盛業資本
SHENG YE CAPITAL

盛業資本有限公司
SHENG YE CAPITAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8469

ANNUAL REPORT
2017

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors. Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "Directors") of Sheng Ye Capital Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.

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SUMMARY OF FINANCIAL INFORMATION

	FOR THE YEAR ENDED 31 December 2017 RMB'000	FOR THE YEAR ENDED 31 December 2016 RMB'000	FOR THE YEAR ENDED 31 December 2015 RMB'000
OPERATING RESULTS			
Revenue	157,317	112,791	57,462
Gain on sales of factoring assets	57,967	5,876	—
Subtotal	215,284	118,667	57,462
Profit before tax	133,016	68,172	51,946
Profit for the year	88,807	48,008	36,994
Earnings per share			
– Basic (RMB cents)	14	9	N/A
– Diluted (RMB cents)	14	N/A	N/A

	AS AT 31 December 2017 RMB'000	AS AT 31 December 2016 RMB'000	AS AT 31 December 2015 RMB'000
FINANCIAL POSITION			
Total assets	1,718,821	1,451,337	716,740
Net assets	1,105,278	709,197	661,188

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

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

Non-executive director

Ms. Tung Ching Ching

Independent non-executive directors

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

AUDIT COMMITTEE

Mr. Hung Ka Hai Clement (Chairman)
Mr. Twoon Wai Mun, Benjamin
Mr. Loo Yau Soon

NOMINATION COMMITTEE

Mr. Tung Chi Fung (Chairman)
Mr. Twoon Wai Mun, Benjamin
Mr. Hung Ka Hai Clement

REMUNERATION COMMITTEE

Mr. Loo Yau Soon (Chairman)
Mr. Tung Chi Fung
Mr. Hung Ka Hai Clement

COMPANY SECRETARY

Mr. Lo Wai Hung

AUTHORISED REPRESENTATIVES

Mr. Tung Chi Fung
Mr. Lo Wai Hung

REGISTERED OFFICE

PO Box 1350, Clifton House, 75 Fort Street
Grand Cayman KY1-1108, Cayman Islands

COMPANY'S WEBSITE ADDRESS

www.shengyecapital.com

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS

10/F, Kerry Plaza Tower 2
1-1 Zhong Xin No. 4 Road
Futian, Shenzhen 518048, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 4206, 42/F, Tower 1, Lippo Centre
89 Queensway, Admiralty, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
PO Box 1350, Clifton House, 75 Fort Street
Grand Cayman KY1-1108, Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

COMPLIANCE ADVISER

Dakin Capital Limited
Room 2701, 27/F, Tower 1, Admiralty Centre
18 Harcourt Road, Admiralty, Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway, Hong Kong

LEGAL ADVISER

TC & Co.
Units 2201-3, Tai Tung Building
8 Fleming Road, Wan Chai, Hong Kong

STOCK CODE

8469

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors of Sheng Ye Capital Limited, together with its subsidiaries ("the Group"), I hereby present to shareholders the annual results of the Group for the year ended 31 December 2017.

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

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

As at the end of 2017, total assets of the Group reached approximately RMB1,719 million, up by 18.4% against the beginning of the year. Income from factoring business and net profit attributable to shareholders of the Company amounted to approximately RMB215.3 million and RMB88.8 million for the year, up impressively by approximately 81.4% and 85.0%, respectively.

Looking forward at 2018, we will continue to capitalise on our strengths and core competencies in conducting business. At the same time, we will continue to develop our online factoring platform and enhance risk management. With its advanced online factoring platform "Sheng Yi Tong" (or 盛易通) and a professional risk management mechanism, the Group is able to standardise its financial products and customise solutions and offers customers with integrated factoring services, account receivable financing, account receivable management services, credit evaluation, among others, helping them secure funding in their different stages of development.

Lastly, on behalf of the board, I would like to extend my gratitude to all shareholders and partners for their continuous support. My heartfelt appreciation also goes to all employees for their commitment and contribution to the Group. We, at Sheng Ye Capital, are committed to achieving sustainable growth of our business and creating ever greater value for all our shareholders and partners in the long run.

Sheng Ye Capital Limited
Tung Chi Fung
Chairman and Executive Director

Executive Director

Mr. Tung Chi Fung, aged 31, is the founder of the Group. He was appointed as an executive Director and the Chairman of our Board on 4 March 2017. Mr. Tung is the compliance officer and authorised representative of our Group. He is also the Chairman of the Nomination Committee and a member of the Remuneration Committee of our Group. Further, Mr. Tung is one of the four members of the risk management committee of SY Factoring Limited ("SYF").

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), member of The Lok Sin Tong Benevolent Society Kowloon (a non-profit making organisation in Hong Kong) and committee member of Singapore Management University International Advisory Council (a voluntary organisation to a University in Singapore).

Mr. Chen Jen-Tse, aged 47, is our executive Director since 4 March 2017 and has been the deputy general manager of SYF since July 2014. Mr. Chen is one of the four members of the risk management committee of SYF and is responsible for reviewing and approving certain high risk factoring transactions.

Mr. Chen has over 18 years of experience in the factoring industry. Prior to joining our 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.

Non-executive Director

Ms. Tung Ching Ching, aged 29, has over five years of experience in financial services industry. She has been holding directorship in Winson Oil Bunkering Pte. Ltd. since February 2017 and she is responsible for developing business strategies for the company. During the period of September 2013 to April 2016, she served as the director of a Hong Kong private company engaged in oil trading and her responsibilities included overseeing its financial operations, and development of financial and risk management strategies. Since March 2014, she has been the director of a Hong Kong private company engaged in financial services where she is responsible for overseeing daily operations, internal compliance and workflow, and developing operational best practices and productivity improvement programmes. She is the sister of Mr. Tung Chi Fung, the controlling shareholder, the executive Director, and the chairman of the Board of Directors of the Company.

Independent non-executive Directors

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

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

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

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

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

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

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

Mr. Twoon Wai Mun, Benjamin, aged 29, is our independent non-executive Director. He was appointed as a member of each of the Audit Committee and the Nomination Committee since 6 July 2017. Mr. Twoon's experiences include financial services, corporate finance and financial technology. He was as a management associate at Citibank N.A. (Singapore) from July 2013 to September 2014, where he worked on the landmark Citi-AIA joint venture, as well as the implementation of productivity initiatives across the Bank's branches in the region. From September 2014 to April 2015, Mr. Twoon worked as a business development (M&A) executive in Pavilion Energy Management Pte Ltd., in Singapore, where he was responsible for the evaluation and management of investments in the oil and gas industry in various countries, formulating investment strategies and identifying potential acquisition targets. Mr. Twoon is currently the co-founder and chief operating officer of a licensed regional Fintech platform, Fundnel Pte Limited, since July 2015, and he is responsible for investments, business development and overseeing the operations of the company in 6 markets. Mr. Twoon is also a non-executive Director of Anthill Capital Pte Ltd since May 2016, a regional investment and incubation platform, where he is responsible for evaluation of investments and syndication efforts across technology-related opportunities across Asia. In May 2017, Mr. 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 sits on the Remuneration Committee and he is involved in the development of business and growth strategies, as well as frameworks for corporate governance.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

FINANCIAL REVIEW

Revenue

The Group earns most of its revenue from the provision of factoring services to customers in the PRC. For the year ended 31 December 2017, the Group made revenue of approximately RMB157.3 million, representing an increase of approximately 39.5% (For the year ended 31 December 2016: RMB112.8 million). The increase in revenue was owed mainly to an expanded factoring business supported by major portion of the proceeds from the listing of the Company in July 2017.

Income from factoring services increased by approximately 28.9% from RMB111.8 million for the year ended 31 December 2016 to RMB144.1 million for the year ended 31 December 2017. Income from guarantee and other services for the year ended 31 December 2017 amounted to RMB13.2 million, an increase of approximately 1,220.0% when compared with last year (For the year ended 31 December 2016: RMB1.0 million).

Gain on sales of factoring assets

The Group may sell rights of factoring assets as a way to improve cash flow and manage its factoring receivables portfolio. Gain from this business segment is equal to the excess of the consideration received and receivable over the carrying amount of the factoring assets. The increase in gain on sales of factoring assets was up by approximately 883.1%, from RMB5.9 million for the year ended 31 December 2016 to RMB58.0 million for the year ended 31 December 2017. The increase was attributable mainly to the climb in market demand for factoring assets. None of the factoring assets sold to independent third parties involves non-performing assets.

Other income

Other income mainly comprises government subsidies, investment income from structured deposits and bank interest income. For the year ended 31 December 2017 and 2016, the Group's other income was approximately RMB10.2 million and RMB11.3 million, respectively, representing a decrease of approximately 9.7%. The decrease was mainly attributable to the decrease in government subsidies received in 2017.

Other losses, net

Net other losses mainly include exchange differences and loss on disposal of equipment. For the year ended 31 December 2017, other losses of RMB2.2 million were recorded (For the year ended 31 December 2016: RMB0.7 million).

Staff cost and other operating expenses

Staff cost and other operating expenses mainly comprise staff salaries and benefits, rental expenses, legal and professional fees, depreciation of equipment and other miscellaneous. Staff cost and other operating expenses for the year ended 31 December 2017 were RMB43.8 million, representing an increase of 76.6%, which was mainly attributable to the increase in staff cost, marketing expenses and professional fee incurred as a result of business expansion.

Listing expenses

The Group recorded one-off listing expenses of approximately RMB8.1 million during the year (For the year ended 31 December 2016: RMB5.8 million).

Impairment allowances on factoring assets and security deposits for guarantee

The expenses of impairment allowances on factoring assets and security deposits for guarantee for the year ended 31 December 2017 amounted to RMB2.1 million, represents the increase of impairment allowance on factoring assets and security deposits for guarantee from approximately RMB15.4 million as at 31 December 2016 to RMB17.5 million as at 31 December 2017. The increase was a result of business growth and increase in factoring assets and security deposits for guarantee of the Group.

Share of loss of a joint venture

The Group shared the loss of a joint venture of RMB0.2 million for the year ended 31 December 2017 (For the year ended 31 December 2016: Nil).

Finance costs

Finance cost is mainly the interest expenses of borrowings from financial institutions. For the year ended 31 December 2017, finance cost was RMB36.2 million, representing a 66.1% increase (For the year ended 31 December 2016: RMB21.8 million). The increase in finance cost was in line with the increase in borrowings taken out by the Group to finance expansion of business operations.

Profit before taxation

As a result of the foregoing, the Group's profit before taxation increased by approximately 95.0%, to approximately RMB133.0 million in 2017 (For the year ended 31 December 2016: RMB68.2 million). Profit before taxation accounted for approximately 61.8% and 57.5% of the Group's income from factoring business in 2017 and 2016, respectively.

Taxation

Income tax expenses represent the tax expense arising from the assessable profit generated by the Group in the PRC and deferred tax. PRC enterprise income tax is calculated at 25% of the estimated assessable profits for both years ended 31 December 2017 and 2016.

For the year ended 31 December 2017, income tax expenses amounted to approximately RMB44.2 million (For the year ended 31 December 2016: RMB20.2 million).

Dividend

The Board does not recommend payment of a final dividend for the year ended 31 December 2017.

Capital structure, liquidity, financial resources and gearing

During the year ended 31 December 2017, the Group's main source of funds was the cash generated from daily operation, new borrowings and proceeds of the global offering (the "Global Offering"). As at 31 December 2017, the Group had bank balances and cash of RMB174.3 million (31 December 2016: RMB104.3 million), of which 98.7% and 1.3% were denominated in RMB and HK dollars respectively.

As at 31 December 2017, the Group had interest-bearing borrowings, amounted to RMB482.3 million (31 December 2016: RMB142.5 million). Its gearing ratio, expressed as total liabilities over owner's equity was 0.6 as at 31 December 2017 (31 December 2016: 1.0).

Global offering

In July 2017, the Company was listed on the GEM of the Stock Exchange, marking yet another milestone of its business development and gaining access to the international capital market. The listing proceeds received will enable the Group to enhance its profile, strengthen its financial position and competitiveness.

Use of proceeds

The net proceeds from the offering of shares of the Company by way of Global Offering were approximately HK$334.6 million (equivalent to RMB295.3 million), based on the global offering price of HK$2.0 per Share and the actual listing expenses. The listing proceeds have been and will be used for the purposes stated in the future plans of the Company as set out in the Prospectus. The use of the net proceeds between the Global Offering between the date of listing (the "Listing Date") and 31 December 2017 was as follows:

Use of proceeds	Planned use of proceeds as stated in the Prospectus		Actual use of proceeds between the Listing Date and 31 December 2017
	HK$ million	RMB million	RMB million
Expanding our factoring operations	297.8	262.8	262.8
Repaying loan from a financial institution	33.5	29.6	29.6
Developing our online factoring platform and upgrading our financial reporting system	3.3	2.9	1.9
Total net proceeds	334.6	295.3	294.3

The unused net proceeds have been placed as interest bearing deposits with licensed banks in PRC.

Capital commitments

As at 31 December 2017, the Group did not have any material capital commitments related to purchase of equipment (31 December 2016: RMB0.1 million).

Contingent liabilities

As at 31 December 2017, the Group did not have any material contingent liabilities or guarantees.

Pledge of assets

As at 31 December 2017, none of the Group's assets had been pledged to any financial institution for facilities.

Significant investment held by the Group

As at 31 December 2017, the Group had not make any significant investments.

Future plan for material investments and capital assets

The Group intends to expand and develop its internet financial services with the aim of becoming a Fintech service provider for enterprises. To this end, the Group will keep on developing and enhancing the capabilities and functions of its online platform.

Foreign exchange risks

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

Employees and remuneration policy

As at 31 December 2017, the Group had a total of 79 staffs (31 December 2016: 53 staffs). Total staff costs (including Directors' emoluments) were approximately RMB25.8 million and total share option benefits for employees were RMB2.4 million for the year ended 31 December 2017 (For the year ended 31 December 2016: RMB16.6 million and nil, respectively). Staff remuneration is determined by reference to market conditions and the performance, qualifications and experience of individual employees. Year-end bonuses based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to the statutory mandatory provident fund scheme for employees in Hong Kong and to social insurance and housing provident funds for employees in the PRC.

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

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

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

EVENT AFTER THE REPORTING PERIOD

A. In January 2018, the Group entered into an agreement and disposed of its 80% investment in Shenzhen Sheng Ye Non-Financing Guarantee Limited, a directly wholly-owned subsidiary of the Group, to independent third parties at consideration of RMB24,000,000.

B. The Group issued the asset-backed securities which are backed by the factoring assets with a principal amount of RMB300,000,000 on 16 March 2018 and Shanxi Securities Co., Ltd. is the manager of the issue.

To enhance transparency and to safeguard the interests of the shareholders of the Company, the Board is committed to maintaining high standard of corporate governance. To accomplish these objectives, the Group has established policies and procedures to comply with the principles and code provisions (the "**Code Provisions**") set out in the Corporate Governance Code (the "**CG Code**") of the GEM Listing Rules. The Board regularly monitors and reviews the Group's progress in respect of corporate governance practices to ensure compliance.

As the shares of the Company were successfully listed on the GEM on 6 July 2017 (the "**Listing Date**"), the CG Code was not applicable to the Company for the period from 1 January 2017 to 5 July 2017, being the date immediately before the Listing Date. Save as disclosed in the paragraphs headed "Chairman and the Chief Executive Officer" (Code Provision A.2.1) below, the Company had complied with all applicable Code Provisions as set out in the CG Code during the period from the Listing Date to 31 December 2017 (the "**Relevant Period**").

Code of Conduct Regarding Directors' Securities Transactions

The Company has adopted a code of conduct for securities transactions by Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules (the "Code"). The Company had made specific inquiry with all the Directors, and the Company has not been notified of any non-compliance with the required standard of dealings and the Code by the Directors during the Relevant Period.

Board of Directors

Responsibilities

The Company aims to establish and maintain a competent and independent Board to supervise the Group's business. The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's missions and standards and ensures that the requisite financial and human resources support are in place for the Group to achieve its objectives.

The Board has established Board committees and has delegated to these committees various responsibilities as set out in their respective terms of reference. The Board may from time to time delegate certain functions to senior management of the Group if and when considered appropriate. The management of day-to-day operation of the Group's businesses and implementation of the business plans, strategies and policies adopted by the Board has been delegated to the senior management of the Group.

The main functions performed by the Board include but are not limited to the following matters:

- Formulate the Group's strategy and direction and monitor the implementation thereof;
- Decide all material contracts, acquisitions, investments, divestments, disposals of assets or any significant capital expenditure;
- To review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- Develop, monitor and review the Group's corporate governance practices and the effectiveness of the Group's financial controls, internal control and risk management systems;
- Approve the Group's annual, interim and quarterly financial statements, reports, announcements and other disclosures required under the GEM Listing Rules;

- To review and monitor the training and continuous professional development of Directors and senior management;
- Appoint or removal of Directors and senior management; and
- Monitor the performance of the management.

Composition

As at 31 December 2017 and up to the date of this report, the Board comprises of two Executive Directors, one Non-executive Director and three Independent Non-executive Directors ("**INEDs**"), details are as follows:

Executive Directors

Mr. Tung Chi Fung (Chairman) (appointed as director on 29 December 2016 and re-designated as Executive Director on 4 March 2017)

Mr. Chen Jen-Tse (appointed on 4 March 2017)

Non-executive Director

Ms. Tung Ching Ching (appointed on 8 December 2017)

Independent Non-executive Directors

Mr. Hung Ka Hai, Clement (appointed on 19 June 2017)

Mr. Loo Yau Soon (appointed on 19 June 2017)

Mr. Twoon Wai Mun, Benjamin (appointed on 19 June 2017)

Biographical information of each of the Directors are set out in the section headed "Biographies of the Directors" of this Annual Report.

Except for Ms. Tung Ching Ching who is the younger sister of Mr. Tung Chi Fung, the Chairman and an Executive Director, save as disclosed herein, which to the best knowledge of the Company, there is no other relationship (including financial, business, family or other material/relevant relationship(s) among the members of the Board.

In compliance with Rule 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules, the Company has appointed three INEDs, representing one-half of the Board and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise.

The INEDs are responsible for making independent judgment on the issues relating to the strategy, performance, conflict of interest and management process of the Group to ensure that the interest of the shareholders as whole have been duly considered. Furthermore, in accordance with the requirement of the GEM Listing Rules, the Audit Committee was chaired by an Independent Non-executive Director with the appropriate accounting qualification and professional experience.

The Company has received from each INED an annual confirmation of his independence, and the Company has assessed and considered such Directors to be independent in accordance with each and the various guidelines set out in Rule 5.09 of the GEM Listing Rules.

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. In designing the Board's composition, a number of perspectives which include gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted of the candidate 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.

Directors' and Officers' Liability Insurance

The Company has arranged appropriate insurance cover in respect of potential legal action against its Directors and officers arising out of corporate activities of the Group.

Training and Support for Directors

Each newly appointed Director will receive a formal, comprehensive and tailored-made induction on the first occasion of his/her appointment to ensure that he/she has a thorough understanding of the Company's operations and business and is fully aware of a director's duties and responsibilities under the Company's articles of association, the GEM Listing Rules, legal and other regulatory requirements and the Company's business policies and governance policies.

Pursuant to Code Provision A. 6.5. of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the Relevant Period, all Directors have participated in appropriate continuous professional development including reading regulatory updates in relation to the Group's business, attending internal briefing sessions and reading materials relevant to directors' duties and responsibilities.

Board Meetings and Directors' Attendance Records

The Board has been scheduled to meet at least four times a year at approximately quarterly intervals with at least 14 days' notice given to the Directors. For all other board meetings, Directors were given reasonable notice.

All Directors are provided with adequate information before the meetings. To enable the Directors to have a good understanding on the issues which will be discussed at the Board meeting and to make informed decisions, an agenda and the accompanying Board papers together with all relevant information will be sent to all the Directors at least three days before the intended date of each regular Board meeting. The Directors are allowed to include any other matters in the agenda that is required for discussion and decision at the meeting. The initial draft of the minutes of Board meeting are sent to the Directors for review and provide comments; and the final draft of the minutes will be sent to the Directors for signature and for the Company's records.

The Directors may participate in Board meetings either in person or through electronic means of communication. The Directors have separate and independent access to the Company Secretary and the management from time to time. The minutes of Board meetings are kept by the Company Secretary, and such minutes are opened for inspection at any reasonable time on reasonable notice by the Directors.

During the relevant Period, 4 Board meetings were held at which the Directors discussed and approved, amongst other matters, the Group's interim and quarterly reports, results announcements, grant of share option to the eligible director and staffs according to the share option scheme and appointment of a Non-executive Director.

The attendance of each Director at Board meetings during the Relevant Period is set out below:

Name of Directors	Number of Attendance/Number of Board Meeting
Executive Directors	
Mr. Tung Chi Fung (Chairman)	4/4
Mr. Chen Jen-Tse	4/4
Non-executive Director	
Ms. Tung Ching Ching (appointed on 8 December 2017)*	0/0
Independent Non-executive Directors	
Mr. Hung Ka Hai, Clement	4/4
Mr. Loo Yau Soon	4/4
Mr. Twoon Wai Mun, Benjamin	4/4

* No Board meeting was held from 8 December 2017 to 31 December 2017

Appointment and Re-election of Directors

All Directors are appointed for a specific term under their service contracts and every Director is subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the articles of association of the Company.

Article 108 of the articles of association of the Company provides that at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Under Article 112 of the articles of association of the Company, any Director appointed by the Board to fill a casual vacancy or as an additional Director shall hold office only and until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Each of Mr. Tung Chi Fung, the Chairman and an Executive Director, and Mr. Chen Jen-Tse, an Executive Director has entered into a service contract with the Company for an initial fixed term of three years commencing from the Listing Date subject to termination in accordance with the terms of the service contract, by not less than three months' notice in writing served by either party.

Ms. Tung Ching Ching, a Non-executive Director, has entered into a letter of appointment with the Company for a term of three years unless terminated by either party giving not less than one month's notice in writing served by either party.

Each of the three INEDs, Mr. Hung Kai Hai, Clement, Mr. Loo Yau Soon and Mr. Twoon Wai Mun, Benjamin were all appointed by way of a formal appointment letter for a term of three years unless terminated by either party giving not less than one month's notice in writing on the other.

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Chairman and Chief Executive Officer

According to the Code Provision A.2.1 of the CG Code, the roles of the Chairman and the Chief Executive Officer (the "CEO") should be separate and performed by different individuals to ensure a balance of power and authority so that power is not concentrated in any one individual. The Group deviates from Code Provision A.2.1. of the CG Code as only Mr. Tung Chi Fung has been appointed as the chairman of the Board and no CEO has been appointed by the Company.

The Board is of the view that such non-compliance of the Code Provision A.2.1. does not compromise accountability and independent decision making for the following reasons:

– The three INEDs form half of the six-member Board;

– The majority of the members of the Audit Committee, the Remuneration Committee and the Nomination Committee are INEDs; and

– The INEDs could have free and direct access to the Company's external auditors and independent professional advisers where necessary.

Mr. Tung Chi Fung is continuously dedicated to contribute to the growth and profitability of the Group. The Board considered it to be more efficient for the Group to have an executive chairman, who provides the Board with a strong and consistent leadership to guide discussions and briefs the Board in a timely manner on pertinent issues and progress, facilitate open dialogue between the Board and the management, thus it is in the best interests of the Group. Save as disclosed above, the Company complied with the code provisions of the Code since the Listing Date.

Board Committees

The Board has established three board committees (the "Board Committees"), namely the Audit Committee, the Remuneration Committee and the Nomination Committee, with defined terms of reference explaining their respective roles and the authority delegated by the Board. These defined terms of reference are available on the websites of the Company and the GEM.

The Board Committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice, at the Company's expenses.

Audit Committee

The Company established an Audit Committee on 19 June 2017 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3 of the CG Code as set out in Appendix 15 of the GEM Listing Rules. The written terms of reference of the Audit Committee are available on the website of the Company and the Stock Exchange.

The Audit Committee comprises of three INEDs, namely Mr. Hung Ka Hai, Clement, Mr. Loo Yau Soon and Mr. Twoon Wai Man, Benjamin. Mr. Hung Ka Hai, Clement is the chairman of the Audit Committee who has appropriate professional qualifications and experience in accounting matters.

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.

For the period from 19 June 2017 (date of establishment of the Audit Committee) to 31 December 2017, two meetings were been held by the Audit Committee, at which the Audit Committee reviewed the Group's unaudited consolidated financial statements for the interim period ended 30 June 2017 and the nine months ended 30 September 2017.

The attendance record of each member at the Audit Committee Meetings held during the Relevant Period is set out below:

Name of Directors	Number of Attendance/Number of Audit Committee Meeting
Mr. Hung Ka Hai, Clement	2/2
Mr. Loo Yau Soon	2/2
Mr. Twoon Wai Mun, Benjamin	2/2

There was no disagreement between the Board and the Audit Committee during the Relevant Period.

At the Audit Committee Meeting held on 23 March 2018, all the members of the Audit Committee reviewed the Company's audited consolidated financial statements for the year ended 31 December 2017, including the accounting principles and practice adopted by the Group, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report, the effectiveness of the Group's internal control and risk management systems and recommended to the Board for consideration the reappointment of Deloitte Touche Tohmatsu as the Company's independent external auditors at the forthcoming Annual General Meeting. The Board is not aware of any material uncertainties relating to events or conditions which may cost significant doubt upon the ability of the Company to continue as a going concern basis.

Remuneration Committee

The Company established the Remuneration Committee on 19 June 2017 with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules and paragraph B.1 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The written terms of reference of the Remuneration Committee are available on the website of the Company and the Stock Exchange.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance-based remuneration and ensure none of the Directors determine their own remuneration.

The Remuneration Committee currently consists of three members, namely Mr. Loo Yau Soon (Chairman), Mr. Hung Ka Hai, Clement and Mr. Tung Chi Fung.

For the period from 19 June 2017 (date of establishment of the Remuneration Committee) to 31 December 2017, one meeting was held by the Remuneration Committee on 11 September 2017, which was related to the grant of share option to the eligible director and staffs according to the share option scheme of the Company adopted on 19 June 2017.

The attendance record of each member at the Remuneration Committee Meeting held during the Relevant Period is set out below:

Name of Directors	Number of Attendance/Number of Remuneration Committee Meeting
Mr. Loo Yau Soon	1/1
Mr. Tung Chi Fung	1/1
Mr. Hung Ka Hai, Clement	1/1

Apart from the meeting mentioned above, the Company did not hold any Remuneration Committee Meeting during the year.

Nomination Committee

The Company established the Nomination Committee on 19 June 2017 with written terms of reference in compliance with paragraph A.5 of the CG Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The written terms of reference of the Nomination Committee are available on the website of the Company and the Stock Exchange.

The Nomination Committee currently consists of three members, namely Mr. Tung Chi Fung (Chairman), Mr. Hung Ka Hai, Clement and Mr. Twoon Wai Mun, Benjamin.

The primary duties of the Nomination Committee are to (i) review the structure, size and composition of the Board on a regular basis; (ii) identify individuals suitably qualified to become Board members; (iii) assess the independence of INEDs; (iv) make recommendations to the Board on relevant matters relation to the appointment or re-appointment of Directors; and (v) review the board diversity policy, as appropriate, review the measurable objectives that the Board has set for implementing the board diversity policy, and progress on achieving the objectives, and make recommendations to the Board on any of the aforesaid matters, and make disclosure of its review results in the Corporate Governance Report of the Company annually.

For the period from 19 June 2017 (date of establishment of the Nomination Committee) to 31 December 2017, one meeting was held by the Nomination Committeeon on 8 December 2017, which Ms. Tung Ching Ching was appointed as Non-executive Director of the Group on the same day.

The attendance record of each member at the Nomination Committee Meeting held during the Relevant Period is set out below:

Name of Directors	Number of Attendance/Number of Nomination Committee Meeting
Mr. Tung Chi Fung	1/1
Mr. Hung Ka Hai, Clement	1/1
Mr. Twoon Wai Mun, Benjamin	1/1

Save as the above, the Company did not hold any other Nomination Committee Meeting during the year.

Auditors' Remuneration

The Company has appointed Deloitte Touche Tohmatsu as its external auditors for the year ended 31 December 2017. Details of the fees paid/payable to Deloitte Touche Tohmatsu during the year are as follows:

	RMB'000
Audit services	1,380
Review of interim financial information	300
Subtotal	1,680
Others	420
Total	2,100

Financial Reporting

The Directors acknowledge their responsibility for the preparation of financial statements for the relevant accounting period which give a true and fair view of the Group's financial position, results of operations and cash flows. In preparing the financial statements for the year ended 31 December 2017, the Directors have applied all the applicable accounting policies, adopted the appropriate accounting standards and prepared the accounts on a going concern basis.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The responsibilities of the Group's external auditors, Deloitte Touche Tohmatsu, on the Company's consolidated financial statements are set out in the Independent Auditor's Report on pages 33 to 106 of this Annual Report.

Company Secretary

Mr. Lo Wai Hung ("Mr. Lo") was appointed as the Company Secretary of the Company on 4 March 2017. Mr. Lo had been informed of the requirement of Rule 5.15 of the GEM Listing Rules and he confirmed that he had attained no less than 15 hours of relevant professional training during the Relevant Period.

Shareholders' Rights

Procedures for shareholders to convene an extraordinary general meeting ("EGM")

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

Procedures for shareholders to send enquiries to the Board

Shareholders can direct their questions to Tricor Investor Service Limited, the Company's branch registrar and transfer office in Hong Kong, about their shareholdings.

Shareholders may also raise quests, request for publicly available information provide comments and suggestions to the Directors and management of the Company. Such questions, requests, comments and suggestions can be addressed to the Company by post to the Company's office in Hong Kong at "Room 4206, 42/F, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong"or via email to ir@shengyecapital.com for the attention of the Company Secretary.

Procedures for shareholders to put forward proposals at shareholders' meetings

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the articles of association, shareholders who wish to move a resolution may by means of requisition convene an EGM following the procedures set out above.

Constitutional Documents

Save for the adoption of a new memorandum and articles of association of the Company by a special resolution passed on 19 June 2017, there was no change in the Company's constitutional documents during the year ended 31 December 2017. A copy of the memorandum and articles of association has been posted on the websites of the Stock Exchange and the Company.

Investor Relation

To ensure timely, transparent and accurate communications between the shareholders of the Company (the "**Shareholders**") and the Company, information is communicated to the Shareholders mainly through the Company's interim reports, quarterly reports and annual reports, annual and extraordinary general meetings, as well as circulars and announcements published on the website of the Stock Exchange (www.hkexnews.hk) and on the Company's website (www.shengyecapital.com).

The annual general meetings and other general meetings of the Company are the primary communication forum between the Company and the Shareholders. Shareholders are encouraged to participate in general meetings physically or to appoint proxies to attend vote at such meetings for and on their behalf it they are unable to attend.

Board meetings, in particular, the chairman of the Board Committees or their delegates, appropriate senior executives and the external auditors will attend the general meetings to answer the Shareholders' questions.

The chairman of the general meetings will propose to vote the resolutions (except resolutions which relate purely to procedural or administrative matters) by poll in accordance with the articles of association of the Company. Scrutineer will be appointed for the vote-taking at the general meetings and the voting results will be published on the website of the Stock Exchange (www.hkexnews.hk) and on the Company's website (www.shengyecapital.com) subsequent to the close of the general meetings.

Risk Management and Internal Control

The Board recognises its responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group conducts periodic review on the overall adequacy and effectiveness of the Group's risk management and internal control systems, which cover financial, operational and compliance controls, to safeguard the Shareholders' investment and the Group's assets. A system of risk management and internal control procedures are designed to manage, but not eliminate, the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against the risk of material misstatement, fraud or loss.

The Board has delegated to the Audit Committee its responsibility (with relevant authorities) of risk management and internal control. Consequently, the Audit Committee is responsible for the design, implementation and monitoring of the risk management and internal control systems. The management would report to the Audit Committee any identified deficiencies from time to time.

The Board, through the Audit Committee, reviews the risk management and internal controls annually. The Audit Committee has conducted a review of, and is satisfied with the effectiveness and adequacy of the risk management and internal control systems for the year ended 31 December 2017.

Handling and Dissemination of Inside Information

The Company has established and maintained procedures and internal controls for the handling and dissemination of inside information. The Company has adopted a code of conduct for dealing in the securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the GEM Listing Rules will be announced on the respective websites of the Stock Exchange and the Company in due course.

The directors of the Company (the "Directors") are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2017 (the "Reporting Period").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are provision of factoring in the PRC. We are a specialised enterprise financial services provider offering accounts receivable financing and other related solutions, mainly in the energy, construction and medical sectors.

FINANCIAL SUMMARY

A summary of the Group's financial performance for the last three financial years are set out on page 2 of this annual report. This summary does not form part of the audited consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 are set out on pages 38 to 106 of this annual report.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

SUBSIDIARIES

Details of our Company's principal subsidiaries as at 31 December 2017 are set out in note 35 to the financial statements.

SHARE CAPITAL AND SHARE OPTION

Details of movements in the share capital and share options of the Company during the year are set out in notes 27 and 30, respectively, to the financial statements.

RESERVES

Details of movements in the reserves of the Company during the year ended 31 December 2017 is set out in note 38 to the consolidated financial statements.

MAJOR CUSTOMERS

For the year ended 31 December 2017, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue	
– The largest customer	19.1%
– The total of five largest customers	60.4%

As far as the Directors aware, neither the Directors nor their associates nor any shareholders (which to the knowledge of Directors own more than 5% of the Company's issued share capital) had any interest in the five largest customers of the Group.

GLOBAL OFFERING

The Company completed its global offering and the shares were first listed on the GEM Board of the Stock Exchange on 6 July 2017. Net proceed from the global offering was approximately HK$334.6 million (after deducting all listing related expenses specifically to the issue of new shares in the listing and expenses relating generally to the listing of all the shares of the Company, whether existing or new). Please refer to the "Management Discussion and Analysis" section in this annual report for more details of the use of proceeds as at 31 December 2017.

DIRECTORS AND SERVICE CONTRACTS

As at 31 December 2017 and up to the date of this report, the Board comprises of two Executive Directors, one Non-executive Director and three INEDs, details are as follows:

Executive Directors

Mr. Tung Chi Fung (Chairman) (appointed as director on 29 December 2016 and re-designated as Executive Director on 4 March 2017)

Mr. Chen Jen-Tse (appointed on 4 March 2017)

Non-executive Director

Ms. Tung Ching Ching (appointed on 8 December 2017)

Independent Non-executive Directors

Mr. Hung Ka Hai, Clement (appointed on 19 June 2017)

Mr. Loo Yau Soon (appointed on 19 June 2017)

Mr. Twoon Wai Mun, Benjamin (appointed on 19 June 2017)

Biographical information of each of the Directors are set out in the section headed "Biographies of Directors" of this Annual Report.

All Directors are appointed for a specific term under their service contracts and every Director is subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the articles of association.

Each of the Non-executive Directors and INEDs has been appointed for a fixed term of three years and shall be subject to retirement, re-election and removal in accordance with the articles of association.

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, to the best knowledge of the Directors, the Group has complied with all the relevant laws and regulations that have a significant impact on the Group.

RELATIONSHIPS WITH STAKEHOLDERS

Employees are the assets of the Group. The Group provides competitive remuneration package and a pleasant workplace environment to attract and motivate the employees. An annual performance evaluation will be conducted annually based on individual's contributions and achievements throughout the year and the Group will make necessary adjustments based on the result of the performance evaluation. The Group provides periodical trainings for staff to keep them abreast of the latest developments in the market and industry, in the form of both internal trainings and trainings provided by experts from external organisations.

The Group understands the importance of maintaining a good relationship with our business partners, including the customers, bankers and other financial institutions. The Group believes that a healthy relationship can be build up by providing enhanced services to the customers, maintaining an effective communication channel to the employees and our business partners.

The Group engaged professional services on investor relationship from service provider for advising and promoting professional communication with existing and potential investors.

EQUIPMENT AND INTANGIBLE ASSETS

The movements in the Group's equipment and intangible assets for the year are set out in Note 15 and Note 16 to the financial statements.

CHARITABLE DONATIONS

The Group's external charitable donations for the year amounted to RMB400,000 (2016: RMB250,000).

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 2017, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Interest in the Company

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

Notes:

1. Wisdom Cosmos Limited ("Wisdom Cosmos"), a company incorporated in the British Virgin Islands ("BVI"), is the beneficial owner of 555,000,000 shares of the Company, representing 75% shareholding interests in the Company. The entire issued share capital of Wisdom Cosmos is owned by Eander Limited ("Eander"), a company incorporated in the BVI, which is in turn wholly owned by TMF (Cayman) Ltd ("TMF Trust"), trustee of the Pak Jeff Trust ("PJ Trust"), an irrevocable reserved power trust established by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, TMF Trust and Eander are deemed to be interested in all the shares of the Company registered in the name of Wisdom Cosmos.

2. The letter "L" denotes long position of the shares of the Company.

3. This refers to the number of underlying Shares covered by its share option scheme.

Save as disclosed herein, as at 31 December 2017, none of the Directors or chief executive of the Company or their associates (as defined in the GEM Listing Rules) had any interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2017, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 10% or more of issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

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

Notes:

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

Save as disclosed above, as at 31 December 2017, 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

The share option scheme was adopted by the shareholders of the Company and was effective on 6 July 2017 (the "Share Option Scheme").

(a) Purpose of the Share Option Scheme

The Share Option Scheme enables the Company to grant options to subscribe for Shares granted pursuant to the Share Option Scheme (the "Options") to any full-time or part-time employee of the Company or any member of the Group, 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 ("Eligible Persons") as incentives or rewards for their contributions to the Group.

(b) Who may join and basis of eligibility

The Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of not less than 28 days from the date on which the Option is granted. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(c) Grant of Option

Any grant of Options must not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year, quarter year period or any other interim period (whether or not required under the GEM Listing Rules), and (b) the deadline for the Company to publish an report of its results for any year, half-year, quarter-year period or any interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results report, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of results report. The Directors may not grant any Option to an Eligible Person during the periods or times in which directors of the listed issuer are prohibited from dealing in shares pursuant to Rules 5.48 to 5.67 prescribed by the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

The total number of Shares issued and to be issued upon exercise of the Options granted to an Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant (the "Participant") under the Share Option Scheme and any other share option schemes adopted by the Group from time to time pursuant to which options to subscribe for Shares may be granted ("Other Schemes") (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if the participant is a connected person) abstaining from voting, the Company may make a further grant of Options to such Participant (the "Further Grant") notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, the Company must send a circular to the Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the GEM Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders' meeting and the date of meeting of the Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the relevant subscription price.

(d) Price of Shares

The subscription price for the Shares subject to Options will be a price determined by the Board and notified to each Participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a day on which trading of Shares take place on the Stock Exchange ("Trading Day"); (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share. For the purpose of calculating the subscription price, in the event that on the date of grant, the Company has been listed for less than five Trading Days, the Offer Price shall be used as the closing price for any Trading Day falling within the period before the Listing Date.

(e) Maximum number of Shares

(i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the "Scheme Mandate Limit") provided that Options lapsed in accordance with the terms of the Shares Option Scheme or Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 740,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 74,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.

(ii) Subject to the approval of Shareholders in general meeting, the Company may renew the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the Shareholders' approval referred to in this paragraph (ii), the Company shall send a circular to the Shareholders containing the information required by the GEM Listing Rules.

(iii) Subject to the approval of Shareholders in general meeting, the Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by the Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), the Company shall send a circular to the Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the GEM Listing Rules.

(iv) Notwithstanding the foregoing, the Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and Other Schemes exceeds 30% of the Shares in issue from time to time.

(f) Time of exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Board to each Participant provided that the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by the Board to each Participant, which the Board may in its absolute discretion determine.

On 11 September 2017, a total of 12,620,000 share options (the "Granted Options") to subscribe for the ordinary shares of the Company at an exercise price of HK$4.20 per share and for a validity period of 5 years were granted to the grantees and all of the Granted Options have been accepted in accordance with the Share Option Scheme. Among the Granted Options granted, 2,000,000 Granted Options were granted to Mr. Chen Jen-Tse, an executive Director of the Company. The grant of Granted Options to the above Director has been approved by the INEDs pursuant to Rule 23.04(1) of the GEM Listing Rules on 11 September 2017. Save as disclosed above, none of the other grantees is a Director, chief executive or substantial shareholder (as defined under the GEM Listing Rules) of the Company or any of their respective associate(s) (as defined under the GEM Listing Rules) as at 11 September 2017.

The following shows the outstanding position as at 31 December 2017 with respect to their Granted Options granted under the Share Option Scheme:

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2017	Granted during year	Forfeited during year	Outstanding at 31 December 2017
Mr. Chen Jen-Tse	11 September 2017	HK$4.20	10/9/2018-10/9/2022	—	500,000	—	500,000
			10/9/2019-10/9/2022	—	500,000	—	500,000
			10/9/2020-10/9/2022	—	1,000,000	—	1,000,000
				—	2,000,000	—	2,000,000
Employees	11 September 2017	HK$4.20	10/9/2018-10/9/2022	—	2,655,000	(37,500)	2,617,500
			10/9/2019-10/9/2022	—	2,655,000	(37,500)	2,617,500
			10/9/2020-10/9/2022	—	5,310,000	(75,000)	5,235,000
				—	10,620,000	(150,000)	10,470,000

During the year ended 31 December 2017, i) 12,470,000 Granted Options were outstanding under the Share Option Scheme; ii) no Granted Options were exercised; iii) 150,000 Granted Options were lapsed; and iv) no Granted Options were cancelled.

PERMITTED INDEMNITY

Pursuant to the articles of association of the Company, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all liabilities (to the fullest extent permitted by the Companies Ordinance) which he may incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has taken out insurance against all liabilities associated with defending any proceedings which may be brought against Directors and other officers of the Company.

RELATED PARTY TRANSACTION

Exempted Continuing Connected Transactions

Our Directors confirm that the tenancy agreement (the"Tenancy Agreement") entered into by our Group with Bondlink Investment Limited ("Bondlink") which is our connected person, thereby constituting continuing connected transactions of our Group under Chapter 20 of the GEM Listing Rules.

On 6 July 2016, Bondlink as lessor and one of the wholly owned subsidiary as lessee entered into the Tenancy Agreement for the leasing of the property located at Room 4206, 42th Floor, Tower 1, Lippo Centre, No.89 Queensway, Hong Kong for a term of three years commencing from 1 July 2016 to 30 June 2019 (both days inclusive) at a monthly rent of HK$106,134 exclusive of building management fee, government rates and government rent. The aggregate of the management fee, government rates and government rent is currently HK$15,210 in total per month and subject to review from time to time.

As the applicable percentage ratios under Chapter 20 of the GEM 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 our Group under the Tenancy Agreement will be less than HK$3 million, the continuing connected transactions contemplated there-under are fully exempt from all annual review, reporting, announcement and independent shareholders' approval (including independent financial advisor) requirements under Chapter 20 of the GEM Listing Rules.

Save for the transactions disclosed under "Exempted Continuing Connected Transactions", details of the related party transactions entered into by the Group are set out in note 32 to the consolidated financial statements, which do not constitute notifiable connected transactions under the GEM Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, at least 25% of the Company's total issued Shares was held by the public throughout the Year and thereafter up to the date of this report.

ENVIRONMENTAL POLICY AND SOCIAL RESPONSIBILITY

The Group is committed to sustainable development of the environment and our society. We work to advance environmental and social progress and conduct business in a way that creates value for our clients and employees. The Group complies with all relevant environmental regulations and practice "Reduce, Reuse and Recycle" with the following initiatives:

- Promotes the knowledge of environmental protection to staff and advocates to sort their trash into separate bins.
- Implement paperless documentation by application of electronic documents and encourage double-sided printing and recycling paper. Reduce printing of paper materials and paper consumption.
- Maintain suitable indoor temperature and clean regularly the air conditioner and ventilation system to reduce electricity usage.

The Group proactively promote the spirit of corporate social responsibility within the company by sponsorship on charitable events, donation and participating in community activities. We through this kind of events, aspire to giving back from our employees, foster positive relationships between our employees and the communities by caring for and helping the needy.

REVIEW OF THE FINAL RESULTS BY AUDIT COMMITTEE

The Audit Committee comprises three members, namely Mr. Hung Ka Hai Clement (Chairman), Mr. Twoon Wai Mun, Benjamin and Mr. Loo Yau Soon, all of them being INEDs.

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

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

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

Hong Kong, 23 March 2018

Deloitte. 德勤

TO THE SHAREHOLDERS OF SHENG YE CAPITAL LIMITED
盛業資本有限公司
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Sheng Ye Capital Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 106, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment of factoring assets	
We identified the impairment of factoring assets as a key audit matter due to its significance to the consolidated financial statements, and the use of judgement by the management in evaluating the ultimate realisation of factoring assets. As set out in note 19 to the consolidated financial statements, the carrying amount of factoring assets is RMB1,339,682,000 as at 31 December 2017, after deducting a collective impairment allowance of RMB16,850,000. This carrying amount represented approximately 77.94% of the total assets. Factoring assets are assessed for impairment by the management. In determining the impairment of factoring assets, the management considers the creditworthiness, past collection history, subsequent settlements of each factoring customer, relevant deposits received, and pledge of trade acceptances and guarantees.	Our procedures in relation to the impairment of factoring assets included: • Obtaining an understanding from the management of the procedures in place for credit risk approval and monitoring of factoring assets and management's assessment of the ultimate realisation of factoring assets; • Obtaining an understanding of management's methodology for determining the individual and collective impairment allowance on factoring assets and assessing the appropriateness of the methodology used by management; and • On a sample basis, evaluating management's assessment of the credit quality of the factoring assets by examining the credit files, including financial condition of the borrower, past collection history, subsequent settlement, relevant deposits received, and pledge of trade acceptances and guarantees, as applicable. Regarding the collective impairment assessment of factoring assets: • Assessing the reasonableness of key inputs and assumptions applied, including the Group's past experience of collecting payments and historical loss ratio; and • Testing the data inputs and the mathematical accuracy of the impairment allowance calculation.

Key audit matter	How our audit addressed the key audit matter
Derecognition of factoring assets	
We identified derecognition of factoring assets as a key audit matter due to its significance to the consolidated financial statements and the assessment relating to derecognition of factoring assets involved significant judgment from the management. As set out in notes 4 and 7 to the consolidated financial statements, the Group generated a gain on sales of factoring assets of RMB57,967,000, which contributed approximately 27% of the total income for the year ended 31 December 2017. As set out in note 26(a) to the consolidated financial statements, the Group continued to recognise factoring assets sold where substantially all the associated risks and rewards were retained. The consideration received was recognised as financial assets sold under repurchase agreements and the outstanding amount as at 31 December 2017 was RMB10,248,000. In determining derecognition of factoring assets, the management analysed the contractual rights and obligations in connection with such transfers, and assessed the extent to which the associated risks and rewards of ownership were transferred to determine whether the derecognition criteria were met. Where necessary, the Group assessed whether it had relinquished its control over the transferred factoring assets to determine whether the de-recognition criteria were met.	Our procedures in relation to derecognition of factoring assets included: • Obtaining an understanding of the process and relevant controls over the transfers of factoring assets, including the contractual terms of the transactions, authorisation, asset selection, and approval processes, as well as the review and approval of management's assessment on derecognition of factoring assets; and • Obtaining from management the agreements for all transfers during the year and evaluating whether the transfer of the factoring assets meet the derecognition criteria.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in the independent auditor's report is Chong Kwok Shing.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

23 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	6	157,317	112,791
Gain on sales of factoring assets	7	57,967	5,876
Subtotal		215,284	118,667
Other income	8(a)	10,204	11,316
Other losses, net	8(b)	(2,158)	(681)
Staff cost	11	(20,007)	(15,359)
Other operating expenses		(23,769)	(9,464)
Listing expenses		(8,102)	(5,827)
Impairment allowances on factoring assets		(1,402)	(8,671)
Impairment allowances on security deposits for guarantee		(653)	—
Share of loss of a joint venture		(166)	—
Finance costs	9	(36,215)	(21,809)
Profit before taxation		133,016	68,172
Taxation	10	(44,209)	(20,164)
Profit and total comprehensive income for the year	11	88,807	48,008
Earnings per share			
– Basic (RMB cents)	14	14	9
– Diluted (RMB cents)	14	14	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Equipment	15	2,138	1,873
Intangible assets	16	7,940	2,071
Factoring assets	19	—	69,230
Investment in a joint venture	21	25,334	—
Deferred tax assets	17	6,654	6,397
		42,066	79,571
CURRENT ASSETS			
Amounts due from related parties	32(a)	91	1
Available-for-sale investment	18	—	1,000
Factoring assets	19	1,339,682	1,255,085
Security deposits for guarantee	20	104,354	—
Receivables from sales of factoring assets	7	56,168	—
Other receivables, prepayments and others	22	2,183	1,369
Structured deposit	23	—	10,000
Bank balances and cash	24	174,277	104,311
		1,676,755	1,371,766
CURRENT LIABILITIES			
Loans from related parties	32(a)	—	478,908
Amount due to a related party	32(a)	—	4,527
Other payables and accrued charges	25	24,547	18,219
Income tax payable		26,502	10,803
Deposits from counter guarantors	20	61,477	—
Financial assets sold under repurchase agreements	26(a)	10,248	83,509
Borrowings	26(b)	482,320	142,498
		605,094	738,464
NET CURRENT ASSETS		1,071,661	633,302

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILITY			
Deferred tax liabilities	17	8,449	3,676
NET ASSETS		1,105,278	709,197
CAPITAL AND RESERVES			
Share capital	27	6,442	618,841
Reserves		1,098,836	90,356
TOTAL EQUITY		1,105,278	709,197

The consolidated financial statements on pages 38 to 106 were approved and authorised for issue by the board of directors on 23 March 2018 and are signed on its behalf by:

Mr. Tung Chi Fung
Director

Mr. Chen Jen-Tse
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Share options reserves RMB'000	Statutory reserves RMB'000 (note i)	Retained profits RMB'000	Total RMB'000
At 1 January 2016	306	—	618,534	—	4,431	37,917	661,188
Profit and total comprehensive income for the year	—	—	—	—	—	48,008	48,008
Transfer to PRC statutory reserves	—	—	—	—	5,682	(5,682)	—
Issue of shares by a subsidiary of the Company (note ii)	618,534	—	(618,534)	—	—	—	—
Issue of new shares	1	—	—	—	—	—	1
At 31 December 2016	618,841	—	—	—	10,113	80,243	709,197
Profit and total comprehensive income for the year	—	—	—	—	—	88,807	88,807
Transfer to PRC statutory reserves	—	—	—	—	10,905	(10,905)	—
Transfers on reorganisation (note iii)	(618,840)	—	618,840	—	—	—	—
Arising from reorganisation (note iv)	—	618,840	(618,840)	—	—	—	—
Issue of new shares (note 27)	1,610	320,438	—	—	—	—	322,048
Issue of shares by capitalisation of share premium account (note 27)	4,831	(4,831)	—	—	—	—	—
Transaction costs attributable to issue of new shares	—	(17,135)	—	—	—	—	(17,135)
Recognition of equity-settled share-based payments	—	—	—	2,361	—	—	2,361
At 31 December 2017	6,442	917,312	—	2,361	21,018	158,145	1,105,278

Notes:

(i) Pursuant to the articles of association of the subsidiaries established in the People's Republic of China ("PRC"), they are required to appropriate 10% or an amount to be determined by their directors of their profit after taxation in accordance with the relevant accounting rules and financial regulations of the PRC before any distribution of dividends to owners each year to the statutory reserves until the balance reaches 50% of their registered capital.

(ii) Sheng Ye International Capital Limited ("SYIC") issued 99,950,000 shares to Sheng Ye Financial Group Limited by capitalisation of the capital contribution and deemed contribution from shareholder of RMB618,534,000 during the year ended 31 December 2016.

(iii) The amounts of RMB618,840,000 represented the combined share capital of SYIC and Nice Day Corporation Limited ("Nice Day"), subsidiaries of the Company, prior to the completion of the Reorganisation (as defined in note 1).

(iv) On 14 March 2017, Talent Group Global Limited ("TGG"), a subsidiary of the Company, and Mr. Tung Chi Fung, the shareholder of Nice Day, entered into a sale and purchase agreement pursuant to which the entire equity interests in Nice Day were transferred to TGG in consideration of which TGG allotted and issued one share to the Company.

On 19 June 2017, according to the reorganisation agreement entered into between the Company and Sheng Ye Financial Group Limited, the Company acquired the entire issued share capital of SYIC from Sheng Ye Financial Group Limited, pursuant to which the Company allotted and issued one share to Wisdom Cosmos Limited, the intermediate holding company of the Company and Sheng Ye Financial Group Limited.

The amounts of RMB618,840,000 represent share premium arising from reorganisation, which is the difference between i) the nominal value of 1 share issued by the Company and ii) the net asset value of SYIC on the date of the Reorganisation.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	NOTE	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES			
Profit for the year		88,807	48,008
Adjustment for:			
Taxation		44,209	20,164
Share of loss of a joint venture		166	—
Depreciation of equipment		964	1,841
Amortisation of intangible assets		320	46
Impairment allowances on factoring assets		1,402	8,671
Impairment allowances on security deposits for guarantee		653	—
Loss (gain) on disposal of equipment		96	(1)
Equity-settled share-based payments expense		2,361	—
Finance costs		36,215	21,809
Bank interest income		(257)	(49)
Investment income of structured deposits		(96)	(460)
Investment income of available-for-sale investment		(27)	—
Exchange loss, net		2,062	682
Operating cash flows before movements in working capital		176,875	100,711
Increase in factoring assets		(16,769)	(675,007)
Increase in security deposits for guarantee		(105,007)	—
Increase in receivables from sales of factoring assets		(56,168)	—
Increase in other receivables, prepayments and others		(814)	(840)
Increase in amount due from a related party		(90)	—
Increase in other payables and accrued charges		6,328	14,317
Increase in deposits from counter guarantors		61,477	—
Cash from (used in) operations		65,832	(560,819)
Enterprise Income Tax paid		(23,994)	(21,760)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		41,838	(582,579)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	NOTE	2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES			
Redemption of structure deposits		304,000	1,444,427
Redemption of available-for-sale investment		1,000	—
Interest received		257	49
Investment income received from structured deposits		96	460
Investment income received from available-for-sale investment		27	—
Proceeds from disposal of equipment		1	12
Investment in available-for-sale investment		—	(1,000)
Purchase of equipment		(1,344)	(1,567)
Payment for development costs and purchase of other intangible assets		(6,171)	(2,011)
Net cash outflow arising on disposal of a subsidiary	36	(25,500)	—
Placement of structure deposits		(294,000)	(1,454,427)
NET CASH USED IN INVESTING ACTIVITIES		(21,634)	(14,057)
FINANCING ACTIVITIES			
Issue of new shares		322,048	—
Cash receipts from financial assets sold under repurchase agreements		170,161	83,450
New borrowings raised		1,350,592	537,860
Loans from related parties raised		58,000	566,156
Advance from related parties		—	4,664
Repayment of borrowings		(1,010,592)	(432,860)
Repayment to a related party		(4,527)	—
Repayment of loans from related parties		(527,200)	(96,956)
Repayment of financial assets sold under repurchase agreements		(243,611)	—
Interest paid for borrowings		(24,882)	(8,927)
Interest paid for loans from related parties		(19,487)	(2,647)
Interest paid for financial assets sold under repurchase agreements		(1,543)	—
Listing expenses paid		(17,135)	—
NET CASH FROM FINANCING ACTIVITIES		51,824	650,740
NET INCREASE IN CASH AND CASH EQUIVALENTS		72,028	54,104
Effect of foreign exchange rate changes		(2,062)	(682)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		104,311	50,889
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		174,277	104,311

1. GENERAL

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

In preparing for the initial listing of the shares of the Company on the Stock Exchange, the Company and its subsidiaries (hereinafter collectively referred to as the "Group") underwent a group reorganisation (the "Reorganisation") to rationalise the group structure, which mainly involved (a) setting up shell entities as holding companies, (b) transferring the equity interest in SYIC and its subsidiaries from Sheng Ye Financial Group Limited to the Company, and (c) transferring the equity interest in Nice Day and its subsidiaries to a shell entity newly set up by the Company. The Company and its subsidiaries have been under the common control of Mr. Tung Chi Fung prior to and after the Reorganisation. As a result of the Reorganisation, the Company became the holding company of the Group on 19 June 2017. Details of the Group Reorganisation are more fully explained in the section headed "History, Reorganisation and Development" of the prospectus of the Company dated 26 June 2017 (the "Prospectus"). The Group resulting from the Reorganisation is regarded as a continuing entity.

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the Group for the year ended 31 December 2016 and 31 December 2017 and the consolidated statement of the financial position of the Group as at 31 December 2016 have been prepared on the basis as if the group structure upon completion of the Reorganisation has been in existence since 1 January 2016, taking into account the respective date of establishment, incorporation or acquisition of the different entities comprising the Group, as appropriate.

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

The Company is an investment holding company. The principal activities of the Group are provision of factoring and guarantee in the PRC. Details of the Company's subsidiaries are set out in note 35.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

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

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 37. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 37, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs issued but not yet effective (continued)

Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

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

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 that are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss; and

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 Financial Instruments (continued)

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Factoring assets classified as loans and receivables carried at amortised cost as disclosed in note 19: The classification and measurement of factoring assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the classification and measurement of factoring assets measured at amortised cost under HKAS 39.

  Factoring assets are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the factoring assets to third parties, and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, these factoring assets will be measured at FVTOCI upon the application of HKFRS 9, and the fair value gains or losses accumulated in the revaluation reserve will be reclassified to profit or loss when the factoring assets are derecognised.

  Based on the assessment by the directors of the Company, factoring assets would be classified as FVTOCI and would result the carrying amount of these factoring assets are slightly decreased not more than 2%, and decreased the revaluation reserve and increased deferred tax asset accordingly.

- All other financial assets and financial liabilities will continue to be measured on the same basis as are currently measured under HKAS 39.

Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs or debt instruments to be classified as FVTOCI under HKFRS 9, such as bank balances and cash, receivables from sales of factoring assets, other receivables, factoring assets and security deposits for guarantee, that subject to the impairment provisions upon application of HKFRS 9 by the Group. The Company assessed and quantified the financial impact to the factoring assets and security deposits for guarantee of the Group as at 1 January 2018 upon the application of the expected credit loss model of HKFRS 9.

Based on the assessment by the directors of the Company, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would not be material different as compared to the accumulated amount recognised under HKAS 39 as at 31 December 2017.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Based on the current business model, the directors of the Company do not expect the adoption of HKFRS 15 would result in significant impact on the amounts reported on the consolidated financial statements of the Group in the future. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 Leases (continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

The operating lease payments are currently presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB5,371,000 as disclosed in note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB984,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above but will not have a material adverse impact on the Group's financial performance in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 *Impairment of Assets*.

For financial instruments which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its investment with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins with the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of the joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in a joint venture (continued)

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities.

Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at fair value of consideration received or receivable for services provided in the normal course of business, net of sales related taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Factoring services income mainly consists of interest income over the period of contract. Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Guarantee service income consists of guarantee fee and related service income and is recognised in profit or loss on a straight-line basis over the guarantee period.

Other factoring services income is recognised when services are rendered.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its respective functional currency at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve).

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating leases payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before taxation” as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

Equipment

Equipment is stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - (continued)

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An internally-generated intangible asset arising from development activities is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Impairment on equipment and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated financial statements when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets are either held for trading or it is designated as at FVTPL on initial recognition.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL (continued)

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in other income line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 34(c).

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS financial assets or are not classified as (a) loans and receivables (b) held-to-maturity investments or (c) financial assets at FVTPL. The Group designated an asset management scheme as AFS financial assets (refers to available-for-sale investment) on initial recognition.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of the year. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income (expense) and accumulated under the heading of investment revaluation reserves. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserves is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amounts due from related parties, security deposits for guarantee, factoring assets, other receivables, structured deposit and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, including factoring assets and security deposits for guarantee, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Individual impairment allowances are assessed by a discounted cash flow method for factoring assets and security deposits for guarantee that are individually significant and have objective evidence of impairment. The individual impairment allowances are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

For certain categories of financial assets, such as factoring assets and security deposits for guarantee, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of factoring assets and security deposits for guarantee, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When these financial assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by an entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Group's financial liabilities include loans from related parties, amount due to a related party, other payables, deposits from counter guarantors, financial assets sold under repurchase agreements and borrowings. These are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition (continued)

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the statement of financial position. The proceeds (including interests) from selling such assets are presented under "financial assets sold under repurchase agreements" in the consolidated statement of financial position. The difference between the selling price and repurchasing price is recognised as interest expense during the term of the agreement using the effective interest method.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgement in applying accounting policies (continued)

Derecognition of financial assets

In its normal course of business, the Group transfers financial assets through various types of transactions including regular way sales and transfers, financial assets sold under repurchase agreements, etc. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial derecognition.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether the derecognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualified for the "pass through" of those cash flows to independent third parties; and
- where the Group neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether the Group has relinquished its controls over these financial assets, and if the Group has continuing involvement in these transferred financial assets. Where the Group has not retained control, it derecognises these financial assets and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer. Otherwise, the Group continues to recognise these financial assets to the extent of its continuing involvement in the financial assets.

As at 31 December 2017, factoring assets sold but retained substantially the associated risks and rewards, were recognised as financial assets sold under repurchase agreements and the carrying amount was RMB10,248,000 (2016: RMB83,509,000).

During the year ended 31 December 2017, gain on sales of factoring assets which met the derecognition criteria were RMB57,967,000 (2016: RMB5,876,000). As at 31 December 2017, receivables from sales of factoring assets were RMB56,168,000 (2016: Nil).

Details of financial assets sold under repurchase agreements or derecognised are disclosed in notes 7, 26(a) and 34(d).

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimate impairment loss on factoring assets

For factoring assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables. The amount of the impairment loss is based on the evaluation of collectability and ageing analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of factoring assets, including the creditworthiness, past collection history, subsequent settlements of each factoring customer, relevant deposits received, and pledge of trade acceptances and guarantees. As at 31 December 2017, the carrying amount of factoring assets was RMB1,339,682,000 (2016: RMB1,324,315,000), after deducting an impairment allowance of RMB16,850,000 (2016: RMB15,448,000). Details of the factoring assets are disclosed in note 19.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Impairment allowances on security deposits for guarantee

When determining the amounts of impairment to be recognised in respect of security deposits for guarantee business, the management estimates the provision based on industry experience. Where the actual defaults on guarantees are higher than expected, a material loss may arise. As at 31 December 2017, the carrying amount of security deposits for guarantee was RMB104,354,000 (2016: Nil), net of impairment allowance of RMB653,000 (2016: Nil). Details of the security deposits for guarantee are disclosed in note 20.

Recognition of deferred taxation

As at 31 December 2017, a deferred tax asset of RMB6,654,000 (2016: RMB6,397,000) in relation to the deferred income and impairment allowances have been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than or more than expected, a material reversal or recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or recognition takes place. Details of the deferred tax are disclosed in note 17.

5. SEGMENT INFORMATION

The chief operating decision maker ("CODM"), being the executive directors of the Company, have determined that the Group has only one operating and reportable segment throughout the reporting period, as the Group is principally engaged in providing factoring services 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 in the PRC. All the Group's revenue and major non-current assets are attributable to and located in the PRC.

Information about major customers

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

	2017 RMB'000	2016 RMB'000
Customer A	30,031	16,821
Customer B	19,481	N/A[1]
Customer C	17,573	13,764
Customer D	16,517	N/A[1]
Customer E	N/A[1]	15,559

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

6. REVENUE

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

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

	2017 RMB'000	2016 RMB'000
Factoring service	144,127	111,809
Guarantee service	293	—
Other services (note)	12,897	982
	157,317	112,791

Note: Other services primarily include fee income from providing accounts receivable management services without financing, review and verification of documentation relating to the accounts receivable, collection of the accounts receivable on behalf of customers, and providing analysis reports.

7. SALES OF FACTORING ASSETS

For the years ended 2017 and 2016, the Group sold part of factoring assets to certain financial institutions 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.

	2017 RMB'000	2016 RMB'000
Gain on sales of factoring assets	57,967	5,876

As at 31 December 2017 and 2016, the outstanding balance of receivables arising from sales of factoring assets is as follow:

	2017 RMB'000	2016 RMB'000
Receivables from sales of factoring assets	56,168	—

8. OTHER INCOME/OTHER LOSSES, NET

(a) Other income

	2017 RMB'000	2016 RMB'000
Government subsidies (note)	9,824	10,806
Bank interest income	257	49
Investment income of structured deposits	96	460
Investment income of available-for-sale investment	27	—
Others	—	1
	10,204	11,316

Note: The government subsidies were mainly received unconditionally by the Company's subsidiary in the PRC from local government in relation to the incentive policy for investment in factoring and other financial business based on certain taxes paid or payable by the Company's PRC subsidiary in Dongjiang Port Zone of Tianjin City.

(b) Other losses, net

	2017 RMB'000	2016 RMB'000
Exchange loss, net	2,062	682
Loss (gain) on disposal of equipment	96	(1)
	2,158	681

9. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interest on borrowings		
– wholly repayable within five years	24,704	9,395
Interest on loans from related parties (note 32 (b))	9,779	12,355
Interest on financial assets sold under repurchase agreements	1,732	59
	36,215	21,809

10. TAXATION

	2017 RMB'000	2016 RMB'000
The charge comprises:		
Current tax		
– Enterprise income tax in the PRC	38,059	18,576
– Withholding tax levied on dividend declared	700	400
– Withholding tax levied on interest income of a Hong Kong subsidiary	934	602
	39,693	19,578
Deferred tax (note 17)	4,516	586
	44,209	20,164

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's operation in Hong Kong had no assessable income during both years.

Under the Enterprise Income Tax Law of PRC (the "EIT Law") and the Implementation Regulation of the EIT Law, the subsidiaries in the PRC are subject to the tax rate of 25% during the reporting period. A PRC subsidiary enjoys a preferential tax rate of 15% according to approval from local tax bureau since the year 2016.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 RMB'000	2016 RMB'000
Profit before taxation	133,016	68,172
Tax at the domestic enterprise income tax rate in the PRC of 25%	33,254	17,043
Tax effect of expenses not deductible for tax purposes	9,115	3,118
Effect of different tax rates of the subsidiaries	(4,786)	(2,473)
Tax effect of tax loss not recognised	1,153	35
Withholding tax on distributable earnings of the PRC subsidiaries	5,473	2,441
Tax charge for the year	44,209	20,164

11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2017 RMB'000	2016 RMB'000
Directors' emoluments	2,593	1,457
Other staffs' salaries, allowances and other staff benefits, including share option expenses	21,751	14,304
Other staffs' retirement benefit scheme contributions	1,434	805
Total staff cost	25,778	16,566
Less: amount capitalised in development costs	(5,771)	(1,207)
Staff cost recognised in profit or loss	20,007	15,359
Total depreciation of equipment	982	1,845
Less: amount capitalised in development costs	(18)	(4)
Depreciation of equipment recognised in profit or loss	964	1,841
Amortisation of intangible assets	320	46
Auditor's remuneration	1,680	300
Minimum lease payments paid under operating leases	3,029	2,404

12. DIRECTORS' EMOLUMENTS AND TOP FIVE HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

Name of director	Director's fee RMB'000	Retirement benefit scheme contributions RMB'000	Other emoluments mainly salaries and other benefits RMB'000	Performance related bonuses RMB'000	Share based payment RMB'000	Total RMB'000
For the year ended 31 December 2017						
Executive directors						
Mr. Tung Chi Fung (note i)	555	—	—	—	—	555
Mr. Chen Jen-Tse (note ii)	104	44	1,057	148	399	1,752
Non-executive director:						
Ms. Tung Ching Ching (note iii)	11	—	—	—	—	11
Independent non-executive directors						
Mr. Hung Ka Hai Clement (note iv)	150	—	—	—	—	150
Mr. Loo Yau Soon (note iv)	75	—	—	—	—	75
Mr. Twoon Wai Mun, Benjamin (note iv)	50	—	—	—	—	50
	945	44	1,057	148	399	2,593
For the year ended 31 December 2016						
Executive directors						
Mr. Tung Chi Fung (note i)	—	—	—	—	—	—
Mr. Chen Jen-Tse (note ii)	—	11	1,112	334	—	1,457
Independent non-executive directors						
Mr. Hung Ka Hai Clement (note iv)	—	—	—	—	—	—
Mr. Loo Yau Soon (note iv)	—	—	—	—	—	—
Mr. Twoon Wai Mun, Benjamin (note iv)	—	—	—	—	—	—
	—	11	1,112	334	—	1,457

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The performance related bonus is determined with reference to the operating results and the individual's performance in each year.

The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

12. DIRECTORS' EMOLUMENTS AND TOP FIVE HIGHEST PAID EMPLOYEES (continued)

(a) Directors' emoluments (continued)

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

During the year, one director was granted share options, in respect of his services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 30. The Group grants share option to the director based on his service years and annual key performance indicator ("KPI") performance.

Notes:

(i) Mr. Tung Chi Fung, being appointed as an executive director of the Company on 4 March 2017, is the Chairman of the Company.
(ii) Being appointed as an executive director of the Company on 4 March 2017.
(iii) Being appointed as a non-executive director of the Company on 8 December 2017.
(iv) Being appointed as independent non-executive directors of the Company on 19 June 2017.

(b) Five highest paid employees

The five highest paid employees of the Group during the year included one director (2016: one director), details of whose remuneration are set out in note 12(a) above. Details of the remuneration for the year of the remaining four (2016: four) highest paid employees who are not a director of the Company are as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and other benefits	3,276	3,199
Performance related bonuses	711	1,400
Share based payment	777	—
Staffs' retirement benefit scheme contributions	121	109
	4,885	4,708

12. DIRECTORS' EMOLUMENTS AND TOP FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Five highest paid employees (continued)

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2017 No. of employees	2016 No. of employees
Within HK$1,000,000	—	1
HK$1,000,001 to HK$1,500,000	2	1
HK$1,500,001 to HK$2,000,000	2	2
	4	4

During the year, certain non-director and non-chief executive highest paid employees were granted share options, in respect of their services to the Group under the share option scheme of the company. Detail of the share option scheme are set out in note 30. The Group grants share option to its employees based on their service years and annual KPI performance.

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2017, nor has any dividend been proposed since the end of the reporting period (2016: Nil).

14. EARNINGS PER SHARE

The basic earnings per share is calculated based on the profit attributable to the owners of the Company and the weighted average number of ordinary shares for the year on the assumption that the Reorganisation had been effective since 1 January 2016.

	2017 RMB'000	2016 RMB'000
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	88,807	48,008

	2017 '000	2016 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	645,726	555,000
Effect of dilutive potential ordinary shares:		
Share options	67	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	645,793	N/A

During the year ended 31 December 2017, the Group has considered the share options in the calculation of diluted earnings per share. The Group did not have any potential ordinary shares in issue for the year ended 31 December 2016.

15. EQUIPMENT

	Leasehold improvement RMB'000	Electronic equipment RMB'000	Furniture and office equipment RMB'000	Total RMB'000
COST				
At 1 January 2016	2,739	1,013	555	4,307
Additions	451	866	250	1,567
Disposals	—	(47)	—	(47)
At 31 December 2016	3,190	1,832	805	5,827
Additions	499	753	92	1,344
Disposals	—	(10)	(225)	(235)
At 31 December 2017	3,689	2,575	672	6,936
DEPRECIATION				
At 1 January 2016	1,463	499	183	2,145
Charge for the year	1,267	453	125	1,845
Eliminated on disposals	—	(36)	—	(36)
At 31 December 2016	2,730	916	308	3,954
Charge for the year	345	501	136	982
Eliminated on disposals	—	(8)	(130)	(138)
At 31 December 2017	3,075	1,409	314	4,798
CARRYING VALUES				
At 31 December 2016	460	916	497	1,873
At 31 December 2017	614	1,166	358	2,138

The above items of equipment are depreciated on a straight-line basis at the following estimated useful lives:

Leasehold improvement	3 years or over the term of the relevant lease, whichever is shorter
Electronic equipment	3 years
Furniture and office equipment	5 years

16. INTANGIBLE ASSETS

	Development costs RMB'000	Software system RMB'000	Total RMB'000
COST			
At 1 January 2016	—	125	125
Additions	1,403	612	2,015
At 31 December 2016	1,403	737	2,140
Additions	5,905	284	6,189
At 31 December 2017	7,308	1,021	8,329
AMORTISATION			
At 1 January 2016	—	23	23
Charge for the year	13	33	46
At 31 December 2016	13	56	69
Charge for the year	147	173	320
At 31 December 2017	160	229	389
CARRYING VALUES			
At 31 December 2016	1,390	681	2,071
At 31 December 2017	7,148	792	7,940

Development costs represent expenditure, mainly included staff cost, capitalised during development phase of internal projects for development of online factoring platform.

The above items of intangible assets are amortised on a straight-line basis at the following estimated useful lives:

Development costs	3-5 years
Software system	3-5 years

17. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2017 RMB'000	2016 RMB'000
Deferred tax assets	6,654	6,397
Deferred tax liabilities	(8,449)	(3,676)
	(1,795)	2,721

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the year:

	Undistributed earnings of PRC subsidiaries RMB'000	Deferred income RMB'000	Impairment allowances RMB'000	Total RMB'000
At 1 January 2016	(1,635)	3,248	1,694	3,307
(Charge) credit to profit or loss	(2,041)	(713)	2,168	(586)
At 31 December 2016	(3,676)	2,535	3,862	2,721
(Charge) credit to profit or loss	(4,773)	(257)	514	(4,516)
At 31 December 2017	(8,449)	2,278	4,376	(1,795)

Pursuant to the EIT Law and its detailed implementation rules, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% and withheld by the PRC entities. By the Tax Arrangement for Avoidance of Double Taxation between China and Hong Kong, a Hong Kong resident company should be entitled to preferential tax rate of 5% when receiving dividend from its PRC subsidiaries. The Hong Kong subsidiaries of the Group enjoyed the preferential tax rate aforementioned. Accordingly, deferred tax liability has been provided for in the consolidated financial statements in respect of the expected dividend stream from the PRC subsidiaries with the applicable tax rate of 5%.

At 31 December 2017, the PRC subsidiaries had cumulative unutilised tax losses of RMB4,752,000 (2016: RMB140,000). No deferred tax asset has been recognised due to the unpredictability of future profit stream. Some of the unused tax losses can be carried forward up to five years from the years in which the loss was originated to offset future taxable profits.

17. DEFERRED TAXATION (continued)

The expiry terms of the unused tax losses that no deferred tax assets have been provided are as followings:

	2017 RMB'000	2016 RMB'000
2021	140	140
2022	4,612	—
	4,752	140

18. AVAILABLE-FOR-SALE INVESTMENT

	2017 RMB'000	2016 RMB'000
Measured at fair value:		
Asset management scheme	—	1,000
Analysed for reporting purposes as:		
Current asset	—	1,000

As at 31 December 2016, the available-for-sale investment represented investment in an asset management scheme named 新華富時盛業保理1號專項資產管理計劃 and managed by a PRC asset management company. The amount was fully settled during the year ended 31 December 2017. Details of the fair value measurement of the asset management scheme are set out in note 34.

19. FACTORING ASSETS

	2017 RMB'000	2016 RMB'000
Factoring assets	1,356,532	1,339,763
Less: collective impairment allowance	(16,850)	(15,448)
	1,339,682	1,324,315
Analysed for reporting purposes as:		
Current assets	1,339,682	1,255,085
Non-current assets	—	69,230
	1,339,682	1,324,315

19. FACTORING ASSETS (continued)

As at 31 December 2017, the effective interest rates of the factoring assets range from 6.90% to 18.72% (2016: 5.00% to 16.93%) per annum. The management reviews and assesses for impairment on a collective basis and continues to monitor any significant changes.

The following is a credit quality analysis of factoring assets. In the event that an installment repayment of a factoring asset is past due, the entire outstanding balance of the factoring assets is classified as past due.

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	1,356,532	1,294,598
Past due but not individually impaired	—	45,165
Subtotal	1,356,532	1,339,763
Less: collective impairment allowance	(16,850)	(15,448)
	1,339,682	1,324,315

Movement in the collective impairment allowances is as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	15,448	6,777
Impairment losses provided	1,402	8,671
At 31 December	16,850	15,448

20. SECURITY DEPOSITS FOR GUARANTEE/DEPOSITS FROM COUNTER GUARANTORS

As at 31 December 2017, the Group placed security deposits to independent third parties, which are the customers of manufacturers in the medical sector in the PRC, to guarantee the satisfaction of certain performance obligations of the manufacturers to their customers.

In the meantime, the Group collected deposits from the counter guarantors under the guarantee arrangement, based on a certain percentage of the amount provided by the Group to the manufacturers' customers as security deposits for guarantee. When all the performance obligations under the guarantee contracts had been fulfilled by the manufacturers and the corresponding security deposits for guarantee are refunded to the Group, the Group shall return the full deposits to the counter guarantors. The Group has the right to set off the deposits from counter guarantors with the security deposits for guarantee for the corresponding guarantee contracts when the security deposits for guarantee are not fully recovered. As at 31 December 2017, deposits of RMB61,477,000 was received from the counter guarantors.

21. INVESTMENT IN A JOINT VENTURE

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

	2017 RMB'000
Cost of investment in a joint venture, unlisted	25,500
Share of post-acquisition loss and other comprehensive income	(166)
	25,334

Details of the Group's joint venture at the end of the reporting period are as follow:

Name of entity	Place of Incorporation/ establishment	Particulars of issued and paid up capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December 2017	2016	Principal activity
Sheng Li Factoring Limited # (盛利商業保理有限公司) ("SL")	PRC	RMB50,000,000	51%	N/A	Provision of factoring service

English translated name is for identification purpose only.

Note: Based on the legal form and terms of the contractual arrangements, the investment in SL is classified as a joint venture as major decisions require the unanimous consent among the shareholders.

21. INVESTMENT IN A JOINT VENTURE (continued)

Summarised financial information of the joint venture

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in the Group's consolidated financial statements.

SL

	2017 RMB'000
Current assets	49,793
Non-current assets	682
Current liabilities	(801)
The above amounts of assets and liabilities include the following: Cash and cash equivalents	16,721
Current financial liabilities (excluding other payables)	(90)

	2017 RMB'000
Revenue	104
Impairment allowance on factoring assets	(430)
Loss before taxation	(435)
Loss from continuing operations	(326)
Loss for the year	(326)
Other comprehensive income for the year	—
Total comprehensive expense for the year	(326)
Dividends received from SL during the year	—

21. INVESTMENT IN A JOINT VENTURE (continued)

Summarised financial information of the joint venture (continued)

SL

The above loss for the year includes the following:

	2017 RMB'000
Depreciation and amortisation	—
Interest income	13
Interest expense	—
Tax credit	109

Reconciliation of the above summarised financial information to the carrying amount of the investment in SL recognised in its financial statements:

	2017 RMB'000
Net assets of SL	49,674
Proportion of the Group's ownership investment in SL	51%
Carrying amount of the Group's investment in SL	25,334

22. OTHER RECEIVABLES, PREPAYMENTS AND OTHERS

	2017 RMB'000	2016 RMB'000
Security deposits	984	1,029
Value-added tax recoverable	615	234
Prepayments	558	52
Other receivables	26	54
	2,183	1,369

23. STRUCTURED DEPOSIT

As at 31 December 2016, the structured deposit represents the financial product amounting to RMB10,000,000 issued by a bank in the PRC with an expected but not guaranteed return varying with the quoted 1 year deposit rate of the People's Bank of China ("PBOC") plus 1.30% per annum, which depending on the market price of underlying financial instruments, including money market funds, inter-bank lending and debentures. The structured deposit was designated at FVTPL on initial recognition. Details of the fair value measurement of the structured deposit are set out in note 34.

24. BANK BALANCES AND CASH

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

	2017 %	2016 %
Range of interest rates (per annum)	0~0.42	0.01~0.35

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

	2017 RMB'000	2016 RMB'000
Hong Kong Dollars ("HK$")	2,189	6,410
US Dollars ("US$")	20	12
Great Britain Pound ("GBP£")	17	—
	2,226	6,422

25. OTHER PAYABLES AND ACCRUED CHARGES

	2017 RMB'000	2016 RMB'000
Other tax payables	11,371	3,797
Accrued charges	6,140	7,199
Advance receipt from customers	4,623	3,124
Deposits from customers	1,757	3,955
Other payables	656	144
	24,547	18,219

26. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS/ BORROWINGS

(a) Financial assets sold under repurchase agreements

	2017 RMB'000	2016 RMB'000
Factoring assets	10,248	83,509

Note: The contract terms financial assets sold under repurchase agreements are within one year. Details of the transfer of financial assets are set out in note 34(d).

(b) Borrowings

	2017 RMB'000	2016 RMB'000
Carrying amount repayable within one year*:		
– Secured entrusted loan (note i)	—	100,101
– Loan from an asset management scheme (note ii)	—	42,397
– Unsecured entrusted loans	482,320	—
Amounts shown under current liabilities	482,320	142,498

* 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 Limited, a PRC subsidiary of the Company, 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 Limited 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. Details of the transfer of financial assets are set out in note 34(d).

26. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS/ BORROWINGS (continued)

(b) Borrowings (continued)

The Group's borrowings are all fixed-rate borrowings and repayable within one year during the reporting period. The ranges of effective interest rates on the Group's borrowings are as follows:

	2017 %	2016 %
Range of fixed-rate borrowings interest rates (per annum)	5.20	6.70~7.50

27. SHARE CAPITAL

The share capital presented as at 31 December 2017 represented the share capital of the Company and the share capital presented as at 31 December 2016 represented the aggregate of share capital of SYIC, Nice Day and the Company in issue as at 31 December 2016.

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

	Number of shares	Share capital HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 29 December 2016 (date of incorporation)		
and 31 December 2016 (note i)	1,000,000	10,000
Increase in authorised capital (note ii)	4,999,000,000	49,990,000
At 31 December 2017	5,000,000,000	50,000,000

27. SHARE CAPITAL (continued)

	Number of shares	Share capital HK$
Issued:		
Issued on date of incorporation and at 31 December 2016 (note i)	1	0.01
Issued on date of reorganisation (note ii)	1	0.01
Issue of shares upon listing of the Company's shares on the Stock Exchange on 6 July 2017 (note iii)		
– Issue of new shares pursuant to the offering	185,000,000	1,850,000.00
– Capitalisation issue of shares	554,999,998	5,549,999.98
At 31 December 2017	740,000,000	7,400,000.00

	Share capital RMB'000
Shown in the consolidated statement of financial position	6,442

Notes:

(i) On 29 December 2016, the Company was incorporated with 1,000,000 authorised ordinary shares of HK$0.01 each and 1 share was issued upon incorporation and outstanding as at 31 December 2016.

(ii) Pursuant to the resolution passed by the shareholders of the Company on 19 June 2017, the authorised share capital of the Company was increased from HK$10,000 to HK$50,000,000 by the creation of additional 4,999,000,000 ordinary shares of HK$0.01 each.

According to the reorganisation agreement dated 19 June 2017 entered into between the Company and Sheng Ye Financial Group Limited, the Company acquired the entire issued share capital of SYIC from Sheng Ye Financial Group Limited, pursuant to which the Company allotted and issued one share to Wisdom Cosmos Limited, the intermediate holding company of the Company and Sheng Ye Financial Group Limited, on 19 June 2017.

(iii) On 6 July 2017, the Company issued a total of 185,000,000 ordinary shares of HK$0.01 each at HK$2.00 (equivalent to RMB1.741) pursuant to the initial public offering of the Company's shares. On the same date, the Company allotted and issued 554,999,998 ordinary shares of HK$0.01 each credited as fully paid to the shareholders by capitalising an amount of HK$5,550,000 (equivalent to RMB4,831,000) from the share premium account of the Company.

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

28. OPERATING LEASE COMMITMENTS

The Group is the lessee of a number of properties held under operating leases. The leases typically run for an initial period of two to five years, with an option to renew the lease upon expiry when all terms are re-negotiated.

The total future minimum lease payment under non-cancellable operating leases are payable as follows:

	2017 RMB'000	2016 RMB'000
Within one year	3,109	2,180
After one year but within five years	2,262	3,065
	5,371	5,245

29. CAPITAL COMMITMENTS

	2017 RMB'000	2016 RMB'000
Contracted, but not provided for:		
Capital expenditure for acquisition of equipment	—	6

30. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 11 September 2017 ("Option Grant Date") for the primary purpose of providing incentives to directors and eligible employees, and will expire on 10 September 2022. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including a director of the Company, to subscribe for shares in the Company.

At 31 December 2017, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 12,470,000 (31 December 2016: Nil), representing 1.69% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Equity-settled share option scheme of the Company (continued)

Options granted must be offered for acceptance for a period of not less than 28 days, upon payment of HK$1.00 by each of eligible employees determined by the Board. Options may be exercised at any time from 12 months from the date of grant of the share option to the 5 anniversary of the date of grant. The exercise price is determined by the directors of the Company, and shall be the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Details of specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise Price	Exercise dates
Tranche 1	11/9/2017	11/9/2017-10/9/2018	11/9/2018-10/9/2022	HK$4.20	11/9/2018
Tranche 2	11/9/2017	11/9/2017-10/9/2019	11/9/2019-10/9/2022	HK$4.20	11/9/2019
Tranche 3	11/9/2017	11/9/2017-10/9/2020	11/9/2020-10/9/2022	HK$4.20	11/9/2020

The following table discloses movements of the Company's share options held by the director of the Company and employees of the Group during the current year:

Grantee	Exercise period	Outstanding at 1 January 2017	Granted during year	Forfeited during year	Outstanding at 31 December 2017
Director	10/9/2018-10/9/2022	—	500,000	—	500,000
	10/9/2019-10/9/2022	—	500,000	—	500,000
	10/9/2020-10/9/2022	—	1,000,000	—	1,000,000
		—	2,000,000	—	2,000,000
Exercisable at the end of the reporting period					—
Employees	10/9/2018-10/9/2022	—	2,655,000	(37,500)	2,617,500
	10/9/2019-10/9/2022	—	2,655,000	(37,500)	2,617,500
	10/9/2020-10/9/2022	—	5,310,000	(75,000)	5,235,000
		—	10,620,000	(150,000)	10,470,000
Exercisable at the end of the reporting period					—

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Equity-settled share option scheme of the Company (continued)

No share options were exercised during the year ended 31 December 2017.

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	Tranche 1	Tranche 2	Tranche 3
Grant date	11 September 2017	11 September 2017	11 September 2017
Fair value at grant date	HK$1.29	HK$1.42	HK$1.52
Share price	HK$4.09	HK$4.09	HK$4.09
Exercise price	HK$4.20	HK$4.20	HK$4.20
Expected volatility	45.00%	45.00%	45.00%
Exercise period	11/9/2018-10/9/2022	11/9/2019-10/9/2022	11/9/2020-10/9/2022
Risk-free rate	1.00%	1.00%	1.00%
Expected dividend yield	—	—	—

Expected volatility was adopted as of the valuation date with reference to the annualised standard deviation of the continuously compounded rates of return on the daily average adjusted share price of a set of comparable companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of RMB2,361,000 for the year ended 31 December 2017 (2016: Nil) in relation to share options granted by the Company.

31. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme for all its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Under the rule of Mandatory Provident Fund Scheme, the Group and its employees are each required to make a contribution to the MPF Scheme at 5% of the employees' relevant income subject to a cap of monthly relevant income as specified in the rules. No forfeited contribution is available to reduce the contribution payable in the future years.

The Group participates in a state-managed defined contribution retirement scheme organised by the relevant local government authority in the PRC. PRC employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The Group is required to make monthly contributions to the retirement scheme of the eligible employees at specified percentage, ranging from 13% to 20% of the payroll and the local government authority is responsible for the pension liabilities to these employees upon their retirement.

Total cost recognised in profit or loss and capitalised in development costs in respect of contributions paid or payable to the schemes by the Group for the year ended 31 December 2017 is RMB1,478,000 (2016: RMB816,000). As at 31 December 2017, contributions of RMB8,000 (2016: RMB8,000) due in respect of the year ended 31 December 2017 had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

32. RELATED PARTY TRANSACTIONS

(a) Related party balances

(i) Amounts due from related parties

Name of Related Party	Relationship	At 1 January 2016 RMB'000	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000	Maximum Outstanding during the year ended 31 December 2017 RMB'000	Maximum Outstanding during the year ended 31 December 2016 RMB'000
Sheng Ye Financial Leasing Company Limited	Fellow subsidiary	5	—	—	—	25
Sheng Ye International Leasing Limited	Fellow subsidiary	96	—	—	—	1,330
Sheng Ye Financial Group Limited	Fellow subsidiary	36	—	—	—	56
SL	Joint venture	—	90	—	90	—
Wisdom Cosmos Limited	Immediate holding company	—	1	1	1	1
		137	91	1	91	1,412

The amounts are non-trade in nature, except amount due from SL, which represents consulting fee to be received from SL, and are unsecured, interest-free and repayable on demand.

32. RELATED PARTY TRANSACTIONS (continued)

(a) Related party balances (continued)

(ii) Amount due to a related party

Name of Related Party	Relationship	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Mr. Tung Chi Fung	Controlling shareholder	—	4,527

The amount is non-trade in nature unsecured, interest-free and repayable on demand.

(iii) Loans from related parties

Name of Related Party	Relationship	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Tianjin Sheng Ye Financial Leasing Company Limited (note i)	Fellow subsidiary	—	59,265
Sheng Ye Financial Leasing Company Limited (note i)	Fellow subsidiary	—	11,851
Mr. Tung Chi Fung (note ii)	Controlling shareholder	—	407,792
		—	478,908

The amount outstanding as at 31 December 2016 was fully settled during the year ended 31 December 2017.

Notes:

(i) The amounts represent two loans, due within one year, from these related parties and carry interest at 5.00% and 6.00% per annum, respectively. As at 31 December 2016, the aggregate remaining loan principal is RMB69,200,000 with a total carrying amount of RMB71,116,000.

(ii) The amount represents a loan, due within one year, from the controlling shareholder of the Company carrying interest at 4.50% per annum. As at 31 December 2016, the remaining loan principal is RMB400,000,000 with a total carrying amount of RMB407,792,000.

32. RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions

(i) Consulting fee from a related party

Name of Related Party	Relationship	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
SL	Joint venture	85	—

(ii) Interest on loans from related parties

Name of Related Party	Relationship	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Tianjin Sheng Ye Financial Leasing Company Limited	Fellow subsidiary	1,251	3,117
Sheng Ye Financial Leasing Company Limited	Fellow subsidiary	279	651
SL	Joint venture	13	—
Mr. Tung Chi Fung	Controlling shareholder	8,236	8,587
		9,779	12,355

(iii) Rental expense

Name of Related Party	Relationship	2017 RMB'000	2016 RMB'000
Bondlink Investment Limited	Related company with controlling shareholder	1,105	681

32. RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

(iv) Purchase of intangible assets

Name of Related Party	Relationship	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Tianjin Sheng Ye Financial Leasing Company Limited	Fellow subsidiary	—	182

(v) Purchase of equipment

Name of Related Party	Relationship	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Sheng Ye Supply Chain Management Service (Shenzhen) Company Limited	Fellow subsidiary	—	13

(c) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the year is as follows:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and other benefits	5,278	3,987
Performance related bonuses	859	1,858
Share based payment	1,176	—
Retirement benefit scheme contributions	165	113
	7,478	5,958

The remuneration of these key executives of the Group is determined by Chairman of the Company having regard to the performance of individuals and market trends.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the reporting period.

The capital structure of the Group consists of financial assets sold under repurchase agreements and borrowings as set out in note 26 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the share capital and borrowings, balances the Group's overall capital structure through new share issues and raise of new borrowings.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 RMB'000	2016 RMB'000
Financial assets		
Designated at FVTPL – structured deposit	—	10,000
Available-for-sale investment	—	1,000
Loans and receivables – factoring assets	1,339,682	1,324,315
Loans and receivables – security deposits for guarantee	104,354	—
Loans and receivables – others (including bank balances and cash)	231,546	105,395
	1,675,582	1,440,710
Financial liabilities		
Amortised cost	556,458	713,541

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, factoring assets, security deposits for guarantee, receivables from sales of factoring assets, other receivables, structured deposit, bank balances and cash, other payables, loans from related parties, amounts due from (to) related parties, deposits from counter guarantors, financial assets sold under repurchase agreements and borrowings. Details of these instruments are disclosed in respective notes. The risks associated with the financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

34. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk

(i) Currency risk

The Group's exposure to foreign currency risk related primarily to certain bank balances, certain other receivables and certain amounts due from (to) related parties that are denominated in HK$, US$ and GBP£. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currencies denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
HK$	2,421	6,621	—	4,527
US$	20	12	—	—
GBP£	17	—	—	—

34. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) **Currency risk** (continued)

The following table details the Group's sensitivity to a 5% appreciation and depreciation in RMB against HK$, US$ and GBP£, which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts the translation of the Group's foreign currency denominated monetary assets and liabilities at the year-end by a 5% change in the respective foreign currency rates.

	2017 RMB'000	2016 RMB'000
HK$ impact:		
5% appreciation of RMB against HK$		
Decrease in profit for the year	(121)	(105)
5% depreciation of RMB against HK$		
Increase in profit for the year	121	105
US$ impact:		
5% appreciation of RMB against US$		
Decrease in profit for the year	(1)	(1)
5% depreciation of RMB against US$		
Increase in profit for the year	1	1
GBP£ impact:		
5% appreciation of RMB against GBP£		
Decrease in profit for the year	(1)	—
5% depreciation of RMB against GBP£		
Increase in profit for the year	1	—

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end date exposure does not reflect the exposure during the reporting period.

34. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk in relation to bank balances.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate factoring assets and fixed-rate borrowings. The Group does not have a fair value interest rate hedging policy.

Management monitors the related interest exposure closely to ensure the interest rate risks are maintained at an acceptable level. The level of mismatch of interest rate repricing that may be undertaken is monitored closely.

The Group's exposures to interest rates on financial assets and liabilities are mainly concentrated on the fluctuation of PBOC rate arising from bank balances in which the directors of the Company considered the effect is immaterial.

Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk in relation to factoring assets, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. As the securities deposits for guarantee are placed in the counterparties which are state-owned enterprises with good reputation and credit record, the management of the Group considers that the credit risk for these deposits are limited. As at 31 December 2017, no factoring assets or security deposits for guarantee were past due. As at 31 December 2016, the total past due amount is RMB45,165,000. The amounts were fully received during the year ended 31 December 2017.

The credit risk on liquid funds (i.e. bank balances and cash) is limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

34. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

As at 31 December 2017, the Group's concentration of credit risk on factoring assets included five major counterparties accounting for 57% (2016: 77%), of the aggregate outstanding balance at the respective year end date.

The Group has closely monitored the recoverability of the receivables to these counterparties, ensured adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances.

The Group is exposed to the concentration of geographical risk on revenue which is generated from customers located in PRC. The Group has closely monitored the business performance of these customers in PRC and will consider diversifying its customer base as appropriate.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group, and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial assets and financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial assets and financial liabilities.

34. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average effective interest rate %	On demand/ less than 1 month RMB'000	1 month to 3 months RMB'000	4 months to 1 year RMB'000	over 1 year RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2017							
Non-derivative financial assets							
Amounts due from related parties		91	—	—	—	91	91
Factoring assets	10.16	298,190	361,240	758,561	—	1,417,991	1,339,682
Security deposits for guarantee		9,261	53,532	42,214	—	105,007	104,354
Receivables from sales of factoring assets		1,313	4,679	50,176	—	56,168	56,168
Other receivables		26	—	—	984	1,010	1,010
Bank balances and cash	0.34	174,277	—	—	—	174,277	174,277
		483,158	419,451	850,951	984	1,754,544	1,675,582
Non-derivative financial liabilities							
Deposits from counter guarantors		9,261	30,042	22,174	—	61,477	61,477
Other payables		656	1,757	—	—	2,413	2,413
Financial assets sold under repurchase agreements	6.52	10,297	—	—	—	10,297	10,248
Borrowings	5.20	—	6,025	488,025	—	494,050	482,320
		20,214	37,824	510,199	—	568,237	556,458
As at 31 December 2016							
Non-derivative financial assets							
Designated at FVTPL – structured deposit	2.80	10,000	—	—	—	10,000	10,000
Available-for-sale investment	6.95	—	—	1,052	—	1,052	1,000
Amounts due from related parties		1	—	—	—	1	1
Factoring assets	8.92	147,438	161,532	1,087,171	70,349	1,466,490	1,324,315
Other receivables		54	—	—	1,029	1,083	1,083
Bank balances and cash	0.34	104,311	—	—	—	104,311	104,311
		261,804	161,532	1,088,223	71,378	1,582,937	1,440,710
Non-derivative financial liabilities							
Loans from related parties	4.60	—	11,881	480,132	—	492,013	478,908
Amount due to a related party		4,527	—	—	—	4,527	4,527
Other payables		144	—	3,955	—	4,099	4,099
Financial assets sold under repurchase agreements	6.50	83,683	—	—	—	83,683	83,509
Borrowings	6.94	—	1,922	145,953	—	147,875	142,498
		88,354	13,803	630,040	—	732,197	713,541

34. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments

(i) Fair value of the Group's financial assets and financial liabilities are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Set out below is the information about how the fair values of the Group's financial instruments that are measured at fair value are determined, including the valuation techniques and inputs used:

Financial assets	Fair value		Fair value hierarchy	Valuation technique (s) and key input(s)	Significant unobservable input(s)
	2017 RMB'000	2016 RMB'000			
Structured deposit classified as financial assets	—	Assets – 10,000	Level 2	Discounted cash flow. return rate and cash flow are key inputs	N/A
Available-for-sale investment classified as financial assets	—	Assets – 1,000	Level 3	Discounted cash flow. Risk-adjusted discount rate and cash flow are key inputs	The higher discount rate, the lower fair value (note)

Note: The available-for-sale investment represented investment in an asset management scheme and did not have any movement during the year ended 31 December 2016. The amounts were fully settled during the year ended 31 December 2017.

1% increase/decrease in the discount rate would result in decrease/increase the fair value by RMB4,645.

34. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

(ii) Fair value of financial instruments that are recorded at amortised cost

The fair values of financial assets and financial liabilities of the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The management consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

(d) Transfers of financial assets

The following were the Group's factoring assets that were transferred to an asset management company or a financial trading centre platform by discounting those factoring assets on a full recourse basis or with repurchase obligation. As the Group has not transferred the significant risks and rewards relating to these factoring assets, it continues to recognise the full carrying amount of the factoring assets and has recognised the cash received on the transfer as a financial assets sold under repurchase agreements and loan from an asset management scheme (note 26).

These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	Factoring assets 31 December	
	2017 RMB'000	2016 RMB'000
Carrying amount of transferred assets	10,000	114,617
Carrying amount of associated liabilities	10,248	125,906
Net position	(248)	(11,289)

35. PARTICULARS OF SUBSIDIARIES

As at 31 December 2017, the Company has direct and indirect shareholders/equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Particulars of issued and paid up capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December		Principal activity
			2017	2016	
Directly owned					
Sheng Ye International Capital Limited (盛業國際資本有限公司)	BVI 24 September 2013	US$100,000,000	100%	100%	Investment holding
Ever Giant Global Limited (永巨環球有限公司)	BVI 20 January 2016	US$50,000	100%	100%	Investment holding
Talent Group Global Limited (智連環球有限公司)	BVI 1 November 2016	US$2	100%	100%	Investment holding
Indirectly owned					
Sheng Ye International Finance Limited (盛業國際金融有限公司)	Hong Kong 9 October 2013	HK$1	100%	100%	Investment holding
Nice Day Corporation Limited (麗日有限公司)	Hong Kong 1 December 2015	HK$1	100%	100%	Investment holding
SY Factoring Limited (盛業商業保理有限公司#)	PRC 26 December 2013	US$100,000,000	100%	100%	Provision of factoring service
Sheng Ye (Shenzhen) Factoring Limited (盛業(深圳)商業保理有限公司#)	PRC 21 March 2016	RMB50,000,000	100%	100%	Provision of factoring service
Sheng Nuo Factoring Limited (盛諾商業保理有限公司#)	PRC 18 September 2016	RMB50,000,000	100%	100%	Provision of factoring service
Sheng Heng Factoring Limited (盛恒商業保理有限公司#)	PRC 28 March 2017	RMB50,000,000	100%	N/A	Provision of factoring service
Sheng Zhuo Factoring Limited (盛卓商業保理有限公司#)	PRC 30 March 2017	RMB50,000,000	100%	N/A	Provision of factoring service

35. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Particulars of issued and paid up capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December		Principal activity
			2017	2016	
Sheng Peng Factoring Limited (盛鵬商業保理有限公司#)	PRC 19 January 2017	RMB50,000,000	100%	N/A	Provision of factoring service
Sheng Ye Information Technology Service (Shenzhen) Co., Limited (盛業信息科技服務(深圳)有限公司#)	PRC 11 March 2016	HK$5,000,000	100%	100%	Provision of IT service
Shengzhen Sheng Ye Non-Financing Guarantee Limited (深圳市盛業非融資性擔保有限責任公司#)	PRC 4 September 2017	RMB30,000,000	100%	N/A	Provision of non-financing guarantee service
Tianjin shengye investment management Limited (天津盛業投資管理有限公司#)	PRC 2 November 2017	RMB10,000,000	100%	N/A	Investment

English translated name is for identification purpose only.

All subsidiaries now comprising the Group are limited liability companies and have adopted 31 December as their financial year end date.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during both years.

36. DISPOSAL OF A SUBSIDIARY

During the year, the Group disposed of its 49% investment in SL, directly wholly-owned subsidiary of the Group, to independent third parties at consideration of RMB24,500,000. The net assets of SL at the date of disposal were as follows:

	2017 RMB'000
Consideration received:	
Cash received	24,500

	2017 RMB'000
Analysis of assets and liabilities over which control was lost:	
Bank balances and cash	50,000
Net assets disposed of	50,000
Gain on disposal of a subsidiary:	
Investment in a joint venture	25,500
Consideration received and receivable	24,500
Net assets disposed of	(50,000)
Gain on disposal	—

	2017 RMB'000
Net cash outflow arising on disposal:	
Cash consideration	24,500
Less: bank balances and cash disposed of	(50,000)
	(25,500)

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

		Financing cash flows			Non-cash changes	
	As at 1 January 2017 RMB'000	Cash in RMB'000	Cash out RMB'000	Net cash financing activities RMB'000	Interest accruals/ listing expenses RMB'000	As at 31 December 2017 RMB'000
Borrowings – principal	142,000	1,350,592	(1,010,592)	340,000	—	482,000
Borrowings – interest	498	—	(24,882)	(24,882)	24,704	320
Financial assets sold under repurchase agreements – principal	83,450	170,161	(243,611)	(73,450)	—	10,000
Financial assets sold under repurchase agreements – interest	59	—	(1,543)	(1,543)	1,732	248
Loans from related parties – principal	469,200	58,000	(527,200)	(469,200)	—	—
Loans from related parties – interest	9,708	—	(19,487)	(19,487)	9,779	—
Amount due to a related party	4,527	—	(4,527)	(4,527)	—	—
Accrued listing expenses – charged against equity	—	—	(17,135)	(17,135)	17,135	—

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS		
Interests in subsidiaries	666,664	1
Amounts due from a subsidiary	247,231	—
	913,895	1
CURRENT ASSETS		
Prepayments	335	—
Amounts due from the immediate holding company	1	1
Bank balances and cash	536	—
	872	1
CURRENT LIABILITIES		
Accrued charges	446	—
Amounts due to related parties	—	58
	446	58
NET CURRENT ASSETS (LIABILITIES)	426	(57)
NET ASSETS (LIABILITIES)	914,321	(56)
CAPITAL AND RESERVES		
Share capital	6,442	1
Reserves	907,879	(57)
TOTAL EQUITY	914,321	(56)

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Movement in reserves

	Share premium RMB'000	Share options reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 29 December 2016 (date of incorporation)	—	—	—	—
Loss for the period	—	—	(57)	(57)
At 31 December 2016	—	—	(57)	(57)
Loss for the year	—	—	(11,737)	(11,737)
Arising from reorganisation	618,840	—	—	618,840
Issue of new shares	320,438	—	—	320,438
Transaction costs attributable to issue of new shares	(17,135)	—	—	(17,135)
Issue of shares by capitalisation of share premium account	(4,831)	—	—	(4,831)
Recognition of equity-settled share-based payments	—	2,361	—	2,361
At 31 December 2017	917,312	2,361	(11,794)	907,879

39. EVENT AFTER THE REPORTING PERIOD

A. In January 2018, the Group entered into an agreement and disposed of its 80% investment in Shengzhen Sheng Ye Non-Financing Guarantee Limited, a directly wholly-owned subsidiary of the Group, to independent third parties at consideration of RMB24,000,000.

B. The Group issued the asset-backed securities which are backed by the factoring assets with a principal amount of RMB300,000,000 on 16 March 2018 and Shanxi Securities Co., Ltd. is the manager of the issue.