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**盛業資本**  
SHENG YE CAPITAL

**SHENG YE CAPITAL LIMITED**

**盛業資本有限公司**

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

**(Stock Code: 6069)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**FINANCIAL HIGHLIGHTS**

*For the year ended 31 December 2020*

- The income from factoring and other services of Sheng Ye Capital Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2020 was RMB634.1 million representing an increase of approximately 4.5%, as compared to RMB606.7 million for the year ended 31 December 2019.
- The profit after tax for the year ended 31 December 2020 was RMB337.4 million representing an increase of approximately 14.3%, as compared to the profit after tax of approximately RMB295.1 million for the year ended 31 December 2019.
- Basic and diluted earnings per share for the year ended 31 December 2020 was RMB37 cents and RMB37 cents respectively (for the year ended 31 December 2019: basic and diluted earnings per share of RMB32 cents and RMB32 cents respectively).
- The Directors recommend the payment of a dividend of HK6.3 cents per ordinary share of the Company for the year ended 31 December 2020 (for the year ended 31 December 2019: HK5.3 cents per ordinary share).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### 1. Company Overview

Sheng Ye Capital (the “**Group**” or “**SY Capital**”) is a leading supply chain fintech platform provider of one-stop SaaS and financial services solutions for companies within the industry ecosystem across the Asia-Pacific.

##### *Providing flexible financing solutions to SMEs*

SY Capital offers a range of flexible account receivable (“**AR**”)-based direct lending and supply chain financing solutions including AR management services to meet the vast financing needs of underserved small, medium, and micro enterprises (“**SMEs**”) in the region. The Group relies on its data-driven technology platform to assess, review and verify the creditworthiness of transactions relating to the AR, the collection of AR on behalf of customers, including periodic customer reporting relating to matters concerning their accounts receivables.

##### *Providing SaaS solutions and Fintech Services*

Leveraging its deep industry knowledge in the core sectors of infrastructure, medical and energy, as well as strong technology research and development (“**R&D**”) capabilities, the Group provides Software as a Service (“**SaaS**”) to core enterprises in the areas of smart enterprise solutions, Internet of Things, and supply chain procurement systems. The Group’s SaaS offering enables it to access real-time transaction data, enhance supply chain finance offerings and deepen relationships with customers including core enterprises, SMEs and financial institutions allowing SY Capital to accelerate its platform development in the supply chain service ecosystem.

The Group’s proprietary fintech platform, known as “Easy Factoring”, incorporates technologies such as electronic signatures, optical character recognition (**OCR**), big data analytics, video authentication and facial recognition to ensure a seamless customer experience for online applications and the approval process. Over the past year, its technology platform has also been increasingly important in driving the loan facilitation business which allows banks to tap on its customer acquisition channels, as well as facilitating the asset-backed securities (“**ABS**”) and asset-backed notes (“**ABN**”) issuance of large corporations through providing information technology support, AR securitization and asset management services.

These two verticals work synergistically to help strengthen our data analytics capabilities on our platform while enhancing the effectiveness of our customer screening and credit scoring system.

## 2. 2020 Business Highlights

### *Supporting the SME community and enabling businesses*

Despite the disruptions to supply chains brought about in 2020 due to the COVID-19 pandemic, the Group continues to provide seamless assistance to SME customers amidst this difficult period by leveraging its cloud-based platform to facilitate applications remotely, allow loan extensions, as well as waive extension fees in order for customers to meet their working capital needs.

Total loans disbursed by the Group during the full year of 2020 amounted to over RMB13 billion, of which the bulk was extended to SMEs. In order to expand its footprint within this space, the Group also incorporated Sheng Ye Financing Guarantee Limited, a new PRC subsidiary with a financial guarantee license in August 2020 so as to provide more wide-ranging solutions for SMEs.

### *COVID-19 accelerates digitalization and business transformation*

Although the pandemic continues to weigh on the global economy leading into 2021, China was one of the few countries to register a positive growth in GDP for 2020.

The onset of the COVID-19 pandemic has also resulted in an increasing number of SMEs and large core enterprises moving online to conduct their businesses, resulting in an over 80% jump in total platform users and an approximately two-fold increase in income from information technology services.

During this period, the Group remains committed to helping core enterprises with the provision of SaaS solutions in getting timely access to information. As the entire process is done online through our Easy Factoring platform, it not only allows companies to maximize their efficiency but also facilitates the credit assessment process by the Group's funding partners.

The digitalization and rapid adoption of fintech in the supply chain ecosystem also provided a boost to the Group's loan facilitation business, in which the daily average balance stood at RMB702 million for the year ended 31 December 2020, an increase of 15 times over the previous year. This is also driven in part by the Chinese government ("**Government**")'s push towards a new digital economy, as well as policies supporting the development and reform of the industry such as the issuance of Notice 205 by the China Banking and Insurance Regulatory Commission ("**CBIRC**") to regulate the commercial factoring sector and the official inclusion of factoring contracts into the Civil Code in January 2021. These policies provide a legal foundation for the development of supply chain financing.

As the world becomes increasingly digital, the Group remains committed to investing in our platform. Over the past year, the Group has been dedicating more resources towards R&D to enhance the capabilities of its platform. Technology staff headcount (including outsourced staff) stood at 106, an increase of 58% over the previous year. The increase in technology staff headcount is also an indication of the Group's commitment to continuously improve its platform, allowing it to enhance its risk management infrastructure and benefit from superior asset quality. In April 2020, the Group's platform was also granted access to the People's Bank of China ("PBOC") Credit Reference Center system and was further integrated officially in February 2021, allowing it to access the credit reports of SMEs even more quickly and seamlessly.

### ***Core industry sectors of energy, infrastructure, and medical continue to demonstrate resilient growth***

Despite the economic overhang brought about by the pandemic, the three core sectors in which the Group focuses on, remained resilient and stable as they were pillars of the Chinese economy. While the infrastructure and energy sectors were relatively insulated from the impact of the COVID-19 pandemic and saw stable growth, the medical sector saw a surge in demand and supply.

Over the past year, the Group has continued to be proactive in engaging core enterprises in these three segments. The execution of the strategic partnership with China Railway Factoring Co., Ltd. ("**China Railway Factoring**"), the factoring arm of China Railway Capital Ltd. ("**China Railway Capital**") in February 2021 marked a successful milestone following the Group's close collaboration with China Railway Group, one of the largest state-owned infrastructure groups in China. Through this synergistic initiative, all parties will contribute resources to expand new service offerings in a huge supply chain financing market.

### ***The inclusion of factoring contracts in the Civil Code was a historic moment for the industry***

The announcement by the 13th National People's Congress of China in May 2020<sup>1</sup> to include factoring contracts in the Civil Code represented a historic milestone for the industry. China became the first country in the world to define factoring contracts as an independent contract in the Civil Code, codifying the rules for factoring under a legal framework.

With the provision being enforced on 1 January 2021, the Group believes that this further institutionalizes the factoring market and provides a positive catalyst for the growth of China's commercial factoring industry.

### ***Proactive diversification of funding avenues***

Over the past year, the Group has also actively diversified its funding avenues and optimized its capital structure by forging numerous partnerships with various financial institutions including commercial banks and asset management companies on the back of its strong operating track record and technology platform capabilities. During the year, the number of funding partners increased from 29 at the end of December 2019 to 46 as at end December 2020.

<sup>1</sup> <http://www.cfec.org.cn/en/view.php?aid=2134>

Some of the notable funding partnerships forged over the past year included (a) the execution of an agreement in August 2020 with a factoring subsidiary of the fintech arm of a Fortune 500 technology giant for the re-factoring of account receivables in the medical sector; and (b) a RMB1 billion cooperation started from November 2020 with one of the pioneering digital banks in China, to provide financing solutions for SMEs in the infrastructure and medical sectors.

More recently in March 2021, the Group also signed a two-year RMB525 million offshore syndicated loan agreement and a strategic cooperation agreement with a consortium led by Mega International Commercial Bank Co., Ltd. and Bank SinoPac. This not only provided additional liquidity for strengthening the Group's capital base, but was also the first offshore syndicated loan in China's factoring market.

These collaborations are a strong testament of the Group's fintech capabilities and robust digital technology platform. Through its funding partners the Group was also able to create additional sources of financing to drive its loan facilitation business, enabling the Group to provide tailor-made solutions to the SME community.

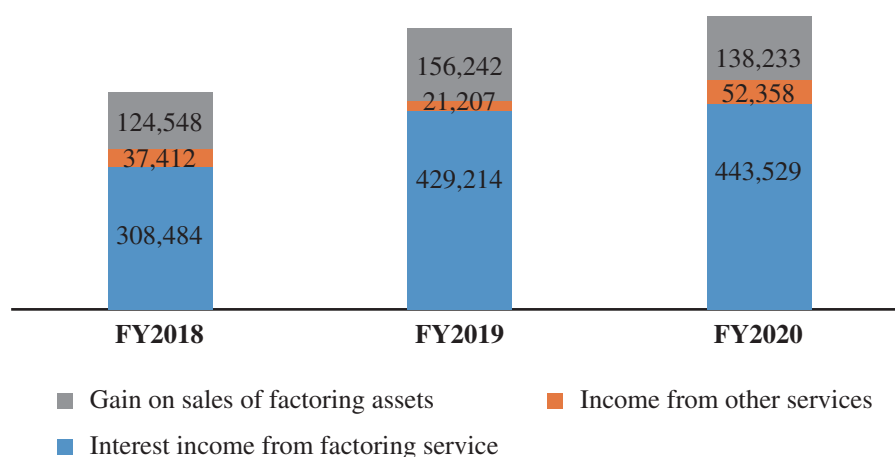
On the equity side, the Group successfully raised HKD388.5 million in equity through a top-up share placement executed in September 2020. This was the second share placement undertaken by the Group since its successful debut listing on the Hong Kong Stock Exchange in 2017. The proceeds from the placement not only reinforced the Group's strong balance sheet position but was also symbolic as it drew strong interest from the international investor community.

## FINANCIAL REVIEW

### Income from factoring and other services

The Group maintained a positive growth trajectory in 2020. Income from factoring and other services reached RMB634.1 million during the year, an increase of 4.5% compared with 2019. Within this: a) interest income from factoring service reached RMB443.5 million, an increase of 3.3% year-on-year, b) income from other services, which included loan facilitation income as well as supply chain information technology management service income from partnering ABS and ABN issuers, reached RMB52.4 million, an increase of 146.9% year-on-year, c) gain on sales of factoring assets amounted to RMB138.2 million, a decrease of 11.5% year-on-year. The significant increase in income from other services was mainly contributed by the expansion of its loan facilitation business, due to the Group's push towards a platform-based transformation, providing SMEs and core enterprises with convenient supply chain SaaS solutions and one-stop financing services.

### Income from factoring and other services (RMB'000)



### Other gains and losses

The Group booked other gains of RMB45.8 million in 2020 mainly due to the increase in gain from changes in fair value of other financial assets at fair value through profit or loss (“FVTPL”) and the net exchange gain. The increase in fair value of other financial assets at FVTPL was mainly due to the increase in gain from changes in fair value of equity tranche of ABS and ABN issued by core enterprises. The Group has assisted in the ABS and ABN issuances by leveraging its fintech capabilities to enhance the efficiency and certainty of the issuances. The increase in the net exchange gain was mainly due to the borrowings denominated in USD as a result of appreciation of RMB against USD during the year.

## Expenses

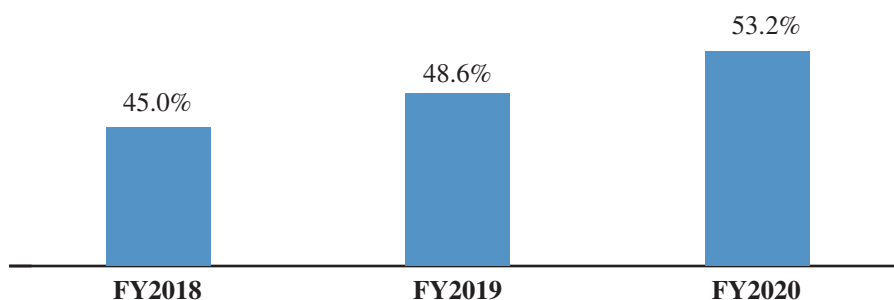
Administrative and other expenses mainly comprise staff costs, R&D costs, depreciation of right-of-use assets and amortisation of intangible assets. Administrative and other expenses recognised in profit or loss in the year of 2020 was RMB189.7 million, an increase of 18.4% year-on-year mainly due to the increase in staff costs and R&D costs as a result of business expansion. R&D costs recognised in other expenses increased by 64.5% during the year to strengthen its fintech solutions and its Easy Factoring Cloud platform. The number of IT engineers rose over 58% year-on-year, accounting for 37% of the total staff, at the end of 2020. Total staff cost recognised in administrative expenses for the year of 2020 was RMB95.2 million, an increase of 36.8% year-on-year was mainly due to the increase in headcount.

The operational cost-to-income ratio for the year of 2020 was 29.2% as compared with 22.4% in 2019. This excludes one-time expenses. The Group's cost-to-income ratio reflects its expansion efforts relating to talent recruitment to further improve business efficiency and customer experience.

## Net profit

Net profit in the year of 2020 was RMB337.4 million, an increase of 14.3% year-on-year. Net profit margin was 53.2%, which was 4.6 percentage points higher than that of the same period last year.

### Net Profit Margin

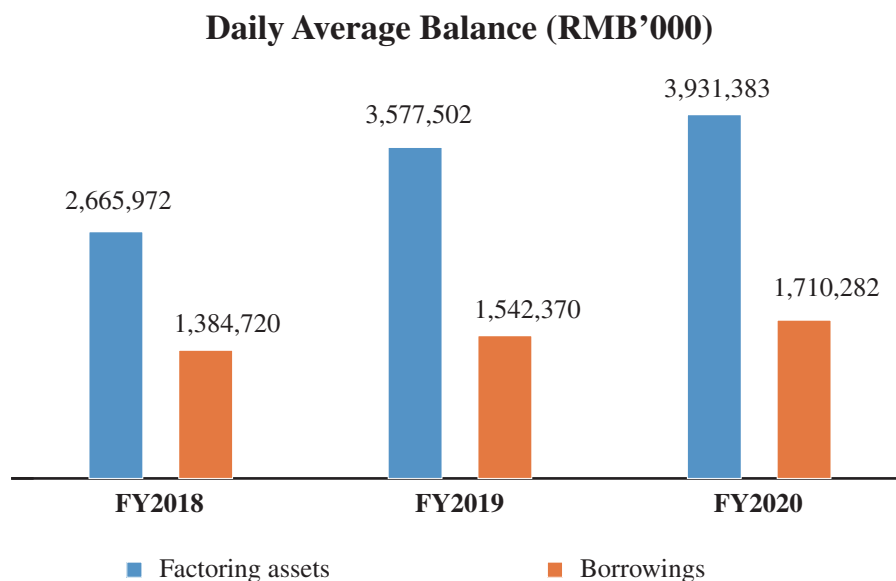


## Factoring assets at fair value through other comprehensive income (“FVTOCI”)

Factoring assets at FVTOCI as of 31 December 2020 were RMB3,804.2 million, a 0.9% decrease year-on-year. Daily average factoring assets over the year of 2020 were RMB3,931.4 million, a 9.9% increase over the year of 2019. Based on daily average factoring assets, interest yield on factoring assets in the year of 2020 was 11.3%, which was 0.7 percentage points lower year-on-year, mainly due to (i) the lower market interest rates as part of the national policies for promoting financial inclusion and supporting the real economy; and (ii) higher allocation to the lower-yield products in the medical sector to support medical suppliers during the pandemic.

## Borrowings

Borrowings as of 31 December 2020 was RMB1,475.9 million, a 21.0% decrease year-on-year. Daily average borrowings over the year of 2020 were RMB1,710.3 million, a 10.9% increase year-on-year. The increase in finance costs of RMB16.1 million year-on-year was mainly due to an increase in daily average borrowings to finance the Group's business expansions.



## Taxation

Income tax expenses represent the tax expense arising from the assessable profit generated by the Group in the PRC, withholding tax levied on interest income of Hong Kong subsidiaries and deferred tax. Except for certain PRC subsidiaries that enjoy preferential tax rates, PRC enterprise income tax is calculated at 25% of the estimated assessable profits for both years ended 31 December 2020 and 2019. The decrease in effective tax rate from 18.6% for the year ended 31 December 2019 to 12.8% for the year ended 31 December 2020 was mainly attributable to the increase in the profit before taxation for certain PRC subsidiaries that enjoy preferential tax rates.

For the year ended 31 December 2020, income tax expenses amounted to approximately RMB49.7 million (for the year ended 31 December 2019: RMB67.4 million).

## BUSINESS OUTLOOK AND PROSPECTS

SY Capital's business continues to ride on the strong macro-economic fundamentals of China's economy. The Group believes that the broad policy supporting the development of private companies and innovation<sup>2</sup> in the new digital economy will continue to benefit the supply chain technology and financing landscape.

<sup>2</sup> [https://www.ndrc.gov.cn/xxgk/zcfb/tz/202010/t20201023\\_1248824.html](https://www.ndrc.gov.cn/xxgk/zcfb/tz/202010/t20201023_1248824.html)



## **Powering forward as a supply chain fintech platform**

As part of leading innovation in technology, the Group unveiled a 3-year growth initiative in January this year, called the “Dual-Engine, One Platform (2+1)” model. The “dual-engine” refers to both “industrial technology” and “digital financing” as the two growth engines. By harnessing “industrial technology” to provide core enterprises with SaaS solutions including smart infrastructure solutions, Internet-of-Things and procurement systems, the Group becomes more deeply entrenched within the industry. This in turn reinforces the quality of transaction data the Group has on its platform, allowing it to accelerate the development of digital financing within the industry ecosystem, and drive the convergence of supply chain services on its “one platform”, effectively positioning the Group as a one-stop solution for SaaS and supply chain financial services.

## **Strengthening focus on R&D**

Technology and big data analytics will continue to be an important component of the Company’s DNA. The Dual-Engine, One-Platform initiative will see a deeper focus and further R&D investment into the Group’s infrastructure, which will set a strong foundation for its technology leadership within the supply chain ecosystem. Going forward, the Group will strengthen its R&D capabilities through further investment into its technology platform as part of its corporate objective of being a leading supply chain fintech platform across the Asia-Pacific.

## **CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING**

During the year ended 31 December 2020, the Group’s main source of funds was the cash generated from daily operations, proceeds from new borrowings and the placement of shares. As at 31 December 2020, the Group had bank balances of RMB348.7 million (31 December 2019: RMB377.3 million), of which 97.8% and 0.9% were denominated in RMB and HKD respectively.

As at 31 December 2020, the Group had interest-bearing borrowings and bank overdraft which amounted to RMB1,486.7 million (31 December 2019: RMB1,885.2 million). Its gearing ratio, expressed as total liabilities over total equity was 0.58 as at 31 December 2020 (at 31 December 2019: 0.85).

## **FINAL DIVIDEND**

The Directors recommend the payment of a final dividend of HK6.3 cents per ordinary share of the Company for the year ended 31 December 2020 (for the year ended 31 December 2019: HK5.3 cents per ordinary share).

## USE OF PROCEEDS

### The Placement in 2018

On 28 June 2018, the Company, Wisdom Cosmos Limited (“**Wisdom Cosmos**”), the immediate holding of the Company, Oversea-Chinese Banking Corporation Limited (“**OCBC**”) and Macquarie Capital Limited (“**Macquarie**”) (OCBC and Macquarie collectively referred to as the “**Joint Placement Agents A**”) entered into a placement agreement pursuant to which the Wisdom Cosmos agreed to place, through the Joint Placement Agents A on a best effort basis, a maximum of 148,000,000 existing ordinary shares at a price of HKD6.00 per share (“**Placement A**”).

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

The Placement A and the Subscription A were completed on 4 July and 11 July 2018 respectively. An aggregate of 138,484,000 subscription shares (equals to the number of the placing shares successfully placed under the Placement A) were subscribed by Wisdom Cosmos at the subscription price of HKD6.00 for each subscription share. The subscription shares represent approximately 15.76% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription shares. The Company received total net proceeds of approximately HKD819.5 million (equivalent to approximately RMB698.0 million) from the Placing A and the Subscription A.

The placing price of HKD6.00 per placing share represents: (i) a discount of approximately 16.6% to the closing price of HKD7.19 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 HKD7.28 per share as quoted on the Stock Exchange for the last 5 consecutive trading days prior to 28 June 2018.

### The Placement in 2020

On 11 September 2020 (before the trading hours), the Company, Wisdom Cosmos, Macquarie, DBS Asia Capital Limited (“**DBS**”) and BOCI Asia Limited (“**BOCI**”) (Macquarie, DBS and BOCI collectively referred to as the “**Joint Placement Agents B**”) entered into a placement agreement pursuant to which the Wisdom Cosmos agreed to place, through the Joint Placement Agents B on a best effort basis, a maximum of 55,500,000 existing ordinary shares at a price of HKD7.00 per share (“**Placement B**”).

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

The Placement B and the Subscription B were completed on 15 September and 21 September 2020 respectively. An aggregate of 55,500,000 new shares (equals to the number of the shares successfully placed under Placement B) were subscribed by Wisdom Cosmos at a price of HKD7.00 for each new share. The new shares from Placement B and Subscription B represent approximately 5.93% of the issued share capital of the Company translating to total net proceeds of approximately HKD382.7 million (equivalent to approximately RMB334.1 million).

The placing price of HKD7.00 per share represents: (i) a discount of approximately 15.15% to the closing price of HKD8.25 per share as quoted on the Stock Exchange on 10 September 2020; and (ii) a discount of approximately 13.26% to the average of the closing price of approximately HKD8.07 per share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including 10 September 2020.

### Use of proceeds from the Placement

During the year ended 31 December 2018, 31 December 2019 and 31 December 2020, details of the use of proceeds of the placement were as follows:

Use of proceeds	Net proceeds raised (Approximately HK\$ million)	Actual use of net	Actual use of net	Actual use of net	Intended use and expected timeline of the remaining amount of net proceeds
		proceeds during the year ended 31 December 2018 (Approximately HK\$ million)	proceeds during the year ended 31 December 2019 (Approximately HK\$ million)	proceeds during the year ended 31 December 2020 (Approximately HK\$ million)	
General working capital of the Group for expanding the factoring operations	757.0	757.0	-	-	The amount of the net proceeds for the general working capital of the Group for expanding the factoring operations had been fully utilised.
Developing the online factoring platform and IT system of the Group	62.5	18.5	27.4	16.6	The amount of the net proceeds for developing the online factoring platform and IT system of the Group had been fully utilised.
Expansion of the supply chain financing operation of the Group	363.6	-	-	363.6	The amount of the net proceeds for expansion of the supply chain financing operation of the Group had been fully utilised.
Enhancing the online factoring platform, SaaS capabilities and data-driven risk control system of the Group	19.1	-	-	18.0	The remaining unutilised amount of approximately HKD1.1 million will be used for enhancing the online factoring platform, SaaS capabilities and data-driven risk control system of the Group and is expected to be fully utilised by 30 June 2021.

### CAPITAL COMMITMENTS

As at 31 December 2020, the capital commitments of the Group comprised investment in an associate of approximately RMB 3.2 million, purchase of intangible assets of approximately RMB 0.1 million (31 December 2019: purchase of intangible assets of approximately RMB 0.6 million).

### CONTINGENT LIABILITIES

Save as disclosed in note 19 of the “Notes to the consolidated financial statements”, the Group did not have any other guarantees or other material contingent liabilities.

## **PLEDGE OF ASSETS**

As at 31 December 2020, the Group had pledged bank deposits of RMB255.5 million, security deposits of RMB9.2 million, and certain factoring assets with an aggregate carrying amount of RMB678.7 million to banks and third parties for facilities, loan facilitation platform in partnership with a bank and derivative financial instruments (31 December 2019: pledged bank deposits of RMB86.4 million, security deposits of RMB9.8 million, pledged structured deposit of RMB9.0 million, and certain factoring assets with an aggregate carrying amount of RMB462.5 million to banks and third parties for facilities, loan facilitation platform in partnership with a bank and derivative financial instruments).

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES**

In April and December 2020, the Group de-registered its investment in Sheng Nuo Factoring Limited\* (盛諾商業保理有限公司, “SNF”) and Sheng Ye Capital (2018-01) Limited (“SYC 2018”), subsidiaries of the Company. There were no profit or loss and cash flows of SNF and SYC 2018 recognised on the consolidated financial statements for the year ended 31 December 2020.

In April 2020, the Group disposed of its 20% investment in Shenzhen Sheng Ye Non-Financing Guarantee Limited\* (深圳市盛業非融資性擔保有限責任公司), an associate of the Group, to an independent third party at cash consideration of RMB6,203,000, which resulted in the Group recognising a loss of RMB48,000 in profit or loss.

## **SIGNIFICANT INVESTMENTS HELD BY THE GROUP**

In April 2020, the Group and Wuxi Tonghui Investment Co., Ltd\* (無錫通匯投資有限公司, “Wuxi Tonghui”, a subsidiary wholly owned by Wuxi Communications Industry Group Co., Ltd\*, 無錫市交通產業集團有限公司, “Wuxi Communications”) injected additional RMB200 million capital to Wuxi Guojin Factoring Limited\* (無錫國金商業保理有限公司, “Wuxi Guojin”) in proportion to the shareholding interest of Wuxi Tonghui and the Group in Wuxi Guojin in which the Group contributed capital injection in amount of RMB80 million. The Group and Wuxi Communications (our regional leading core enterprise partner engaged in development and operation of infrastructure and transportation projects) established Wuxi Guojin in 2018 to jointly explore the supply chain finance opportunities in the infrastructure and transportation industry,.

As part of the Group’s strategy investment to partner with more core enterprises, Wuxi Guojin has recorded significant growth in both operational and financial performance since its establishment under continuous support from shareholders and is one of the leading commercial factoring companies with the largest amount of paid up capital in the region. By the end of 2020, Wuxi Guojin deployed a total of RMB4.39 billion of loans. The audited profit after tax of Wuxi Guojin was RMB34.1 million during the year, representing an increase of 321.0% compared with 2019.

## **FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Going forward, the Group will strengthen its R&D capabilities through further investment into its technology platform as part of its corporate objective of being a leading supply chain fintech platform across the Asia-Pacific.

## **FOREIGN EXCHANGE RISKS**

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

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2020, the Group had a total of 287 staffs (31 December 2019 199 staffs). Total staff costs (including Directors' emoluments) were approximately RMB123.4 million (for the year ended 31 December 2019: RMB92.4 million) including total share option benefits for employees were RMB5.5 million for the year ended 31 December 2020 (for the year ended 31 December 2019: RMB10.0 million). Remuneration is determined by reference to market conditions and the performance, qualifications and experience of individual employees. Year-end bonuses are based on individual performance and are paid to employees as recognition of and reward for their contributions. Other benefits include contributions to the statutory mandatory provident fund scheme and social insurance together with housing provident funds for employees in Hong Kong and the PRC, respectively.

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

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

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

## **RECENT DEVELOPMENT OF REGULATORY FRAMEWORK**

On 28 May 2020, the Civil Code was passed at the third session of the 13th National People's Congress. The inclusion of a Factoring Contract Chapter in the Civil Code, which has been enforced on 1 January 2021, not only made China the first country in the world to clearly define factoring contracts as typical independent contract, but also affirmed the support and importance of the factoring industry from the Chinese Government. Given the industry pain points, the specific provisions of the Civil Code have established rules to clear major obstacles for the development of the industry. These provisions are of great significance in expanding the potential of the factoring market and preventing industry risks, and will play a highly positive role in promoting and standardizing the development of China's factoring industry.

The Directors confirmed that the Group would be able to comply with the relevant requirements above, as well as to gain more market opportunities with the support from favorable policies.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 31 December 2020, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to provisions set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### Interest in the Company

Name of Director	Capacity/nature of interest	Number and class of securities interested	Percentage of shareholding
Mr. Tung Chi Fung (“ <b>Mr. Tung</b> ”) ( <i>Note 1</i> )	Beneficiary of a trust and settlor of a discretionary trust	555,500,000 (L) ( <i>Note 2</i> )	59.31%
	Share option	3,000,000 ( <i>Note 3</i> )	0.32%
Mr. Chen Jen-Tse	Beneficial owner	50,000 (L) ( <i>Note 2</i> )	0.01%
	Share option	3,400,000 ( <i>Note 3</i> )	0.36%
Mr. Hung Ka Hai Clement	Share option	500,000 ( <i>Note 3</i> )	0.05%
Mr. Loo Yau Soon	Share option	500,000 ( <i>Note 3</i> )	0.05%
Mr. Tsoon Wai Mun, Benjamin	Share option	500,000 ( <i>Note 3</i> )	0.05%
Mr. Fong Heng Boo	Share option	300,000 ( <i>Note 3</i> )	0.03%

#### Notes:

1. Wisdom Cosmos Limited (“**Wisdom Cosmos**”), a company incorporated in the British Virgin Islands (“**BVI**”), is the beneficial owner of 555,500,000 shares of the Company, representing approximately 59.31% shareholding interests in the Company. The entire issued share capital of Wisdom Cosmos is owned by Eander Limited (“**Eander**”), a company incorporated in the BVI, which is in turn wholly owned by TMF (Cayman) Ltd (“**TMF Trust**”), trustee of the Pak Jeff Trust (“**PJ Trust**”), an irrevocable reserved power trust established by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, TMF Trust and Eander are deemed to be interested in all the shares of the Company registered in the name of Wisdom Cosmos.

In addition, Mr. Tung is the beneficial owner of 3,000,000 of underlying Shares under the share option scheme.

2. The letter “L” denotes long position of the shares of the Company.
3. This refers to the number of underlying Shares covered by its share option scheme.

Save as disclosed herein, as at 31 December 2020, none of the Directors or chief executive of the Company or their associates (as defined in the Listing Rules) had any interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to provisions set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2020, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

<b>Name</b>	<b>Capacity/nature of interest</b>	<b>Number and class of securities interested (Note 1)</b>	<b>Percentage of shareholding</b>
TMF Trust (Note 2)	Trustee	555,500,000 (L)	59.31%
Eander (Note 2)	Interest in a controlled corporation	555,500,000 (L)	59.31%
Wisdom Cosmos (Note 2)	Beneficial owner	555,500,000 (L)	59.31%

Notes:

1. The letter "L" denotes long position of the shares of the Company.
2. Wisdom Cosmos, a company incorporated in the BVI, is the beneficial owner of 555,500,000 shares of the Company, representing approximately 59.31% shareholding interests in the Company. The entire issued share capital of Wisdom Cosmos is owned by Eander, a company incorporated in the BVI, which is in turn wholly owned by TMF Trust, trustee of the PJ Trust, an irrevocable reserved power trust established by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, TMF Trust and Eander are deemed to be interested in all the shares of the Company registered in the name of Wisdom Cosmos.

Save as disclosed above, as at 31 December 2020, the Directors are not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

## **SHARE OPTION SCHEME**

During the year ended 31 December 2020, i) 29,203,000 granted options were outstanding under the share option scheme; ii) 780,000 granted options were exercised; iii) 3,480,000 granted options were lapsed; and iv) no granted options were cancelled.



Save for the grants of share options on 11 September 2017, 14 November 2018 and 15 July 2020 as disclosed in the announcements on the same date respectively, no new share options have been granted nor any existing share option schemes have been adopted by the Company as at 31 December 2020.

#### **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

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

For the year ended 31 December 2020, the Directors are not aware of any business or interest of the Directors, the substantial shareholders of the Company and their respective associates (as defined in the Listing Rules) that competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person has or may have with the Company.

#### **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with provisions set out in Appendix 10 of the Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the year ended 31 December 2020.

#### **CORPORATE GOVERNANCE**

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

The shares of the Company were successfully listed on GEM on 6 July 2017 (the "Listing Date") and transferred to the Main Board on 24 October 2019. To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the year from the Listing Date to 31 December 2020.



## **DIVIDEND POLICY**

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

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

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

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

## **OTHER INFORMATION**

### **Scope of work of Messrs. Deloitte Touche Tohmatsu**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

### **AUDIT COMMITTEE**

The Company established an Audit Committee on 19 June 2017 with written terms of reference in compliance with Rules 3.21 to 3.24 of the Listing Rules and paragraph C.3 of the CG Code as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of the external auditors; review financial statements and oversee the internal control and risk management procedures and systems of the Group. The Audit Committee currently consists of three members, namely Mr. Hung Ka Hai Clement, Mr. Tsoon Wai Mun, Benjamin, and Mr. Loo Yau Soon. The Chairman of the Audit Committee is Mr. Hung Ka Hai Clement.

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

### **ANNUAL RESULTS**

The board of Directors of the Company (the "**Board**") announces the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2020 together with comparative figures for the year ended 31 December 2019. The financial information has been approved by the Board.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<i>NOTES</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Revenue	5		
Interest income from factoring service		<b>443,529</b>	429,214
Income from other services		<b>52,358</b>	21,207
		<hr/>	<hr/>
Total revenue		<b>495,887</b>	450,421
Gain on sales of factoring assets	6	<b>138,233</b>	156,242
		<hr/>	<hr/>
Income from factoring and other services		<b>634,120</b>	606,663
		<hr/>	<hr/>
Other income	7(a)	<b>24,067</b>	37,953
Other gains and losses	7(b)	<b>45,771</b>	(166)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	8	<b>(15,200)</b>	(16,960)
Administrative and other expenses	11	<b>(189,655)</b>	(160,169)
Share of profit of a joint venture		–	1,537
Share of profit of associates		<b>14,706</b>	4,240
Finance costs	9	<b>(126,721)</b>	(110,606)
		<hr/>	<hr/>
Profit before taxation		<b>387,088</b>	362,492
Taxation	10	<b>(49,692)</b>	(67,367)
		<hr/>	<hr/>
Profit for the year	11	<b>337,396</b>	295,125
		<hr/> <hr/>	<hr/> <hr/>

	<i>NOTE</i>	<b>2020</b> <b>RMB'000</b>	2019 RMB'000
<b>Other comprehensive (expense) income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value change, net of ECL and reclassification of fair value through other comprehensive income (“FVTOCI”) reserves upon derecognition, on:			
– factoring assets at FVTOCI		(1,735)	4,582
Income tax relating to items that may be reclassified subsequently		(91)	(984)
Share of other comprehensive income (“OCI”) of a joint venture, net of related income tax		–	32
Share of other comprehensive (expense) income of associates, net of related income tax		(721)	1,423
		<u>          </u>	<u>          </u>
Other comprehensive (expense) income for the year, net of income tax		(2,547)	5,053
		<u>          </u>	<u>          </u>
Total comprehensive income for the year		<u>334,849</u>	<u>300,178</u>
Profit for the year attributable to:			
– Owners of the Company		329,252	280,343
– Non-controlling interests		8,144	14,782
		<u>          </u>	<u>          </u>
		<u>337,396</u>	<u>295,125</u>
Total comprehensive income for the year attributable to:			
– Owners of the Company		327,098	284,148
– Non-controlling interests		7,751	16,030
		<u>          </u>	<u>          </u>
		<u>334,849</u>	<u>300,178</u>
<b>Earnings per share</b>			
	13		
– Basic (RMB cents)		37	32
– Diluted (RMB cents)		37	32
		<u>          </u>	<u>          </u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>NOTES</i>	<b>31/12/2020</b>	31/12/2019
		<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property and equipment		<b>8,042</b>	5,840
Intangible assets		<b>22,218</b>	19,960
Right-of-use assets		<b>24,680</b>	22,147
Factoring assets at FVTOCI	<i>14</i>	<b>14,278</b>	–
Other financial assets at fair value through profit or loss ("FVTPL")	<i>15</i>	<b>74,263</b>	–
Investments in associates	<i>16</i>	<b>150,911</b>	67,580
Prepayments for non-current assets		<b>637</b>	985
Deferred tax assets		<b>25,210</b>	11,319
Refundable rental deposits		<b>3,839</b>	2,788
		<hr/> <b>324,078</b>	<hr/> 130,619
<b>CURRENT ASSETS</b>			
Factoring assets at FVTOCI	<i>14</i>	<b>3,789,922</b>	3,837,348
Derivative financial instruments		<b>790</b>	751
Other financial assets at FVTPL	<i>15</i>	<b>30,878</b>	4,497
Loan receivable		–	9,066
Receivables from guarantee customers		<b>17,052</b>	7,700
Trade receivables		<b>2,733</b>	403
Other receivables, prepayments and others		<b>16,841</b>	16,113
Pledged structured deposit	<i>17</i>	–	9,000
Pledged bank deposits	<i>17</i>	<b>255,489</b>	86,350
Bank balances	<i>17</i>	<b>348,715</b>	377,327
		<hr/> <b>4,462,420</b>	<hr/> 4,348,555

	<i>NOTES</i>	<b>31/12/2020</b> <b>RMB'000</b>	31/12/2019 RMB'000
<b>CURRENT LIABILITIES</b>			
Other payables and accrued charges	<i>18</i>	<b>105,552</b>	73,740
Derivative financial instruments		<b>17,616</b>	2,359
Contract liabilities		<b>1,125</b>	672
Income tax payable		<b>36,679</b>	29,682
Liabilities arising from guarantee contracts	<i>19</i>	<b>29,742</b>	12,050
Borrowings	<i>20(a)</i>	<b>1,475,913</b>	1,867,299
Bank overdraft	<i>20(b)</i>	<b>10,828</b>	17,864
Lease liabilities		<b>11,913</b>	6,613
		<b>1,689,368</b>	2,010,279
<b>NET CURRENT ASSETS</b>		<b>2,773,052</b>	2,338,276
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>13,337</b>	15,448
Deferred tax liabilities		<b>56,449</b>	35,387
		<b>69,786</b>	50,835
<b>NET ASSETS</b>		<b>3,027,344</b>	2,418,060
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>21</i>	<b>8,127</b>	7,636
Reserves		<b>2,907,920</b>	2,281,363
Equity attributable to owners of the Company		<b>2,916,047</b>	2,288,999
Non-controlling interests		<b>111,297</b>	129,061
<b>TOTAL EQUITY</b>		<b>3,027,344</b>	2,418,060

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserves	FVTOCI reserves	Share based-payments reserve	Statutory reserves	Retained profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	7,623	1,615,787	1,547	(1,680)	9,320	44,437	343,147	2,020,181	95,881	2,116,062
Profit for the year	-	-	-	-	-	-	280,343	280,343	14,782	295,125
Other comprehensive income for the year	-	-	-	3,805	-	-	-	3,805	1,248	5,053
Total comprehensive income for the year	-	-	-	3,805	-	-	280,343	284,148	16,030	300,178
Transfer to PRC statutory reserves	-	-	-	-	-	35,565	(35,565)	-	-	-
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	17,150	17,150
Recognition of equity-settled share-based payments	-	-	-	-	10,006	-	-	10,006	-	10,006
Dividends recognised as distribution (note 12)	-	(30,905)	-	-	-	-	-	(30,905)	-	(30,905)
Exercise of share options	13	7,223	-	-	(1,667)	-	-	5,569	-	5,569
At 31 December 2019	7,636	1,592,105	1,547	2,125	17,659	80,002	587,925	2,288,999	129,061	2,418,060
Profit for the year	-	-	-	-	-	-	329,252	329,252	8,144	337,396
Other comprehensive expense for the year	-	-	-	(2,154)	-	-	-	(2,154)	(393)	(2,547)
Total comprehensive income for the year	-	-	-	(2,154)	-	-	329,252	327,098	7,751	334,849
Issue of new shares from placing	484	338,361	-	-	-	-	-	338,845	-	338,845
Transaction costs attributable to issue of new shares from placing	-	(4,770)	-	-	-	-	-	(4,770)	-	(4,770)
Deregistration of subsidiaries	-	-	-	-	-	-	-	-	(19,984)	(19,984)
Transfer to PRC statutory reserves	-	-	-	-	-	4,619	(4,619)	-	-	-
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	(5,531)	(5,531)
Recognition of equity-settled share-based payments	-	-	-	-	5,509	-	-	5,509	-	5,509
Dividends recognised as distribution (note 12)	-	(42,652)	-	-	-	-	-	(42,652)	-	(42,652)
Exercise of share options	7	3,908	-	-	(897)	-	-	3,018	-	3,018
Lapse of share options	-	-	-	-	(805)	-	805	-	-	-
At 31 December 2020	8,127	1,886,952	1,547	(29)	21,466	84,621	913,363	2,916,047	111,297	3,027,344

## CONSOLIDATED STATEMENT OF CASH FLOWS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>OPERATING ACTIVITIES</b>		
Profit for the year	337,396	295,125
Adjustment for:		
Taxation	49,692	67,367
Share of profit of a joint venture	–	(1,537)
Share of profit of associates	(14,706)	(4,240)
Depreciation of property and equipment	2,254	1,563
Depreciation of right-of-use assets	9,970	7,202
Amortisation of intangible assets	5,494	3,641
Impairment losses under ECL model, net of reversal	15,200	16,960
Loss on disposal of equipment	24	5
Loss (gain) on disposal of investments in associates	48	(377)
Rent concessions	(224)	–
Gain from modification of a borrowing	(859)	–
Gain from termination of a lease contract	(26)	–
Gain from changes in fair value of other financial assets at FVTPL	(33,251)	(88)
Net loss arising from changes in fair value of derivative financial instruments	16,127	1,785
Equity-settled share-based payments expense	5,509	10,006
Finance costs	126,721	110,606
Bank interest income	(2,890)	(2,736)
Interest income from a loan receivable	(1,190)	(1,584)
Interest income from loan to an associate	–	(64)
Exchange gain, net	(27,836)	(1,178)
Operating cash flows before movements in working capital	487,453	502,456
Decrease (increase) in factoring assets at FVTOCI	19,583	(1,026,331)
Increase in other financial assets at FVTPL – distressed debt assets	(32,366)	–
Increase in receivables from guarantee customers	(9,548)	(7,801)
Increase in trade receivables	(2,330)	(403)
(Increase) decrease in other receivables, prepayments and others	(3,540)	2,225
Increase in other payables and accrued charges	25,539	17,460
Increase (decrease) in contract liabilities	453	(2,114)
Increase in liabilities from guarantee contracts	10,540	11,258
Cash from (used in) operations	495,784	(503,250)
Enterprise Income Tax paid	(35,615)	(90,986)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>460,169</b>	<b>(594,236)</b>



	<b>2020</b>	2019
	<b>RMB'000</b>	<i>RMB'000</i>
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of other financial assets at FVTPL	<b>41,423</b>	201
Withdrawal of pledged bank deposits	<b>4,700</b>	–
Proceeds on disposal of a loan receivable	<b>11,499</b>	–
Repayment of pledged structured deposits	<b>9,000</b>	–
Proceeds on disposal of investments in associates	<b>5,603</b>	1,600
Dividends received from an associate	<b>4,383</b>	–
Repayment of security deposits for derivative financial instruments	<b>3,550</b>	–
Bank interest income received	<b>2,890</b>	2,736
Refundable rental deposits received	<b>2,295</b>	–
Interest received from a loan receivable	<b>1,410</b>	1,317
Repayment of a loan receivable	<b>1,325</b>	–
Proceeds from disposal of equipment	<b>86</b>	2
Repayments from loans to former shareholder of a subsidiary	–	27,500
Repayments from loans to associates	–	7,350
Interest received from loans to former shareholder of a subsidiary	–	202
Interest received from loans to associates	–	64
Loans to associates	–	(7,350)
Placement of pledged structured deposit	–	(9,000)
Net cash outflow on acquisition of a subsidiary	–	(24,240)
Payments for right-of-use assets	<b>(233)</b>	(345)
Payment for settlement of derivative financial instruments	<b>(909)</b>	(177)
Payments for refundable rental deposits	<b>(1,173)</b>	(3,626)
Payment for purchase of equipment and prepayments of a property	<b>(4,339)</b>	(4,447)
Security deposits paid for derivative financial instruments	<b>(9,187)</b>	(3,550)
Payment for development costs/expenses and purchase of other intangible assets	<b>(7,291)</b>	(10,294)
Net cash outflow arising on disposal of subsidiaries	<b>(19,984)</b>	–
Investment in an associate	<b>(80,000)</b>	(9,000)
Purchases of other financial assets at FVTPL	<b>(76,450)</b>	(4,610)
Placement of pledged bank deposits	<b>(173,839)</b>	(77,586)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(285,241)</b>	(113,253)

	<b>2020</b>	2019
	<b>RMB'000</b>	<b>RMB'000</b>
<b>FINANCING ACTIVITIES</b>		
New borrowings raised	<b>2,090,249</b>	1,991,288
Loans raised from related parties	<b>449,359</b>	666,398
Issue of placing shares	<b>334,075</b>	–
Repayment of security deposits for borrowings	<b>6,296</b>	–
Proceed received on exercise of equity-settled share options	<b>3,018</b>	5,569
Capital contribution from non-controlling shareholders of the subsidiaries	–	17,150
Dividends paid to former shareholder of a subsidiary prior to acquisition	–	(2,721)
Security deposits paid for borrowings	–	(6,296)
Interest paid for bank overdraft	<b>(494)</b>	(361)
Interest paid for lease liabilities	<b>(1,487)</b>	(1,402)
Repayment of lease liabilities	<b>(8,831)</b>	(6,705)
Interest paid for loans from related parties	<b>(8,559)</b>	(11,265)
Dividends paid	<b>(41,650)</b>	(30,905)
Interest paid for borrowings	<b>(123,392)</b>	(85,620)
Repayment of loans from related parties	<b>(449,359)</b>	(647,798)
Repayment of borrowings	<b>(2,473,565)</b>	(1,047,627)
	<u>(224,340)</u>	<u>839,705</u>
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>		
	<u>(224,340)</u>	<u>839,705</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	<b>(49,412)</b>	132,216
Effect of foreign exchange rate changes	<b>27,836</b>	1,178
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>359,463</b>	226,069
	<u>359,463</u>	<u>226,069</u>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by</b>		
	<b>337,887</b>	359,463
	<u>337,887</u>	<u>359,463</u>
Bank balances	<b>348,715</b>	377,327
Bank overdraft	<b>(10,828)</b>	(17,864)
	<u>337,887</u>	<u>359,463</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Sheng Ye Capital Limited (the “Company”) is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s immediate holding company is Wisdom Cosmos Limited. Its ultimate shareholder is Mr. Tung Chi Fung, who is also the Chairman and Executive Director of the Company.

The Company completed transfer of listing of its shares from GEM to the Main Board of the Stock Exchange with effective from 24 October 2019.

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

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

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

#### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*.

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

#### 2.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the financial position and performance of the Group but affect the presentation and disclosures in the consolidated financial statements.

## 2.2 Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained profits at 1 January 2020. A lessor in the PRC provided office premises rent concession to the Group through rent reductions of 100% from February 2020 to April 2020 and 50% from May 2020 to August 2020. The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of RMB224,000, which has been recognised as variable lease payments in profit or loss for the current year.

Except as described above, the early application of Amendment to HKFRS 16 *Covid-19-Related Rent Concessions* has had no other material impact on the amounts reported in the consolidated financial statements for the year ended 31 December 2020.

### New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

#### **Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2**

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;
- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and
- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Group has several London Interbank Offered Rate ("LIBOR"), Hong Kong Interbank Offered Rate ("HIBOR") bank loans which will or may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

#### **Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)**

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

### 4. SEGMENT INFORMATION

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

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

### 5. REVENUE

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

#### Information about major customers

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

	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Customer A	<b>61,928</b>	N/A <sup>1</sup>
Customer B	<b>59,917</b>	N/A <sup>1</sup>

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

(i) *An analysis of the Group's revenue for the reporting period is as follows:*

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income from factoring service	443,529	429,214
Income from other services:		
– Information technology service	25,286	8,355
– Guarantee service	17,324	9,155
– Consulting service	–	661
– Other services	9,748	3,036
	<u>52,358</u>	<u>21,207</u>
	<u>495,887</u>	<u>450,421</u>

(ii) *Disaggregation of revenue from contracts with customers*

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Timing of revenue recognition</b>		
Over time		
– Information technology service	11,981	2,539
– Other services	8,299	2,640
	<u>20,280</u>	<u>5,179</u>
A point in time		
– Information technology service	13,305	5,816
– Consulting service	–	661
– Other services	1,449	396
	<u>14,754</u>	<u>6,873</u>
	<u>35,034</u>	<u>12,052</u>

All the Group's contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and 2019 is not disclosed.

**6. SALES OF FACTORING ASSETS**

For the years ended 2020 and 2019, the Group sold part of factoring assets to certain financial institutions mainly in the PRC. Sales of factoring assets gave rise to full derecognition of the factoring assets pursuant to the terms of sale agreements signed between the Group and relevant financial institutions.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Gain on sales of factoring assets	<u>138,233</u>	<u>156,242</u>

## 7. OTHER INCOME/OTHER GAINS AND LOSSES

### (a) Other income

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Government subsidies	19,942	33,553
Bank interest income	2,890	2,736
Interest income from a loan receivable	1,190	1,584
Interest income from loans to associates	–	64
Others	45	16
	<u>24,067</u>	<u>37,953</u>

### (b) Other gains and losses

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Gain from changes in fair value of other financial assets at FVTPL	33,251	88
Exchange gain, net	27,836	1,178
Gain from modification of a borrowing	859	–
Gain from termination of a lease contract	26	–
Loss on disposal of equipment	(24)	(5)
(Loss) gain on disposal of investments in associates	(48)	377
Net loss arising from changes in fair value of derivative financial instruments	(16,127)	(1,785)
Others	(2)	(19)
	<u>45,771</u>	<u>(166)</u>

## 8. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Impairment losses recognised (reversed) on:		
– Factoring assets at FVTOCI	11,830	11,880
– Financial guarantee contracts	7,152	792
– Loan receivable	(3,978)	4,187
– Receivables from guarantee customers	196	101
	<u>15,200</u>	<u>16,960</u>



**9. FINANCE COSTS**

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on borrowings	<b>116,181</b>	97,302
Interest on loans from related parties	<b>8,559</b>	11,541
Interest on lease liabilities	<b>1,487</b>	1,402
Interest on bank overdraft	<b>494</b>	361
	<hr/> <b>126,721</b> <hr/>	<hr/> 110,606 <hr/>

**10. TAXATION**

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
The charge comprises:		
Current tax		
– PRC Enterprise Income Tax (“EIT”)	<b>38,040</b>	35,995
– Withholding tax levied on interest income of Hong Kong subsidiaries	<b>4,572</b>	4,820
– Withholding tax levied on dividend declared of a PRC subsidiary	<b>–</b>	1,625
	<hr/> <b>42,612</b> <hr/>	<hr/> 42,440 <hr/>
Deferred tax	<b>7,080</b>	24,927
	<hr/> <b>49,692</b> <hr/>	<hr/> 67,367 <hr/>

## 11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Directors' emoluments	<b>6,503</b>	5,536
Other staffs costs (excluding directors' emoluments)		
– Salaries, allowances and other staff benefits, including share option expenses	<b>116,194</b>	82,630
– Staffs' retirement benefit scheme contributions	<b>656</b>	4,201
	<hr/>	<hr/>
Total staff costs	<b>123,353</b>	92,367
Less: amount capitalised in development costs	<b>(5,581)</b>	(9,188)
Less: staff costs recognised as research and development costs in other expenses	<b>(22,577)</b>	(13,596)
	<hr/>	<hr/>
Staff costs recognised in administrative expenses	<b>95,195</b>	69,583
	<hr/>	<hr/>
Total depreciation of property and equipment	<b>2,310</b>	1,694
Less: amount capitalised in development costs	<b>(56)</b>	(131)
	<hr/>	<hr/>
Depreciation of property and equipment recognised in administrative expenses	<b>2,254</b>	1,563
	<hr/>	<hr/>
Depreciation of right-of-use assets recognised in administrative expenses	<b>9,970</b>	7,202
Amortisation of intangible assets recognised in administrative expenses	<b>5,494</b>	3,641
Auditor's remuneration recognised in administrative expenses	<b>2,900</b>	2,520
Covid-19-related rent concessions	<b>(224)</b>	–
Other expenses		
– Research and development costs	<b>23,466</b>	14,269
– Donation	<b>1,060</b>	1,964
	<hr/>	<hr/>
Total other expenses	<b>24,526</b>	16,233
	<hr/> <hr/>	<hr/> <hr/>

## 12. DIVIDENDS

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

	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
2019 final – HK5.3 cents (2019: 2018 final dividend HK4 cents) per share	<u><b>46,694</b></u>	<u>35,154</u>

	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Shown in the consolidated financial statements	<u><b>42,652</b></u>	<u>30,905</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of HK6.3 cents (2019: HK5.3 cents) per ordinary share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting of the Company.

## 13. EARNINGS PER SHARE

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

	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u><b>329,252</b></u>	<u>280,343</u>
	<b>2020</b> <b>'000</b>	2019 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>896,397</b>	879,176
Effect of dilutive potential ordinary shares:		
Share options	<u><b>2,327</b></u>	<u>4,262</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>898,724</b></u>	<u>883,438</u>

#### 14. FACTORING ASSETS AT FVTOCI

	31/12/2020 <i>RMB'000</i>	31/12/2019 <i>RMB'000</i>
Factoring assets at FVTOCI	<u>3,804,200</u>	<u>3,837,348</u>
Analysed for reporting purposes as:		
Current assets	3,789,922	3,837,348
Non-current assets	<u>14,278</u>	<u>–</u>
	<u>3,804,200</u>	<u>3,837,348</u>

As at 31 December 2020, the effective interest rates of the factoring assets range mainly from 5.80% to 17.5% (2019: 5.90% to 18.00%) per annum.

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

	31/12/2020 <i>RMB'000</i>	31/12/2019 <i>RMB'000</i>
<i>Past due by:</i>		
31 – 60 days	1,381	–
61 – 90 days	8,090	–
Over 90 days	<u>11,940</u>	<u>–</u>
	<u>21,411</u>	<u>–</u>

#### 15. OTHER FINANCIAL ASSETS AT FVTPL

	31/12/2020 <i>RMB'000</i>	31/12/2019 <i>RMB'000</i>
Equity tranche	91,980	–
Distressed debt asset	7,782	–
Trust fund	3,374	4,497
Structured deposit	<u>2,005</u>	<u>–</u>
	<u>105,141</u>	<u>4,497</u>
Analysed for reporting purposes as:		
Current assets	30,878	4,497
Non-current assets	<u>74,263</u>	<u>–</u>
	<u>105,141</u>	<u>4,497</u>

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

**16. INVESTMENTS IN ASSOCIATES**

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

	<b>31/12/2020</b>	31/12/2019
	<b>RMB'000</b>	RMB'000
Cost of investments in associates, unlisted	<b>130,000</b>	56,000
Share of post-acquisition profit, net of dividends declared	<b>19,374</b>	9,322
Share of post-acquisition OCI	<b>1,537</b>	2,258
	<u><b>150,911</b></u>	<u>67,580</u>

**17. PLEDGED STRUCTURED DEPOSITS/PLEDGED BANK DEPOSITS/BANK BALANCES**

The ranges of effective interest rates/market rates on the Group's pledged structured deposit/pledged bank deposits/bank balances are as follows:

	<b>Range of interest rates</b>	
	<b>(per annum)</b>	
	<b>31/12/2020</b>	31/12/2019
	%	%
Fixed-rate pledged bank deposits	<b>0–1.28</b>	0–2.40
Market rate bank balances	<b>0–1.73</b>	0–1.73
Fixed-rate pledged structured deposit	<b>N/A</b>	1.66

The pledged structured deposit of HK\$10,000,000 (equivalent to RMB9,000,000) as at 31 December 2019 was released during the year ended 31 December 2020.

**18. OTHER PAYABLES AND ACCRUED CHARGES**

	<b>31/12/2020</b>	31/12/2019
	<b>RMB'000</b>	RMB'000
Accrued charges	<b>43,017</b>	40,661
Other tax payables	<b>30,089</b>	27,197
Settlement payables to factoring customers	<b>18,481</b>	4,994
Deposits from factoring customers	<b>6,440</b>	–
Dividend payable to a non-controlling shareholder of a PRC subsidiary	<b>5,531</b>	–
Dividend payable to shareholders of the Company	<b>1,002</b>	–
Advance receipt from disposal of investment in an associate	<b>–</b>	600
Other payables	<b>992</b>	288
	<u><b>105,552</b></u>	<u>73,740</u>

## 19. LIABILITIES ARISING FROM GUARANTEE CONTRACTS

	31/12/2020			31/12/2019		
	Premium less accumulated amortisation <i>RMB'000</i>	ECL provision <i>RMB'000</i>	Carrying amount <i>RMB'000</i>	Premium less accumulated amortisation <i>RMB'000</i>	ECL provision <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
Loan guarantee contracts in relation to:						
– third parties	16,114	19,614	22,536	8,299	6,276	8,914
– an associate	4,937	959	4,937	2,070	1,069	2,247
Guarantee contracts to suppliers in relation to:						
– non-payment of payables	747	2,269	2,269	889	653	889
	<u>21,798</u>	<u>22,842</u>	<u>29,742</u>	<u>11,258</u>	<u>7,998</u>	<u>12,050</u>

At the end of the reporting period, the directors of the Company has assessed the past due status of the debts under guarantee, the financial position of the debtors as well as the economic outlook of the industries in which the debtors operate, and concluded that there has been no significant increase in credit risk since initial recognition of the guarantee contracts.

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

	31/12/2020 <i>RMB'000</i>	31/12/2019 <i>RMB'000</i>
Loan guarantee contracts in relation to		
– third parties	1,182,907	456,788
– an associate	385,600	270,000
Guarantee contracts to suppliers in relation to non-payment of payables	<u>200,000</u>	<u>46,608</u>
	<u>1,768,507</u>	<u>773,396</u>

## 20. BORROWINGS/BANK OVERDRAFT

### (a) Borrowings

	<b>31/12/2020</b>	31/12/2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Bank borrowings	<b>765,501</b>	469,495
Entrusted loans	<b>124,738</b>	445,376
Bills discounted	<b>30,352</b>	31,107
Other loans	<b>555,322</b>	921,321
	<b><u>1,475,913</u></b>	<u>1,867,299</u>
Secured	<b>1,190,253</b>	560,633
Unsecured	<b>285,660</b>	1,306,666
	<b><u><u>1,475,913</u></u></b>	<u><u>1,867,299</u></u>

### (b) Bank overdraft

As at 31 December 2020, the bank overdraft amounted to HK\$12,865,000 (equivalent to RMB10,828,000), 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 RMB8,419,000).

As at 31 December 2019, the bank overdraft amounted to HK\$19,943,000 (equivalent to RMB17,864,000), 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 structured deposit amounting to HK\$10,000,000 (equivalent to RMB9,000,000).

## 21. SHARE CAPITAL

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

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 1 January 2019, 31 December 2019 and 31 December 2020	<u>5,000,000,000</u>	<u>50,000,000</u>
	Number of shares	Share capital HK\$
<b>Issued:</b>		
At 1 January 2019	878,840,500	8,788,405
Exercise of share options	<u>1,475,500</u>	<u>14,755</u>
At 31 December 2019	880,316,000	8,803,160
Issue of new shares from placing	55,500,000	555,000
Exercise of share options	<u>780,000</u>	<u>7,800</u>
At 31 December 2020	<u>936,596,000</u>	<u>9,365,960</u>
	<b>31/12/2020</b>	31/12/2019
	<b>RMB'000</b>	RMB'000
Shown in the consolidated statement of financial position	<u><b>8,127</b></u>	<u>7,636</u>

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



## **EVENT AFTER THE REPORTING PERIOD**

Save as disclosed in Note 12 of the consolidated financial statements, the Group had no other significant subsequent event after the reporting period.

## **PUBLICATION**

This annual results announcement published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.shengyecapital.com](http://www.shengyecapital.com)) respectively.

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

Hong Kong, 18 March 2021

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

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

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

*Unless otherwise stated, translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 to HK\$1.19 for information purpose only. Such translation should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.*