary	514	—
Loss on disposal of equipment	(62)	(96)
Others	(390)	—
	<u>10,186</u>	<u>(2,158)</u>

7. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest on borrowings	90,982	24,704
Interest on loans from related parties	137	9,779
Interest on financial liability arising from repurchase agreements	37	1,732
	<u>91,156</u>	<u>36,215</u>

8. TAXATION

	2018 RMB'000	2017 RMB'000
The charge (credit) comprises:		
Current tax		
– PRC Enterprise Income Tax (“EIT”)	84,880	38,059
– Withholding tax levied on dividend declared of a PRC subsidiary	300	700
– Withholding tax levied on interest income of a Hong Kong subsidiary	1,865	934
	<u>87,045</u>	<u>39,693</u>
Deferred tax	(3,265)	4,516
	<u>83,780</u>	<u>44,209</u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. Certain PRC subsidiaries enjoy preferential tax rate according to approval from local tax bureau, including a PRC subsidiary enjoys preferential tax rate of 15% since 2016 and a PRC subsidiary enjoys free tax rate in the first 5 years since set up in 2018.

9. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of HK4 cents (2017: Nil) per ordinary share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting of the Company.

10. EARNINGS PER SHARE

The basic and diluted earnings per share are calculated based on the profit attributable to owners of the Company and the weighted average number of ordinary shares for the year on the assumption that the group reorganisation and capitalisation issue has been effective since 1 January 2017. The Group has considered the share options in the calculation of diluted earnings per share.

	2018	2017
	RMB'000	RMB'000
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>208,421</u>	<u>88,807</u>
	2018	2017
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	806,057	645,726
Effect of dilutive potential ordinary shares:		
Share options	<u>4,240</u>	<u>67</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>810,297</u>	<u>645,793</u>

11. FACTORING ASSETS AT FVTOCI/FACTORING ASSETS

	31/12/2018	31/12/2017
	RMB'000	RMB'000
Factoring assets at FVTOCI/factoring assets	2,855,448	1,356,532
Less: collective impairment allowance	N/A	(16,850)
Changes in fair value	<u>(37,133)</u>	<u>N/A</u>
	<u>2,818,315</u>	<u>1,339,682</u>
Analysed for reporting purposes as:		
Current assets	2,799,706	1,339,682
Non-current assets	<u>18,609</u>	<u>—</u>
	<u>2,818,315</u>	<u>1,339,682</u>

As at 31 December 2018, the effective interest rates of the factoring assets range mainly from 6.00% to 18.36% (2017: 6.90% to 18.72%) per annum.

As at 31 December 2018, certain commercial acceptance bills are received from customers with fair value amounting of RMB467,780,000 (2017: RMB16,569,000) as pledged bills to the factoring assets. The bills can also be applied and used to settle any outstanding receivables of factoring assets for the corresponding contract if default occurs, otherwise the Company needs to return the bills if the outstanding factoring assets are settled. Until such time as default occurs and they are used to settle the factoring assets the commercial acceptance assets are not recognised as an asset in the financial statements.

The following is a credit quality analysis of factoring assets at FVTOCI/factoring assets.

	31/12/2018	31/12/2017
	RMB'000	RMB'000
Not past due	2,818,280	1,356,532
Past due (note)	35	—
	<hr/>	<hr/>
Subtotal	2,818,315	1,356,532
	<hr/>	<hr/>
Less: collective impairment allowance	N/A	(16,850)
	<hr/>	<hr/>
	2,818,315	1,339,682
	<hr/> <hr/>	<hr/> <hr/>

Note: In the event that instalments repayment of a factoring asset at FVTOCI/a factoring asset is past due, the entire outstanding balance of the factoring assets is classified as past due.

The following is an aging analysis based on due dates of the factoring assets at FVTOCI/factoring assets instalments which are past due (instalments which are not yet due at the end of the reporting period are excluded):

	31/12/2018	31/12/2017
	RMB'000	RMB'000
<i>Past due by:</i>		
Less than one month	35	—
	<hr/> <hr/>	<hr/> <hr/>

12. INVESTMENT(S) IN A JOINT VENTURE/ASSOCIATES

(a) Investment in a joint venture

Details of the Group's investment in a joint venture are as follows:

	31/12/2018	31/12/2017
	RMB'000	RMB'000
Cost of investment in a joint venture, unlisted	25,500	25,500
Share of post-acquisition profit (loss)	1,609	(166)
Share of post-acquisition OCI	(32)	—
	<u>27,077</u>	<u>25,334</u>

(b) Investments in associates

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

	31/12/2018	31/12/2017
	RMB'000	RMB'000
Cost of investments in associates, unlisted	48,000	—
Share of post-acquisition profit	4,705	—
Share of post-acquisition OCI	835	—
	<u>53,540</u>	<u>—</u>

13. FIXED DEPOSIT AND BANK BALANCES AND CASH

The bank balances of the Group carry interest at market rates are as follows:

	31/12/2018	31/12/2017
	%	%
Range of interest rates (per annum)	<u>0~1.61</u>	<u>0~0.42</u>

As at 31 December 2018, a sixth-months fixed deposit of HK\$10,002,000 (equivalent to RMB8,764,000) carried a fixed interest rate of 2.15% per annum.

The fixed deposit and bank balances that are denominated in currencies other than the functional currencies of each entities are set out below:

	31/12/2018	31/12/2017
	RMB'000	RMB'000
Hong Kong Dollars (“HK\$”)	10,027	2,189
US Dollars (“US\$”)	110	20
Great Britain Pound (“GBP £”)	13	17
	<u>10,150</u>	<u>2,226</u>

14. BORROWINGS

	31/12/2018	31/12/2017
	RMB'000	RMB'000
Carrying amount repayable within one year*:		
- Unsecured and guaranteed bonds	713,490	—
- Unsecured and unguaranteed loans	120,000	—
- Bills discounted	61,818	—
- Secured and guaranteed bank borrowing	16,648	—
- Unsecured entrusted loans	<u>—</u>	<u>482,320</u>
Amounts shown under current liabilities	<u>911,956</u>	<u>482,320</u>

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

15. SHARE CAPITAL

The share capital presented as at 31 December 2017 represented the share capital of the Company and the share capital presented as at 1 January 2017 represented the aggregate of share capital of Sheng Ye International Capital Limited, Nice Day Corporation Limited and the Company in issue as at 1 January 2017.

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

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2017	1,000,000	10,000
Increase in authorised capital	4,999,000,000	49,990,000
	<u>5,000,000,000</u>	<u>50,000,000</u>
At 31 December 2017 and 31 December 2018	<u>5,000,000,000</u>	<u>50,000,000</u>
	Number of shares	Share capital HK\$
Issued:		
At 1 January 2017	1	0.01
Issued on date of reorganisation	1	0.01
Issue of shares upon listing of the Company's shares on the Stock Exchange on 6 July 2017		
– Issue of new shares pursuant to the offering	185,000,000	1,850,000.00
– Capitalisation issue of shares	554,999,998	5,549,999.98
	<u>740,000,000</u>	<u>7,400,000.00</u>
At 31 December 2017	740,000,000	7,400,000.00
Issue of new shares from placing	138,484,000	1,384,840.00
Exercise of share options	356,500	3,565.00
	<u>878,840,500</u>	<u>8,788,405.00</u>
At 31 December 2018	<u>878,840,500</u>	<u>8,788,405.00</u>
	31/12/2018	31/12/2017
	RMB'000	RMB'000
Shown in the consolidated statement of financial position	<u>7,623</u>	<u>6,442</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a specialised enterprise financial services provider with a strong capital base, who offers accounts receivable financing and other related solutions in the People's Republic of China (“**PRC**”). It has a strategically developed factoring service customer base making up of small and medium enterprises suppliers of State-owned enterprises and large enterprises, in the energy, construction and medical sectors in the PRC. Its headquarter is in Shenzhen, the PRC.

The Group provides these customers with funds secured by, amongst others, their accounts receivable, and also offers them accounts receivable management services, which include review and verification of documents relating to the accounts receivable, and reports regularly to customers on matters concerning their accounts receivable. In return, the Group receives interest income and also professional fees for the services rendered. It also derives income from sales of rights of factoring assets.

FINANCIAL REVIEW

Revenue

The Group earns most of its revenue from the provision of factoring services to customers in the PRC. For the year ended 31 December 2018, the Group made revenue of approximately RMB345.9 million, representing an increase of approximately 119.9% (For the year ended 31 December 2017: RMB157.3 million). The increase in revenue was mainly attributable to an expanded factoring business supported by major portion of the proceeds from the placing exercise in July 2018 and bank and other borrowings.

Gain on sales of factoring assets

The Group may sell rights of factoring assets as a way to improve cash flow and manage its factoring receivables portfolio. Gain from this business segment is equal to the excess of the consideration received and receivable over the carrying amount of the factoring assets. The increase in gain on sales of factoring assets was up by approximately 114.7%, from RMB58.0 million for the year ended 31 December 2017 to RMB124.5 million for the year ended 31 December 2018. The increase was attributable mainly to the climb in market demand for factoring assets. None of the factoring assets sold to independent third parties involves non-performing assets.

Other income

Other income mainly comprises government subsidies, interest income from loan to an associate and bank interest income. For the year ended 31 December 2018 and 2017, the Group's other income was approximately RMB17.8 million and RMB10.2 million, respectively, representing an increase of approximately 74.5%. Government subsidies recognised for the year ended 31 December 2018 amounted to approximately RMB14.8 million, representing an increase of approximately 51.0% from approximately RMB9.8 million for the year ended 31 December 2017.

Other gains and losses

Net other gain of RMB10.2 million mainly include exchange differences and gain on disposal of a subsidiary. In January 2018, the Group disposed of its 80% investment in Shenzhen Sheng Ye Non-Financing Guarantee Limited at consideration of RMB24.0 million and recorded a gain of RMB0.5 million. (For the year ended 31 December 2017 net other losses: RMB2.2 million).

Staff costs and other operating expenses

Staff cost and other operating expenses mainly comprise staff salaries and benefits, rental expenses, legal and professional fees, depreciation of equipment and other miscellaneous. Staff cost and other operating expenses for the year ended 31 December 2018 were RMB98.5 million (For the year ended 31 December 2017: RMB43.4 million), representing an increase of 127.0%, which was mainly attributable to the increase in headcount and salaries, marketing expenses and professional fees incurred as a result of business expansion.

Listing expenses

The Group did not incur any listing expenses for the year ended 31 December 2018. For the year ended 31 December 2017, the Group recorded one-off listing expenses of approximately RMB8.1 million.

Impairment losses, net of reversal

Impairment allowances for the year ended 31 December 2018 amounted to RMB17.8 million, mainly represents the increase of impairment allowance on factoring assets from approximately RMB16.9 million as at 31 December 2017 to RMB34.5 million as at 31 December 2018. The increase is a result of business growth and is in line with the increase in factoring assets of the Group.

Share of profits of a joint venture

The Group shared the profits of a joint venture of RMB1.8 million for the year ended 31 December 2018 (For the year ended 31 December 2017: shared loss of RMB0.2 million).

Share of profits of associates

The Group shared the profits of associates of RMB4.7 million for the year ended 31 December 2018 (For the year ended 31 December 2017: Nil).

Finance costs

Finance cost is mainly the interest expenses of borrowings from banks, financial institutions and a bond investor. For the year ended 31 December 2018, finance cost was RMB91.2 million, representing a 151.9% increase (For the year ended 31 December 2017: RMB36.2 million). The increase in finance cost is in line with the increase in borrowings made by the Group to finance expansion of business operations.

Profit before taxation

As a result of the foregoing, the Group's profit before taxation increased by approximately 122.3%, to approximately RMB295.7 million in 2018 (For the year ended 31 December 2017: RMB133.0 million). Profit before taxation accounted for approximately 62.8% and 61.8% of the Group's income from factoring and other services in 2018 and 2017, respectively.

Taxation

Income tax expenses represent the tax expense arising from the assessable profit generated by the Group in the PRC and deferred tax. Except for certain PRC subsidiaries that enjoy preferential tax rates, PRC enterprise income tax is calculated at 25% of the estimated assessable profits for both years ended 31 December 2018 and 2017.

For the year ended 31 December 2018, income tax expenses amounted to approximately RMB83.8 million (For the year ended 31 December 2017: RMB44.2 million).

Dividend

The Directors recommend the payment of a final dividend of HK\$4 cents per ordinary share of the Company (“Shares”) for the year ended 31 December 2018 (2017: Nil).

Capital structure, liquidity, financial resources and gearing

During the year ended 31 December 2018, the Group’s main source of funds was the cash generated from daily operation, new borrowings and proceeds from placing of shares. As at 31 December 2018, the Group had bank balances and cash of RMB226.1 million (31 December 2017: RMB174.3 million), of which 99.4% and 0.6% were denominated in RMB and HK dollars respectively.

As at 31 December 2018, the Group had interest-bearing borrowings, amounted to RMB922.0 million (31 December 2017: RMB482.3 million). Its gearing ratio, expressed as total liabilities over owner’s equity was 0.5 as at 31 December 2018 (31 December 2017: 0.6).

Use of proceeds

The Global Offering

The net proceeds from the Global Offering were approximately HK\$334.6 million (equivalent to RMB295.3 million) which were based on the global offering price of HK\$2.0 per Share and the actual listing expenses. The listing proceeds had been used for the purposes stated in the future plans of the Company as set out in the prospectus of the Company dated 26 June 2017 (the “Prospectus”).

The Placing

On 28 June 2018, the Company, Wisdom Cosmos Limited (“**Wisdom Cosmos**”), the immediate holding of the Company, Oversea-Chinese Banking Corporation Limited (“**OCBC**”) and Macquarie Capital Limited (“**Macquarie**”) (OCBC and Macquarie collectively referred to as the “**Joint Placing Agents**”) entered into a placing agreement pursuant to which the Wisdom Cosmos agreed to place, through the Joint Placing Agents on a best effort basis, a maximum of 148,000,000 existing ordinary placing shares at the placing price of HK\$6.00 per placing share (the “**Placing**”).

On the same date, Wisdom Cosmos and the Company entered into a subscription agreement under which Wisdom Cosmos conditionally agreed to subscribe for, and the Company conditionally agreed to issue, the ordinary subscription shares (the “**Subscription**”).

The Placing and the Subscription were completed on 4 July and 11 July 2018 respectively. An aggregate of 138,484,000 subscription shares (equals to the number of the placing shares successfully placed under the Placing) were subscribed by Wisdom Cosmos at the subscription price of HK\$6.00 for each subscription share. The subscription shares represent approximately 15.76% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription shares. The Company received total net proceeds of approximately HK\$819.5 million (equivalent to approximately RMB698.0 million) from the Placing and the Subscription.

The placing price of HK\$6.00 per placing share represents: (i) a discount of approximately 16.6% to the closing price of HK\$7.19 per Share as quoted on the Stock Exchange on 28 June 2018; and (ii) a discount of approximately 17.6% to the average of the closing prices of approximately HK\$7.28 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days prior to 28 June 2018.

The Group intended to use approximately HK\$757.0 million of the proceeds for the general working capital of the Group for expanding the factoring operations and the remaining approximately HK\$62.5 million of the proceeds for developing the online factoring platform and IT system of the Group. As at 31 December 2018, the Group had utilised approximately HK\$757.0 million for expanding the factoring operations and approximately HK\$18.5 million for developing the online factoring platform and IT system. The remaining balance has been deposited into the banks.

Capital commitments

As at 31 December 2018, the capital commitments of the Group are related to investments in associates of approximately RMB29 million and purchase of intangible assets of RMB0.4 million (31 December 2017: Nil).

Contingent liabilities

As at 31 December 2018, the Group provided a guarantee to a loan amounting to RMB120 million, raised by an associate of the Group from the controlling shareholder of the associate. The maximum amount that the Group has guaranteed under the contract was approximately RMB48 million, representing approximately 40% of total sums payable by the associate.

Pledge of assets

As at 31 December 2018, fixed deposit of approximately RMB8.8 million had been pledged to a bank for facilities (31 December 2017: Nil).

Significant investment held by the Group

As at 31 December 2018, the Group had not make any significant investments.

Future plan for material investments and capital assets

Save as those disclosed in this announcement, the Group currently has no other plan for material investments and capital assets.

Foreign exchange risks

As most of the Groups' monetary assets and liabilities are denominated in RMB and the Group conducts its business transactions principally in RMB, the foreign exchange exposure of the Group is not significant. The Group did not enter into any foreign exchange hedging instruments during the period.

Employees and remuneration policy

As at 31 December 2018, the Group had a total of 117 staffs (31 December 2017: 79 staffs). Total staff costs (including Directors' emoluments) were approximately RMB56.6 million (For the year ended 31 December 2017: RMB25.8 million) including total share option benefits for employees were RMB7.3 million for the year ended 31 December 2018 (For the year ended 31 December 2017: RMB2.4 million). Staff remuneration is determined by reference to market conditions and the performance, qualifications and experience of individual employees. Year-end bonuses based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to the statutory mandatory provident fund scheme for employees in Hong Kong and to social insurance and housing provident funds for employees in the PRC.

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

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme adopted on 19 June 2017, during the year, the Company or any of its subsidiaries was not a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate. As at 31 December 2018, save as disclosed in the announcement dated 14 November 2018 and also below, no other Directors of the Company held any share options of the Company.

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

As at 31 December 2018, 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

Name of Director	Capacity/nature of interest	Number and class of securities	Percentage of shareholding
Mr. Tung Chi Fung ("Mr. Tung") (Note 1)	Beneficiary of a trust and settlor of discretionary trust	555,000,000 (L) (Note 2)	63.15%
Mr. Chen Jen-Tse	Share option	3,000,000 (Note 3)	0.34%
Mr. Hung Ka Hai Clement	Share option	200,000 (Note 3)	0.02%
Mr. Loo Yau Soon	Share option	200,000 (Note 3)	0.02%
Mr. Tsoon Wai Mun, Benjamin	Share option	200,000 (Note 3)	0.02%

Notes:

1. Wisdom Cosmos Limited ("Wisdom Cosmos"), a company incorporated in the British Virgin Islands ("BVI"), is the beneficial owner of 555,000,000 shares of the Company, representing 63.15% shareholding interests in the Company. The entire issued share capital of Wisdom Cosmos is owned by Eander Limited ("Eander"), a company incorporated in the BVI, which is in turn wholly owned by TMF (Cayman) Ltd ("TMF Trust"), trustee of the Pak Jeff Trust ("PJ Trust"), an irrevocable reserved power trust established by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, TMF Trust and Eander are deemed to be interested in all the shares of the Company registered in the name of Wisdom Cosmos.
2. The letter "L" denotes long position of the shares of the Company.
3. This refers to the number of underlying Shares covered by its share option scheme.

Save as disclosed herein, as at 31 December 2018, 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.

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

As at 31 December 2018, 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 of Director	Capacity/nature of interest	Number and class of securities	Percentage of shareholding
TMF Trust <i>(Note 2)</i>	Trustee	555,000,000 (L)	63.15%
Eander <i>(Note 2)</i>	Interest in a controlled corporation	555,000,000 (L)	63.15%
Wisdom Cosmos <i>(Note 2)</i>	Beneficial owner	555,000,000 (L)	63.15%

Notes:

1. The letter “L” denotes long position of the shares of the Company.
2. Wisdom Cosmos, a company incorporated in the BVI, is the beneficial owner of 555,000,000 shares of the Company, representing 63.15% shareholding interests in the Company. The entire issued share capital of Wisdom Cosmos is owned by Eander, a company incorporated in the BVI, which is in turn wholly owned by TMF Trust, trustee of the PJ Trust, an irrevocable reserved power trust established by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, TMF Trust and Eander are deemed to be interested in all the shares of the Company registered in the name of Wisdom Cosmos.

Save as disclosed above, as at 31 December 2018, the Directors are not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

SHARE OPTION SCHEME

Save for the grant of share options on both 11 September 2017 and 14 November 2018 as disclosed in the announcements on the same dates respectively and in the announcement of third quarterly results for the nine months ended 30 September 2018 on 6 November 2018, no new share options have been granted nor any existing share option schemes have been adopted by the Company as at the date of this announcement.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2018.

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

For the year ended 31 December 2018, the Directors are not aware of any business or interest of the Directors, the substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) that competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person has or may have with the Company.

COMPLIANCE ADVISER'S INTERESTS

As at 31 December 2018 and up to the date of this announcement, 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) has any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the year ended 31 December 2018.

CORPORATE GOVERNANCE

The Directors are committed to achieving high standards of corporate governance with a view to safeguarding the interests of the shareholders. To accomplish this, the Group will continue to comply with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules and the associated GEM Listing Rules (the “CG Code”).

The shares of the Company were successfully listed on GEM on 6 July 2017. To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the period from the Listing Date to the date of this announcement.

DIVIDEND POLICY

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

- (1) the Group's actual and expected financial performance;
- (2) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;
- (3) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (4) the Group's liquidity position;
- (5) interest of shareholder;
- (6) Taxation consideration;
- (7) potential effect on creditworthiness;
- (8) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- (9) any other factors that the Board deems appropriate.

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

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

OTHER INFORMATION

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

AUDIT COMMITTEE

The Company established the audit committee (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 auditor; review the financial statements and provide material advice in respect of financial reporting; and oversee the internal control and risk management procedures of the Company. The Audit Committee currently consists of three members, namely Mr. 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.

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

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

Hong Kong, 8 March 2019

As at the date of this announcement, the Board comprises two executive Directors: Mr. Tung Chi Fung and Mr. Chen Jen-Tse; and four independent non-executive Directors: Mr. Hung Ka Hai Clement, Mr. Loo Yau Soon, Mr. Tsoon Wai Mun, Benjamin and Mr. Fong Heng Boo.

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

Unless otherwise stated, translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 to HK\$1.13 for information purpose only. Such translation should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.

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

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