SHENG YE CAPITAL LIMITED
盛 業 資 本 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code on Main Board: 6069)

(Stock code on GEM: 8469)

TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Joint Sponsors

德健融資有限公司 DAKIN CAPITAL LIMITED

建泉融資有限公司 VBG Capital Limited

On 30 April 2019, an application was made by the Company to the Stock Exchange for the listing of, and permission to deal in, (i) all the Shares currently in issue; and (ii) the new Shares, which may fall to be issued upon the exercise of all options which have been or may be granted under the Share Option Scheme, on the Main Board by way of Transfer of Listing.

On Friday, 4 October 2019, the Stock Exchange has granted its approval-in-principle for the Shares to be listed on the Main Board and de-listed from GEM. The Board confirms that all pre-conditions for the Transfer of Listing under the Main Board Listing Rules, insofar as applicable, have been fulfilled in relation to the Company and the Shares as at the date of this announcement.

The last day of dealings in the Shares on GEM (Stock Code on GEM: 8469) will be Wednesday, 23 October 2019. It is expected that dealings in the Shares on the Main Board (Stock Code on the Main Board: 6069) will commence at 9:00 a.m. on Thursday, 24 October 2019.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the share registrars and transfer office of the Company following the Transfer of Listing.

Reference is made to the announcement issued by the Company dated 30 April 2019 in relation to the formal application to the Stock Exchange for the Transfer of Listing.

TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD

On 30 April 2019, an application was made by the Company to the Stock Exchange for the listing of, and permission to deal in, (i) all the Shares currently in issue; and (ii) the new Shares, which may fall to be issued upon the exercise of all options which have been or may be granted under the Share Option Scheme, on the Main Board by way of Transfer of Listing. Dakin Capital and VBG Capital have been appointed as the joint sponsors by the Company to advise on the Transfer of Listing.

On Friday, 4 October 2019, the Stock Exchange has granted its approval-in-principle for the Shares to be listed on the Main Board and de-listed from GEM. The Board confirms that all pre-conditions for the Transfer of Listing under the Main Board Listing Rules, insofar as applicable, have been fulfilled in relation to the Company and the Shares as at the date of this announcement.

The last day of dealings in the Shares on GEM (Stock Code on GEM: 8469) will be Wednesday, 23 October 2019. It is expected that dealings in the Shares on the Main Board (Stock Code on the Main Board: 6069) will commence at 9:00 a.m. on Thursday, 24 October 2019.

REASONS FOR THE TRANSFER OF LISTING

The issued Shares have been listed and traded on GEM since 6 July 2017. The Group is principally engaged in the provision of enterprise financial services offering accounts receivables financing and other related services, mainly in the energy, construction and medical sectors in the PRC.

GEM has been positioned and perceived as a market designed to accommodate companies to which a higher investment risk and higher market volatility may be attached than other companies listed on the Main Board. Along the continuing development of the Group, the Directors believe that the Transfer of Listing will enhance the profile of the Group and the attractiveness of the Shares to both institutional and retail investors.

Furthermore, given that the entry requirements for issuers listing on the Main Board are generally higher than that of GEM, the Directors consider that the Main Board is perceived to enjoy a more advanced status by investors which could attract a larger investor base and higher trading liquidity of the Shares and promote the Company's corporate profile and recognition among public investors. Given companies listed on the Main Board generally have an established track record, the Directors believe that the Transfer of Listing will reinforce the confidence of the Group's customers, suppliers and other stakeholders' in the Company's financial strength, corporate governance and credibility. Also, the Transfer of Listing will strengthen the Group's position in the industry and enhance the Group's competitive strengths in retaining and attracting professional staff. Therefore, the Directors believe that the Transfer of Listing will be beneficial to the future growth, financing flexibility and business development of the Group which will create a long-term value to the Shareholders.

As at the date of this announcement, the Board has no plans to change the nature of business of the Group following the Transfer of Listing. The Transfer of Listing will not involve any issue of new Shares.

DEALINGS IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from 6 July 2017, the date on which the Shares were first listed on GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealing in the Shares on the Main Board commences. All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time. The last day of dealings in the Shares on GEM (Stock Code on GEM: 8469) will be Wednesday, 23 October 2019. It is expected that dealings in the Shares on the Main Board (Stock Code on the Main Board: 6069) will commence at 9:00 a.m. on Thursday, 24 October 2019.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares are traded in a board lot of 2,000 Shares each and are traded in Hong Kong dollars.

The principal share registrar and transfer office of the Company is Estera Trust (Cayman) Limited and the Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer office of the Company following the Transfer of Listing.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted by the Company on 19 June 2017 and took effect since 6 July 2017. The Share Option Scheme will remain effective following the Transfer of Listing subject to certain immaterial amendments to the Share Option Scheme and will be amended in full compliance with the requirements of Chapter 17 of the Main Board Listing Rules.

Pursuant to the Share Option Scheme, the Board may, at its discretion, grant options to any full-time or part-time employees of the Company or other selected participants, including any executive, non-executive directors and independent non-executive directors, advisors, consultants, professionals, customers, suppliers, agents or partners of the Company or any of the subsidiaries as incentives or rewards for their contributions to the Group. The total number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the issued share capital of the Company as at the GEM Listing Date, being 740,000,000 Shares, unless further Shareholders' approval is obtained in a general meeting.

As at the Latest Practicable Date, outstanding options, being options previously granted but unexercised, under the Share Option Scheme would entitle the holders thereof to subscribe for 18,099,000 Shares, and such options will remain valid and exercisable in accordance with its terms of issue following the Transfer of Listing. The listing of the Shares to be issued pursuant to the exercise of any options under the Share Option Scheme will also be transferred to the Main Board pursuant to Rule 9A.10 of the Main Board Listing Rules.

Save for the abovementioned outstanding options, the Company has not issued any options, warrants or similar rights or convertible equity securities of which will be transferred to the Main Board as at the date of this announcement.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Main Board Listing Rules, the general mandates granted by the Shareholders at the annual general meeting of the Company held on 6 May 2019 to the Directors to allot and issue new Shares and repurchase Shares will continue to be valid and remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or

(iii) the passing of an ordinary resolution of the Shareholders in general meeting of the Company revoking, varying or renewing such mandate.

SHAREHOLDING DISTRIBUTION

The Company was listed on GEM by way of Global Offering. The Company has made an enquiry into its shareholding through a professional agent ("**Agent**") which is an Independent Third Party. Based on the report on shareholding ("**Report**") received from the Agent on 27 September 2019 and to the best of knowledge and belief of the Directors having making all reasonable inquiries, as at 4 September 2019, being the latest practicable date in ascertaining the shareholdings of the Company, (i) the Controlling Shareholders held 555,000,000 Shares, representing approximately 63.14% of the total issued share capital of the Company; and (ii) the identifiable public Shareholders (other than the Controlling Shareholders) held an aggregate of 306,891,167 Shares, representing approximately 34.92% of the total issued share capital of the Company. A total of 556 Shareholders (including 555 public Shareholders) were identified by the search conducted by the Agent. The below table sets out the number of identifiable public Shareholders and the Shareholders' spread other than the Shares held by the Controlling Shareholders as at 4 September 2019:

	Aggregate number of Shares held *(Note 1)*	**Approximate percentage of shareholding to the issued share capital of the Company**
Top identifiable public Shareholder *(Note 2)*	38,832,000	4.42%
Top five identifiable public Shareholders *(Note 3)*	154,472,000	17.57%
Top ten identifiable public Shareholders *(Note 4)*	183,950,000	20.93%
Top 25 identifiable public Shareholders *(Note 5)*	217,066,000	24.70%

Notes:

1. The shareholding search conducted on 4 September 2019 cannot identify Shareholders holding an aggregate of 17,042,833 Shares, representing approximately 1.94% of the entire issued share capital of the Company (the **"Unidentifiable Shares"**).

2. According to the Report, as at 4 September 2019 the top identifiable public Shareholder held 38,832,000 Shares, representing approximately 4.42% of the issued share capital of the Company. As there was no Shareholder other than the Controlling Shareholders holding 5% or more of the total issued share capital of the Company according to the Disclosure of Interests Online System on the website of the Stock Exchange as at 4 September 2019, being the latest practicable date in ascertaining the shareholdings in the Company, only a portion of the Unidentifiable Shares (if any) could be held by the top identifiable public Shareholder. Accordingly, the maximum aggregate number of Shares held by the top identifiable public Shareholder would be no more than 43,946,700 Shares, representing no more than 5% of the entire issued share capital of the Company.

3. Assuming that the Unidentifiable Shares were all held by the top five identifiable public Shareholders, the aggregate number of Shares held by them will be 171,514,833 Shares, representing approximately 19.51% of the entire issued share capital of the Company.

4. Assuming that the Unidentifiable Shares were all held by the top ten identifiable public Shareholders, the aggregate number of Shares held by them will be 200,992,833 Shares, representing approximately 22.87% of the entire issued share capital of the Company.

5. Assuming that the Unidentifiable Shares were all held by the top 25 identifiable public Shareholders, the aggregate number of Shares held by them will be 234,108,833 Shares, representing approximately 26.64% of the entire issued share capital of the Company.

Each of the Company, any of its subsidiaries, Controlling Shareholders, substantial Shareholders, directors and senior management confirmed that there had not been any discussion, directly or indirectly, with any of the top 25 identifiable public Shareholders relating to their respective shareholdings in the Company.

PUBLIC FLOAT

Notwithstanding the effect on shareholding distribution that may be held by the Unidentifiable Shares, based on the information above, the Directors confirm that, as at the date of this announcement (i) at least 25% of the total issued share capital of the Company was held by the public (as defined in the Main Board Listing Rules); (ii) the Company has at least 300 Shareholders; and (iii) not more than 50% of the Shares held by the public are held by the three largest public Shareholders. Accordingly, the public float requirements have been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

CONTROLLING SHAREHOLDERS' INFORMATION

As at the date of this announcement, the Controlling Shareholders, namely, Mr. Tung, TMF Trust, Eander and Wisdom Cosmos, were interested in 555,000,000 Shares, representing approximately 63.11% of the entire issued share capital of the Company. Wisdom Cosmos directly owned 555,000,000 Shares representing approximately 63.11% shareholding interests in the Company. The entire issued share capital of Wisdom Cosmos was owned by Eander, which was in turn wholly-owned by TMF Trust, trustee of the PJ Trust. Mr. Tung and his family members were the beneficiaries of the PJ Trust. Under the Securities and Futures Ordinance, Mr. Tung, TMF Trust and Eander were deemed to be interested in all the Shares registered in the name of Wisdom Cosmos.

PUBLICATION OF RESULTS

Upon the Transfer of Listing, the Company will cease the practice of reporting financial results on a quarterly basis and will follow the relevant requirements of the Main Board Listing Rules, which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial year ends, respectively.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Performance overview of the principal activities

The Company has not changed its principal businesses since its listing on GEM and has been principally engaged in (i) the provision of factoring services; (ii) sales of factoring assets; and (iii) other services (collectively referred to as "**factoring and other services**").

The Group mainly derives income through provision of factoring and other services to its customers throughout the PRC. Under the factoring services segment, the Group primarily generates interest income for financing provided to its factoring customers, which is secured by the accounts receivables of these customers. Under the sales of factoring assets segment, the Group records a gain that is equal to the excess of the consideration received and receivable over the book value of the factoring assets as recorded by the Group prior to the transfer. For further details on how the Group determines the consideration received and receivable for the sales of factoring assets, please refer to the section headed "Segmental analysis on factoring and other services — (B) Sales of factoring assets". In addition to the above factoring services and sales of factoring assets, the Group generates fee income through provision of guarantee services, consulting services, information technology services and miscellaneous services principally including accounts receivables management services without financing.

For illustrative purpose, the following table sets out a breakdown of the Group's income from factoring and other services (by type of services) during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2016		2017		2018		2018		2019	
	RMB'000 (Audited)	*Approximate %*	*RMB'000 (Audited)*	*Approximate %*	*RMB'000 (Audited)*	*Approximate %*	*RMB'000 (Unaudited)*	*Approximate %*	*RMB'000 (Unaudited)*	*Approximate %*
Factoring service	111,809	94.2	144,127	66.9	308,484	65.6	109,387	59.9	195,085	82.1
Other services										
• Guarantee services	—	—	293	0.1	17,962	3.8	11,997	6.6	3,489	1.5
• Consulting services	982	0.8	12,623	5.9	14,483	3.0	9,769	5.3	504	0.2
• Information technology services	—	—	49	0.1	2,621	0.6	835	0.5	991	0.4
• Miscellaneous *(Note 1)*	—	—	225	0.1	2,346	0.5	415	0.2	1,539	0.7
Sales of factoring assets *(Note 2)*	5,876	5.0	57,967	26.9	124,548	26.5	50,326	27.5	35,928	15.1
Total income	**118,667**	**100.0**	**215,284**	**100.0**	**470,444**	**100.0**	**182,729**	**100.0**	**237,536**	**100.0**

Notes:

1. The income from miscellaneous services primarily include fee income from providing accounts receivables management services without financing, including review and verification of documentation relating to the accounts receivables and collection of the accounts receivables on behalf of customers.

2. The income from sales of factoring assets represent the Group's gain on sales of factoring assets, which is equal to the excess of the consideration received and receivable over the book value of the factoring assets as recorded by the Group prior to the transfer.

During the Track Record Period, there was significant growth in the Group's income. The Group's income growth for the two years ended 31 December 2017 and 2018 and the six months ended 30 June 2019 was approximately 81.4%, 118.5% and 30.0%, respectively, as compared with the previous year or the corresponding period of the previous year. Reasons and analysis of such growth are further elaborated below under the section headed "Management discussions and analysis" in this announcement.

Segmental analysis on factoring and other services

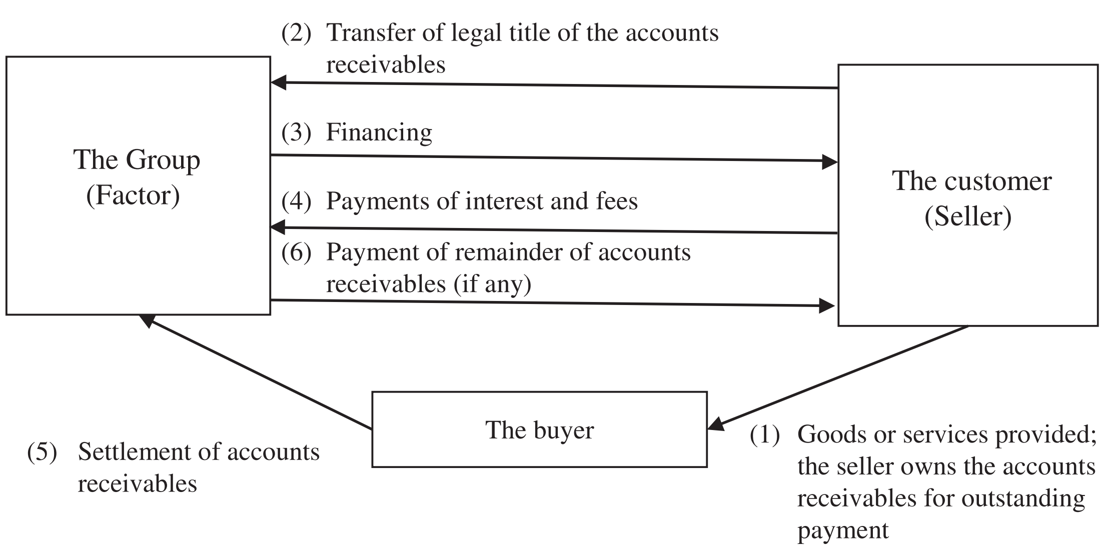
(A) Factoring services

Providing factoring services represents the most significant portion of factoring and other services. In this business segment, the Group (as factor) provides financing and accounts receivables management services to the customer (as seller) in return for (i) interests and fee income, and (ii) transfer of legal title of accounts receivables from the customer to the Group. After the transfer of the accounts receivables to the Group, the Group owns the right to receive the outstanding amount of the accounts receivables from the buyer (i.e. debtor of the accounts receivables). Such accounts receivables are usually payable within one year.

The settlement arrangement of the Group's interests and fee income is usually negotiated between the customers and the Group on a case-by-case basis. The Group will collect the interests and fee income either (i) upfront when the financing is provided to the customer, where the amount of such income will be deducted from the amount advanced to the customer; (ii) in monthly or quarterly instalments; or (iii) at the end of the financing period. The factoring income is typically settled by the customer, whilst the Group may also collect directly from the buyer if so agreed between the customer and the buyer.

When the buyer (i.e. debtor of the accounts receivables) settles the accounts receivables, such sums are first applied to the settlement of the financing and the services provided to the customer under the factoring transaction between the customer and the Group, and any remainder is then paid to the customer.

The following diagram illustrates the relationship among the three parties involved in a typical factoring transaction, namely the factor (the Group), the seller (the Group's customer) and the buyer:



Some of the Group's customers are also the underlying debtors of the accounts receivables of the other customers of the Group when these underlying debtors transfer their own accounts receivables to the Group for factoring financing.

The factoring transactions entered into by the Group can be classified by (i) whether they are with or without recourse; and (ii) whether they are with or without notifications. A factoring transaction with recourse means that under certain circumstances (such as a default by the buyer to pay the accounts receivables, and a dispute arising between the buyer and the seller), the customer is required to provide the Group with a guarantee to unconditionally repay the outstanding balance of the financing provided to such customer, together with any unpaid interest and related fees owed to the Group. A factoring transaction with notification means the buyer is notified of the factoring arrangement between the customer and the Group before the Group provides financing to the customer. On the other hand, for a factoring transaction without recourse, the Group does not have direct recourse to the customer if the buyer defaults on repayment of the accounts receivable; and for a factoring without notification transaction, the Group reserves the right to notify the buyer of the factoring arrangement after it has provided financing to the customer.

The following tables set out the breakdown of the Group's interest income from factoring transactions from different types of factoring during the Track Record Period:

	Year ended 31 December						**Six months ended 30 June**			
	2016		**2017**		**2018**		**2018**		**2019**	
	Number of transactions	*RMB'000 (Audited)*	*Number of transactions*	*RMB'000 (Audited)*	*Number of transactions*	*RMB'000 (Audited)*	*Number of transactions*	*RMB'000 (Unaudited)*	*Number of transactions*	*RMB'000 (Unaudited)*
With recourse *(Note)*	230	109,632	409	144,120	798	307,781	276	109,236	1,471	193,852
Without recourse	1	2,177	1	7	5	703	2	151	9	1,233
Total	**231**	**111,809**	**410**	**144,127**	**803**	**308,484**	**278**	**109,387**	**1,480**	**195,085**

Note: This includes factoring transactions where the customer or the transferor of accounts receivables has provided a guarantee in favour of the Group via a supplemental agreement to the master factoring agreement.

	Year ended 31 December						**Six months ended 30 June**			
	2016		**2017**		**2018**		**2018**		**2019**	
	Number of transactions	*RMB'000 (Audited)*	*Number of transactions*	*RMB'000 (Audited)*	*Number of transactions*	*RMB'000 (Audited)*	*Number of transactions*	*RMB'000 (Unaudited)*	*Number of transactions*	*RMB'000 (Unaudited)*
With notification	185	96,503	190	93,314	196	136,217	86	60,686	204	69,470
Without notification	46	15,306	220	50,813	607	172,267	192	48,701	1,276	125,615
Total	**231**	**111,809**	**410**	**144,127**	**803**	**308,484**	**278**	**109,387**	**1,480**	**195,085**

Under a typical factoring transaction, legal title of the accounts receivables is transferred to the Group and the accounts receivables form the factoring assets of the Group. The Group will register the factoring transaction with the online registration system established by the People's Bank of China. The following tables set out the breakdown of the Group's factoring assets (i) by the industry of the accounts receivables; and (ii) by the nature of the underlying debtors of the corresponding accounts receivables, respectively as at 31 December 2016, 2017 and 2018 and 30 June 2019:

By industry of the accounts receivables

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*
Energy	342,980	335,331	962,625	1,435,868
Medical	29,331	382,293	195,214	107,973
Construction	952,004	622,058	1,660,476	2,077,946
Total	**1,324,315**	**1,339,682**	**2,818,315**	**3,621,787**

By nature of the underlying debtors

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*
SOEs *(Note 1)*	370,490	517,512	1,995,484	2,698,326
Listed companies *(Note 2)*	133,018	260,524	153,898	288,967
Private companies	814,037	188,776	476,027	526,521
Government administrative bodies	6,770	372,870	192,906	107,973
Total	**1,324,315**	**1,339,682**	**2,818,315**	**3,621,787**

Notes:

(1) SOEs include the subsidiaries of the SOEs.

(2) Listed companies include companies and their subsidiaries listed in the PRC or New York.

The credit terms of the Group's factoring assets as at 31 December 2016, 2017 and 2018 and 30 June 2019 ranged from 9 to 546 days, 6 to 546 days, 16 to 556 days, 24 to 556 days and 7 to 596 days, respectively.

Reverse factoring transactions

Apart from typical factoring transactions, the Group may occasionally enter into reverse factoring transactions with its customers, depending on the needs of individual customers. The key difference between typical factoring transactions and reverse factoring transactions is that in typical factoring transactions, the sellers or service providers are the Group's customers and from whom the Group receives interests and fee; whereas in reverse factoring transactions, it is the buyers or service recipients receiving the services rendered by the sellers who are the Group's customers who initiate the process and pay interests and fee to the Group for the Group's finance of the sellers' receivables.

Reverse factoring is considered as an effective cash flow optimisation tool for sellers (or service providers) and buyers (or service recipients), especially when the buyers require the sellers or service providers to continuously provide large volume of goods and services to them in the construction industry. The benefit to both parties is that the sellers can get the outstanding value of their invoices before the maturity of the credit period they grant to the buyers, while the buyers can delay the actual payment to the sellers and continue to obtain the goods or services from the sellers.

The Group may advance financing to the sellers after (i) the customers (i.e. the buyers) having entered into an agreement with the Group to confirm that they would undertake to pay to the Group (a) the accounts receivables, of which they are the underlying debtors and which have been transferred to the Group by the sellers, on the dates the accounts receivables fall due, (b) interest ranging from 6.90% to 13.95% per annum of the principal amount of the financing from the date of transfer of accounts receivables to the date the accounts receivables have been settled, and (c) other cost related to the financing; and (ii) the sellers transferred to the Group its accounts receivables relating to the service the sellers having rendered to the customers. The sellers further provided guarantee that they would pay to the Group the difference of the financing amount the Group expected to receive from the customers (i.e. the buyers) and the actual financing amount which the Group had received from the customers (i.e. the buyers) in case the customers defaulted in payment of accounts receivables to the sellers.

For each of the three years ended 31 December 2016, 2017 and 2018 and for the six months ended 30 June 2019, the Group entered into reverse factoring transactions with one, one, three and nil customers which were mainly engaged in the construction industry and energy industry. The revenue attributable to reverse factoring transactions amounted to approximately RMB16.8 million, RMB30.3

million, RMB2.5 million and RMB3.4 million, representing approximately 14.9%, 19.3%, 0.7% and 1.7% of the total revenue of the Group. The decrease in revenue for the year ended 31 December 2018 compared to the year ended 31 December 2017 was due to the reduction in the average loan size of the reverse factoring transactions.

Underlying debtors

The Group's five largest underlying debtors accounted for approximately 81.9%, 61.9% and 55.1% of the total factoring assets of the Group as at 31 December 2016, 2017 and 2018 respectively whereas the Group's five largest factoring assets contributed by the five major customers accounted for approximately 77.0%, 56.8% and 33.7% of its total factoring assets as at 31 December 2016, 2017 and 2018 respectively. The following tables set out the breakdown of the factoring assets derived from the Group's five largest underlying debtors to show the Group's credit exposure to the five largest underlying debtors, respectively as at 31 December 2016, 2017 and 2018 together with the background information of such five largest underlying debtors and the corresponding customers:

As at 31 December 2016

Underlying debtor	**Nature of underlying debtor**	**Size of operation of underlying debtor** *(Note 1)*	**Principal business of underlying debtor**	**Corresponding customers**	**Amount of factoring assets**	**Approximate percentage of total factoring assets**
		'000			*RMB'000*	*%*
Underlying debtor K *(Note 2)*	Private company	RMB500,000	Property development and management	Customer F *(Note 3)*	594,651	44.9
Underlying debtor A *(Note 4)*	SOE	RMB7,000,000	Construction services	Mainly private company customers in the construction industry	164,003	12.4
Underlying debtor B	SOE	RMB1,132,430	Trading of petroleum	Customer D *(Note 5)*	133,018	10.0
Underlying debtor C *(Note 6)*	SOE	RMB50,000	Trading of pulp	A private company customer engaging in construction and trading business	98,100	7.4
Underlying debtor D	Private company	RMB100,000	Property development and investment	Underlying debtor A *(Note 4)*	95,250	7.2
				Total	**1,085,022**	**81.9**

Notes:

(1) The size of operation of each of the underlying debtors represents its registered capital. It is one of the factors the Group will consider in approving the factoring loans application of the customers. Apart from the size of operations of the underlying debtors, when approving the relevant factoring loan application, in particular when the amount of factoring assets of the underlying debtors is higher than their size of operation, the Group will also assess various factors such as the background of the underlying debtors (i.e. whether it is a SOE, listed company or private company), the genuineness of the accounts receivables which will include the examination of the underlying contracts, invoice, receipts of the accounts receivables and on-site due diligence if necessary and the credit rating of the customers and the underlying debtors.

(2) Underlying debtor K was at the beginning an underlying debtor of the Group and it came to know the Group and approached it via the introduction of the Group's other customers to apply for factoring loans due to its own business needs. Underlying debtor K was also one of the five largest customers of the Group (Customer A) during the Track Record Period. Please refer to the sections headed "Customers — Major customers" and "Entities that are both the Group's customers and underlying debtors during the Track Record Period" for further details.

(3) Please refer to the section headed "Customers — Major customers" for more information of Customer F.

(4) Underlying debtor A was also a customer of the Group during the Track Record Period. Please refer to the section headed "Entities that are both the Group's customers and underlying debtors during the Track Record Period" for further details.

(5) Please refer to the section headed "Customers — Major customers" for more information of Customers D.

(6) Underlying debtor C was also a customer of the Group during the Track Record Period. Please refer to the section headed "Entities that are both the Group's customers and underlying debtors during the Track Record Period" for further details.

As at 31 December 2017

Underlying debtor	Nature of underlying debtor	Size of operation of underlying debtor (Note 1)	Principal business of underlying debtor	Corresponding customers	Amount of factoring assets	Approximate percentage of total factoring assets
		'000			*RMB'000*	*%*
Underlying debtor A (Note 2)	SOE	RMB7,000,000	Construction services	Mainly private company customers in the construction industry	293,360	21.9
Underlying debtor E	Listed company	RMB2,000,000	Construction services	A company which is principally engaged in commercial factoring (Note 3)	250,000	18.7
Underlying debtor B	SOE	RMB1,132,430	Trading of petroleum	Customer D (Note 4)	144,000	10.7
Underlying debtor L (Note 5)	Private company	RMB50,000	Trading of non-ferrous metal and oil	Private company customers in the energy industry	72,107	5.4
Underlying debtor K (Note 6)	Private company	RMB500,000	Property development and management	Customer F (Note 7)	70,000	5.2
				Total	**829,467**	**61.9**

Notes:

(1) The size of operation of each of the underlying debtors represents its registered capital. It is one of the factors the Group will consider in approving the factoring loans application of the customers. Apart from the size of operations of the underlying debtors, when approving the relevant factoring loan application, in particular when the amount of factoring assets of the underlying debtors is higher than their size of operation, the Group will also assess various factors such as the background of the underlying debtors (i.e. whether it is a SOE, listed company or private company), the genuineness of the accounts receivables which will include the examination of the underlying contracts, invoice, receipts of the accounts receivables and on-site due diligence if necessary and the credit rating of the customers and the underlying debtors.

(2) Underlying debtor A was also a customer of the Group during the Track Record Period. Please refer to the section headed "Entities that are both the Group's customers and underlying debtors during the Track Record Period" for further details.

(3) As at the Latest Practicable Date, the Company indirectly holds 10% equity interest in the corresponding customer of underlying debtor E.

(4) Please refer to the section headed "Customers — Major customers" for more information of Customer D.

(5) Underlying debtor L was at the beginning an underlying debtor of the Group and it came to know the Group and approached it via the introduction of the Group's other customers to apply for factoring loans due to its own business needs. Underlying debtor L was also one of the five largest customers of the Group (Customer C) during the Track Record Period. Please refer to the sections headed "Customers — Major customers" and "Entities that are both the Group's customers and underlying debtors during the Track Record Period" for further details.

(6) Underlying debtor K was at the beginning an underlying debtor of the Group and it came to know the Group and approached it via the introduction of the Group's customers to apply for factoring loans due to its own business needs. Underlying debtor K was also one of the five largest customers of the Group (Customer A) during the Track Record Period. Please refer to the sections headed "Customers — Major customers" and "Entities that are both the Group's customers and underlying debtors during the Track Record Period" for further details.

(7) Please refer to the section headed "Customers — Major customers" for more information of Customer F.

As at 31 December 2018

Underlying debtor	**Nature of underlying debtor**	**Size of operation of underlying debtor** *(Note 1)*	**Principal business of underlying debtor**	**Corresponding customers**	**Amount of factoring assets**	**Approximate percentage of total factoring assets**
		'000			*RMB'000*	*%*
Underlying debtor A *(Note 2)*	SOE	RMB7,000,000	Construction services	Mainly private company customers in the construction industry	694,084	24.6
Underlying debtor G	SOE	RMB500,000	forest product processing and trade business	Mainly private company customers engaging in construction and trading business	308,000	10.9
Underlying debtor H	SOE	HK$78,000	Trading of petroleum	A private company customer engaging in energy and trading business	200,285	7.1
Underlying debtor I	Private company	Approximately S$494,387	Trading of petroleum	A private company customer engaging in energy and trading business	200,043	7.1
Underlying debtor J	Subsidiary of a listed company	S$1,339,390	Trading of petroleum	A private company customer engaging in energy and trading business	150,448	5.4
				Total	**1,552,860**	**55.1**

Notes:

(1) The size of operation of each of the underlying debtors represents its registered capital. It is one of the factors the Group will consider in approving the factoring loans application of the customers. Apart from the size of operations of the underlying debtors, when approving the relevant factoring loan application, in particular when the amount of factoring assets of the underlying debtors is higher than their size of operation, the Group will also assess various factors such as the background of the underlying debtors (i.e. whether it is a SOE, listed company or private company), the genuineness of the accounts receivables which will include the examination of the underlying contracts, invoice, receipts of the accounts receivables and on-site due diligence if necessary and the credit rating of the customers and the underlying debtors.

(2) Underlying debtor A was also a customer of the Group during the Track Record Period. Please refer to the section headed "Entities that are both the Group's customers and underlying debtors during the Track Record Period" for further details.

(B) Sales of factoring assets

To improve the cash flow of the Group and to enhance management of the Group's factoring assets portfolio, the Group sells its factoring assets to various financial institutions in the PRC. The Group records a gain that is equal to the excess of the consideration received and receivable over the book value of the factoring assets as recorded by the Group prior to the transfer. Under the factoring agreements with the customers, the Group is conferred with the right to transfer any of its rights under the factoring agreements including the sale or transfer of the factoring assets without prior consent of the underlying debtors of the relevant accounts receivables.

The Group usually enters into the framework factoring asset sale agreement with a purchaser, pursuant to which the Group agrees to sell part of its present and future factoring assets to the purchaser during the term of the agreement. For each transfer, the amount and composition of the factoring assets are to be mutually agreed between the purchaser and the Group separately. Under the framework factoring asset sale agreement, the Group is not committed to sell a minimum amount of factoring assets to the purchaser.

During the Track Record Period, the Group (i) entered into framework factoring asset sale agreements with five purchasers (ii) disposed of its factoring assets directly to one purchaser without entering into any framework factoring asset sale agreement; and iii) disposed of its factoring assets to one purchaser where the factoring assets were acquired specifically for onward disposal to the purchaser for issuing asset-backed securities. All the purchasers are Independent Third Parties. The following table sets out the details of the income derived from the sales of factoring assets sale agreement(s):

Purchaser	Principal business of the purchaser	Date of framework agreement(s)	Term of framework agreement(s)	Limit of factoring assets to be sold under the framework agreement(s)	Amount of factoring assets sold and approximately percentage of total income of the Group								Gain on sales of factoring assets and approximately percentage of total gain on sales of factoring assets							
					Year ended 31 December						Six months ended 30 June		Year ended 31 December						Six months ended 30 June	
					2016		2017		2018		2019		2016		2017		2018		2019	
				RMB million	*RMB million*	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million*	*%*
With framework agreements																				
Purchaser A	Asset management and investment management	September 2016	26 September 2016 - 25 September 2018	2,000	387	100	1,601	100	—	—	—	—	6	100	58	100	—	—	—	—
Purchaser B	Trust business	June 2018	Until the limit of factoring assets to be sold under the framework agreement(s) has been used up	5,000	—	—	—	—	452	13	530	71	—	—	—	—	31	25	23	64
Purchaser C	Factoring, trust asset management, investments consultancy and supply chain management	June 2018	One-off	400	—	—	—	—	351	10	—	—	—	—	—	—	24	19	—	—
Purchaser D	Trust business	July 2018	Until the limit of factoring assets to be sold under the framework agreement(s) has been used up	1,000	—	—	—	—	551	16	146	20	—	—	—	—	31	25	9	25
Purchaser E	Trust business	September 2018	Until the limit of factoring assets to be sold under the framework agreement(s) has been used up	1,000	—	—	—	—	533	15	—	—	—	—	—	—	33	26	—	—
Without framework agreements																				
Purchaser F	Trust business	N/A	N/A	N/A	—	—	—	—	—	—	66	9	—	—	—	—	—	—	4	11
Others (Note 1)																				
Purchaser G	Asset management and investment management	N/A	N/A	N/A	—	—	—	—	1,635	46	—	—	—	—	—	—	6	5	—	—
	Total				**387**	**100**	**1,601**	**100**	**3,522**	**100**	**742**	**100**	**6**	**100**	**58**	**100**	**125**	**100**	**36**	**100**

Note:

1. The Group disposed of its factoring assets to the purchaser where the factoring assets were acquired specifically for onward disposal to the purchaser for issuing asset-backed securities. Please refer to the announcements of the Company dated 29 March 2018, 9 April 2018, 11 April 2018 and 18 May 2018 and the circulars of the Company dated 25 May 2018 and 12 June 2018 for details.

Upon sales of the factoring assets, all of the rights and obligations of the Group to the relevant factoring assets are transferred to the purchaser. In some cases the purchaser will use the factoring assets purchased from the Group to raise funds by issuing financial products including asset-backed securities products for trading by qualified investors on qualified stock exchange. All the transfers were without recourse, i.e. even if the obligors (including the underlying debtor and the customer-seller) defaulted on their payment obligations under the relevant factoring assets, the Group would neither be required to compensate the purchaser nor to buyback the assets. The Group conducted the following due diligence works to ensure the genuineness of the trade receivables of its customers (including the trade receivables forming the factoring assets sold to its factoring assets purchasers): i) the Group conducted credit check and background check by obtaining information regarding identities of the customers and their ultimate beneficial owners and the underlying debtors, business operation and financial information of the customers, and conducting litigation and media searches on the customers; ii) the Group verified the genuineness of the invoices relating to the trade receivables of the customers against the record maintained by the PRC Taxation Administration; iii) the Group examined the underlying contracts, invoices, receipts relating to the trade receivables and conducting random on-site due diligence; iv) the Group reviewed the terms of the documents provided by the customers and crossed check the important information therein; v) in relation to the important information in the documents including the product prices and logistics records, the Group investigated into its genuineness and reasonableness by comparing product prices against market data and obtaining video records showing logistics of the products. If necessary, The Group also verified the genuineness of the underlying transactions of the accounts receivables by conducting on-site due diligence; and vi) the Group made enquiries with the underlying debtors of the factoring assets to verify the transaction amounts. As at the Latest Practicable Date, none of the factoring assets having been sold to the purchasers by the Group i) are known or alleged to be ingenuine; or ii) have been or are expected to be in default.

The consideration for the transfer of factoring assets is determined on arm's length negotiations between the parties taking into account, among others, (i) the interest rate the Group charged on the financing amount in respect of the factoring transaction involving that factoring asset; (ii) the book value of the factoring assets as recorded by the Group prior to the transfer; (iii) the length of period between the date of transfer and the date of payment by the underlying debtors in respect of the accounts receivables; and (iv) the prevailing interest rate in the market for the same period, net of a discount of 6% per annum and a handling fee ranging from nil to 0.5% per annum. When the Group transfers factoring assets to the purchaser, the Group records a gain that is equal to the excess of the consideration received and receivable over the book value of the factoring assets as at the date of transfer.

The Company confirmed that, save as the termination of the discloseable transaction between the Group and Purchaser E on 4 July 2019, i) the considerations for the sales of the Group's factoring assets have all been fully settled as at the Latest Practicable Date; ii) the Group has no exposure to any incidents of default in payment of considerations by the purchasers of the factoring assets.

(C) Other Services

Apart from the services under the factoring services segment and the sales of factoring assets segment, the Group also provides various services relating to its customers' accounts receivables which do not involve the provision of financing to the customers. Such services include guarantee services, consulting services, information technology services and miscellaneous services such as accounts receivable management services without financing in return for a fee income. The scope of services and the amount of fees is negotiated with the customers on a case-by-case basis. The accounts receivable management services typically include review and verification of documentation relating to the accounts receivable, collection of the accounts receivables on behalf of the Group's customers, sending payment reminders to the buyers before and after the accounts receivables becoming payable, and preparing regular reports regarding the accounts receivables.

Guarantee services

The Group will provide guarantee in favour of the sellers/service providers for the payment obligations of the buyers/service recipients under the accounts receivables due from the buyers/service recipients to the sellers/service providers ("**Buyers Accounts Receivables**"). The buyers/service recipients will procure the sellers/service providers to assign the Buyers Accounts Receivables to the Group as security for the guarantee. The Group will determine the quality of the Buyers Accounts Receivables by assessing the credit rating of the buyers/service recipients and conducting verifications of the genuineness of the Buyers Accounts Receivables. If the quality of the Buyers Accounts Receivables is to the satisfaction of the Group, the Group will provide the guarantee and the buyers/service recipients will pay services fees to the Group. The maximum guarantee limit shall not be more than the amount of the Buyers Accounts Receivables. During the Track Record Period, the service fees for the Group's buyers guarantee services were calculated at 1.2% to 12.0% of the Group's guarantee amounts. Since the Group will grant the guarantee only if the quality of the Buyers Accounts Receivables is to its satisfaction, the Directors consider that the credit risk associated with provision of guarantee services to the buyers/service recipients is remote.

During the Track Record Period, the Group also entered into a cooperation agreement with a bank in the PRC to provide guarantee services. The Group will first assess the quality of the accounts receivables provided by the potential borrowers who intend to obtain financing from the bank ("**Borrowers Accounts Receivables**"). If the quality of the Borrowers Accounts Receivables is to the satisfaction of the Group, the Group will nominate the potential borrowers to the bank which shall provide financing to the potential borrowers based on the Borrowers Accounts Receivables. Pursuant to the cooperation agreement, the Group and the bank shall cooperate for a term of one year and the loans granted by the bank to the borrowers nominated by the Group shall be 1) not more than the amount of Borrowers Accounts Receivables or RMB10 million (whichever is lower) for each loan; and 2) not more than RMB120 million in aggregate. The Group shall also provide a guarantee for the borrowers in favour of the bank with a maximum limit of RMB120 million and pay RMB10 million to the bank as security deposit. If a borrower defaults in payment to the bank, the bank shall deduct the outstanding amount owed by the borrower from the security deposit and the Group shall further deposit money to the bank but in any event the amount guaranteed by the Group shall not be more than RMB120 million. The Group will charge the borrowers services fees. During the Track Record Period, the service fees for the Group's loan guarantee services were calculated at 2.52% to 5.45% of the loan amounts. The Directors consider that the cooperation with the bank allows the Group to retain its own capital for providing financing to other customers to earn interest income while the Group earns services fees from provision of guarantee services. Further, since the Group will only refer potential borrowers whose Borrowers Accounts Receivables are to the satisfaction of the Group, the Directors consider that the credit risk associated with provision of guarantee services to the borrowers is remote.

As at 31 December 2016, 2017 and 2018 and 30 June 2019 , the maximum exposure of the Group in relation to provision of guarantee services to abovementioned Independent Third Parties customers amounted to nil, nil, nil and RMB166.9 million and the liabilities arising from the abovementioned guarantee contracts were nil, nil, nil and RMB4.0 million respectively, and during the Track Record Period there was no default in payment by the buyers/service recipients or the borrowers.

RISK MANAGEMENT

As a specialised enterprise financial service provider offering accounts receivable financing and other related services, it is important for the Group to have an effective risk management system for identifying and mitigating the risks pertaining to its business operation. These risks include credit risk, liquidity risk, interest rate risk, operational risk and legal and compliance risk. In this regard, the Group has developed a risk management system tailored to the characteristics of its business operations to manage such risks through comprehensive due diligence on its customers and underlying debtors, independent information review and multi-level approval process.

Currently the following functional units of the Company are principally involved in the Group's risk management system with their own specified duties as follows:

Functional units	Duties
Board	overall risk management
Risk management committee	(i) formulating and determining the internal policy relating to classification of the factoring assets of the Group; (ii) reviewing and formulating credit assessment mechanisms and procedures and other policies relating to risk management and legal compliance; (iii) identifying and managing material risks of the Group's financing, business and operations; and (iv) approving a single potential factoring transaction that involves either a credit limit to a customer that exceeds RMB50 million or an internal credit limit for a buyer that exceeds RMB50 million, or special situations specified in the Group's internal credit management manual, such as where the customer or the underlying debtor was established for less than three years or where the potential customer and the underlying debtor are connected parties
Risk management department	(i) conducting its independent due diligence, credit assessment for potential transactions and regularly reviewing and adjusting the credit limit granted to customers; (ii) formulating and implementing the Group's risk management and internal control rules and policies; and (iii) being involved in the Group's portfolio management as well as enforcement measures
Corporate finance department	(i) conducting preliminary assessment and selection of potential customers that are primarily from the strategic industries; (ii) conducting preliminary due diligence on such customers and underlying debtors; and (iii) assisting the risk management department and operations department in the Group's portfolio management as well as enforcement measures

Functional units	Duties
Operations department	(i) pre-financing check of the Group's customer and completing the registration of the accounts receivables transferred to the Group; (ii) overseeing the Group's portfolio management by monitoring payment of the Group's receivables and sending payment reminders; (iii) in the event of non-payment, undertaking enforcement measures such as conducting site-visits to the customers or underlying debtors to collect principal and interest with the assistance of the corporate finance department; and (iv) managing the legal and operational risks relating to the drafting of the Group's business contracts
Legal department	(i) formulating standard templates for the Group's factoring agreements and related legal documentation; (ii) reviewing the factoring agreements prepared by the operations department before execution by the parties; (iii) advising on legal and compliance issues encountered by other departments; (iv) undertaking enforcement proceedings and measures against the Group's customer and underlying debtor when they default on payment; and (v) seeking external legal advice to enhance the legal compliance of the Group's business operations
Finance department	(i) managing risks that the Group faces in relation to liquidity and interest rates; (ii) working with the operations department to monitor payments of the Group's receivables so as to mitigate credit and liquidity risks; (iii) making provisions for non-performing assets in accordance with the Group's internal policy relating to classification of the Group's factoring assets; and (iv) monitoring the performance of structured deposits with the licensed banks

Functional units	Duties
Finance cooperation department	(i) seeking external financing opportunities (including bank loans, asset securitisation and asset sales) for the Group; and (ii) collecting and researching on marketing materials and information of structured deposits with licensed banks in the PRC to assist the Group to raise and maximise the use of funds

The Board reviews the adequacy and effectiveness of the Group's risk management and internal control systems at least once a year. The Directors take the view that the principal risks faced by the Group are monitored and controlled through the following key measures:

Risk	Description	Key measures
Credit risk	Risk arises from the inability or unwillingness of the customers, or the underlying debtors to make timely payments and/or to perform their contractual obligations and represents the primary risk faced by the Group	(i) adopting a risk management policy in 2014 which was further enhanced in 2015, 2016 and 2017. Pursuant to the credit risk policy, the Company has taken several risk management measures including (a) conducting initial and internal review on potential customers; (b) carrying out due diligence on preliminarily approved customers; (c) assessing the creditworthiness of the underlying debtors before approving the credit limit in each transaction; and (d) keeping close monitor on the Group's factoring assets portfolio and maintaining a diversified portfolio with a primary focus on various strategic industries for its factoring businesses (ii) strategically developing a customer base by targeting SME suppliers of SOEs and large-scale enterprises that have a good credit rating. During the Track Record Period and up to the Latest Practicable Date, the Group did not experience any non-performing assets

Risk	Description	Key measures
Liquidity risk	Risk of not having sufficient funds to meet the liabilities as they fall due	(i) striving to match the duration of each of factoring transactions with borrowings from financial institution (ii) managing the cash flow through annual operating budget that is monitored and adjusted on a monthly basis, which allows the Group to identify and address any potential shortfall in future cash flow (iii) monitoring financial indicators relevant to the assessment of liquidity risk, as part of the monthly income statement, balance sheet, and statement of cash flows prepared by the Finance department
Interest rate risk	Risk arises from the difference in the duration of the Group's assets and liabilities	(i) tracking and reporting interest rate fluctuations regularly (ii) monitoring the sensitivity of projected net interest income under varying interest rate scenarios (iii) assessment of potential changes in interest rates using gap analysis
Operational risk	Risk arises primarily from inadequate or failed internal controls and systems, human errors, information technology system failures or external events	(i) maintaining a comprehensive corporate governance structure with clearly defined duties (ii) formulating and adopting standard commercial contracts for business operations (iii) utilising information technology system to monitor and control the performance of each procedure (iv) providing training and ethical education to employees in order to enhance their awareness and ethics against fraud and other crimes
Legal compliance risk	Risk arises from the failure to comply with the laws and regulations that are applicable to the Group's business which may result in penalties and losses incurred by the Group	(i) employing legal personnel who perform an in-house legal advisory role (ii) monitoring legal updates, including updates on the interpretation of applicable laws and regulations by relevant regulatory authorities; (iii) engaging external legal adviser to provide professional legal advice to enhance compliance of the Group's business operations

CUSTOMERS

Customer industry

During the Track Record Period, the Group continued to provide factoring and other services to SMEs in three main strategic industries, namely, the energy, construction and medical industries.

Energy

The energy industry was the first strategic industry in which the Group started its factoring business in 2014, and it remains one of the Group's largest strategic industries for the Group's factoring business. During the Track Record Period, Group derived 46.1%, 40.7%, 60.5% and 41.1% of its revenue from customers in the energy industry that were mainly involved in the petrochemical sector in the PRC. Among various types of energy being consumed, demand for petrochemical products in the PRC has been growing exponentially, and the Board is of the view that the petrochemical sector will maintain its robust growth. The rise in investments in clean and sustainable energy in the PRC is expected to continue to drive the demand for financing, including commercial factoring from enterprises engaged in the energy industry. During the Track Record Period, the revenue of the Group contributed by the energy industry increased by 23.1% from the year ended 31 December 2016 to the year ended 31 December 2017. It further increased by 226.5% from the year ended 31 December 2017 to the year ended 31 December 2018. It decreased by 2.6% from the six months ended 30 June 2018 to the six months ended 30 June 2019. As at 30 June 2019, the Group had 12 customers in the energy industry, representing a growth of 9.2% as compared to the beginning of the Track Record Period.

Construction

The Group extended its factoring business to the construction industry in the fourth quarter of 2014. The Group will continue providing factoring services to construction companies because (i) the PRC government is expected to continue emphasising on investments on infrastructures in the PRC; (ii) financing amounts in this industry are relatively larger than other industries; and (iii) there is a lower risk of default because the underlying debtors (including developers) generally possess significant fixed asset investments. During the Track Record Period, the revenue of the Group contributed by enterprises engaged in the construction industry increased by 23.4% from the year ended 31 December 2016 to the year 31 December 2017. It further increased by 18.4% from the year ended 31 December 2017 to the year ended 31 December 2018. It increased by 372.5% from the six months ended 30 June 2018 to the six months ended 30 June 2019. As at 30 June 2019, the Group had 328 customers in the construction industry, representing a growth of 837.0% as compared to the beginning of the Track Record Period.

Medical

The Group began to provide factoring services to the medical industry in 2016. The Group intends to develop its factoring business with distributors of medical products because (i) the Group considers that the default risk of accounts payable by hospitals is relatively low; and (ii) distributors of medical products are generally asset light companies with difficulties in obtaining bank loans, which create business opportunities for specialised enterprise financial service providers like the Group. During the Track Record Period, the revenue of the Group contributed by the medical industry increased by 986.9% from the year 31 December 2016 to the year 31 December 2017. It further increased by 84.9% from the year 31 December 2017 to the year 31 December 2018. It decreased by 77.7% from the six months ended 30 June 2018 to the six months ended 30 June 2019, primarily attributed to the decrease in loan size of the medical industry but partially offset by the increase in the number of customers. As at 30 June 2019, the Group had 15 customers in the medical industry, representing a growth of 25.0% as compared to the beginning of the Track Record Period.

The following table sets out a breakdown of the Group's revenue by industry during the Track Record Period:

	Year ended 31 December						**Six months ended 30 June**			
	2016		**2017**		**2018**		**2018**		**2019**	
	RMB'000 (Audited)	*Approximate %*	*RMB'000 (Audited)*	*Approximate %*	*RMB'000 (Audited)*	*Approximate %*	*RMB'000 (Unaudited)*	*Approximate %*	*RMB'000 (Unaudited)*	*Approximate %*
Energy	52,041	46.1	64,072	40.7	209,220	60.5	85,133	64.3	82,878	41.1
Construction	57,693	51.2	71,214	45.3	84,288	24.4	24,168	18.3	114,198	56.6
Medical	2,027	1.8	22,031	14.0	40,732	11.8	15,896	12.0	3,541	1.8
Others*(Note)*	1,030	0.9	—	—	11,656	3.3	7,206	5.4	991	0.5
Total	**112,791**	**100.0**	**157,317**	**100.0**	**345,896**	**100.0**	**132,403**	**100.0**	**201,608**	**100.0**

Note: Other industries include IT, finance, mining, and logistics supply chain.

Major customers

For each of the three years ended 31 December 2016, 2017 and 2018, the percentage of revenue for the year attributable to the Group's five largest customers were approximately 54.8%, 60.4% and 38.9%, respectively. Revenue attributable to the Group's largest customer accounted for approximately 14.9%, 19.1% and 10.7% of the Group's revenue for each of the three years ended 31 December 2016, 2017 and 2018 respectively.

The following tables set out the information of the five largest customers of the Group for each of the three years ended 31 December 2016, 2017 and 2018:

For the year ended 31 December 2016

Customer	**Services provided by the Group**	**Amount advanced by the Group during the year ended 31 December 2016**	**Revenue**	**Approximate % of the Group's total revenue**
		RMB'000	*RMB'000*	
Customer A *(Note 1)*	Factoring service	600,000	16,821	14.9
Customer B *(Note 2)*	Factoring service	341,380	15,558	13.8
Customer C *(Note 3)*	Factoring service	588,629	13,764	12.2
Customer D *(Note 4)*	Factoring service	92,000	8,763	7.8
Customer E *(Note 5)*	Factoring service	100,000	6,871	6.1
		Total	**61,777**	**54.8**

Notes:

(1) Customer A is a company established in the PRC with a registered capital of RMB500 million and is principally engaged in property development and management in the PRC. Customer A was also one of the five largest underlying debtors of the Group (Underlying debtor K) during the Track Record Period. Please refer to the sections headed "Underlying debtors" and "Entities that are both the Group's customers and underlying debtors during the Track Record Period" for further details.

Customer A entered into reverse factoring transactions with the Group. Please refer to the paragraph headed "Principal Activities and Business Review - Segmental analysis on factoring and other services - (A) Factoring service - Reverse factoring transactions" for details.

(2) Customer B is a group of companies comprised of an ultimate holding company incorporated in the BVI, two immediate holding companies incorporated in Hong Kong and two operating companies (Tianjin Kunlun Tianshan International Trade Co., Ltd.* 天津昆侖天山國際貿易有限公司 (formerly known as Tianjian Shengye Tianshan International Trading Co. Ltd.*) and Shenzhen Kunlun International Energy Co., Ltd.* 深圳市昆侖國際能源有限公司 (formerly known as SY Resource International Limited*) in the PRC with a registered capital of approximately US$44.5 million and US$95.5 million respectively and are principally engaged in the trading of petroleum and the trading of chemical products in the PRC (collectively "**Customer B Group**"). In March 2016, Mr. Tung's cousin acquired 50% of the issued share capital of the ultimate holding company of Customer B Group and became one of the two directors of the companies within the Customer B Group. Mr. Tung's cousin was also a supervisor of SY Factoring before October 2016 and the Group's other PRC subsidiaries (except Sheng Peng Factoring Limited) before September 2016. As at the Latest Practicable Date, Mr. Tung's cousin had disposed of his equity interest in the ultimate holding company of Customer B Group and ceased to have any relationship with Customer B Group. Save for disclosed above, Customer B Group did not have any relationship with the Group and was an Independent Third Party under the GEM Listing Rules. For the year ended 31 December 2016, the Group's revenue

derived from Customer B Group amounted to approximately RMB15.6 million. The Group's factoring transactions with Customer B Group were with recourse and with notification. The contractual interest rate the Group charged Customer B Group ranged from 9% to 12%. The repayment period ranged from 1 day to 361 days and the average repayment period was 112 days. The accounts receivables transferred to the Group for the aforesaid transactions during the year ended 31 December 2016 amounted to RMB429.9 million. The Group charged Customer B Group interests at an average contractual interest rate and service fee rate of 11.8% and 0.35%, respectively for the year ended 31 December 2016, which was comparable to that offered to other Independent Third Party customers. Customer B was also an underlying debtor of the Group during the Track Record Period. Please refer to the section headed "Entities that are both the Group's customers and underlying debtors during the Track Record Period" for further details.

(3) Customer C is a company established in the PRC with a registered capital of RMB 50 million and is principally engaged in trading of non-ferrous metal and oil. Customer C was also one of the five largest underlying debtors of the Group (Underlying debtor L) during the Track Record Period. Please refer to the section headed "Entities that are both the Group's customers and underlying debtors during the Track Record Period" for further details.

(4) Customer D is a group of companies established in the PRC owned by a common ultimate beneficial owner. They are principally engaged in petroleum transportation and storage and logistics.

(5) Customer E is a company established in the PRC with a registered capital of RMB50 million and is principally engaged in coal business operation, international and domestic trade.

For the year ended 31 December 2017

Customer	Services provided by the Group	Amount advanced by the Group during the year ended 31 December 2017	Revenue	Approximate % of the Group's total revenue
		RMB'000	*RMB'000*	
Customer F *(Note 1)*	Factoring service	70,000	30,031	19.1
Customer G *(Note 2)*	Factoring service	159,601	19,481	12.4
Customer C *(Note 3)*	Factoring service	90,943	17,573	11.2
Customer D	Factoring service	148,834	16,517	10.5
Customer H *(Note 4)*	Factoring service	85,958	11,419	7.2
		Total	95,021	60.4

Notes:

(1) Customer F is a company established in the PRC with a registered capital of RMB5.1 billion and is principally engaged in construction. Customer F was also an underlying debtor of the Group during the Track Record Period. Please refer to the section headed "Entities that are both the Group's customers and underlying debtors during the Track Record Period" for further details.

(2) Customer G is a company established in the PRC with a registered capital of RMB60 million and is principally engaged in trading of construction materials.

(3) Customer C was also one of the five largest underlying debtors of the Group (Underlying debtor L) during the Track Record Period. Please refer to the section headed "Entities that are both the Group's customers and underlying debtors during the Track Record Period" for further details.

(4) Customer H is a company established in the PRC with a registered capital of RMB60 million and is principally engaged in trading of construction materials.

For the year ended 31 December 2018

Customer	Services provided by the Group	Amount advanced by the Group during the year ended 31 December 2018	Revenue	Approximate % of the Group's total revenue
		RMB'000	*RMB'000*	
Customer I *(Note 1)*	Factoring service	—	36,877	10.7
Customer J *(Note 2)*	Factoring service and accounts receivable management and consultation services	—	30,220	8.7
Customer H	Factoring service	—	27,016	7.8
Customer K *(Note 3)*	Factoring service	—	22,485	6.5
Customer D	Factoring service	146,000	17,986	5.2
		Total:	134,584	38.9

Notes:

(1) Customer I comprises of two companies established in the PRC and owned by a common ultimate beneficial owner. They have a registered capital of RMB300 million and RMB300 million respectively. They are principally engaged in trading of petrochemical products, electronic devices, metals, etc. One of the companies of Customer I was also an underlying debtor of the Group during the Track Record Period. Please refer to the section headed "Entities that are both the Group's customers and underlying debtors during the Track Record Period" for further details.

(2) Customer J comprises of two companies established in the PRC and are owned by a common ultimate beneficial owner. They have registered capital of RMB50 million and RMB100 million respectively. They are principally engaged in sale of petroleum products. According to the latest information available to the Directors, one of the companies comprising Customer J was dissolved on 14 February 2019 by way of voluntary winding up by its shareholders. The winding up of one of the companies comprising Customer J is purely its own commercial decision, which will not have material adverse impact on the Group since (i) Customer J only accounted for 8.7% of the Group's revenue for the year ended 31 December 2018; (ii) the Group would still record a net profit of RMB181.7 million for the year ended 31 December 2018, assuming it did not record revenue of RMB30.2 million generated from the provision of factoring services and

accounts receivable management and consultation services to Customer J; (iii) the dissolved company had fully repaid the factoring loans granted by the Group before its dissolution; and (iv) the Group has a wide customer base with over 300 customers as at 30 June 2019 and the number of customers has been growing, which enables the Group to diversify the risk from over reliance on a particular customer or group of customers.

(3) Customer K is a company established in the PRC with a registered capital of RMB62.23 million and is principally engaged in trading of medicine and medical equipment.

Save as disclosed above, none of the Directors, the Controlling Shareholders and their respective close associates had any interest in any of the five largest customers for the three years ended 31 December 2016, 2017 and 2018 and all of the five largest customers for the three years ended 31 December 2016, 2017 and 2018 were independent from the Group.

ENTITIES THAT ARE BOTH THE GROUP'S CUSTOMERS AND UNDERLYING DEBTORS DURING THE TRACK RECORD PERIOD

For each of the year ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, there were 6, 10, 12 and 1 entity(ies) that are both the Group's customers and underlying debtors (**"Customers-Debtors"**). The following table sets out the total revenue and amount of total factoring assets attributable to the Group's Customers-Debtors for the years/period indicated:

	Year ended 31 December			**Six months ended 30 June**
	2016	**2017**	**2018**	**2019**
	(RMB'000 or approximate percentage)			
Revenue attributable to the Group's Customers-Debtors	38,922	55,478	27,690	116
Percentage of the Group's total revenue	34.5%	35.3%	8.0%	0.1%
Amount of factoring assets	879,005	688,526	5,921	27,202
Percentage of the Group's total factoring assets	66.4%	51.4%	0.2%	0.8%

The Customers-Debtors were at the beginning underlying debtors of the Group and they came to know the Group via the introduction of the Group's other customers to applied for factoring loans from the Group due to its own business needs.

Top five customers that were also underlying debtors during the Track Record Period

Customer A, Customer B, Customer C, Customer F and Customer I were top five customers that were also underlying debtors during the Track Record Period. Customer A and Customer C were top five underlying debtors (i.e. Underlying debtor K and Underlying debtor L) during the Track Record Period. For details regarding the above customers, please refer to the section headed "Principal activities and business review — Underlying debtors" and "Customers — Major customers".

Top five underlying debtors that were also customers during the Track Record Period

Underlying Debtor A, Underlying Debtor C, Underlying Debtor K and Underlying Debtor L were top five underlying debtors that were also customers during the Track Record Period. Underlying Debtor K and Underlying Debtor L were top five customers (i.e. Customer A and Customer C) during the Track Record Period. For details regarding the above underlying debtors, please refer to the section headed "Principal activities and business review — Underlying debtors".

Although some of the Group's customers were also the underlying debtors, the Directors consider that the concentration risk caused by the dual capacity of the Customers-Debtors was low because (i) the percentage of the revenue and factoring assets contributed by all Customers-Debtors kept decreasing during the Track Record Period; (ii) the factoring transactions with the Customers-Debtors in their capacity as customers and the factoring transactions where the Customers-Debtors were underlying debtors were neither connected nor inter-conditional with each other and therefore the risk of simultaneous default by the Customers-Debtors in their capacity as a customer and their capacity as an underlying debtor was remote; (iii) the terms of factoring transactions with the Customers-Debtors including the interest rates were determined in line with the factoring transactions with other customers of the Group having considered the relevant credit risks subject to the background and creditability of the Customers-Debtors and whether the factoring was with or without recourse; and (iv) the accounts receivables of the Customers-Debtors were subject to the assessment of the Group which would only grant the factoring loans to the Customers-Debtors after it was satisfied with the quality of the relevant accounts receivables.

ONLINE FACTORING PLATFORM

To facilitate the further development of the Group's factoring business and better serve its customers who engage the Group's factoring services, the Group launched its own online factoring platform , "Sheng Yi Tong" (盛易通) in November 2016. Before the GEM Listing, such online platform had been operated on a trial basis to allow the Group's customers to get used to the new platform. With the continuous development of such online platform, currently the platform can perform the following functions in relation to the Group's factoring business: (i) the Group's customers can register for an account in the platform via mobile phones and learn about the factoring services provided by the Group; (ii) the Group's customers can apply for the factoring services and submit their respective factoring application documents (including invoices and contracts) to the Group through the platform; (iii) the customers can execute the factoring agreements by affixing electronic signatures that have been authenticated through the platform; (iv) the customers can review the information regarding their factoring services including the factoring loan amount advanced to them, the repayment records and the amount of accounts receivables transferred by the customers to the Group; (v) the Group can assess and approve the factoring loan applications of the customers through the platform; (vi) the platform's risk management functions are enhanced by implementation of face recognition and invoice verifications; and (vii) the platform can help the Group to carry out risk management including monitoring of the corporate litigation records, abnormal operations and media public sentiment.

The Group will continue to invest in and upgrade its online factoring platform. In the forthcoming years, the Group will focus on upgrading the existing features of its online factoring platform. The Group targets that by the financial year ending 31 December 2020, the online factoring platform of the Group will be able to (i) carry out in-depth market data analysis for the purpose of business development and credit risk management; (ii) perform financial control or planning function by continuously monitoring the Group's financial needs and resources; and (iii) attend the relevant regulatory reporting, registration and filings procedures in relation to the Group's factoring business in an automatic manner. The Group will also enhance the security and backup features of the its online factoring platform and the enhancement is expected to be completed by the financial year ending 31 December 2020. To meet such development, the Group expects to invest a total of RMB36.0 million from 1 July 2019 to 31 December 2020, of which RMB28.4 million will be funded by the balance of the proceeds from the Top-Up Placing and the rest will be funded by other available internal resources of the Group.

FUNDING SOURCE

During the Track Record Period, the Group funded the factoring business mainly by cash generated from daily operations, bank and other borrowings, bond issuance and shareholders' equity comprising proceeds from the Global Offering and the Top-up Placing. As at 31 December 2016, 2017 and 2018 and 30 June 2019, the factoring assets of the Group amounted to RMB1,324.3 million, RMB1,339.7 million, RMB2,818.3 million and RMB3,621.8 million, whereas the Group's interest-bearing liabilities (comprising bank loans and other borrowings, bank overdraft and financial assets sold under repurchase agreements as well as loans from related parties) amounted to RMB704.9 million, RMB492.6 million, RMB922.0 million and RMB1,662.8 million respectively. Further information of the Group's borrowings during the Track Record Period can be referred to the paragraph headed "Borrowings" in this announcement.

The Group maintains diversified funding channels including loans and financial instruments such as asset-backed securities through various banks and financial institutions. After the GEM Listing, the Group also raised funds through the capital market.

Fund raising activities since GEM Listing

On 28 June 2018, the Company entered into a top-up placing arrangement ("**Top-up Placing**") with Wisdom Cosmos (one of the Controlling Shareholders), Oversea-Chinese Banking Corporation Limited ("**OCBC**") and Macquarie Capital Limited ("**Macquarie**") (OCBC and Macquarie collectively referred to as the "**Joint Placing Agents**") pursuant to which Wisdom Cosmos agreed to place, through the Joint Placing Agents on a best effort basis, a maximum of 148,000,000 existing placing Shares at the price of HK$6.00 per Share and the Company conditionally agreed to issue up to 148,000,000 new Shares to Wisdom Cosmos.

The Top-up Placing was completed on 11 July 2018. An aggregate of 138,484,000 Shares were placed to not less than six placees. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the placees and their respective ultimate beneficial owners are Independent Third Parties. None of the placees and their ultimate beneficial owners has become a substantial shareholder (as defined under the GEM Listing Rules and the Main Board Listing Rules) of the Company upon completion of the Top-up Placing.

The Shares issued and allotted under the Top-up Placing represented approximately 15.76% of the enlarged issued share capital of the Company after completion of the Top-up Placing. The Company received total net proceeds of approximately HK$819.5 million from the Top-up Placing.

The placing price of HK$6.00 per placing share represented (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 placing price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between Wisdom Cosmos, the

Company and the Joint Placing Agents. The Directors (including the independent non-executive Directors) considered that the terms of the Top-up Placing were on normal commercial terms and fair and reasonable and were in the best interests of the Company and the Shareholders as a whole.

BORROWINGS

The following table sets out a summary of the borrowings of the Group during the Track Record Period:

	As at 31 December			As at 30 June	As at 31 July
	2016	**2017**	**2018**	**2019**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *note ix*
Carrying amount of borrowings repayable within one year*:					
- Secured entrusted loan *(note i)*	100,101	—	—	—	—
- Loan from an asset management scheme *(note ii)*	42,397	—	—	—	—
- Unsecured and guaranteed bonds *(note iii)*	—	—	713,490	715,083	719,517
- Unsecured and unguaranteed loans *(note iv)*	—	—	120,000	133,144	151,510
- Bills discounted *(note v)*	—	—	61,818	—	51,515
- Secured and guaranteed bank borrowing *(note vi)*	—	—	16,648	17,720	78,236
- Secured and unguaranteed bank borrowing *(note vii)*	—	—	—	110,027	99,761
- Secured and unguaranteed loans *(note vii)*	—	—	—	54,192	54,522
- Unsecured entrusted loans *(note viii)*	—	482,320	—	232,676	233,756
	142,498	482,320	911,956	1,262,842	1,388,817

	As at 31 December			As at 30 June	As at 31 July
	2016	**2017**	**2018**	**2019**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *note ix*
Carrying amount of borrowings that contain a repayment on demand clause and repayable more than one year, but not more than two years*:					
- Unsecured and unguaranteed loans *(note viii)*	—	—	—	211,083	212,442
Amounts shown under current liabilities	142,498	482,320	911,956	1,473,925	1,601,259

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

Notes:

(i) The secured entrusted loan was a fixed-rate borrowing from a PRC non-bank financial institution carrying a fixed-rate at 6.70% per annum, guaranteed by a parent company of a debtor.

(ii) The scheme was set up for investment in the factoring assets transferred from SY Factoring with principal amount of RMB42,000,000. The effective interest rate of the above loans was 7.5% per annum as at 31 December 2016. The cash received from the asset management scheme by SY Factoring is accounted for loan from an asset management scheme and the remaining balance of the loan as at 31 December 2016 is RMB42,397,000.

(iii) On 11 September 2018, a wholly owned subsidiary of the Company issued one-year bonds of RMB700,000,000 in aggregate in Hong Kong. The bonds were issued to and held by a company which is indirectly wholly owned by the T&T settlement trust of which Mr. Tung (the Chairman of the Board and executive Director), Ms. Tung Ching Ching (sister of Mr. Tung) and Mr. Tung Chi Kong (brother of Mr. Tung) are the beneficiaries. The issued bonds were guaranteed by the Company with a contract interest rate at 7% per annum and the issued bonds had been fully repaid as at the Latest Practicable Date.

(iv) The outstanding balance as at 30 June 2019 represented loans, (a) due within one year, from a non-controlling shareholder of Sheng Ye (Shenzhen) Factoring Limited, a PRC subsidiary of the Company, carrying interest at 7% per annum; (b) due within one year, from a Hong Kong asset management company, carrying interest at 4% per annum; (c) due within one year, from a Hong Kong company, carrying interest at 5.7% per annum.

(v) As at 31 December 2018, the bills received from customers as pledged to factoring assets with par value of RMB62,191,000 were discounted to a bank. A sum of RMB61,399,000 was received from the discount bills as principal amount and recognised as borrowings.

(vi) The variable-rate bank borrowings carry interests per annum at a rate being the benchmark rate offered by the Hong Kong Inter-bank Offered Rate plus 3% per annum, guaranteed by the Company and a PRC subsidiary of the Company and pledged by fixed deposit amounting to RMB8,764,000 and RMB8,893,000 as at 31 December 2018 and 30 June 2019 respectively.

(vii) As at 30 June 2019, the Group's bank borrowings of RMB110,027,000 were secured by charges over certain bank deposit RMB34,172,000 and were secured by charges over certain factoring assets of the Group with an aggregate carrying values of RMB112,442,000, in respect of which the legal title and legal right to receive cash flows was also transferred to the banks.

As at 30 June 2019, the secured and unguaranteed loans from a PRC non-bank financial institution and two Hong Kong companies of RMB54,192,000 were secured by charges over certain factoring assets of the Group with an aggregate carrying values of RMB55,027,000, in respect of which the legal title and legal right to receive cash flows was also transferred to the lenders.

(viii) SY Factoring obtained facilities in the amount of RMB5.8 billion from a PRC non-bank financial institution carrying fixed-rate interest from 6% to 10% per annum. As at the Latest Practicable Date, RMB5.3 billion remained unutilised.

(ix) As at 31 July 2019, the unsecured and guaranteed bonds are guaranteed by the Company. The secured and unguaranteed loans/borrowings/bills discounted are secured by factoring assets or bills under factoring assets or bank deposit. The secured and guaranteed bank borrowings are secured by fixed deposit or bank deposit or factoring assets and guaranteed by the Company and subsidiaries. As at 31 July 2019, the aggregate outstanding amount of borrowings was RMB1,601.3 million.

As at 31 July 2019, the Group has outstanding bank overdraft amounted to RMB17.6 million, which is repayable on demand, carrying interest rate per annum at the rate of the benchmark rate offered by the HIBOR plus 2.25% per annum, guaranteed by the Company and a PRC subsidiary and pledged by bank deposit amounting to HK$10,000,000 (equivalent to RMB8,798,000).

As at the Latest Practicable Date, (i) none of the Controlling Shareholders or their associates provided guarantee on the Group's borrowings; and (ii) the Group did not breach any of the debt covenants during the Track Record Period.

Lease liabilities

As at 31 July 2019, the Group, as a lessee, has outstanding lease liabilities# for the relevant lease terms amounting to RMB6.8 million in aggregate recognised on the consolidated statement of financial position.

 # This is the discounted amount and has taken into account all assessments under HKFRS 16.

Contingent Liabilities

Except as described above of the borrowings, the loans from associate companies and a joint venture of the Group with an aggregate carrying amount of RMB137.2 million, and the guarantee contracts with maximum exposure of RMB213.6 million (comprising the maximum exposure of RMB145.6 million arising from the provision of guarantee services to Independent Third Parties and the maximum exposure of RMB68.0 million arising from loan guarantee contracts in relation to an associate of the Group) and apart from intra-group liabilities and normal trade payables, as at 31 July 2019, being the latest practicable date for determining the Group's indebtedness, the Group 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 bills) or acceptance credits, debentures, mortgages, charges, guarantees or other material contingent liabilities.

RECENT DEVELOPMENT OF REGULATORY FRAMEWORK

Regulations on commercial factoring business

On 24 April 2019, the Tianjin Local Financial Management and Supervision Bureau promulgated the Circular on Issuing the Administrative Measures for Pilot Tianjin Commercial Factoring Companies (Trial Implementation) (關於印發天津市商業保理試點管理辦法(試行)的通知, Jin Jin Jian Gui Fan 2019 No. 1, hereinafter referred to as "**Circular No.1**"), which sets out the general provisions, establishment procedures, compliance procedures and daily management requirements, and other issues relating to both domestic and foreign-invested commercial factoring companies registered in the Binhai New Area, Tianjin. Replacing the previous circular on the same issues promulgated by the General Office of the People's Government of the Tianjin Municipal City on 17 December 2012, Circular No.1 sets out additional requirements for the establishment and the maintenance of the factoring companies in the region, which requires that the full-paid registered capital of factoring companies to be no less than RMB50 million, and that factoring companies shall duly register all pledged account receivables at the unified publication platform of the Credit Preference Center of the People's Bank of China. It also requires factoring companies to duly report in the National Factoring Business Information System certain issues that may have a material effect on the business and operation of factoring company. While holding back on the requirement that each factoring company shall maintain a risk asset ratio of no more than 10 times the net assets of that company, Circular No.1 now allows factoring companies to leverage operating capital from non-financial institutions such as the shareholders or the associated parties of the factoring company.

The Directors confirmed that the Group would be able to comply with the relevant requirements above.

Change of the value-added tax rate

According to the Circular on Adjusting the Value-Added Tax Rate (關於調整增值稅稅率的通知, Cai Shui [2018] No. 32) issued by the Ministry of Finance and the State Administration of Taxation on 4 April 2018 and came into effect on 1 May 2018, where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable tax rates 17% and 11% were adjusted to 16% and 10%, respectively.

Pursuant to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (關於深化增值稅改革有關政策的公告, 2019 No.39) issued jointly by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on 1 April 2019 and came into effect on the same date, the previous applicable tax rates 16% and 10% will be further adjusted to 13% and 9% respectively.

The aforesaid tax rate reduction is in the interests to the Group as a whole.

COMPLIANCE MATTERS

Save for the matters relating to the existing tenancy of the Group as disclosed below, the Group has obtained all licences, permits, approvals and certificates necessary to conduct its business operations and did not have any serious breach of or material non-compliance with the applicable laws, rules and regulations since the GEM Listing Date and up to the date of this announcement.

Beijing Property

On 27 March 2018, SY Factoring as the tenant and an Independent Third Party as the landlord entered into a tenancy agreement (**"Beijing Tenancy Agreement"**) pursuant to which SY Factoring agreed to lease a property in Beijing with an area of 128.5 sq. m. (**"Beijing Property"**) from 27 March 2018 to 26 April 2020. On 26 January 2019, SY Factoring, the Beijing branch of SYIT and the landlord entered into a novation agreement ("**Beijing Novation Agreement**") pursuant to which the Beijing branch of SYIT substituted SY Factoring as the new tenant and undertook all its rights and obligations under the Beijing Tenancy Agreement. As at the date of this announcement, the Beijing Tenancy Agreement and the Beijing Novation Agreement had not been filed with the competent authorities. The PRC Legal Advisers had advised the Group that the landlord possessed the land use certificates for the Beijing Property and was entitled to lease out the Beijing Property. Entering into of the Beijing Tenancy Agreement and the Beijing Novation Agreement did not violate any PRC laws and regulations and the both were legal and enforceable. The absence of record filing would not affect the validity of the Beijing Tenancy Agreement and the Beijing Novation Agreement and the Beijing branch of SYIT had the legal right to use the Beijing Property within the period of tenancy. The Directors believe that the Beijing Property was not crucial to the Group's operation and that if the Group was required to vacate the Beijing Property, the Group would be able to relocate to alternative premises without materially affecting the Group's operations or incurring any material costs. The Group expects that cost associated with the relocation to be approximately RMB5,000.

Chongqing Property

On 19 April 2018, SY Factoring as the tenant and an Independent Third Party as the landlord entered into a tenancy agreement (**"Chongqing Tenancy Agreement"**) pursuant to which SY Factoring agreed to lease a property in Chongqing with an area of 180.53 sq. m. (**"Chongqing Property"**) from 25 April 2018 to 24 April 2020. On 26 February 2019, SY Factoring, SYIT and the landlord entered into a novation agreement ("**Chongqing Novation Agreement**") pursuant to which SYIT substituted SY Factoring as the new tenant and undertook all its rights and obligations under the Chongqing Tenancy Agreement. As at the date of this announcement, the landlord had not obtained the land title document of the Chongqing Property. The PRC Legal Advisers had advised the Group that the landlord confirmed that it was in the course of obtaining the land title document. Entering into of the Chongqing Tenancy Agreement and the Chongqing Novation Agreement did not violate any PRC laws and regulations and both were legal and enforceable. SYIT had the legal right to use the Chongqing Property within the period of tenancy. The Directors believe that the Chongqing Property was not crucial to the Group's operation and that if the Group was required to vacate the Chongqing Property, the Group would be able to relocate to alternative premises without materially affecting the Group's operations or incurring any material costs. The Group expects that cost associated with the relocation to be approximately RMB5,000.

COMPLIANCE WITH THE GEM LISTING RULES

To the best knowledge of the Directors, the Group did not have any serious or potentially serious breach of or material non-compliance with the GEM Listing Rules since the GEM Listing Date and up to the date of this announcement.

Summary of results of operations

The following table sets out a summary of the Group's revenue and results for each of the year ended 31 December 2016, 2017, 2018 and the six months ended 30 June 2018 and 2019:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue					
Interest income from factoring service	111,809	144,127	308,484	109,387	195,085
Income from other services	982	13,190	37,412	23,016	6,523
Total revenue	112,791	157,317	345,896	132,403	201,608
Gain on sales of factoring assets	5,876	57,967	124,548	50,326	35,928
Income from factoring and other services	118,667	215,284	470,444	182,729	237,536
Other income	11,316	10,204	17,796	15,913	35,616
Impairment losses, net of reversal	(8,671)	(2,055)	(17,761)	(22,845)	(12,023)
Other gains and losses	(681)	(2,158)	10,186	411	106
Staff costs	(15,359)	(20,007)	(45,447)	(14,889)	(28,199)
Other operating expenses	(9,464)	(23,369)	(53,088)	(19,944)	(31,364)
Listing expenses	(5,827)	(8,102)	—	—	—
Donation	—	(400)	(1,800)	(1,800)	—
Share of (loss) profit of a joint venture	—	(166)	1,775	1,162	1,537
Share of profit of associates	—	—	4,705	486	2,167
Finance costs	(21,809)	(36,215)	(91,156)	(32,082)	(45,226)
Profit before taxation	68,172	133,016	295,654	109,141	160,150
Taxation	(20,164)	(44,209)	(83,780)	(34,366)	(35,255)
Profit for the year/period	48,008	88,807	211,874	74,775	124,895
Profit for the year/period attributable to:					
— Owners of the Company	48,008	88,807	208,421	74,383	118,756
— Non-controlling interests	—	—	3,453	392	6,139
	48,008	88,807	211,874	74,775	124,895

	Year ended 31 December			Six months ended 30 June	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
Earnings per share					
— Basic (RMB cents)	9	14	26	10	14
— Diluted (RMB cents)	N/A	14	26	10	13
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**")	—	—	1,700	(4,701)	2,832
— reclassification adjustment to profit or loss on derecognition of factoring assets at FVTOCI	—	—	(906)	128	(1,361)
Income tax relating to items that may be reclassified subsequently	—	—	(198)	1,144	(369)
Share of other comprehensive expense of a joint venture, net of related income tax	—	—	(32)	—	32
Share of other comprehensive income of associates, net of related income tax	—	—	835	(408)	(526)
Other comprehensive income for the year/period, net of income tax	—	—	1,399	(3,837)	608
Total comprehensive income for the year/period	48,008	88,807	213,273	70,938	125,503
Total comprehensive income for the year/period attributable to:					
— Owners of the Company	48,008	88,807	209,345	70,193	119,443
— Non-controlling interests	—	—	3,928	745	6,060
	48,008	88,807	213,273	70,938	125,503

Revenue

For each of the years ended 31 December 2016, 2017 and 2018, total revenue of the Group amounted to approximately RMB112.8 million, RMB157.3 million and RMB345.9 million respectively. The total revenue increased by 39.5% from the year ended 31 December 2016 to the year ended 31 December 2017, and further increased by 119.9% from the year ended 31 December 2017 to the year ended 31 December 2018. For each of the six months ended 30 June 2018 and 2019, total revenue of the Group amounted to RMB132.4 million and RMB201.6 million, representing an increase of approximately 52.3%. The significant revenue increment during the Track Record Period was mainly attributed to (i) the increase in revenue from factoring service driven by the successful expansion of the factoring business of the Group with the support of the net proceeds from the Global Offering, the Top-up Placing and bank and other borrowings; and (ii) revenue from other services along with the Group's expansion of factoring service and increase in the number of customers.

Factoring service

The Group's factoring service mainly includes provision of (a) financing to factoring customers where financing is secured by the accounts receivables of the customers, and the Group receives interest income in return. The Group's interest income from factoring service amounted to RMB111.8 million, RMB144.1 million and RMB308.5 million, representing 99.1%, 91.6% and 89.2% of the Group's total revenue for each of the three years ended 31 December 2016, 2017 and 2018 respectively. The interest income from factoring services increased by 28.9% from the year ended 31 December 2016 to the year ended 31 December 2017, and further increased by 114.1% from the year ended 31 December 2017 to the year ended 31 December 2018. The Group's interest income from factoring services amounted to RMB109.4 million and RMB195.1 million, representing 82.6% and 96.8% of the Group's total revenue for each of the six months ended 30 June 2018 and 2019. The interest income from the factoring services increased by 78.3% from the six months ended 30 June 2018 to the six months ended 30 June 2019. The significant increment in interest income from factoring services during the Track Record Period was mainly attributed to the successful expansion of the factoring business of the Group with the support of the proceeds from the Global Offering, a major portion of the proceeds from the Top-up Placing and bank and other borrowings.

Other services

Other services which mainly includes provision of (i) guarantee service; (ii) consulting service; (iii) information technology service; and (iv) accounts receivable management services involving review and verification of documents relating to the accounts receivables, collection of the accounts receivables on behalf of the customers, and regular reports to the customers regarding the accounts receivables. The Group's income from other services amounted to RMB1.0 million, RMB13.2 million and RMB37.4 million, representing 0.9%, 8.4% and 10.8% of the Group's total revenue for each of the three years ended 31 December 2016, 2017 and 2018 respectively. The other services income increased by 12.2 times from the year ended 31 December 2016 to the year ended 31 December 2017, and further increased by 183.3% from the year ended 31 December 2017 to the year ended 31 December 2018.

The increment of other services income from 2016 to 2018 was mainly attributed to the provision of guarantee service and consulting service. Leveraging on the continuous expansion of factoring service, the Group would also introduce other services to its customers, which can provide them added value in addition to the factoring service. The Group's income from other services amounted to RMB23.0 million and RMB6.5 million, representing 17.4% and 3.2% of the Group's total revenue for each of the six months ended 30 June 2018 and 2019. The income from other services decreased by 71.7% from the six months ended 30 June 2018 to the six months ended 30 June 2019 which was due to the decrease in revenue from the provision of consulting service and guarantee service by RMB9.3 million and RMB8.5 million respectively, but partially offset by the increase in revenue from the provision of accounts receivable management services by RMB1.1 million.

Guarantee services

For each of the three years ended 31 December 2016, 2017 and 2018, the revenue attributable to the guarantee services amounted to nil, approximately RMB0.3 million and RMB18.0 million representing nil, approximately 0.1% and 3.8% of the Group's total income, respectively. The increase in revenue attributable to the guarantee services for the three years ended 31 December 2016, 2017 and 2018 was due to the increase in the number of customers that demanded guarantee services. For each of the six months ended 30 June 2018 and 2019, the revenue attributable to the guarantee services amounted to approximately RMB12.0 million and RMB3.5 million representing approximately 6.6% and 1.5% of the Group's total income respectively. The decrease in revenue for the six months ended 30 June 2019 was due to the Company being more prudent on the provision of guarantee services, taking into consideration the volatile market condition.

Gain on sales of factoring assets

The Group sells rights of factoring assets 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 Group's income from sale of factoring assets amounted to RMB5.9 million, RMB58.0 million and RMB124.5 million, representing 5.0%, 26.9% and 26.5% of the Group's total income for each of the three years ended 31 December 2016, 2017 and 2018 respectively. The income from sales of factoring assets increased by 883.1% from the year ended 31 December 2016 to the year ended 31 December 2017. It increased by 114.7% from the year ended 31 December 2017 to the year ended 31 December 2018. The Group's gain on sales of factoring assets amounted to RMB50.3 million and RMB35.9 million, representing 27.5% and 15.1% of the Group's total income for each of the six months ended 30 June 2018 and 2019. The increase in gain on sales of factoring assets from the year ended 31 December

2016 to 31 December 2017 and from the year ended 31 December 2017 to 31 December 2018 were due to (i) the increase in sales of factoring assets, supported by the increasing market demand for factoring assets. From the perspective of the Group's customers, factoring asset is an investment that can provide them with a fixed yield and are secured by trade receivables; (ii) the increase in the number of financial institutions that purchased the Group's factoring assets; and (iii) the increase in the profit margin of the sales of factoring assets. The decrease in gain on sales of factoring assets from the six months ended 30 June 2018 to 30 June 2019 was attributable mainly to that the Group is more prudent on the sales of factoring assets, taking into consideration the volatile market condition and the liquidity of the potential purchaser. For the three years ended 31 December 2016, 2017 and 2018, the profit margin of the sales of factoring assets was approximately 5.3%, 6.7% and 8.0%. For the six months period ended 30 June 2018 and 30 June 2019, the profit margin was approximately 8.0% and 7.0% respectively. From the year ended 31 December 2016 to 31 December 2017, from the year ended 31 December 2017 to 31 December 2018 and from the six months period ended 30 June 2018 to 30 June 2019, the profit margin increased from "lower than the discount rate" to "higher than the discount rate" due to the successful expansion of the factoring business of the Group and the development of the factoring industry in the PRC. During the Track Record Period, none of the factoring assets sold involved non-performing assets. In addition, none of the factoring assets sold involved any factoring assets that rolled over upon original maturity.

Net interest margin

	Year ended 31 December			**Six months ended 30 June**	
	2016	**2017**	**2018**	**2018**	**2019**
	(RMB'000 or approximate percentage)				
Interest income *(Note 1)*	111,809	144,127	308,484	109,387	195,085
Interest expense *(Note 2)*	21,809	36,215	91,156	32,082	44,911
Net interest income	90,000	107,912	217,328	77,305	150,174
Interest income yield *(Note 3)*	11.3%	10.8%	14.8%	10.2%	12.2%
Interest expense yield *(Note 4)*	5.9%	6.0%	12.9%	5.6%	7.0%
Net interest spread *(Note 5)*	5.4%	4.8%	1.9%	4.6%	5.2%
Net interest margin *(Note 6)*	9.1%	8.1%	10.5%	7.2%	9.4%

Notes:

(1) Interest income is revenue from the commercial factoring business of the Group.

(2) Interest expense is the finance cost of the commercial factoring business of the Group.

(3) Interest income yield is calculated by dividing interest income by the average balance of factoring assets (net of impairment allowances) or factoring assets at FVTOCI.

(4) Interest expense yield is calculated by dividing interest expense by the average balance of interest-bearing liabilities (including bank and other borrowings, bank overdraft, financial assets sold under repurchase agreements and loans from related parties).

(5) Net interest spread is calculated as the difference between the interest income yield and the interest expense yield.

(6) Net interest margin is calculated by dividing the net interest income by the average balance of factoring assets (net of impairment allowances) or factoring assets at FVTOCI.

For each of the three years ended 31 December 2016, 2017 and 2018, the Group's net interest spread was 5.4%, 4.8% and 1.9%, whereas the Group's net interest margin was 9.1%, 8.1% and 10.5%, respectively.

The Group's net interest spread significantly decreased from 4.8% for the year ended 31 December 2017 to 1.9% for the year ended 31 December 2018. The significant decrease in the Group's net interest spread was primarily attributed to the significant increase in the Group's interest expense yield from 6.0% for the year ended 31 December 2017 to 12.9% for the year ended 31 December 2018, but partially offset by the increase in the interest income yield from 10.8% for the year ended 31 December 2017 to 14.8% for the year ended 31 December 2018.

For each of the six months ended 30 June 2018 and 2019, the Group's net interest spread was 4.6% and 5.2% whereas the Group's net interest margin was 7.2% and 9.4% respectively. The Group's net interest spread increased due to the increased interest income yield from 10.2% to 12.2%, but partially offset by the increase in interest expense yield from 5.6% to 7.0%. The Group recorded net interest spread of 1.9% for the year ended 31 December 2018, which was significantly lower than other periods during the Track Record Period. This was primarily attributed to (i) the calculation methods of the net interest spread and the interest expense yield. The net interest spread is the difference between the interest income yield and the interest expense yield. The interest expense yield was calculated by dividing interest expense by the average balance of interest-bearing liabilities; and (ii) the Group significantly repaid its borrowings near the end of 2018, which reduced the average balance of interest-bearing liabilities for the calculation of interest expense yield, increased the interest expense yield and reduced the net interest spread for the year ended 31 December 2018.

The significant increase in the Group's interest expense yield for the year ended 31 December 2018 was primarily attributed to (i) the increase in finance costs by 1.5 times from RMB36.2 million for the year ended 31 December 2017 to RMB91.2 million for the year ended 31 December 2018, resulting from the increase in borrowings to finance the Group's expanding factoring business during the year; and (ii) the average balance of interest-bearing liabilities increased by 18.1% from RMB598.7 million as at 31 December 2017 to RMB707.3 million as at 31 December 2018. The average year-end balance of interest-bearing liabilities increased at a much lesser extent as compared with the increase in finance costs during the year, because the Group mainly utilised the borrowings to finance its factoring business during the year and significantly repaid the borrowings near year-end. This is also the reason why the Group's interest expense yield is significantly higher than the effective interest rates on the Group's fixed-rate borrowings and variable rate borrowings.

For each of the six months ended 30 June 2018 and 2019, the Group's interest expense yield was 5.6% and 7.0%.

For each of the three years ended 31 December 2016, 2017 and 2018, the effective interest rates on the Group's fixed-rate borrowings were 6.7% to 7.5%, 5.2%, and 5.0% to 7.0%, whereas the effective interest rates on the Group's variable-rate borrowings were N/A, N/A and 5.3%, respectively. For each of the six months ended 30 June 2018 and 2019, the effective interest rates on the Group's fixed borrowings were 6.1% to 7.2% and 4.0% to 10.0% whereas the effective interest rates on the Group's variable-rate borrowings were 4.7% to 5.4% as at 30 June 2019.

The interest expenses to the related parties for the years ended 31 December 2016, 2017 and 2018, and for the six months ended 30 June 2018 and 2019 were RMB12.4 million, RMB9.8 million, RMB0.1 million, nil and RMB3.8 million respectively.

Other income

The following table shows the breakdown of the Group's other income for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*	*(Unaudited)*
Government subsidies	10,806	9,824	14,844	14,844	33,395
Bank interest income	49	257	2,003	276	1,401
Interest income from a loan receivable	—	—	136	—	745
Interest income from loan to an associate	—	—	791	791	64
Investment income	460	123	—	—	—
Others	1	—	22	2	11
Total	**11,316**	**10,204**	**17,796**	**15,913**	**35,616**

Other income mainly comprised government subsidies, interest income from a loan receivable and loan to an associate and bank interest income. The Group's other income amounted to RMB11.3 million, RMB10.2 million and RMB17.8 million for each of the three years ended 31 December 2016, 2017 and 2018 respectively, and RMB15.9 million and RMB35.6 million for each of the six months ended 30 June 2018 and 2019 respectively. To promote the development of the PRC economy and commercial factoring industry, PRC government grants the Group unconditional government subsidies, which are calculated at a certain percentage of the sales related taxes and PRC enterprise income tax paid/payable by the Group to the local tax authorities. Along with the expansion of factoring business, the Group's profit and tax expenses significantly increased in 2017 and 2018 and more government subsidies were recognised for the year ended 31 December 2018 and the six months ended 30 June 2019 as a result.

Other gains and losses

Other gains or losses mainly include the gains or losses arising from the exchange differences, loss on disposal of equipment and gain on disposal of a subsidiary. The Group recorded other losses of RMB0.7 million, RMB2.2 million and other gains of RMB10.2 million for each of the three years ended 31 December 2016, 2017 and 2018 respectively, and other gain of RMB0.4 million and RMB0.1 million for each of the six months ended 30 June 2018 and 2019.

Staff cost and other operating expenses

The following table shows the breakdown of the Group's staff costs and other operating expenses for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Staff costs	15,359	20,007	45,447	14,889	28,199
Depreciation of equipment and right-of-use assets	1,841	964	1,289	588	4,338
Amortisation of intangible assets	46	320	696	219	1,691
Auditor's remuneration	300	1,380	1,880	—	—
Legal and professional fees	458	4,315	22,233	11,420	9,379
Operating lease rental in respect of properties	2,404	3,029	3,835	1,676	156
Research and development expenses	—	—	7,485	—	3,239
Others	4,415	13,361	15,670	6,041	12,561
Total	**24,823**	**43,376**	**98,535**	**34,833**	**59,563**

Staff cost and other operating expenses mainly include staff salaries and benefits, rental expenses, legal and professional fees, depreciation of equipment and other miscellaneous expenses. Staff cost and other operating expenses for each of the three years ended 31 December 2016, 2017 and 2018 amounted to RMB24.8 million, RMB43.4 million and RMB98.5 million respectively. Staff cost and other operating expenses increased by 75.0% from the year ended 31 December 2016 to the year ended 31 December 2017, and further increased by 127.0% from the year ended 31 December 2017 to the year ended 31 December 2018 which was mainly attributable to the increase in headcount and salaries, marketing expenses and professional fees incurred as a result of business expansion of the Group. Staff cost and other operating expenses for each of the six months ended 30 June 2018 and 2019 amounted to RMB34.8 million and RMB59.6 million, representing an increase of 71.3% which was due to the increase in headcount and salaries, marketing expenses and professional fees incurred as a result of business expansion.

The research and development expenses are mainly used for the research and development of IT platform. The research and development expenses, as shown in the breakdown of the staff costs and other operating expenses above, are non-capitalised expenses which mainly consist of staff costs of IT projects at preliminary project stage that is considered generated no future benefit for the Company.

Listing expenses

The Group did not incur any listing expenses for the year ended 31 December 2018 and the six months ended 30 June 2018 and 2019. For the year ended 31 December 2017 and 31 December 2016, the Group recorded one-off listing expenses of approximately RMB8.1 million and RMB5.8 million respectively.

Impairment losses, net of reversal

Impairment losses, net of reversal for each of the three years ended 31 December 2016, 2017 and 2018 amounted to RMB8.7 million, RMB2.1 million and RMB17.8 million respectively. Impairment losses, net of reversal increased by 747.6% from the year ended 31 December 2017 to the year ended 31 December 2018 which mainly resulted from significant business growth in the year ended 31 December 2018 and increase in factoring assets of the Group. Impairment losses, net of reversal for the six months ended 30 June 2019 amounted to RMB12.0 million, representing a decrease of 47.4% which was mainly attributable to the increase in the reversal of allowance for impairment of factoring assets.

Share of results of a joint venture

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the carrying amount of the Group's investment in a joint venture amounted to nil, RMB 25.3 million, RMB 27.1 million and RMB25.8 million, respectively. This joint venture is principally engaged in provision of factoring services. The Group expects to widen the customer base of the Group and expand its business network through its investment in this joint venture.

The Group did not have any investment in joint venture in 2016, and hence it did not share any profit or loss of a joint venture for the year ended 31 December 2016. The Group shared a loss of a joint venture of RMB0.2 million for the year ended 31 December 2017. The Group shared profit of a joint venture of RMB1.8 million, RMB1.2 million and RMB1.5 million for the year ended 31 December 2018 and the six months ended 30 June 2018 and 2019, respectively.

Share of results of associates

As at 31 December 2016, 2017 and 2018 and 30 June 2019, the carrying amount of the Group's investments in associates amounted to nil, nil, RMB53.5 million and RMB54.4 million, respectively. These associates are principally engaged in provision of factoring services. The Group expects to widen the customer base of the Group and expand its business network through its investment in associates. As at 31 December 2018 and 30 June 2019, the Group had capital commitment of RMB29.0 million and RMB10.0 million in relation to its investments in associates, which represented the Group's obligation to settle the remaining unpaid registered capital of these associates.

The Group shared the profits of associates of RMB4.7 million for the year ended 31 December 2018 (For the years ended 31 December 2016 and 2017: Nil). The Group shared the profits of associates of RMB0.5 million and RMB2.2 million for the six months ended 30 June 2018 and 2019, respectively.

Finance costs

The following table shows the breakdown of the Group's finance cost for the years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2018 and 2019:

	Year ended 31 December			Six months ended 30 June	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*	*(Unaudited)*
Interest on bank and other borrowings	9,395	24,704	77,492	32,045	15,255
Interest on bonds issued to a related party *(Note)*	—	—	13,490	—	25,891
Interest on loans from related parties	12,355	9,779	137	—	3,765
Interest on financial liability arising from repurchase agreements	59	1,732	37	37	—
Interest on lease liabilities	N/A	N/A	N/A	N/A	315
Total	**21,809**	**36,215**	**91,156**	**32,082**	**45,226**

Note: A related company of the Controlling Shareholder bought bonds issued by the Group amounting of RMB700 million during the year ended 31 December 2018. The interests of these bonds were RMB13.5 million and RMB25.9 million for the year ended 31 December 2018 and six months ended 30 June 2019 respectively.

Finance costs are incurred due to interest expenses of borrowings from banks, financial institutions and a bond investor. Finance costs for each of the three years ended 31 December 2016, 2017 and 2018 amounted to RMB21.8 million, RMB36.2 million and RMB91.2 million respectively. Finance costs increased by 66.1% from the year ended 31 December 2016 to the year ended 31 December 2017 due to the increase in borrowings taken out by the Group to finance expansion of business operations. It increased by 151.9% from the year ended 31 December 2017 to the year ended 31 December 2018 which mainly resulted from the increase in borrowings to finance expansion of business operations. Finance costs for each of the six months ended 30 June 2018 and 2019 amounted to RMB32.1 million and RMB45.2 million, representing an increase of 40.8%. The increase in finance cost was resulted from the increase in borrowings made by the Group to finance expansion of business operations.

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 each of the three years ended 31 December 2016, 2017 and 2018. Income tax expenses for each of the three years ended 31 December 2016, 2017 and 2018 amounted to RMB20.2 million, RMB44.2 million and RMB83.8 million respectively. For the six months ended 30 June 2018 and 2019, income tax expenses amounted to RMB34.4 million and RMB35.3 million, respectively.

The effective tax rates for the years ended 31 December 2016, 2017 and 2018, and for the six months ended 30 June 2018 and 2019 were 29.6%, 33.2% and 28.3%, and 31.5% and 22.0% respectively. There was an increase in the effective tax rates for the year ended 31 December 2017 mainly due to the recognition of deferred tax expenses of RMB4.8 million on the undistributed earnings of the Group's PRC subsidiaries.

Dividend

No dividends were declared in respect of the years ended 31 December 2016 and 2017. A final dividend in respect of the year ended 31 December 2018 of HK4 cents per ordinary share has been proposed by the Directors. The distribution of the final dividend was approved by the shareholders in the annual general meeting of the Company held on 6 May 2019. No dividends were declared for the six months ended 30 June 2018 and 2019.

Liquidity and capital resources

During the Track Record Period, the Group's main source of funds was the cash generated from daily operation, bank and borrowings, bond issuance and shareholders' equity comprising net proceeds from the Global Offering and the Top-up Placing. As at the Latest Practicable Date, the Group had not experienced any difficulty in fund raising or defaulted in any payment when they fall due.

The following table is a condensed summary of the Group's combined statements of cash flows for the periods indicated:

	Year ended 31 December			Six months ended
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*
Operating cash flows before movements in working capital	100,711	176,875	401,396	223,205
Net cash flows (used in)/from operating activities	(582,579)	41,838	(1,048,528)	(679,725)
Net cash flows used in investing activities	(14,057)	(21,634)	(40,815)	(55,696)
Net cash flows from financing activities	650,740	51,824	1,131,011	660,928
Effect of foreign exchange rate changes	(682)	(2,062)	10,124	(208)
Cash and cash equivalents as at the beginning of the year/period	50,889	104,311	174,277	226,069
Cash and cash equivalents as at the end of the year/period	**104,311**	**174,277**	**226,069**	**151,368**

For the year ended 31 December 2016 and 2018 and the six months ended 30 June 2019, the Group recorded cash outflows from operating activities of RMB582.6 million, RMB1,048.5 million and RMB679.7 million, respectively. The Group's cash outflows from operating activities are primarily attributed to the increase in factoring assets, which are financed by both cash inflows from operating activities and debt financing In light of the growing demand for factoring services over the past years, the Directors believe that using a mix of internal resources and debt to finance its expanding business operation can maximise the returns to the shareholders. On the other hand, the Group has also implemented an effective risk management system for identifying and mitigating the risks pertaining to its business operation, including but not limited to credit risk and liquidity risk. For further details of the Group's risk management system, please refer to the section headed "Risk Management". In the event that the Group would like to improve/reserve its cash flows from operating activities for other commercial reasons, the Directors may consider to reduce the scale of its factoring operation.

Capital management

The equity-to-overall financing ratio serves as an indicator to optimise the Group's debt and equity balance. The following table sets out the equity-to-overall financing ratio of the Group as at the dates below:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*
Total equity	**709,197**	**1,105,278**	**2,116,062**	**2,233,762**
Overall financing				
Interest-bearing bank and other borrowings and bank overdraft	142,498	482,320	911,956	1,491,518
Financial assets sold under repurchase agreements	83,509	10,248	—	—
Loans from related parties	478,908	—	10,005	171,319
Equity-to-overall financing ratio*(Note)*	**1.01**	**2.24**	**2.30**	**1.34**

Note: Equity-to-overall financing ratio is calculated by dividing total equity by the overall financing amounts.

Owing to business expansion, the equity-to-overall financing ratio increased from 1.01 times as at 31 December 2016 to 2.24 times as at 31 December 2017. It increased from 2.24 times as at 31 December 2017 to 2.30 times as at 31 December 2018. The decrease of equity-to-overall financing ratio from 2.30 times as at 31 December 2018 to 1.34 times as at 30 June 2019 was mainly due to the increase in overall financing made by the Group to finance expansion of business operation.

COMBINED/CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*
Non-current assets				
Property and equipment	1,873	2,138	2,728	4,619
Intangible assets	2,071	7,940	13,467	17,912
Right-of-use assets	—	—	—	7,781
Factoring assets/factoring assets at FVTOCI	69,230	—	18,609	2,493
Investment in a joint venture	—	25,334	27,077	25,815
Investments in associates	—	—	53,540	54,411
Prepayments for non-current assets	—	—	1,060	723
Deferred tax assets	6,397	6,654	20,683	15,611
	79,571	42,066	137,164	129,365
Current assets				
Amounts due from related parties	1	91	—	1,295
Structured deposit	10,000	—	—	—
Factoring assets/factoring assets at FVTOCI	1,255,085	1,339,682	2,799,706	3,619,294
Financial assets at fair value through profit or loss	—	—	—	4,700
Loan receivable	—	—	12,986	13,012
Available-for-sale investment	1,000	—	—	—
Receivables from sale of factoring assets	—	56,168	—	—
Other receivables, prepayments and others	1,369	2,183	7,892	9,284
Security deposit for guarantee contracts	—	104,354	—	9,875
Pledged bank deposits	—	—	8,764	51,862
Bank balances and cash	104,311	174,277	226,069	168,961
	1,371,766	1,676,755	3,055,417	3,878,283

	As at 31 December			As at 30 June
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*
Current liabilities				
Loans from related parties	478,908	—	10,005	171,319
Amount due to a related party	4,527	—	—	—
Other payables and accrued charges	18,219	24,547	55,411	41,729
Contract liabilities	—	—	2,786	—
Income tax payable	10,803	26,502	77,521	33,238
Deposits from counter guarantors	—	61,477	—	—
Liabilities arising from guarantee contracts	—	—	—	4,652
Financial liability arising from repurchase agreements	83,509	10,248	—	—
Borrowings	142,498	482,320	911,956	1,473,925
Bank overdraft	—	—	—	17,593
Lease liabilities	—	—	—	5,645
	738,464	605,094	1,057,679	1,748,101
Net current assets	633,302	1,071,661	1,997,738	2,130,182
Non-current liabilities				
Lease liabilities	—	—	—	1,722
Deferred tax liabilities	3,676	8,449	18,840	24,063
	3,676	8,449	18,840	25,785
Net assets	709,197	1,105,278	2,116,062	2,233,762
Capital and reserves				
Share capital	618,841	6,442	7,623	7,623
Reserves	90,356	1,098,836	2,012,558	2,107,048
Equity attributable to owners of the Company	709,197	1,105,278	2,020,181	2,114,671
Non-controlling interests	—	—	95,881	119,091
Total equity	709,197	1,105,278	2,116,062	2,233,762

Liquidity and net current assets

The Group's net current assets amounted to RMB633.3 million, RMB1,071.7 million, RMB1,997.7 million and RMB2,130.2 million as at each of the three years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019 respectively. It increased from RMB633.3 million as at 31 December 2016 to RMB1,071.7 million as at 31 December 2017. It increased from RMB1,071.7 million as at 31 December 2017 to RMB1,997.7 million as at 31 December 2018, and further increased from RMB1,997.7 million as at 31 December 2018 to RMB2,130.2 million as at 30 June 2019 as a result of successful expansion of the factoring business of the Group with the support of the net proceeds from the Global Offering and the Top-up Placing.

The following table shows the total financial assets compared to total financial liabilities of the Group as at 31 December 2016, 2017 and 2018 and 30 June 2019 respectively:

	As at 31 December 2016				
	On demand or within 1 month	**1 to 3 months**	**4 months to 1 year**	**More than 1 year**	**Total undiscounted cash flow**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total financial assets	261,804	161,532	1,088,223	71,378	1,582,937
Total financial liabilities	88,354	13,803	630,040	—	732,197
Net liquidity gap	173,450	147,729	458,183	71,378	850,740

	As at 31 December 2017				
	On demand or within 1 month	**1 to 3 months**	**4 months to 1 year**	**More than 1 year**	**Total undiscounted cash flow**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total financial assets	483,158	419,451	850,951	984	1,754,544
Total financial liabilities	20,214	37,824	510,199	—	568,237
Net liquidity gap	462,944	381,627	340,752	984	1,186,307

	As at 31 December 2018				
	On demand or within 1 month	**1 to 3 months**	**4 months to 1 year**	**More than 1 year**	**Total undiscounted cash flow**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total financial assets	903,448	702,312	1,691,752	24,720	3,322,232
Total financial liabilities	163,990	37,143	802,521	—	1,003,654
Net liquidity gap	739,458	665,169	889,231	24,720	2,318,578

	As at 30 June 2019				
	On demand or within 1 month	**1 to 3 months**	**4 months to 1 year**	**More than 1 year**	**Total undiscounted cash flow**
	RMB '000	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
Total financial assets	1,023,009	1,633,886	1,621,460	5,403	4,283,758
Total financial liabilities	41,590	875,926	589,669	219,277	1,726,462
Net liquidity gap	981,419	757,960	1,031,791	(213,874)	2,557,296

As a result of the above, the Group does not expect to experience any net liquidity shortfall that will have material impact on the Group's liquidity in the foreseeable future.

Capital expenditure

For each of the three years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019, the Group incurred capital expenditure of approximately RMB3.6 million, RMB7.5 million, RMB9.2 million and RMB8.7 million on the development costs and purchase of equipment, right-of-use assets, software and property. The capital expenditures were mainly spent on office leasehold improvements and the purchase of computer hardware and software. The said capital expenditures were financed by the cash flows from the operating activities of the Group.

Working capital

After taking into account of the Group's internal resources, including internally generated cash flows of the Group together with cash and cash equivalents available, the available facilities and in the absence of unforeseen circumstances, the Directors are of the opinion that the Group will have sufficient working capital for its requirements for the next twelve months from the date of this announcement.

Factoring assets

The following table sets out the Group's factoring assets/factoring assets at FVTOCI as at the dates below:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*
Factoring assets/factoring assets at FVTOCI	1,339,763	1,356,532	2,855,448	3,667,321
Less: accumulated impairment allowances	(15,448)	(16,850)	N/A	N/A
Changes in fair value	N/A	N/A	(37,133)	(45,534)
	1,324,315	**1,339,682**	**2,818,315**	**3,621,787**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Classified as:				
Current assets	1,255,085	1,339,682	2,799,706	3,619,294
Non-current assets	69,230	—	18,609	2,493
	1,324,315	**1,339,682**	**2,818,315**	**3,621,787**
Range of effective interest rate	5.00% to 16.93%	6.90% to 18.72%	6.00% to 18.36%	6.00% to 22.20%

The factoring assets of the Group net of impairment allowances or factoring assets at FVTOCI amounted to RMB1,324.3 million, RMB1,339.7 million, RMB2,818.3 million and RMB3,621.8 million, representing 91.2%, 77.9%, 88.3% and 90.4% of the total assets of the Group as at 31 December 2016, 2017 and 2018 and 30 June 2019 respectively. The increase in the factoring assets was related to the successful expansion of the factoring business of the Group with the support of the net proceeds from the Global Offering and the Top-up Placing and bank and other borrowings.

The following table sets out an ageing analysis of the factoring assets, net of impairment allowances or factoring assets at FVTOCI of the Group based on due dates as at the dates below:

	As at 31 December			As at 30 June
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than one month	101,115	290,550	467,030	593,697
More than one month but less than three months	126,165	361,940	744,854	1,562,461
More than three months but less than one year	1,027,805	687,192	1,587,822	1,463,136
More than one year	69,230	—	18,609	2,493
Total	**1,324,315**	**1,339,682**	**2,818,315**	**3,621,787**

The following table sets out a credit quality analysis of the factoring assets, net of impairment allowances, or factoring assets at FVTOCI as at the dates below:

	As at 31 December	
	2016	**2017**
	RMB'000	*RMB'000*
	(Audited)	*(Audited)*
Neither past due nor impaired	1,294,598	1,356,532
Past due but not impaired	45,165	—
Less: accumulated impairment allowances	(15,448)	(16,850)
Net amount	**1,324,315**	**1,339,682**

	As at 31 December	As at 30 June
	2018	**2019**
	RMB'000	*RMB'000*
	(Audited)	*(Unaudited)*
Not past due	2,818,280	3,572,114
Past due	35	49,673
Total	**2,818,315**	**3,621,787**

The following table sets out the factoring assets by asset quality as at 31 December 2016 and 2017:

	As at 31 December	
	2016	**2017**
	RMB'000	*RMB'000*
Normal*(Note 1)*	1,324,315	1,339,682
Special mention*(Note 2)*	—	—
Substandard*(Note 3)*	—	—
Loss*(Note 4)*	—	—
Total	**1,324,315**	**1,339,682**
Non-performing assets*(Note 5)*	—	—
Non-performing assets ratio*(Note 6)*	—	—

The Group's internal credit risk grading assessment comprises the following categories as at 31 December 2018 and 30 June 2019:

	As at 31 December 2018	**As at 30 June 2019**
	RMB'000	*RMB'000*
Low risk *(Note 7)*	2,719,359	3,589,569
Watch list *(Note 8)*	136,089	77,752
Loss *(Note 9)*	—	—
Gross carrying amount	2,855,448	3,667,321
Changes in fair value	(37,133)	(45,534)
Net amount	**2,818,315**	**3,621,787**
Non-performing assets*(Note 5)*	—	—
Non-performing assets ratio*(Note 6)*	—	—

Notes:

(1) "Normal" means that payment of the accounts receivables is not overdue. There is no reason to doubt that the principal and interest will not be paid in full and on a timely basis.

(2) “Special mention” means that even though the buyer and/or customer is currently able to make payments on a timely basis, the ability of the buyer and/or customer to pay is in question as it may not be able to make its payments in full based on solely its operating revenue, and the Group may incur losses notwithstanding the enforcement of any underlying security. If payment of the accounts receivables is overdue for not more than 90 days, the factoring receivables for the relevant factoring contracts should be classified as special mention or lower.

(3) “Substandard” means that the ability of the buyer and/or customer to pay is in question as it will not be able to make its payments in full based on solely its operating revenue, and the Group is likely to incur losses notwithstanding the enforcement of any underlying security. If payment of the accounts receivables is overdue for more than 90 but less than 181 days, the factoring receivables for the relevant factoring contracts should be classified as substandard or lower.

(4) “Loss” means that after adopting all possible steps or necessary legal procedures, the Group is able to recover only a very limited portion of the accounts receivables. If payment of the accounts receivables is overdue for more than 180 days, the factoring receivables for the relevant factoring contracts should be classified as a loss.

(5) Non-performing assets refer to factoring receivables that fall under the “Substandard” and “Loss” categories in 2016 and 2017, and those fall under the “Loss” category in 2018 and 2019. Objective evidence shows that these assets are subject to impairment resulting from one or more events occurring after their initial recognition and these events have a reliably measured impact on the estimated future cash flows of the factoring receivables.

(6) The non-performing assets ratio is the percentage of non-performing assets over the carrying amount of the factoring assets as at the respective year-end.

(7) “Low risk” means that the counterparty has a low risk of default and does not have any past-due amounts.

(8) “Watch list” means that the factoring asset is past due by 90 days or less or it is exposed to significant increase in credit risk since initial recognition through information developed internally or external resources.

(9) “Loss” means that there is evidence indicating the asset is credit-impaired or more than 90 days past-due.

Other payables and accruals

Other payables and accruals primarily refer to the accrued charges for the Group's daily operations and other tax payables. As at 31 December 2016, 2017, 2018 and 30 June 2019, the other payables and accruals of the Group amounted to RMB18.2 million, RMB24.5 million, RMB55.4 million and RMB41.7 million respectively. There was an increase of other payables and accruals from 31 December 2016 to 31 December 2017 due to the increased other tax payables along with the Group's business expansion whereas there was an increase from 31 December 2017 to 31 December 2018 due to the increased other tax payables and accrued staff cost and accrued legal and professional fees in connection with the preparation for transfer of listing. There was a decrease of other payables and accruals from 31 December 2018 to 30 June 2019 due to the decreased accrued staff cost. The following table sets out a summary of the other payables and accruals of the Group as at the dates below:

	As at 31 December			**As at 30 June**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*
Accrued charges	7,199	6,140	22,836	13,351
Other tax payables	3,797	11,371	28,113	21,750
Advances from customers	3,124	4,623	—	—
Deposits from customers	3,955	1,757	3,000	4,823
Other payables	144	656	1,462	1,805
Total	**18,219**	**24,547**	**55,411**	**41,729**

NO MATERIAL ADVERSE CHANGE

The Directors confirmed that subsequent to 30 June 2019 and up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of the Group and there have been no trends or development which may have a material adverse impact on the Group's business operations or financial performance.

NOTIFIABLE TRANSACTIONS SINCE GEM LISTING

Some of factoring and other services of the Group constitute notifiable transactions under Chapter 19 of the GEM Listing Rules and were subject to the relevant notification, announcement and shareholders' approval requirements. The following table gives a summary of the Group's factoring and other services which constitute notifiable transactions since the GEM Listing:

Date of announcement	Nature of the transaction(s)	Type of transaction(s) under the GEM Listing Rules
19 July 2017	Factoring financing	Discloseable transaction
13 September 2017	Factoring financing	Discloseable transaction
30 September 2017	Factoring financing	Discloseable transaction
23 October 2017	Factoring financing	Discloseable transaction
26 October 2017	Factoring financing	Discloseable transaction
15 November 2017	Factoring financing	Discloseable transaction
27 December 2017	Factoring financing	Discloseable transaction
29 December 2017	Factoring financing	Discloseable transaction
19 January 2018	Factoring financing	Discloseable transaction
15 March 2018	Factoring financing	Discloseable transaction
2 April 2018	Factoring financing	Discloseable transaction
9 April 2018	Acquisitions of accounts receivables	Major transaction
11 April 2018	Disposal of accounts receivables	Major transaction
16 April 2018	Factoring financing	Major transaction
18 May 2018	1) acquisitions of accounts receivable; 2) disposal of accounts receivables	Very substantial acquisitions and very substantial disposal
21 May 2018	Factoring financing	Discloseable transaction and major transaction
15 June 2018	Disposal of accounts receivables	Discloseable transaction
27 June 2018	Disposal of accounts receivables	Discloseable transaction
29 June 2018	Disposal of accounts receivables	Discloseable transaction
2 July 2018	Factoring financing	Discloseable transaction
31 July 2018	Disposal of accounts receivables	Discloseable transaction
1 August 2018	Disposal of accounts receivables	Discloseable transaction
10 September 2018	Disposal of accounts receivables	Discloseable transaction

Date of announcement	Nature of the transaction(s)	Type of transaction(s) under the GEM Listing Rules
31 October 2018	Disposal of accounts receivables	Discloseable transaction
14 November 2018	Disposal of accounts receivables	Discloseable transaction
26 November 2018	Disposal of accounts receivables	Discloseable transaction
27 November 2018	Disposal of accounts receivables	Discloseable transaction
14 December 2018	Disposal of accounts receivables	Discloseable transaction
14 March 2019	Disposal of accounts receivables	Discloseable transaction
29 March 2019	Factoring financing	Discloseable transaction and major transactions
14 May 2019	Disposal of accounts receivables	Discloseable transaction
17 May 2019	Provision of guarantee and counter guarantee	Discloseable transaction
21 June 2019	Disposal of accounts receivables	Discloseable transaction
27 June 2019 *(note)*	Disposal of accounts receivables	Discloseable transaction
2 July 2019	Disposal of accounts receivables	Discloseable transaction
30 July 2019	Disposal of accounts receivables	Discloseable transaction
7 August 2019	Disposal of accounts receivables	Discloseable transaction
16 August 2019	Disposal of accounts receivables	Discloseable transaction
6 September 2019	Disposal of accounts receivables	Discloseable transaction
20 September 2019	Disposal of accounts receivables	Discloseable transaction
29 September 2019	Factoring Financing	Discloseable transaction

Note:

1. The transaction was terminated on 4 July 2019. Please refer to the announcements of the Company dated 27 June 2019 and 4 July 2019 for details.

For further details of the transactions, please refer to the announcements of the Company on the dates above.

To the best knowledge of the Directors, the Group has complied with the relevant requirements under Chapter 19 of the GEM Listing Rules in relation to its notifiable transactions.

RISK FACTORS

The customer base for the Group's factoring business is concentrated in the PRC's energy, construction, and medical industries. Any slowdown in the PRC's energy, construction, or medical industry could have a material adverse effect on the financial condition, results of operations and growth prospects of the Group.

For the three years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2019, 99.1%, 100%, 96.7% and 99.5%, respectively, of the revenue of the Group was derived from customers in the energy, construction, and medical industries in the PRC. If any slowdown in these industries in the PRC occurs due to any change in the PRC government's policies for the respective industry or otherwise, this may affect the demand for the products and services of the Group's customers and/or their underlying debtors in these industries, which may in turn affect their ability to make payments to the Group in a timely manner or at all. This may have a material adverse effect on the Group's financial condition, results of operations and growth prospects.

The Group had a concentration of purchasers of factoring assets during the Track Record Period

During the Track Record Period, the Group recognised gain from sales of factoring assets from one, one, five and three purchasers of the Group's factoring assets which accounted for approximately 5.0%, 26.9%, 26.5% and 15.1% of the Group's total income for the three years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019. These purchasers of factoring assets may continue to account for similar or even higher proportion of the Group's revenue in the future. In light of the above, the Group faces the risks associated with having a concentration of purchasers of factoring assets in the future. There is no assurance that any of the purchasers of the Group's factoring assets will continue to purchase factoring assets from the Group as they do currently. If there is any deterioration in the businesses or financial condition of the purchasers of the Group's factoring assets, the amount of the Group's factoring assets purchased by them may also decline correspondingly.

If any of the purchasers of the Group's factoring assets reduces the amount of factoring assets purchased from the Group significantly or ceases its business relationships with the Group due to whatever reasons, the Group's financial position and cash flows may be materially and adversely affected as well. There is no assurance that the Group would be able to find new purchasers of factoring assets on comparable terms, or at all, in which case the Group's business, operating results and financial condition may be materially and adversely affected.

The Group had cash outflows from operating activities for the years ended 31 December 2016 and 2018

The Group had cash outflows from operating activities of approximately RMB582.6 million and RMB1,048.5 million for the years ended 31 December 2016 and 2018 respectively. For further information, please refer to the section headed "Management discussions and analysis — Liquidity and capital resources — Net cash flows (used in)/from operating activities" in this announcement.

There is no assurance that the Group will not experience net operating cash outflow in the future. Net operating cash outflow could impair the Group's ability to make necessary capital expenditures and constrain the Group's operational flexibility as well as adversely affect the Group's ability to meet the Group's liquidity requirements. For example, if the Group does not have sufficient net cash inflow to fund the Group's future capital requirements and repay the Group's outstanding debt obligations when they become due, the Group may need to significantly increase external borrowings or secure other external financing. If adequate funds are not available from external borrowings, whether on satisfactory terms or at all, the Group may be forced to delay or curtail the Group's development and expansion plans. As a result, the Group's business, financial condition, and results of operations could be materially and adversely affected.

If the Group is unable to effectively mitigate credit risk and maintain the asset quality, the financial condition, results of operations and growth prospects of the Group may be materially and adversely affected.

The sustainability of the business and future growth of the Group depends largely on the Group's ability to effectively manage the credit risk and maintain the quality of the factoring assets. Any deterioration in the Group's asset quality or impairment in the collectability of the Group's accounts receivables could have a material adverse effect on the financial condition, results of operations and growth prospects of the Group. As at 31 December 2016, 2017 and 2018 and 30 June 2019, the Group did not have any non-performing factoring assets. Despite that, the Group may not be able to effectively control the level of new non-performing assets in the future. The amount of the Group's non-performing assets may increase in the future due to an increase in the Group's factoring assets over the Track Record Period, or a deterioration in the quality of the Group's factoring assets. As at 31 December 2016, 2017 and 2018 and 30 June 2019, the Group's factoring assets amounted to RMB1,324.3 million, RMB1,339.7 million, RMB2,818.3 million and RMB3,621.8 million, respectively. The quality of the Group's factoring assets may deteriorate for a variety of reasons, including factors beyond the Group's control such as a slowdown of the PRC or global economy, a recurrence of a global financial crisis or other adverse macroeconomic trends that may cause operational, financial and liquidity problems for the Group's customers. If the level of the Group's impaired accounts receivables increases in the future, the financial condition, results of operations and growth prospects of the Group may be materially and adversely affected.

The Group is subject to the credit risks of the Group's customers and the underlying debtors, and may not receive full and/or timely repayment of the Group's receivables.

The business of the Group principally involves providing customers with financing on the basis that such financing amounts will be repaid together with interest. The business of the Group is therefore subject to risks that the Group's customers and/or the underlying debtors may default on their repayment obligations. If the Group's customers and/or the underlying debtors delay or default on their payments, the Group may have to make additional provision for impairment, write off the relevant receivables, and/or incur additional legal costs in order to enforce the Group's security including collateral and guarantees, which in turn may adversely affect the financial condition, results of operations and growth prospects of the Group.

The Group is subject to the credit risks of the Group's customers of guarantee services

The Group provides guarantee services details of which are set out in the section headed "Principal activities and business review - Segmental analysis on factoring and other services - (C) Other Services" in this announcement. During the Track Record Period, the maximum exposure of the Group in relation to provision of guarantee services amounted to nil, nil, nil and RMB166.9 million and the liabilities arising from the guarantee contracts were nil, nil, nil and RMB4.0 million respectively. If the customers or any of them default in their primary obligations associated with the guarantee services provided by the Group or fail to honour their payment obligations, the Group will be called upon by the relevant creditor to repay such outstanding sum in association with the guarantee provided by the Group. To the extent that the Group is not able to fully enforce and realise the relevant security interest for the guarantee, the Group's financial position and results of operations may be materially and adversely affected.

Sales of factoring assets of the Group may be terminated if the purchasers are in liquidity crisis. The financial performance of the Group's sales of factoring assets business may be adversely affected.

To improve the cash flow of the Group and to enhance management of the Group's factoring assets portfolio, the Group sells its factoring assets to various financial institutions in the PRC. The Group usually enters into the framework factoring asset sale agreement with a purchaser, pursuant to which the Group agrees to sell part of its present and future factoring assets to the purchaser during the term of the agreement. However, some of the purchasers of Company are trust companies the liquidity of which may be affected by a number of factors such as default of payments by the investors subscribing the products of these trust companies and failure to launch the trust products by these trust companies for funds raising purpose due to market conditions. As a result, the purchasers of the factoring assets may not have sufficient funds to settle the consideration for and complete the purchase of the factoring assets from the Group and the purchasers may have to terminate the sale and purchase of the factoring assets. During the Track Record Period and up to the Latest Practicable Date, one disposal of factoring assets transaction was terminated due to insufficiency of the required funds by the purchaser. If such circumstance arises, the sales of factoring assets business of the Group may be adversely affected.

The Group may not be able to detect and prevent fraud or other misconduct committed by third parties which may affect the liquidity of its purchasers in its sale of factoring business and as a result, the sale of factoring asset transaction cannot be completed.

A part of the Group's income was generated from the sale of its factoring assets to various financial institutions such as trust companies in the PRC during the Track Record Period. The ordinary course of business of these trust companies involves, among others, entering into business transactions with other third parties for the issue of asset-back securities or bonds backed by the assets of these third parties. In such circumstances, fraudulent transactions or misconduct committed by any of these third parties would adversely affect the reputation and financial condition of the financial institutions who would purchase the factoring assets from the Group and subject these financial institutions in dispute with its customers or other publicity and liquidity crisis, which may in turn affect the normal dealing between these financial institutions and the Group. However, as the Group would not deal with the third parties who committed the fraudulent act, it is difficult for the Group to detect the fraud or to take precautions to prevent such activities.

Hence, if fraud or other misconduct happens to the business of the Group's purchasers in its sale of factoring asset business due to the fraudulent activities committed by any third parties, the purchasers' financial condition would be adversely affected and they may not be able to complete the purchase of the factoring assets from the Group. If that happens frequently, the Group's financial condition, results of operations and growth prospects could be materially and adversely affected.

The business model of the Group could be negatively impacted by changes in the banking industry in the PRC.

The business model for the factoring business of the Group is premised on the fact that SMEs in the PRC are generally underserved by the banking industry because commercial banks in the PRC have generally been reluctant to provide financing to SMEs without sufficient credit support, such as third-party guarantees, or adequate collateral of tangible assets. The Directors believe that this trend is likely to continue in the foreseeable future, and that such trend has provided opportunities for the Group to develop its business. However, new trends or changes in the applicable regulatory requirements in the PRC, such as a decrease in the statutorily prescribed level of security for bank financing, may make the Group's factoring business more attractive to banks. If commercial banks in the PRC begin to compete with the Group, for example, by providing financing to SMEs with a lower level of security in return for higher risk-based interest rates, the Group may experience more competition and less demand for its services. In addition, direct competition with the banks which the Group borrows from, may also undermine the Group's relationship with them. This may have a material adverse effect on the business, results of operations and growth prospects of the Group.

The Group may not be able to fund the capital outlays required for growth of the business of the Group if the Group cannot obtain additional capital as required.

The Group requires a substantial amount of capital and ongoing funding to support the growth of the Group's factoring business, and to fund future expansion. The Group primarily funds its operations and expansion through the shareholders' equity, bank and other borrowings, loans from the Group's related parties, and cash flow from the operations of the Group. If there are changes in international and/or domestic macroeconomic conditions and policies, negative sentiment in the capital and credit markets in which the Group sources its financing could lead to (i) commercial banks and other financial institutions being less willing to provide financing or (ii) the cost of such financing being unreasonably high. If any of these events occur, the Group may experience a liquidity shortfall and the Group may need to use other means, such as selling the Group's assets at inappropriate time and/or price, to support its funding needs. If the Group is unable to obtain sufficient financing from banks or other financing sources on commercially acceptable terms, the business, financial condition and results of operations of the Group could be materially and adversely affected.

Uncertainties and/or changes in PRC's legal framework for factoring businesses could materially and adversely affect the financial condition, results of operations and growth prospects of the Group.

The legal framework in respect of the factoring business in the PRC is relatively undeveloped to date. The Group's business operations are subject to the supervision of all the relevant authorities as well as the discretion of different authorities with respect to the interpretation, implementation and enforcement of relevant laws, regulations, and normative documents. Any non-compliance may subject the Group to restrictions on the Group's business, administrative sanctions and penalties, or even the revocation of the Group's business licence. In the event that the enforceability of the Group's past factoring transactions during the Track Record Period is challenged by the customers and/or their underlying debtors in the various provinces of the PRC, or the regulatory policies for factoring businesses in the PRC changes or stricter rules are promulgated and implemented, this could materially and adversely affect the financial condition, results of operations and growth prospects of the Group.

BUSINESS OUTLOOK AND FUTURE PROSPECTS

The Company was listed on GEM on 6 July 2017. The GEM Listing has enhanced the profile of the Group and with the GEM Listing proceeds received, the Group has a stronger financial position and enjoy boosted competitiveness. On 31 May 2018, the Company was included as one of the constituents of MSCI China All Shares Small Cap Index. The Group will continue to focus on construction, energy and medical sectors and expand its clientele and factoring assets. The management considers that the Transfer of Listing can 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 its business most cost-effectively.

Notwithstanding the slowdown of the global and PRC economy, the Group successfully raised additional working capital during the Track Record Period to expand the factoring operation through shares placing, borrowing and bond issuance. As a result, the Group's revenue increased by approximately 39.5% and 119.9% for each of the year ended 31 December 2017 and 2018, respectively. The Group will continue its effort to explore for additional funding sources in the future.

Looking forward, the Group will continue to capitalise on the strengths and core competencies of the Group in conducting business. With its advanced online factoring platform "Sheng Yi Tong" and a professional risk management mechanism, the Group will be able to standardise its financial products and customise solutions and offers customers with integrated factoring service account receivable financing, account receivable management services, credit evaluation, among others, helping them secure funding in their different stages of development.

USE OF PROCEEDS

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 proceeds from the Global Offering had been used for the purposes stated in the future plans of the Company as set out in the prospectus of the Company in relation to the Global Offering.

Top-up Placing of Shares by the Controlling Shareholders

The Company received total net proceeds of approximately HK$819.5 million from the Top-up Placing. As at 30 June 2019, the Group utilised approximately HK$757.0 million for expanding the factoring operations and approximately HK$30.2 million for developing the online factoring platform and IT system. The remaining balance was deposited into the banks and would be applied for developing the online factoring platform and IT system.

COMPETING BUSINESS

As at the date of this announcement, none of Controlling Shareholders or the Directors or their respective close associates has any interest in any business which competes or potentially competes, either directly or indirectly, with the business of the Group pursuant to Rule 9A.09(10) of the Main Board Listing Rules or Rule 11.04 of the GEM Listing Rules.

In order to avoid any possible future competition between the Group and the Controlling Shareholders, the Controlling Shareholders (the **"Covenantors"**, each a **"Covenantor"**) executed the Deed of Non-Competition in favour of the Company (for itself and as trustee for and on behalf of the subsidiaries of the Company).

In accordance with the Deed of Non-Competition, the Covenantors irrevocably undertake to the Company, for itself and as trustee for and on behalf of the Subsidiaries, that they will not, and will use their best endeavours to procure any Covenantor, their respective close associates (collectively, the **"Controlled Persons"**) and any company directly or indirectly controlled by the respective Covenantor (the **"Controlled Company"**) not to, either on its own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of the Group) to conduct any business which, directly or indirectly, competes or is likely to compete with the business of the Company or any of the subsidiaries in Hong Kong, the PRC and such other places as the Company or any of the subsidiaries may conduct or carry on business from time to time, including but not limited to providing commercial factoring, credit guarantee and accounts receivables management services (the **"Restricted Business"**).

Further, the Covenantors irrevocably and unconditionally undertake to the Company, for itself and as trustee for and on behalf of the subsidiaries, that if any Covenantor and/or any Controlled Company is offered or becomes aware of any new business opportunity relating to any products and/or services of the Group (the **"New Business Opportunity"**): (a) it shall within 10 days notify the Company of such New Business Opportunity in writing and refer the same to the Company for consideration, and shall provide the relevant information to the Company in order to enable the Group to make an informed assessment of such opportunity; and (b) it shall not, and shall procure that its Controlled Persons or Controlled Companies not to, invest or participate in any project and New Business Opportunity, unless such project and New Business Opportunity shall have been rejected by the Group and the principal terms of which the Covenantor or his Controlled Persons or Controlled Companies invest or participate in are no more favourable than those made available to the Group.

The Covenantors had continued to uphold, among others, their undertaking by allowing the Company and its representatives to have access to such information, financial and/or corporate records to facilitate the Company to determine the compliance of the undertakings contained in the Deed of Non-Competition from the GEM Listing Date up to the Latest Practicable Date.

Each of the Covenantors has confirmed to the Company of his/her/its compliance with the Deed of Non-Competition from the GEM Listing Date up to the Latest Practicable Date. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied by each of the Covenantors from the GEM Listing Date up to the Latest Practicable Date.

FINANCIAL INDEPENDENCE

The Group has its own financial system and the ability to operate independently from the Controlling Shareholders from the financial perspective. The Group makes financial decisions according to its own business needs and has sufficient capital to operate its business independently with its own internal resources and credit lines from different financial institutions. The Directors believe that the Group would be able to raise funds without relying on its Controlling Shareholders due to the Group's good credit rating, strong financial position and credit profile. During the Track Record Period, the Group maintained diversified funding channels including loans and financial instruments such as asset-backed securities through various banks and financial institutions. After the GEM Listing, the Group also raised funds through the capital market. For details of the Group's funding source, please refer to the paragraphs headed "Financial Position — Borrowings" and "Funding Source" in this announcement.

During the Track Record Period, in order to further expand the business scale of the Group, a wholly owned subsidiary of the Company issued one-year bonds (the "**Corporate Bonds**") of RMB700 million in aggregate in Hong Kong. The bonds were issued to and held by a company which is indirectly wholly owned by the T&T settlement trust of which Mr. Tung (the Chairman of the Board and executive Director), Ms. Tung Ching Ching (sister of Mr. Tung) and Mr. Tung Chi Kong (brother of Mr. Tung) are the beneficiaries. The issued bonds were guaranteed by the Company, carrying interest at 7% per annum. During the Track Record Period, the Group did not experience any difficulties in obtaining financing from independent financial institutions. However, the Directors noted that the terms of the Corporate Bonds were comparable or better than the terms of the financing being offered by independent financial institutions and the Corporate Bonds did not require any security to be provided by the Group, and therefore the Directors were of the view that entering into of the Corporate Bonds was on normal commercial terms or better.

The Directors are of the view that the Corporate Bonds would not affect the financial independence of the Group because (i) the Group has sufficient resources, including its own internal resources and borrowings from other financial institutions, to meet its financial needs even without the Corporate Bonds; (ii) the Group can flexibly adjust its business scale by managing the amount of factoring loans provided to its customers according to the capital level of the Group; (iii) the Group would have sufficient resources to redeem the Corporate Bonds even if the Corporate Bonds fell due immediately; (iv) the Group is able to raise funds from various external sources without relying on the Controlling Shareholders mentioned above; and (v) the Group had no other borrowings from the Controlling Shareholders or their associates, nor the Controlling Shareholders or their associates provided any guarantee to the Group's borrowings as at the Latest Practicable Date.

Upon maturity of the Corporate Bonds, the Group has fully repaid the Corporate Bonds as to approximately RMB686.3 million by financing obtained from Independent Third Party lender(s) and the remaining amount by the internal resources of the Group. No Corporate Bonds were outstanding as at the Latest Practicable Date.

During the Track Record Period, the Group obtained facilities (the "**Facilities**") in an aggregate amount of approximately RMB6.3 billion of which an aggregate amount of RMB 5.5 billion remained unutilised as at the Latest Practicable Date. Details of the Facilities are as follows:

Principal Amount	**Annualised interest rate**	**Amount unutilised as at the Latest Practicable Date (Approximately)**
RMB100 million	4.4% - 5.9%	RMB65.7 million
RMB100 million	4.785%	RMB25.9 million
RMB90 million	5.15%	RMB82.8 million
RMB5,780 million *(note)*	6% - 10%	RMB5,319 million
HK$120 million	HIBOR + 2.4%	All utilised
HK$20 million	HIBOR + 3%	All utilised
HK$20 million	HIBOR + 2.25%	All utilised
USD15 million	LIBOR + 1.4%	USD5.0 million

Note:

1. *The facility is provided by a non-bank financial institution, Purchaser B. Purchaser B is a company established in the PRC with limited liability and is principally engaged in trust business. Purchaser B shall provide the facility utilising trust monies of trusts managed by Purchaser B and the facility is available for drawdown after investors have invested money in the relevant trusts. During the term of the facility and up to the Latest Practicable Date, the Group made drawdown of RMB461 million in aggregate and did not experience material difficulties in making drawdowns of the facility.*

   As at the Latest Practicable Date, the principal amount of the facility granted by Purchaser B to the Group amounted to RMB5,780 million, of which RMB5,000 million bears annualised interest rate of 6%. Purchaser B reserves the right to adjust this annualised interest rate based on market conditions.

   Purchaser B also purchased factoring assets from the Group during the Track Record Period. For details please refer to the section headed "Principal activities and business review - Segmental analysis on factoring and other services - (B) Sales of factoring assets" in this announcement.

The financial institutions providing the Facilities are all Independent Third Parties. The Group obtained the Facilities without any support from the Controlling Shareholders or its related parties and none of the Controlling Shareholders or their associates provided guarantee on the Facilities.

Based on the above, the Directors are of the view that the Company is financially independent from the Controlling Shareholders.

EXEMPT CONTINUING CONNECTED TRANSACTION

On 12 April 2018, Bondlink Investment Limited ("**Bondlink**") as lessor and Sheng Ye International Finance Limited as lessee entered into the tenancy agreement for the leasing of the property located at Room 4202, 42/F, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong (the **"Tenancy Agreement"**) for a term of 2 years commencing from 16 April 2018 to 15 April 2020 (both days inclusive) at a monthly rent of HK$166,320.

The rental payable under the Tenancy Agreement was determined after arm's length negotiations between the parties with reference to the then prevailing market conditions and the rental rate of similar properties in similar locations. The Directors are of the view that the Tenancy Agreement has been entered into on normal commercial terms that are comparable to the terms of the tenancy agreements of similar properties, and that the terms of the Tenancy Agreement are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The following table sets out (i) the historical transaction amounts paid under the Tenancy Agreement for each of the three years ended 31 December 2016, 2017 and 2018; and (ii) the proposed annual caps under the Tenancy Agreement:

	Historical figures for the financial year ended			**Annual caps under the Tenancy Agreement for the financial year ending**		
	31 December 2016	**31 December 2017**	**31 December 2018**	**31 December 2019**	**31 December 2020**	**31 December 2021**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Transaction amounts/ expected transaction amounts	636,804	1,273,608	1,755,096	2,000,000	2,200,000	2,200,000

The Directors have arrived at the above annual caps after taking into consideration (i) the rents payable under the Tenancy Agreement; (ii) the management fee, government rates and government rents payable under the Tenancy Agreement; (iii) the possible increase in management fee, government rates and government rents in the coming years; and (iv) the possible increase in rent in 2020 when the Group renews the tenancy.

Bondlink is indirectly wholly owned by the T&T settlement trust of which Mr. Tung (the Chairman of the Board and executive Director), Ms. Tung Ching Ching (sister of Mr. Tung) and Mr. Tung Chi Kong (brother of Mr. Tung) are the beneficiaries.

Therefore, Bondlink is a connected person of the Company under the Main Board Listing Rules. As such, the transactions under the Tenancy Agreement constitute continuing connected transactions of the Company under the Main Board Listing Rules.

As the applicable percentage ratios under Chapter 14A of the Main Board Listing Rules (other than the profit ratio) for the Tenancy Agreement on an annual basis exceed 0.1% but are less than 5% and the annual amount payable by Sheng Ye International Finance Limited under the Tenancy Agreement will be less than HK$3 million, the continuing connected transaction contemplated thereunder is fully exempt from all annual review, reporting, announcement and independent Shareholders' approval (including advice from independent financial advisor) requirements under Chapter 14A of the Main Board Listing Rules.

The Directors confirm that the Company will continue to lease from Bondlink after the Transfer of Listing and will comply with the relevant rules of the Main Board Listing Rules.

DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Tung Chi Fung, aged 32, is the founder of the Group. He was appointed as an executive Director and chairman of the Board on 4 March 2017. Mr. Tung is the compliance officer and authorised representative of the Group. He is also the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Group. Further, Mr. Tung is a member of the risk management committee of the Group. He obtained his bachelor degree in business administration with merit from the Singapore Management University in May 2013.

Mr. Tung's responsible for the overall strategic planning, business development and maintaining relations with customers and monitoring the implementation of human resources policies.

Mr. Tung is the honorary committee member of Raleigh China (a non-profit making organisation in the People's Republic of China), vice chairman of Handpicked Love Foundation (a non-profit making organisation in the People's Republic of China), executive committee member of The Lok Sin Tong Benevolent Society, Kowloon (a non-profit making organisation in Hong Kong) and committee member of Singapore Management University Enterprise Board.

As at the Latest Practicable Date, Mr. Tung is interested in 555,000,000 Shares (representing approximately 63.11% of all the issued Shares).

Mr. Tung was a director of SY Office Solutions And Services Limited before its dissolution on 18 January 2019. The company was incorporated in Hong Kong intended to carry out the business of finance lease but had been inactive since its incorporation. Accordingly, it was dissolved by deregistration under section 751 of the Companies Ordinance (chapter 622 of the laws of Hong Kong). The company was solvent at the time of its dissolution.

Mr. Chen Jen-Tse, aged 48, was appointed as an executive Director on 4 March 2017 and has been the deputy general manager of SY Factoring since July 2014. Mr. Chen is a member of the risk management committee of the Group and is responsible for reviewing and approving certain high risk factoring transactions. He obtained his Bachelor of Management degree majoring in Industrial Management in June 1993 and went on to obtain his Master of Management degree majoring in Industrial Management in June 1995, both from National Cheng Kung University, Taiwan.

Mr. Chen has over 19 years of experience in the factoring industry. Prior to joining the Group, Mr. Chen worked in various positions in financial institutions. From January 1998 to May 2007, he served in the Accounts Receivable Operations Department (帳款處理作業科) in Chailease Finance Co., Ltd. (中租迪和股份有限公司) (previously known as CITC Company (迪和股份有限公司). From May 2007 to June 2008, he worked as an assistant vice president (receivable finance) of the Commercial Banking Department in Hongkong and Shanghai Banking Corporation Limited Taipei branch. From June 2008 to June 2014, he worked as a manager of Trade Finance Department (SBU) in China Minsheng Banking Group.

As at the Latest Practicable Date, Mr. Chen is interested in 3,000,000 share options of the Company (representing approximately 0.34% of all the issued Shares).

Independent non-executive Directors

Mr. Hung Ka Hai Clement, aged 64, was appointed as the independent non-executive Director in June 2017. He is the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. He obtained the bachelor of arts degree from the Huddersfield University, England in 1980.

Mr. Hung had served Deloitte China for 31 years where he had assumed various leadership roles before he took up the chairman role of Deloitte China from 2014 to 2016. He retired from Deloitte China with effect from June 2016. When Mr. Hung was working with Deloitte China, he had assumed various leadership roles, including, the office managing partner of Deloitte Shenzhen Office and Guangzhou Office. He was also a member of the China Management Team of Deloitte China. Later on, Mr. Hung assumed the role of the southern audit leader and the deputy managing partner of the southern region (inclusive of Hong Kong, Macau, Shenzhen, Guangzhou, Xiamen and Changsha). He was also a board member of Deloitte Global.

Mr. Hung served as the Guangzhou Institute of Chartered Accountants consultant from 2004 to 2014. During the period between 2006 to 2011, he also served as a member of the Political Consultative Committee of Luohu District, Shenzhen. After his retirement from the chairman role of Deloitte, he was appointed as an expert consultant of The Ministry of Finance in PRC .

Mr. Hung has been appointed as 1) an independent non-executive director of Gome Finance Technology Co., Ltd. (stock code: 0628) since 31 October 2016; 2) as an independent non-executive director of SMI Holdings Group Limited (stock code: 0198) on 16 January 2017, re-designated as non-executive director thereof with effect from 15 March 2017 and subsequently resigned on 28 February 2019; 3) as an independent non-executive 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, re-designated as an independent non-executive director thereof with effect from 30 June 2017 and subsequently resigned on 30 September 2018; 4) as a non-executive director of High Fashion International Limited (stock code:0608) since 1 December 2017; 5) as an independent non-executive director of Zhongchang International Holdings Group Limited (previously known as Henry Group Holdings Limited) (stock code: 0859) since 12 January 2018; 6) as an independent non-executive director of Aoyuan Healthy Life Group Company Limited (stock code: 3662) since 22 February 2019; and 7) as an independent non-executive director of China East Education Holdings Limited (stock code: 0667) since 12 June 2019.

As at the Latest Practicable Date, Mr. Hung is interested in 200,000 share options of the Company (representing approximately 0.023% of all the issued Shares).

Mr. Loo Yau Soon, aged 46, was appointed as the independent non-executive Director in June 2017. He is the chairman of the Remuneration Committee and a member of the Audit Committee. He obtained a bachelor of science in computer science with first class honours from University of British Columbia, Canada in May 1994. He later went on to obtain a Master in Business Administration from Harvard Business School, USA in June 1999. 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. From March 2016 to March 2017, he was appointed as the chief executive officer and managing director of Darussalam Enterprise in Brunei.

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

As at the Latest Practicable Date, Mr. Loo is interested in 200,000 share options of the Company (representing approximately 0.023% of all the issued Shares).

Mr. Twoon Wai Mun, Benjamin, aged 31, was appointed as the independent non-executive Director in June 2017. He is a member of each of the Audit Committee and the Nomination Committee. He obtained a Bachelor in Business Management degree in Singapore Management University in June 2013. He also achieved distinctions in an Affiliate Management Programme in University College London, UK, in 2011. Mr. Twoon's experiences include Financial Services, Corporate Finance, Private Equity and Financial Technology. He was a Management Associate at Citibank N.A. (Singapore) from July 2013 to September 2014, where he was responsible for the Citi-AIA Joint Venture and the implementation of productivity plans in the APAC region. From September 2014 to April 2015, Mr. Twoon worked as a business development (M&A) executive in Pavilion Energy Management Pte Ltd., in Singapore, where he was responsible for the evaluation and management of investments in the Oil and Gas industry in various countries, formulating investment strategies and identifying potential acquisition targets. Mr. Twoon is currently the co-founder and 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 six 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. Twoon was appointed as a non-executive director of Y Ventures Group, an e-commerce retailer and distributor listed on the Singapore Stock Exchange; he stepped down in March 2019. He sat on the Remuneration Committee and he was involved in the development of business and growth strategies, as well as frameworks for corporate governance. In January 2019, Mr. Twoon was appointed as a director of HGX Pte Ltd., a company incorporated in Singapore which is Southeast Asia's first member-driven Private Exchange for unlisted securities.

As at the Latest Practicable Date, Mr. Twoon is interested in 200,000 share options of the Company (representing approximately 0.023% of all the issued Shares).

Mr. Fong Heng Boo, aged 69, was appointed as the independent non-executive Director in September 2018. He obtained a bachelor of accountancy (Honours) in the University of Singapore in August 1973. Mr. Fong has over 45 years of experience in auditing, finance, business development and corporate governance. He was with the Auditor-General's Office (AGO), Singapore between 1975 and 1993. He was holding the appointment of Assistant Auditor-General when he left the AGO. Prior to his retirement in 2014, Mr. Fong was the Director (Special Duties) at the Singapore Totalisator Board as the Head of Finance and Investment functions. Mr. Fong has been admitted as a fellow in the Institute of Singapore Chartered

Accountants since August 2004. Mr. Fong has been appointed as 1) an independent director of Colex Holdings Limited, a company listed on the Singapore Exchange (stock code: 567), since March 1999; 2) an independent director of CapitaLand Retail China Trust, a real estate investment trust listed on the Singapore Exchange (stock code: AU8U), since January 2013; 3) an independent director of TA Corporation Ltd, a company listed on the Singapore Exchange (stock code: PA3), since December 2017; and 4) an independent director of Citicode Ltd, a company listed on the Singapore Exchange (stock code: 5FH), since July 2018. He has also been an independent director of Asian American Medical Group Limited, a company listed on the Australian Securities Exchange (stock code: AJJ), since August 2009.

Save as disclosed herein, each of the Directors (i) did not hold other positions in the Company or other members of the Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of the Company as at the Latest Practicable Date; (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date; and (iv) did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Main Board Listing Rules as at the Latest Practicable Date.

Senior management

Mr. Lo Wai Hung, aged 59, is the company secretary and the chief financial officer of the Group in charge of the Group's overall financial accounting and reporting corporate finance and company secretarial matters. Mr. Lo is a member of the risk management committee of the Group responsible for reviewing and approving certain high risk factoring transactions.

Mr. Lo joined the Group since January 2016. He obtained a bachelor of commerce degree from James Cook University of North Queensland in Australia in 1984. He became an associate member of Institute of Chartered Accountants in Australia in April 1991 and went on to become a member and a fellow member of Hong Kong Institute of Certified Public Accountants in February 1992 and November 1999, respectively.

Mr. Lo had been working in various international accounting firms from 1985 to 1995. After that, Mr. Lo worked as the financial controller of a private company, a plastic manufacturer with factory in Shenzhen and operations covering Hong Kong and the PRC from August 1995 to December 1997. From September 1998 to June 2002, he worked as a director of China Resources Development & Investment Co., Limited, an investment company under China Resources Group responsible for managing the private investments portfolio. Thereafter, from August 2003 to November 2005, he worked as the chief financial controller of an apparel trading and distribution group and the group financial controller and consultant of a property development group from November 2006 to December 2011. From January 2012 to December 2015, he worked as the financial controller of Winson Oil Group, a gasoil trading and bunkering company, a company owned by Mr. Tung's family.

Mr. Lo has been appointed as directors of the following listed companies in the past three years:

Name of company	Principal business activities	Last held title	Period
C Cheng Holdings Limited (HKEx stock code: 1486)	Provision of comprehensive architectural service	Independent non-executive director	December 2013 - present
Shandong Weigao Group Medical Polymer Company Limited (HKEx stock code: 1066)	Research and development, production and sale of single-use medical devices, orthopaedic products and blood purification products	Independent non-executive director	August 2009 - present
Talent Property Group Limited (HKEx stock code: 760)	Property development, investment and management in the PRC	Independent non-executive director	February 2011 - present
Lerthai Group Limited (previously known as LT Commercial Real Estate Limited) (HKEx stock code: 112)	Commercial real estate in the PRC and the U.S. It is also in retail, agricultural product logistics parks, culture and tourism, high-end hospitality	Independent non-executive director	March 2017 - November 2018

Mr. He Zhigang, aged 43, is the financial general manager of the Company and joined the Group since September 2015. He is a member of the risk management committee of the Group and is responsible for overseeing the Group's overall financial accounting and reporting as well as corporate finance matters. He obtained a graduation certificate in finance accountancy in Jinling Institute of Technology (previously known as Nanjing Agricultural College) in July 1996. He later went on to obtain a master of business administration degree in Wuhan University in June 2014. He obtained the certificate of accounting profession issued by Department of Finance of Jiangsu Province (江蘇省財政廳) in October 1996 and became an associate member of Certified Public Accountants Australia in December 2016. Mr. He has been admitted as a fellow of the Chartered Institute of Management Accountants (CIMA), since September 2019.

Mr. He has over 11 years of experience in accounting and finance. Prior to joining the Group, Mr. He had been working in Shenzhen Sunray Electronics Limited since November 2003 before he joined Modern Media Holdings Limited, a company listed on the Main Board (Stock Code: 0072) as the financial director. Mr. He worked for Modern Media Holdings Limited from November 2005 to October 2013. He was then employed as the assistant financial controller and was subsequently promoted to be the head of commercial department of China Merchants Loscam (Greater China) from August 2014 to August 2015. Since September 2015, Mr. He has been employed and worked as the financial director of SY Factoring.

Ms. Li Ting Fan, aged 46, is the chief human resources officer of the Company and joined the Group since June 2015. She is responsible for overseeing the Group's overall human resources policies. She obtained a graduation certificate majoring in English language and literature in Xiangtan University in March 1995 and later completed postgraduate courses in applied psychology in Beijing University in December 2009.

Ms. Li has over 16 years of experience in accounting and human resources. Prior to joining the Group, from August 1996 to December 1998, she was employed as an assistant economist in the Bank of China Changsha branch. From October 1999 to October 2000, Ms. Li worked as an assistant in Fu Jin Precision Industry (Shenzhen) Co., Ltd. From December 2003 to December 2004, Ms. Li was the secretary to the general manager in P&O Nedlloyd (China) Ltd. Shenzhen branch. In July 2005, she was promoted to act as the supervisor of the HR&D department of the company. For the period from September 2006 to end 2010, Ms. Li worked in various positions in Maersk Group in the PRC with her last position as an assistant general manager (organisational capacity) of Maersk Global Service Centre (Shenzhen) Ltd. From February 2011 to May 2011, she was the senior manager of human resources department in Walmart in the PRC. From September 2011 to May 2014, she was the head of human resources department in Shenzhen Home Credit Financial Services Co., Ltd.

Ms. Hao Yaxin, aged 31, is the risk management director and acting chief risk officer of the Company since August 2017. She is a member of the risk management committee of the Group and is responsible for overseeing the Group's risk management team focusing on medical sector. She obtained the bachelor of computer science and technology in Hebei University of Economics and Business in July 2010, bachelor of economics in Hebei University of Economics and Business in February 2012 and master of international commerce in Nankai University in June 2014. Ms. Hao has over 4 years of experience in risk management. From June 2014 to February 2016, she worked as a risk manager Benefo Financial Leasing Co., Ltd. She then joined Tianjin SY Financial Leasing Limited Shenzhen branch office as the risk management manager from May 2016 to July 2017.

Mr. Ling Jie, aged 31, is the general manager of financial cooperation department of the Company since November 2016. He is responsible for reviewing and approving high risk factoring transactions. He obtained the bachelor of economics in Guangdong Ocean University in June 2011. Mr. Ling has over 7 years of experience in finance services industry. From July 2011 to September 2014, Mr. Ling worked as the senior customer relationships manager in Pingan Bank. He was then employed as the general manager of the corporate business department in SPD Bank from September 2014 to September 2015. From September 2015 to May 2016, he joined Guangzhou Bank as the general manager of the corporate business department.

Mr. Li Xing, aged 37, is the chief technology officer of the Company since May 2017. He is responsible for overseeing the information technology functions of the Company. He obtained the bachelor of engineering in Central South University in the PRC in July 2003 and the master of engineering in Huazhong University of Science and Technology in December 2007. Mr. Li has over 16 years of experience in IT financial industry. From June 2002 to March 2009, he worked as deputy technical director in Shenzhen Securities Information Co., Ltd. He was then employed by Huawen Online Network Co., Ltd. (華聞在線網絡有限公司) from March 2009 to August 2014 with his last position as the technical director. From September 2014 to August 2016 he was the vice president and the R&D director of Shenzhen Niiwoo Finance Information Services Ltd. (深圳你我金融信息服務有限公司). He then worked as the vice president of Minjia Kefeng Information Technology Co., Ltd. (民加科風信息技術有限公司) from September 2016 to April 2017, where he was responsible for technology development.

Mr. Wei Liangfan, aged 32, is the director of asset management department of the Company since May 2018 and the director of Tianjin Sheng Ye Investment Management Limited, a wholly owned subsidiary of the Company, since September 2018. He is a member of the risk management committee of the Group and is responsible for the overseeing the asset backed security transactions and other asset management business of the Company. He obtained the bachelor of economics in Zhongnan University of Economics and Law in June 2008 and master of finance in

Sun Yat-sen University in June 2010. Mr. Wei has over 8 years of experience in finance industry. He worked as the project manager, investment banking in Industrial Securities Co., Ltd. from July 2010 to January 2014. He then joined Ping An International Finance Leasing Co., Ltd. as the regional manager in the corporate finance department from January 2014 to September 2014. From January 2015 to September 2015, he worked in the innovative finance department of China Resources Bank Of Zhuhai Co., Ltd. From September 2015 to May 2016, he was employed by Shenzhen Pengding Chuangying Financial Information Service Co., Ltd. as the finance product manager. From May 2016 to March 2017, he worked in the commercial development centre of Shenzhen Tongxin Kechuang Financial Services Co., Ltd. From March 2017 to May 2018, he worked in the community asset and facility operation centre of Vanke Service Development Co., Ltd.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and to enhance the quality of performance of the Company.

Measurable Objectives and Selection

In designing the Board's composition, a number of perspectives which include race, gender, age, cultural and educational background, industry experience, technical and professional experience, knowledge, skills, length of service, personal integrity and time commitments of the proposed candidates will be taken into consideration. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the candidates will bring to the Board.

The Board will take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity. The Board also aspires to having an appropriate proportion of Directors who have direct experience in the Group's core markets, with different ethnic backgrounds, and reflecting the Group's strategy.

WAIVER FROM STRICT COMPLIANCE WITH THE MAIN BOARD LISTING RULES

Pursuant to Rule 8.12 of the Main Board Listing Rules, the Company must have a sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. For the purpose of the GEM Listing, the Company has established a principal place of business in Hong Kong and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance before the GEM Listing. However, the principal business operations of the Group are primarily located, managed and conducted in the PRC, and the senior management members including Mr. Chen, one of the executive Director, are and will continue to be based in the PRC. The Directors believe it would be more effective and efficient for most of the executive Directors and the senior management to remain based in PRC where the Group has significant operations. The Directors also believe that it would not be in the best interests of the Group and the Shareholders as a whole to additionally appoint an executive Director who is ordinarily resident in Hong Kong but does not fully understand or familiarise with the business operations, activities and development of the Group for the sole purpose of satisfying the requirements of Rule 8.12 of the Main Board Listing Rules. Therefore, the Company does not and will not in the foreseeable future have two executive Directors residing in Hong Kong for the purposes of satisfying the requirement under Rule 8.12 of the Main Board Listing Rules.

As a result, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Main Board Listing Rules, on the following conditions to ensure that regular and effective communication is maintained between the Stock Exchange and the Company:

(i) the Company appointed two authorised representatives pursuant to Rule 5.24 of the GEM Listing Rules (corresponding with Rule 3.05 of the Main Board Listing Rules) who will act as the Company's principal channel of communication with the Stock Exchange. The Company appointed Mr. Lo Wai Hung, the company secretary of the Company, and Mr. Tung, who are ordinarily resident in Hong Kong as the two authorised representatives of the Company (the **"Authorised Representatives"**). Each of the Authorised Representatives will be readily contactable by their respective mobile phone number, office phone number, e-mail address and facsimile number. Each of the two Authorised Representatives has been duly authorised to communicate on behalf of the Company with the Stock Exchange. The Company will keep the Stock Exchange up to date in respect of any change to such details;

(ii) both of the Authorised Representatives will have means to contact all members of the Board (including the independent non-executive Directors) and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact the Directors and senior management team for any matters;

(iii) to enhance the communication between the Stock Exchange, the Authorised Representatives and the Directors, the Company has implemented a policy whereby (a) each Director will have to provide his/her respective mobile phone numbers, office phone numbers, fax numbers and email addresses to the Authorised Representatives; (b) each Director will endeavour to provide valid phone number or means of communication to the Authorised Representatives when he/she is traveling; and (c) each Director will provide his/her mobile phone numbers, office phone numbers, fax numbers and email addresses to the Stock Exchange;

(iv) the Company shall promptly inform the Stock Exchange of any changes on the Authorised Representatives in accordance with the requirements of the Main Board Listing Rules;

(v) if circumstances require, meetings of the Board can be summoned and held in such manner as permitted under the Articles of Association at short notice to discuss and address any issue which the Stock Exchange is concerned in a timely manner;

(vi) the Company will appoint professional advisers (including its legal advisers in Hong Kong), if necessary, after the Transfer of Listing to assist the Company in addressing any enquiries which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange;

(vii) Dakin Capital has been appointed as the compliance adviser of the Company; and

(viii) each of the Directors (including the independent non-executive Directors) who is not ordinarily resident in Hong Kong possesses or is able to apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the website of the Stock Exchange at http://www.hkexnews.hk and the website of the Company at http://www.shengyecapital.com:

(i) the Memorandum and Articles of Association;

(ii) the Directors' report and annual report, and the audited accounts of the Company for the year ended 31 December 2018;

(iii) the first quarterly report of the Company for the three months ended 31 March 2019;

(iv) the interim report of the Company for the six months ended 30 June 2019;

(v) the circular of the Company dated 20 April 2018 in relation to the proposals for (1) adoption of audited consolidated financial statements and reports of directors and auditors, (2) re-election of retiring directors, (3) re-appointment of auditors, (4) granting of general, repurchase and extension mandates and notice of 2018 annual general meeting;

(vi) the circular of the Company dated 25 May 2018 in relation to acquisitions of accounts receivables and disposal of accounts receivables;

(vii) the circular of the Company dated 25 May 2018 in relation to the factoring agreements being entered into with the customers of the Group;

(viii) the circular of the Company dated 12 June 2018 in relation to acquisitions of accounts receivables and disposal of accounts receivables;

(ix) the circular of the Company dated 22 June 2018 in relation to the factoring agreements being entered into with the customers of the Group;

(x) the circular of the Company dated 24 June 2019 in relation to the factoring agreements being entered into with the customers of the Group; and

(xi) announcements and other corporate communications made by the Company prior to the date of this announcement as required under the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings.

"Articles of Association"	the articles of association of the Company as adopted by the Company from time to time
"associate(s)"	has the meaning ascribed to it under the Main Board Listing Rules
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors of the Company
"BVI"	the British Virgin Islands

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"close associate(s)"	has the meaning ascribed to it under the Main Board Listing Rules
"Company"	Sheng Ye Capital Limited (盛業資本有限公司), an exempted company incorporated in the Cayman Islands with limited liability, whose Shares are listed on GEM
"connected person(s)"	has the meaning ascribed to it under the Main Board Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Main Board Listing Rules
"Dakin Capital"	Dakin Capital Limited (德健融資有限公司), a licensed corporation under the SFO permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO
"Deed of Non-Competition"	the deed of non-competition undertaking dated 19 June 2017 entered into by the Controlling Shareholders in favour of the Company (for itself and as trustee for the subsidiaries of the Company)
"Director(s)"	the director(s) of the Company
"Eander"	Eander Limited (鷹德有限公司), a company incorporated in BVI on 12 August 2015 with limited liability and wholly owned by TMF Trust, a Controlling Shareholder
"Fintech"	an industry involving companies which utilise new technology and innovation with resources available to compete in the market of traditional financial institutions and intermediaries when providing financial services
"GEM"	the GEM operated by the Stock Exchange

"GEM Listing"	the listing of the Shares on GEM
"GEM Listing Date"	the date on which the Shares were listed and from which dealings in the Shares on GEM commenced, being 6 July 2017
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
"Global Offering"	the offer of 18,500,000 Hong Kong offer Shares by the Company for subscription by members of the public in Hong Kong and the conditional placing of the 166,500,000 international offer Shares for and on behalf of the Company as set out in the prospectus of the Company dated 26 June 2017
"Group"	the Company and its subsidiaries
"HIBOR"	Hong Kong Interbank Offered Rate
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HK$" or "Hong Kong dollars"	Hong Kong Dollar, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"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 Main Board Listing Rules) of the Company
"Latest Practicable Date"	29 September 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this announcement prior to its publication
"LIBOR"	London Interbank Offered Rate
"Listing Committee"	the listing committee of the Stock Exchange

"Main Board"	the stock market (excluding the options market) operated by the Stock Exchange which is independent from and in parallel with GEM and which, for avoidance of doubt, excludes GEM
"Main Board Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as may be amended, supplemented or otherwise modified from time to time)
"Memorandum"	the memorandum of association of the Company as adopted by the Company from time to time
"Mr. Tung"	Mr. Tung Chi Fung, an executive Director and a Controlling Shareholder
"Nomination Committee"	the nomination committee of the Board
"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" or "China"	the People's Republic of China, for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"Remuneration Committee"	the remuneration committee of the Board
"RMB"	Renminbi, the lawful currency of the PRC
"S$"	Singapore Dollar, lawful currency of Singapore
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as may be amended from time to time
"Share(s)"	ordinary share(s) having a par value of HK$0.01 each in the capital of the Company
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on 19 June 2017
"Shareholder(s)"	the holders of Shares
"SME"	small and medium enterprise

"SOE"	state-owned enterprise
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of a maximum of 148,000,000 Shares by Wisdom Cosmos pursuant to the subscription agreement dated 28 June 2018
"subsidiary(ies)"	has the meaning ascribed to it under the Main Board Listing Rules
"SY Factoring"	盛業商業保理有限公司 (SY Factoring Limited), a company established in the PRC and a subsidiary of the Group
"SYIT"	盛業信息科技服務(深圳)有限公司 (Sheng Ye Information Technology Services (Shenzhen) Co., Limited), a company established in the PRC and a subsidiary of the Group
"TMF Trust"	TMF (Cayman) Ltd, a company incorporated in the Cayman Islands on 30 September 1994 and the trustee of the PJ Trust, a Controlling Shareholder
"Top-up Placing"	the top-up placing of a maximum of 148,000,000 Shares at the placing price of HK$6.00 per Share pursuant to the top-up placing arrangement dated 28 June 2018
"Track Record Period"	the three financial years ended 31 December 2018 and the six months ended 30 June 2019
"Transfer of Listing"	the proposed transfer of the listing of the Shares from GEM to the Main Board pursuant to Chapter 9A and Appendix 28 of the Main Board Listing Rules
"United States" or "U.S."	the United States of America
"VBG Capital"	VBG Capital Limited (建泉融資有限公司), a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

"Wisdom Cosmos"	Wisdom Cosmos Limited (慧普有限公司), a company incorporated in BVI on 15 April 2015 with limited liability and wholly owned by Eander, a Controlling Shareholder
"%"	per cent

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

Hong Kong, 4 October 2019

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules and the Main Board Listing Rules for the purpose of giving information with regard to the issuer. 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.

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. Twoon 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).*

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

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk and, in the case of this announcement, on the "Latest Listed Company Information" page for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at www.shengyecapital.com.