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 2018

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

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 the GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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 2018 RMB'000	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	345,896	157,317	112,791	57,462
Gain on sales of factoring assets	124,548	57,967	5,876	—
Subtotal	470,444	215,284	118,667	57,462
Profit before tax	295,654	133,016	68,172	51,946
Profit for the year	211,874	88,807	48,008	36,994
Earnings per share				
– Basic (RMB cents)	26	14	9	N/A
– Diluted (RMB cents)	26	14	N/A	N/A

	AS AT 31 December 2018 RMB'000	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	3,192,581	1,718,821	1,451,337	716,740
Net assets	2,116,062	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 (Resigned on 7 September 2018)

Independent Non-executive Directors

Mr. Hung Ka Hai Clement
Mr. Loo Yau Soon
Mr. Twoon Wai Mun, Benjamin
Mr. Fong Heng Boo (Appointed on 7 September 2018)

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 (Certified public accountant)

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 4202, 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
Suites 4505-06, 45/F, Tower 1, Lippo Centre
89 Queensway 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 (the "**Board**") of the company and its subsidiaries (the "**Group**"), I would like to present you the annual report of the Group for the financial year of 2018 ended on December 31.

Looking back on 2018, one of the major developments in the commercial factoring industry was that the regulatory body has been handed over from the Ministry of Commerce to China Banking and Insurance Regulatory Commissions (CBIRC). With the supervision from CBIRC, the industry is about to embrace tougher rulings, such as higher barriers to entry, more standardised operation procedures, or stronger penalties on violation. This set of sweeping changes will definitely weed out the not so strong participants. However, we believe this will direct the Chinese commercial factoring industry into a healthier shape. For us, it unfolds fascinating opportunities.

As usual, the Group has focused on Energy, Construction, and Medical industries by identifying respective major players and offered financial services to parties along the supply chain. We have provided specific solutions to our clients based on our knowledge and expertise in these industries. Meanwhile, we have leveraged on our in-house information technology and rigorous risk management framework to boost our operation efficiency. With the effort from all of our employees, the Group has achieved stellar results: as the end of 2018, the Group has assets exceeding RMB 3,192.6 million, 85.7% higher from last financial year; the profit attributed to ordinary shareholders was RMB 211.9 million, 138.6% higher.

Throughout 2018, the Chinese government has introduced a series of policies to deleverage the financial market, and many enterprises had problems with funding or suffered higher funding costs. Most commercial factoring companies too have faced with such difficulties. Nevertheless, we have reached multiple milestones via different funding channels. We have issued new shares through placement to bring in institutional investors such as, Taiping Trust under China Taiping Group, one of the top four insurers in China, and Pavilion Capital Under Temasek Holdings, a sovereign wealth fund owned by Singapore government, and Olympus Capital, a private equity firm from the United States. In addition, we have successfully issued dim sum bond from the overseas market; within the border, we issued asset back securities (ABS) by partnering with licensed institutions, sold factoring assets via trust companies and have been granted access to revolving facilities from various banks. As a result, we have garnered enough capital to support small and medium enterprises (SME) at reasonable pricing, and set solid groundwork for sustainable growth of the Group.

With the hope to sustain growth and strengthen profitability, we too have started to explore opportunities for cooperation with major Information technology companies to nail down proper data application and exchange capabilities. In the future, we will grow our investment into technology to complement traditional supply chain finance services so that we can improve our core competencies.

Last but not least, we have been included in the MSCI Global Small Cap Indexes – MSCI China Index. This inclusion signified the recognition from the international market and we will keep up the good work.

Finally, on behalf of the Board, I would like to thank our shareholders and partners for your continued support, send my heartfelt regards to all employees for your unwavering dedication. The Group will strive to accomplish compelling returns for our shareholders and partners in the years to come.

Sheng Ye Capital Limited
Tung Chi Fung
Chairman and Executive Director

BIOGRAPHIES OF THE DIRECTORS

Executive Director

Mr. Tung Chi Fung, aged 32, is the founder of the Group. He was appointed as an Executive Director and the Chairman of the Board in 4 March 2017. Mr. Tung is the compliance officer and authorised representative of the Group. He is also the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Group. Further, Mr. Tung is one of the four members of the Risk Management Committee of SY Factoring Limited ("**SYF**").

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

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

Mr. Chen Jen-Tse, aged 47, was appointed as an Executive Director 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 the Group, Mr. Chen worked in various positions in financial institutions. From January 1998 to May 2007, he served in the Accounts Receivable Operations Department (帳款處理作業科) in Chailease Finance Co., Ltd. (中租迪和股份有限公司) (previously known as CITC Company (迪和股份有限公司). From May 2007 to June 2008, he worked as an assistant vice president (receivable finance) of the Commercial Banking Department in Hongkong and Shanghai Banking Corporation Limited Taipei branch. From June 2008 to June 2014, he worked as a manager of the Trade Finance Department (SBU) in China Minsheng Banking Group.

BIOGRAPHIES OF THE DIRECTORS

Independent non-executive Directors

Mr. Hung Ka Hai Clement, aged 63, was appointed as the Independent Non-executive Director in June 2017. He is the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee.

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

Mr. Hung served as the Guangzhou Institute of Chartered Accountants consultant from 2004 to 2014. During the period between 2006 to 2011, he also served as a member of the Political Consultative Committee of Luohu District, Shenzhen. He has also been appointed by the Ministry of Finance of People's Republic of China as an expert consultant.

Mr. Hung has been appointed as 1) an independent non-executive director of Gome Finance Technology Co., Ltd. (stock code: 0628) since 31 October 2016; 2) as an independent non-executive director of SMI Holdings Group Limited (stock code: 0198) on 16 January 2017, re-designated as non-executive director thereof with effect from 15 March 2017 and subsequently resigned on 28 February 2019; 3) as an independent non-executive director of LT Commercial Real Estate Limited (stock code: 0112) on 24 February 2017, re-designated as non-executive director with effect from 3 March 2017, re-designated as an independent non-executive director thereof with effect from 30 June 2017 and subsequently resigned on 30 September 2018; 4) as a non-executive director of High Fashion International Limited (stock code:0608) since 1 December 2017; 5) as an independent non-executive director of Zhongchang International Holdings Group Limited (previously known as Henry Group Holdings Limited) (stock code: 0859) since 12 January 2018; and 6) as an independent non-executive director of Aoyuan Healthy Life Group Company Limited (stock code: 3662) since 22 February 2019.

Mr. Loo Yau Soon, aged 46, was appointed as the Independent Non-executive Director in June 2017. He is the chairman of the Remuneration Committee and a member of the Audit Committee. From November 2007 to August 2014, he had been an independent director and chairman of the audit committee for Indiabulls Property Investment Trust, a company listed on Singapore Exchange in Singapore. Since February 2014, he has been a director of Seri Venture Capital Management Sdn Bhd in Brunei. From March 2016 to March 2017, he was the chief executive officer and managing director of Darussalam Enterprise in Brunei.

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

BIOGRAPHIES OF THE DIRECTORS

Mr. Twoon Wai Mun, Benjamin, aged 30, was appointed as the Independent Non-executive Director in June 2017. He is a member of each of the Audit Committee and the Nomination Committee. 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 was responsible for assessment of the productivity metrics of branches in various countries and implementation of plans to improve productivity. 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, and resigned in March 2019. 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.

Mr. Fong Heng Boo, aged 69, was appointed as the independent non-executive Director in September 2018. He obtained a bachelor of accountancy (Honours) in the University of Singapore in August 1973. Mr Fong has over 45 years of experience in auditing, finance, business development and corporate governance. He was with the Auditor-General's Office (AGO), Singapore between 1975 and 1993. He was holding the appointment of Assistant Auditor-General when he left the AGO. Prior to his retirement in 2014, Mr Fong was the Director (Special Duties) at the Singapore Totalisator Board as the Head of Finance and Investment functions. Mr. Fong has been admitted as a fellow chartered accountant of Singapore of the Institute of Singapore Chartered Accountants since August 2004. Mr. Fong has been appointed as 1) an independent director of Colex Holdings Limited, a company listed on the Singapore Exchange (stock code: 567), since March 1999; 2) an independent director of CapitalLand Retail China Trust, a real estate investment trust listed on the Singapore Exchange (stock code: AU8U), since January 2013; 3) an independent director of TA Corporation Ltd, a company listed on the Singapore Exchange (stock code: PA3), since December 2017; and 4) an independent director of Advance SCT Ltd, a company listed on the Singapore Exchange (stock code: 5FH), since July 2018. He has also been an independent director of Asian American Medical Group Limited, a company listed on the Australian Securities Exchange (stock code: AJJ), since August 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

FINANCIAL REVIEW

Revenue

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

Gain on sales of factoring assets

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

Other income

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

Other gains and losses

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

Staff costs and other operating expenses

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

Listing expenses

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

Impairment losses, net of reversal

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

Share of profits of a joint venture

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

Share of profits of associates

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

Finance costs

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

Profit before taxation

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

MANAGEMENT DISCUSSION AND ANALYSIS

Taxation

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

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

Dividend

The Directors recommend the payment of a final dividend of HK4 cents per ordinary share of the Company ("**Shares**") for the year ended 31 December 2018 (2017: Nil).

Capital structure, liquidity, financial resources and gearing

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

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

Use of proceeds

The Global Offering

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

The Placing

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Capital commitments

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

Contingent liabilities

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

Pledge of assets

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

Significant investment held by the Group

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

MANAGEMENT DISCUSSION AND ANALYSIS

Future plan for material investments and capital assets

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

Foreign exchange risks

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

Employees and remuneration policy

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

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

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

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

CORPORATE GOVERNANCE REPORT

The Board of directors of the Company (the "**Board**") understands that sound corporate governance practices is fundamental to maintaining and promoting the confidence of shareholders. Throughout the financial year ended 31 December 2018, the Group had complied with the code provisions in the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules.

The Board is committed to maintaining and ensuring a high standard of corporate governance. The Board will review the corporate governance practices of the Group from time to time to ensure that they reflect the latest development and meet the expectations of the Shareholders.

Code of Conduct Regarding Directors' Securities Transactions

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

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 2018 and up to the date of this report, the Board comprises of two Executive Directors and four Independent Non-executive Directors ("**INEDs**"), details are as follows:

Executive Directors

Mr. Tung Chi Fung (Chairman)

Mr. Chen Jen-Tse

Non-executive Director

Ms. Tung Ching Ching (resigned on 7 September 2018)

Independent Non-executive Directors

Mr. Hung Ka Hai, Clement

Mr. Loo Yau Soon

Mr. Twoon Wai Mun, Benjamin

Mr. Fong Heng Boo (appointed on 7 September 2018)

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 four 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 INED 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.

Measurable Objectives and Selection

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

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

Implementation and Monitoring

The Nomination Committee will monitor the implementation of the board diversity policy and report to the Board annually. As at the date of this report, the Board's composition under diversified perspectives is summarised as follows:

	Age Group		
Name of Director	30 to 45	46 to 59	Above 60
Mr. Tung Chi Fung	√		
Mr. Chen, Jen-Tse		√	
Mr. Hung Ka Hai Clement			√
Mr. Loo Yau Soon		√	
Mr. Twoon Wai Mun, Benjamin	√		
Mr. Fong Heng Boo			√

	Professional Experience			
Name of Director	Factoring business	Corporate finance	Accounting and Finance	Regulatory and compliance
Mr. Tung Chi Fung	√			
Mr. Chen, Jen-Tse	√			
Mr. Hung Ka Hai Clement		√	√	
Mr. Loo Yau Soon				√
Mr. Twoon Wai Mun, Benjamin		√		
Mr. Fong Heng Boo			√	√

CORPORATE GOVERNANCE REPORT

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 year ended 31 December 2018, 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 comment; 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 year ended 31 December 2018, 6 Board meetings were held at which the Directors discussed and approved, amongst other matters, the Group's annual report 2017, interim and quarterly reports, results announcements, grant of share option to the eligible directors and staffs according to the share option scheme and the appointment of an INED.

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

Name of Directors	Number of Attendance/Number of Board Meeting
Executive Directors	
Mr. Tung Chi Fung (Chairman)	6/6
Mr. Chen Jen-Tse	6/6
Non-executive Director	
Ms. Tung Ching Ching (resigned on 7 September 2018)	4/4
Independent Non-executive Directors	
Mr. Hung Ka Hai, Clement	6/6
Mr. Loo Yau Soon	6/6
Mr. Twoon Wai Mun, Benjamin	6/6
Mr. Fong Heng Boo (appointed on 7 September 2018)	2/2

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 6 July 2017 ("**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. She had resigned as a Non-executive Director on 7 September 2018.

Each of the four INEDs, Mr. Hung Kai Hai, Clement, Mr. Loo Yau Soon, Mr. Twoon Wai Mun, Benjamin and Mr. Fong Heng Boo (Appointed on 7 September 2018) 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.

Nomination Policy

The Company has adopted a Nomination Policy for the Nomination Committee to consider and make recommendations to Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies.

Selection Criteria

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

(1) reputation for integrity;

(2) accomplishment and experience in the business in which the Group is engaged in;

(3) commitment in respect of available time and relevant interest;

(4) diversity in all its aspects, including but not limited to race, gender, age (18 years or above), educational background, professional experience, skills and length of service;

(5) qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

(6) the number of existing directorships and other commitments that may demand the attention of the candidate;

(7) requirement for the Board to have Independent Non-executive Directors in accordance with the GEM Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the GEM Listing Rules;

(8) board Diversity Policy of the Company and any measurable objectives adopted by the Committee for achieving diversity on the Board; and

(9) such other perspectives appropriate to the Company's business.

Director Nomination Procedure

Subject to the provisions in the Articles of Association of the Company and the GEM Listing Rules, if the Board recognises the need for an additional Director or member of senior management:

(1) the Nomination Committee and/or Board identifies potential candidates based on the criteria as set out in the selection criteria, possibly with assistance from external agencies and/or advisors;

(2) the Nomination Committee and/or the Company Secretary of the Company provides the Board with the biographical details and details of the relationship between the candidate and the Company and/or Directors, directorships held, skills and experience, other positions which involve significant time commitment and any other particulars required by the GEM Listing Rules, the Companies Law of the Cayman Islands and other regulatory requirements for any candidate for appointment to the Board;

(3) The Nomination Committee would make recommendation on the proposed candidate(s) and the terms and conditions of the appointment to the Board;

(4) The Nomination Committee should ensure the proposed candidate(s) will enhance the diversity of the Board, being particularly mindful of gender balance;

(5) In the case of the appointment of an Independent Non-executive Director, the Nomination Committee and/or the Board obtains all information in relation to the proposed Director to allow the Board to adequately assess the independence of the Director in accordance with the factors set out in Rule 5.09 of the GEM Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time; and

(6) The Board deliberates and decides on the appointment based upon the recommendation of the Committee.

Re-Election of Director at General Meeting

The Nomination Committee shall review the overall contribution and service to the Company of the retiring Director including his/her attendance of Board meetings and, where applicable, general meetings of the Company, and the level of participation and performance on the Board. The Nomination Committee shall also review and determine whether the retiring Director continues to meet the criteria as set out in the selection criteria. The Nomination Committee and/or the Board shall then make recommendation to shareholders of the Company in respect of the proposed re-election of Director at the general meeting of the Company.

CORPORATE GOVERNANCE REPORT

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. Mr. Tung was the chairman of the Board throughout the year ended 31 December 2018. During the year ended 31 December 2018, the responsibilities of the chief executive officer were shared amongst the executive Directors.

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.

During the year ended 31 December 2018, four meetings have been held by the Audit Committee, at which the Audit Committee reviewed the Group's annual report for the year ended 31 December 2017, the unaudited consolidated financial statements for the three months ended 31 March 2018, the interim period ended 30 June 2018 and the nine months ended 30 September 2018.

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

Name of Directors	Number of Attendance/Number of Audit Committee Meeting
Mr. Hung Ka Hai, Clement	4/4
Mr. Loo Yau Soon	4/4
Mr. Twoon Wai Mun, Benjamin	4/4

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

At the Audit Committee Meeting held on 8 March 2019, all the members of the Audit Committee reviewed the Company's audited consolidated financial statements for the year ended 31 December 2018, 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.

During the year ended 31 December 2018, two meetings have been held by the Remuneration Committee, which revised and approved the remuneration of each of the Directors of the Company and granted share options to the eligible Directors 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 year is set out below:

Name of Directors	Number of Attendance/Number of Remuneration Committee Meeting
Mr. Loo Yau Soon	2/2
Mr. Tung Chi Fung	2/2
Mr. Hung Ka Hai, Clement	2/2

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.

During the year ended 31 December 2018, two meetings have been held by the Nomination Committee to review the structure, size and composition of the Board, to assess the independence of the Independent Non-executive Directors to determine their eligibility and review the diversity policy of the Board; and to review the appointment of Mr. Fong Heng Boo as Independent Non-executive Director of the Company.

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

Name of Directors	Number of Attendance/Number of Nomination Committee Meeting
Mr. Tung Chi Fung	2/2
Mr. Hung Ka Hai, Clement	2/2
Mr. Twoon Wai Mun, Benjamin	2/2

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

Dividend Policy

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

(1) the Group's actual and expected financial performance;

(2) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(3) retained earnings and distributable reserves of the Company and each of the members of the Group;

(4) the Group's liquidity position;

(5) interest of shareholders;

(6) Taxation consideration;

(7) potential effect on creditworthiness;

(8) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(9) any other factors that the Board deems appropriate.

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

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

CORPORATE GOVERNANCE REPORT

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration and the 5 highest paid employees for the Financial Year are set out in Note 13 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the Corporate Governance Code, the remuneration of the members of the senior management (other than the Directors) for the financial year ended 31 December 2018 by band is set out below:

Remuneration band	Number of individuals
Nil to HK$1,500,000	2
HK$1,500,001 to HK$3,000,000	4
HK$3,000,001 to and above	1

Auditors' Remuneration

The Company has appointed Deloitte Touche Tohmatsu as its external auditors for the year ended 31 December 2018. Details of the fees paid/payable to Deloitte Touche Tohmatsu during the year are as follows:

	RMB'000
Audit services	1,880
Review of interim financial information	380
Subtotal	2,260
Others	2,160
Total	4,420

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 2018, 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 39 to 44 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 Services 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 4202, 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 of the Company, shareholders who wish to move a resolution may by means of requisition convene an EGM following the procedures set out above.

Constitutional Documents

There was no change in the Company's constitutional documents during the year ended 31 December 2018. 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 2018.

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.

DIRECTORS' REPORT

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 2018 (the "**Reporting Period**").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the provision of factoring services in the PRC. Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a review of the Group' s business, a description of the principal risks and uncertainties facing the Group as well as an indication of likely future development in the Group' s business, can be found in the chairman' s statement and the Management Discussion and Analysis set out from pages 8 to 12 of this annual report. The discussion forms part of this report of the Directors. There were no significant changes in the nature of the principal activities of the Group during the year.

FINANCIAL SUMMARY

A summary of the Group's financial performance for the last four 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 2018 are set out on pages 45 to 134 of this annual report.

The directors recommend the payment of a final dividend of HK4 cents per ordinary share for the year ended 31 December 2018 (2017: Nil).

SUBSIDIARIES

Details of our Company's principal subsidiaries as at 31 December 2018 are set out in note 36 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 28 and 31, respectively, to the financial statements.

RESERVES

Details of movements in the reserves of the Company during the year ended 31 December 2018 are set out in note 39 to the consolidated financial statements.

MAJOR CUSTOMERS

For the year ended 31 December 2018, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue	
– The largest customer	10.7%
– The total of five largest customers	38.9%

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.

USE OF PROCEEDS

The Company completed its global offering and placing of shares on 6 July 2017 and 11 July 2018 respectively. 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 2018.

DIRECTORS AND SERVICE CONTRACTS

As at 31 December 2018 and up to the date of this report, the Board comprises of two Executive Directors and four INEDs, details are as follows:

Executive Directors

Mr. Tung Chi Fung (Chairman)

Mr. Chen Jen-Tse

Non-executive Director

Ms. Tung Ching Ching (resigned on 7 September 2018)

Independent Non-executive Directors

Mr. Hung Ka Hai, Clement

Mr. Loo Yau Soon

Mr. Twoon Wai Mun, Benjamin

Mr. Fong Heng Boo (appointed on 7 September 2018)

Biographical information of each of the Directors is 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 Directors 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 of the Company.

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.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Related Party Transaction - Exempted Continuing Connected Transaction" in page 37 of this annual report and note 33 to the consolidated financial statements, there were no transaction, arrangement, or contract of significance in relation to the Group' s business to which the Company or any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which any Director or any entities connected with a Director, the controlling Shareholder, the substantial Shareholders had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as the subscription agreement between Wisdom Cosmos on 28 June 2018 in relation to the Subscription and those disclosed in this annual report, there was no other contract of significance between the Company or any of its subsidiaries and any controlling shareholder of the Company or any of its subsidiaries during the year.

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 its 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 its business partners.

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

DIRECTORS' REPORT

EQUIPMENT AND INTANGIBLE ASSETS

The movements in the Group's equipment and intangible assets for the year are set out in Note 16 and Note 17 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CHARITABLE DONATIONS

The Group's external charitable donations for the year amounted to RMB1.8 million (2017: RMB400,000).

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 2018, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Interest in the Company

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

Notes:

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

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

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

Save as disclosed herein, as at 31 December 2018, none of the Directors or chief executive of the Company or their associates (as defined in the GEM Listing Rules) had any interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2018, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 10% or more of issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity/nature of interest	Number and class of securities *(Note 1)*	Percentage of shareholding
TMF Trust *(Note 2)*	Trustee	555,000,000 (L)	63.15%
Eander *(Note 2)*	Interest in a controlled corporation	555,000,000 (L)	63.15%
Wisdom Cosmos *(Note 2)*	Beneficial owner	555,000,000 (L)	63.15%

Notes:

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

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

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

SHARE OPTION SCHEME

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 Company 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 and approximately 8.42% of the Shares in Issue as at the date of this report.

(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, the Company granted 12,620,000 share options to a director and the employees of the Group to subscribe for the ordinary shares of the Company with an exercise price of HK$4.20 per share and for a validity period of 5 years. Among the share options granted, 2,000,000 Granted Options were granted to Mr. Chen Jen-Tse, an Executive Director of the Company.

On 14 November 2018, the Company granted 8,970,000 share options to the directors, employees and other eligible persons of the Group to subscribe for the ordinary shares of the Company with an exercise price of HK$6.90 per share and for a validity period of 5 years. Among the share options granted, 1,000,000 share options were granted to Mr. Chen Jen-Tse, an Executive Director of the Company. Mr. Hung Ka Hai Clement, Mr. Loo Yau Soon and Mr. Twoon Wai Mun, Benjamin, the INEDs of the Company, were granted 200,000 share options each (600,000 share options in total).

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. 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 the date of grant.

The following shows the outstanding position as at 31 December 2018 with respect to their Granted Options granted under the Share Option Scheme:

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2018	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2018
Mr. Chen Jen-Tse	11 September 2017	HK$4.20	11/9/2018-10/9/2022	500,000	–	–	–	500,000
			11/9/2019-10/9/2022	500,000	–	–	–	500,000
			11/9/2020-10/9/2022	1,000,000	–	–	–	1,000,000
				2,000,000	–	–	–	2,000,000
Employees	11 September 2017	HK$4.20	11/9/2018-10/9/2022	2,617,500	–	(356,500) *(Note)*	(302,500)	1,958,500
			11/9/2019-10/9/2022	2,617,500	–	–	(302,500)	2,315,000
			11/9/2020-10/9/2022	5,235,000	–	–	(605,000)	4,630,000
				10,470,000	–	(356,500)	(1,210,000)	8,903,500
Mr. Chen Jen-Tse	14 November 2018	HK$6.9	14/11/2019-13/11/2023	–	250,000	–	–	250,000
			14/11/2020-13/11/2023	–	250,000	–	–	250,000
			14/11/2021-13/11/2023	–	500,000	–	–	500,000
				–	1,000,000	–	–	1,000,000
Mr. Hung Ka Hai Clement	14 November 2018	HK$6.9	14/11/2019-13/11/2023	–	50,000	–	–	50,000
			14/11/2020-13/11/2023	–	50,000	–	–	50,000
			14/11/2021-13/11/2023	–	100,000	–	–	100,000
				–	200,000	–	–	200,000
Mr. Loo Yau Soon	14 November 2018	HK$6.9	14/11/2019-13/11/2023	–	50,000	–	–	50,000
			14/11/2020-13/11/2023	–	50,000	–	–	50,000
			14/11/2021-13/11/2023	–	100,000	–	–	100,000
				–	200,000	–	–	200,000
Mr. Twoon Wai Mun, Benjamin	14 November 2018	HK$6.9	14/11/2019-13/11/2023	–	50,000	–	–	50,000
			14/11/2020-13/11/2023	–	50,000	–	–	50,000
			14/11/2021-13/11/2023	–	100,000	–	–	100,000
				–	200,000	–	–	200,000
Employees and other eligible persons	14 November 2018	HK$6.9	14/11/2019-13/11/2023	–	1,842,500	–	–	1,842,500
			14/11/2020-13/11/2023	–	1,842,500	–	–	1,842,500
			14/11/2021-13/11/2023	–	3,685,000	–	–	3,685,000
				–	7,370,000	–	–	7,370,000

Note: The weighted average closing price of the Shares immediately before the date on which the options were exercised during the period was HK$4.20 per Share.

During the year ended 31 December 2018, i) 19,873,500 Granted Options were outstanding under the Share Option Scheme; ii) 356,500 Granted Options were exercised; iii) 1,210,000 Granted Options were lapsed; and iv) no Granted Options were cancelled. The remaining life of the Share Option Scheme is about 8 years and 4 months.

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.

COMPLIANCE OF NON-COMPETITION UNDERTAKINGS

Mr. Tung, TMF Trust, Eander and Wisdom Cosmos, the controlling shareholders of the Company (the "**Covenantors**", each a "**Covenantor**") executed the deed of non-competition undertaking dated 19 June 2017 in favour of the Company (for itself and as trustee for the subsidiaries of the Company (the "**Subsidiaries**")) (the "**Deed of Non-Competition**").

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

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

For further details of the Deed of Non-Competition, please refer to the section headed "Relationship with our Controlling Shareholders — Non-Competition Undertakings" in the prospectus of the Company dated 26 June 2017.

The Covenantors had continued to uphold, among others, their undertaking by allowing the Company and its representatives to have access to such information, financial and/or corporate records to facilitate the Company to determine the compliance of the undertakings contained in the Deed of Non-Competition from the date on which the shares of the Company are listed on the GEM of the Stock Exchange (the "**Listing Date**") up to the date of the Annual Report.

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

RELATED PARTY TRANSACTION

Exempted Continuing Connected Transactions

The Directors confirmed that the tenancy agreement (the "**Tenancy Agreement**") entered into by the Group with Bondlink Investment Limited ("**Bondlink**") which is the connected person, constituted continuing connected transactions of the Group under Chapter 20 of the GEM Listing Rules.

On 12 April 2018, Bondlink as lessor and one of the wholly owned subsidiary of the Company as lessee entered into a Tenancy Agreement for the leasing of the property located at "Room 4202, 42th Floor, Tower 1, Lippo Centre, No.89 Queensway, Hong Kong" for a term of two years commencing from 16 April 2018 to 15 April 2020 (both days inclusive) at a monthly rent of HK$166,320 exclusive of building management fee, government rates and government rent. The aggregate of the management fee, government rates and government rent is currently HK$12,700 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 the 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 33 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 financial year ended 31 December 2018 and thereafter up to the date of this report.

DIRECTORS' REPORT

ENVIRONMENTAL POLICY AND SOCIAL RESPONSIBILITY

The Group is committed to sustainable development of the environment and our society. The Group works to advance environmental and social progress and conduct business in a way that creates value for its 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 conditioners and the ventilation system to reduce electricity usage.

The Group proactively promote the spirit of corporate social responsibility within the Company by sponsoring charitable events, making donation and participating in community activities. The Group through this kind of events, aspires to giving back from its employees, foster positive relationships between its 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 ended 31 December 2018 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.

INTERESTS OF THE COMPLIANCE ADVISER

The Company appointed Dakin Capital Limited ("**Dakin Capital**") to be the compliance adviser. As informed by Dakin Capital, except for the compliance adviser agreement between the Company and Dakin Capital, neither Dakin Capital nor any of its directors or employees or associates, has or may have, any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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, 8 March 2019

INDEPENDENT AUDITOR'S REPORT

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 45 to 134, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of factoring assets at fair value through other comprehensive income ("FVTOCI")	
We identified the impairment of factoring assets at FVTOCI 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 expected credit losses ("ECL") on factoring assets at FVTOCI which are subject to impairment under HKFRS 9. As set out in note 19 to the consolidated financial statements, the carrying amount of factoring assets at FVTOCI is RMB2,818,315,000 as at 31 December 2018. This carrying amount represented approximately 88% of the total assets. The impairment allowance in respect of factoring assets at FVTOCI is RMB34,454,000. Factoring assets at FVTOCI are assessed for impairment by the management. In determining the impairment of factoring assets at FVTOCI, the management considers shared credit risk characteristics for grouping, and assesses credit losses based on external or internal credit rating, and on a forward-looking basis with the use of appropriate models and assumptions relate to the future macroeconomic conditions and creditworthiness.	Our procedures in relation to the impairment of factoring assets at FVTOCI included: • Obtaining an understanding from the management of the procedures in place for credit risk approval and monitoring of factoring assets at FVTOCI and management's assessment of the ultimate realisation of factoring assets at FVTOCI; • Obtaining an understanding of management's methodology for determining the ECL impairment allowance on factoring assets at FVTOCI and assessing the appropriateness of the methodology used by management; • On a sample basis, evaluating management's assessment of the credit quality of the factoring assets at FVTOCI by examining the credit files, including financial condition of the borrower, past collection history, subsequent settlement, relevant deposits received, pledge and guarantees, as applicable; • Assessing the reasonableness of key inputs and assumptions applied, including the Group's past experience of collecting payments, historical loss ratio, macroeconomic factors, industry practice, external or internal credit rating and forward-looking information; and • Testing the data inputs and the mathematical accuracy of the impairment allowance calculation.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Derecognition of factoring assets at FVTOCI	
We identified derecognition of factoring assets at FVTOCI as a key audit matter due to its significance to the consolidated financial statements and the assessment relating to derecognition of factoring assets at FVTOCI 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 at FVTOCI of RMB124,548,000, which contributed approximately 26% of the income from factoring and other services for the year ended 31 December 2018. In determining derecognition of factoring assets at FVTOCI, 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 at FVTOCI to determine whether the derecognition criteria were met.	Our procedures in relation to derecognition of factoring assets at FVTOCI included: • Obtaining an understanding of the process and relevant controls over the transfers of factoring assets at FVTOCI, 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 at FVTOCI; • Obtaining from management the agreements for all transfers during the year and evaluating whether the transfers of the factoring assets at FVTOCI meet the derecognition criteria; and • On a sample basis, checking transaction documents and testing the cash received from sales of the factoring assets.

INDEPENDENT AUDITOR'S REPORT

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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

8 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	2018 RMB'000	2017 RMB'000
Revenue	6		
Interest income from factoring service		308,484	144,127
Income from other services		37,412	13,190
Total revenue		345,896	157,317
Gain on sales of factoring assets	7	124,548	57,967
Income from factoring and other services		470,444	215,284
Other income	8(a)	17,796	10,204
Impairment losses, net of reversal	9	(17,761)	(2,055)
Other gains and losses	8(b)	10,186	(2,158)
Staff costs	12(a)	(45,447)	(20,007)
Other operating expenses		(53,088)	(23,369)
Listing expenses		—	(8,102)
Donation		(1,800)	(400)
Share of profit (loss) of a joint venture		1,775	(166)
Share of profit of associates		4,705	—
Finance costs	10	(91,156)	(36,215)
Profit before taxation		295,654	133,016
Taxation	11	(83,780)	(44,209)
Profit for the year	12 (a)	211,874	88,807
Profit for the year attributable to:			
– Owners of the Company		208,421	88,807
– Non-controlling interests		3,453	—
		211,874	88,807
Earnings per share	15		
– Basic (RMB cents)		26	14
– Diluted (RMB cents)		26	14

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTE	2018 RMB'000	2017 RMB'000
Profit for the year		211,874	88,807
Other comprehensive income ("OCI"):	12 (b)		
Items that may be reclassified subsequently to profit or loss:			
Fair value gain, net of expected credit losses ("ECL") on:			
– factoring assets at fair value through OCI ("FVTOCI")		794	—
Income tax relating to items that may be reclassified subsequently		(198)	—
Share of other comprehensive expense of a joint venture, net of related income tax		(32)	—
Share of other comprehensive income of associates, net of related income tax		835	—
Other comprehensive income for the year, net of income tax		1,399	—
Total comprehensive income for the year		213,273	88,807
Total comprehensive income for the year attributable to:			
– Owners of the Company		209,345	88,807
– Non-controlling interests		3,928	—
		213,273	88,807

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	NOTES	31/12/2018 RMB'000	31/12/2017 RMB'000
NON-CURRENT ASSETS			
Equipment	16	2,728	2,138
Intangible assets	17	13,467	7,940
Factoring assets at FVTOCI	19	18,609	—
Investment in a joint venture	20(a)	27,077	25,334
Investments in associates	20(b)	53,540	—
Prepayments for non-current assets		1,060	—
Deferred tax assets	18	20,683	6,654
		137,164	42,066
CURRENT ASSETS			
Factoring assets	19	—	1,339,682
Factoring assets at FVTOCI	19	2,799,706	—
Receivables from sales of factoring assets	7	—	56,168
Loan receivable	21	12,986	—
Security deposits for guarantee	22	—	104,354
Amounts due from related parties	33(a)	—	91
Other receivables, prepayments and others	23	7,892	2,183
Fixed deposit	24	8,764	—
Bank balances and cash	24	226,069	174,277
		3,055,417	1,676,755
CURRENT LIABILITIES			
Loans from an associate	33(a)	10,005	—
Other payables and accrued charges	25	55,411	24,547
Income tax payable		77,521	26,502
Deposits from counter guarantors	22	—	61,477
Financial liability arising from repurchase agreements	26	—	10,248
Borrowings	27	911,956	482,320
Contract liabilities		2,786	—
		1,057,679	605,094
NET CURRENT ASSETS		1,997,738	1,071,661

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	NOTES	31/12/2018 RMB'000	31/12/2017 RMB'000
NON-CURRENT LIABILITY			
Deferred tax liabilities	18	18,840	8,449
NET ASSETS		2,116,062	1,105,278
CAPITAL AND RESERVES			
Share capital	28	7,623	6,442
Reserves		2,012,558	1,098,836
Equity attributable to owners of the Company		2,020,181	1,105,278
Non-controlling interests		95,881	—
TOTAL EQUITY		2,116,062	1,105,278

The consolidated financial statements on pages 45 to 134 were approved and authorised for issue by the board of directors on 8 March 2019 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 2018

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	FVTOCI reserves RMB'000	Share options reserve RMB'000	Statutory reserves RMB'000 (note i)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2017	618,841	—	—	—	—	10,113	80,243	709,197	—	709,197
Profit and total comprehensive income for the year	—	—	—	—	—	—	88,807	88,807	—	88,807
Transfer to PRC statutory reserves (note i)	—	—	—	—	—	10,905	(10,905)	—	—	—
Transfers on reorganisation (note ii)	(618,840)	—	618,840	—	—	—	—	—	—	—
Arising from reorganisation (note iii)	—	618,840	(618,840)	—	—	—	—	—	—	—
Issue of new shares (note 28)	1,610	320,438	—	—	—	—	—	322,048	—	322,048
Issue of shares by capitalisation of share premium account (note 28)	4,831	(4,831)	—	—	—	—	—	—	—	—
Transaction costs attributable to issue of new shares	—	(17,135)	—	—	—	—	—	(17,135)	—	(17,135)
Recognition of equity-settled share-based payments	—	—	—	—	2,361	—	—	2,361	—	2,361
At 31 December 2017	6,442	917,312	—	—	2,361	21,018	158,145	1,105,278	—	1,105,278
Adjustments of application of accounting policy changes (note 2)	—	—	—	(2,604)	—	—	—	(2,604)	—	(2,604)
At 1 January 2018 (restated)	6,442	917,312	—	(2,604)	2,361	21,018	158,145	1,102,674	—	1,102,674
Profit for the year	—	—	—	—	—	—	208,421	208,421	3,453	211,874
Other comprehensive income for the year	—	—	—	924	—	—	—	924	475	1,399
Total comprehensive income for the year	—	—	—	924	—	—	208,421	209,345	3,928	213,273
Issue of new shares from placing (note 28)	1,178	705,979	—	—	—	—	—	707,157	—	707,157
Transaction costs attributable to issue of new shares from placing (note 28)	—	(9,207)	—	—	—	—	—	(9,207)	—	(9,207)
Transfer to PRC statutory reserves (note i)	—	—	—	—	—	23,419	(23,419)	—	—	—
Capital contribution by non-controlling interests (note iv)	—	—	1,547	—	—	—	—	1,547	91,953	93,500
Recognition of equity-settled share-based payments	—	—	—	—	7,341	—	—	7,341	—	7,341
Exercise of share options	3	1,703	—	—	(382)	—	—	1,324	—	1,324
At 31 December 2018	7,623	1,615,787	1,547	(1,680)	9,320	44,437	343,147	2,020,181	95,881	2,116,062

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% 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) The amounts of RMB618,840,000 represented the combined share capital of Sheng Ye International Capital Limited ("SYIC") and Nice Day Corporation Limited ("Nice Day"), subsidiaries of the Company, prior to the completion of the reorganisation of the Group.

(iii) 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 immediate holding company of the Company.

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 of the Group.

(iv) During the year ended 31 December 2018, the Group disposed of certain interests in four wholly-owned subsidiaries of the Group, to independent third parties at consideration of RMB93,500,000, and retained control of the subsidiaries, with adjustment of RMB1,547,000 recognised directly in equity and attributed to owners of the Company. The non-controlling interests represent the net assets attributable to the non-controlling shareholders.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTE	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES			
Profit for the year		211,874	88,807
Adjustment for:			
Taxation		83,780	44,209
Share of (profit) loss of a joint venture		(1,775)	166
Share of profit of associates		(4,705)	—
Depreciation of equipment		1,289	964
Amortisation of intangible assets		696	320
Research and development costs recognised as an expense		7,485	—
Impairment losses, net of reversal		17,761	2,055
Loss on disposal of equipment		62	96
Gain on disposal of a subsidiary		(514)	—
Equity-settled share-based payments expense		7,341	2,361
Finance costs		91,156	36,215
Bank interest income		(2,003)	(257)
Interest income from a loan receivable		(136)	—
Interest income from loan to an associate		(791)	—
Investment income		—	(123)
Exchange (gain) loss, net		(10,124)	2,062
Operating cash flows before movements in working capital		401,396	176,875
Increase in factoring assets at FVTOCI		(1,498,916)	(16,769)
Decrease (increase) in security deposits for guarantee		11,821	(105,007)
Decrease (increase) in receivables from sales of factoring assets		56,168	(56,168)
Increase in other receivables, prepayments and others		(5,709)	(814)
Decrease (increase) in amount due from a related party		90	(90)
Increase in other payables and accrued charges		31,556	6,328
Increase in contract liabilities		2,786	—
(Decrease) increase in deposits from counter guarantors		(11,821)	61,477
Cash (used in) from operations		(1,012,629)	65,832
Enterprise Income Tax paid		(35,899)	(23,994)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(1,048,528)	41,838
INVESTING ACTIVITIES			
Repayments from an associate and immediate holding company		70,803	—
Net cash inflow (outflow) arising on disposal of a subsidiary	37	19,656	(25,500)
Bank interest income received		2,003	257
Interest income from loan to an associate		791	—
Interest income from a loan receivable		136	—
Proceeds from disposal of equipment		8	1
Redemption of structure deposits		—	304,000

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTE	2018 RMB'000	2017 RMB'000
INVESTING ACTIVITIES - CONTINUED			
Redemption of available-for-sale investment		—	1,000
Investment income received		—	123
Placement of structure deposits		—	(294,000)
Advances to a related party		(88)	—
Payment for development expense		(7,485)	—
Payment for purchase of equipment and prepayments of a property		(2,652)	(1,344)
Placement of fixed deposit		(8,764)	—
Payment for development costs and purchase of other intangible assets		(6,580)	(6,171)
Advances of a loan receivable		(13,143)	—
Investments in associates		(42,000)	—
Advances to an associate		(53,500)	—
NET CASH USED IN INVESTING ACTIVITIES		(40,815)	(21,634)
FINANCING ACTIVITIES	38		
New borrowings raised		4,802,796	1,350,592
Issue of placing shares		697,950	—
Capital contribution from non-controlling shareholders of the subsidiaries		93,500	—
Loans from an associate/related parties raised		47,175	58,000
Exercise of equity-settled share options		1,324	—
Issue of new shares		—	322,048
Cash receipts from financial liability arising from repurchase agreements		—	170,161
Repayment to a related party		—	(4,527)
Listing expenses paid		—	(17,135)
Repayment of loans from related parties		—	(527,200)
Interest paid for loans from related parties		(132)	(19,487)
Interest paid for financial liability arising from repurchase agreements		(285)	(1,543)
Repayment of financial liability arising from repurchase agreements		(10,000)	(243,611)
Repayment of loans from an associate		(37,175)	—
Interest paid for borrowings		(77,393)	(24,882)
Repayment of borrowings		(4,386,749)	(1,010,592)
NET CASH FROM FINANCING ACTIVITIES		1,131,011	51,824
NET INCREASE IN CASH AND CASH EQUIVALENTS		41,668	72,028
Effect of foreign exchange rate changes		10,124	(2,062)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		174,277	104,311
CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by bank balances and cash		226,069	174,277

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL

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

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

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are provision of factoring and guarantee services in the PRC. Details of the Company's subsidiaries are set out in note 36.

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

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

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

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

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

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

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

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

2.1 HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 6 and 3 respectively.

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

Summary of effects arising from initial application of HKFRS 15

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

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

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

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

2.2 HKFRS 9 Financial Instruments

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

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

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement. Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assets

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

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

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

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

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

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

2.2 HKFRS 9 Financial Instruments (continued)

Summary of effects arising from initial application of HKFRS 9 (continued)

Impairment under ECL model

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

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

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

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

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

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

New and amendments to HKFRSs issued but not yet effective

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

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

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2021
[3] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[4] Effective for annual periods beginning on or after a date to be determined
[5] Effective for annual periods beginning on or after 1 January 2020

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

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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs issued but not yet effective (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.

Other than certain requirements which are also applicable to lessor, 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 2018, the Group has non-cancellable operating lease commitments of RMB8,398,000 as disclosed in note 29(a). 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 RMB1,404,000 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. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an arrangement contains a lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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 GEM of the Stock Exchange ("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 transacted 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 reassesses 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's interests in existing subsidiaries (continued)

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 OCI 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 HKFRS 9/ HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investment in associates and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 associates and the joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and 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 an associate or 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 OCI of the associate or joint venture. Changes in net assets of the associate/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 an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or 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 associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates and a joint venture (continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or 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 Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, 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.

When the Group ceases to have significant influence over an associate or 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 associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9/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 associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or 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 associate or 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 associate or 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 an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Interest income from factoring services consists of interest income which is recognised in accordance with HKFRS 9.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Income from guarantee service for guarantee provided to customers in relation to the transactions with their suppliers is recognised in accordance with HKFRS 9 under the accounting policy of financial guarantee contracts.

Income from information technology service for system maintenance is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation when the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (continued)

Consulting service income is recognised at a point in time when performance obligation is completed and has a present right to payment for the services performed.

Other services income is recognised over time or a point in time when services are rendered in accordance with contract terms.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

Revenue recognition (prior to 1 January 2018)

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.

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 services income is recognised when services are rendered.

Leases

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recognised 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.

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.

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

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates, 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in OCI or directly in equity, in which case, the current and deferred tax are also recognised in OCI or directly in equity respectively.

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.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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.

The recoverable amount of equipment and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on equipment and intangible assets (continued)

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.

Financial instruments

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

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 ("FVTPL")) 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 or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income arising from factoring service which is derived from the Group's ordinary course of business is presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (continued)

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Factoring assets classified as at FVTOCI

Subsequent changes in the carrying amounts for factoring assets classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these factoring assets are recognised in OCI and accumulated under the heading of FVTOCI reserves. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these factoring assets. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these factoring assets had been measured at amortised cost. When these factoring assets are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and financial guarantee contracts (upon application of HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including factoring assets at FVTOCI, receivables from sales of factoring assets, loan receivable, security deposits for guarantee, amounts due from related parties, other receivables, fixed deposit, and bank balances and cash) and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and financial guarantee contracts (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

(i) Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group classifies credit risk into three grades. The internal credit risk ratings are based on qualitative (such as debtors' operating conditions, financial positions, external rating of factoring customers, etc.) and quantitative factors (mainly includes past due information of the factoring assets at FVTOCI).

The Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 30 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and financial guarantee contracts (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

(iii) Credit-impaired financial assets/financial guarantee contracts

A financial asset or financial guarantee contract is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset/financial guarantee contract have occurred. Evidence that a financial asset/financial guarantee contract is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default ("PD"), loss given default ("LGD") (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the PD and LGD is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and financial guarantee contracts (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

(v) Measurement and recognition of ECL (continued)

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected loss is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the basis:

- nature of financial instruments (i.e. the Group's trade and other receivables, financial guarantee contracts and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for ECL on an individual basis);
- past-due status;
- nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for factoring assets that are measured at FVTOCI and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, where the corresponding adjustment is recognised through a loss allowance account. For factoring assets that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserves without reducing the carrying amounts of these factoring assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

The Group's financial assets are classified as financial assets at FVTPL 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.

(i) 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
- 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 35(c).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (continued)

(ii) 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 receivables from sales of factoring assets, amounts due from related parties, security deposits for guarantee, factoring assets, other receivables 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 (before application of HKFRS 9 on 1 January 2018)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) (continued)

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.

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.

Derecognition of financial assets

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.

On derecognition of an investment in factoring assets classified as at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserves is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either 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.

Equity instruments

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

Financial liabilities

The Group's financial liabilities include loans from an associate, other payables, deposits from counter guarantors, financial liability arising from repurchase agreements and borrowings. These are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9 (since 1 January 2018)/HKAS 37 Provisions, Contingent Liabilities and Contingent Assets (before application of HKFRS 9 on 1 January 2018); and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial liability arising from repurchase agreements

Financial liability arising from repurchase agreements with a commitment to repurchase at a specific future date are not derecognised in the consolidated statement of financial position. The proceeds (including interests) from selling such assets are presented under "financial liability arising from 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.

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FOR THE YEAR ENDED 31 DECEMBER 2018

4. CRITICAL ACCOUNTING JUDGEMENT AND 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.

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. 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.

During the year ended 31 December 2018, gain on sales of factoring assets at FVTOCI/factoring assets which met the derecognition criteria were RMB124,548,000 (2017: RMB57,967,000). Details of derecognition of factoring assets are disclosed in note 7.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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.

Provision of ECL for factoring assets at FVTOCI

For factoring assets at FVTOCI that are assessed for impairment on ECL model, to measure the ECL, factoring assets at FVTOCI of various debtors have been grouped considering shared credit risk characteristics. The credit losses expectations are based on external or internal credit rating and on a forward-looking basis and assumptions relate to the future macroeconomic conditions and creditworthiness. A considerable amount of judgement is required in estimating the ultimate realisation of factoring assets, including the creditworthiness, the Group's past experience of collecting payments, historical loss ratio, industry practice, relevant deposits received, pledge or guarantee information, if any, and forward-looking information.

The provision of ECL is sensitive to changes in estimates. The information about the Group's factoring assets at FVTOCI and the ECL are disclosed in notes 19 and 35.

Recognition of deferred taxation

As at 31 December 2018, a deferred tax asset of RMB20,683,000 (2017: RMB6,654,000) 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 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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 and relevant services mainly in the PRC, and the CODM, reviews the consolidated financial position and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group.

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

Information about major customers

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

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

[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 relevant services in the PRC.

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

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

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

7. SALES OF FACTORING ASSETS

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

8. OTHER INCOME/OTHER GAINS AND LOSSES

(a) Other income

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

Note: The government subsidies were mainly received unconditionally by the Company's subsidiaries 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 subsidiaries in Dongjiang Port Zone of Tianjin City.

(b) Other gains and losses

	2018 RMB'000	2017 RMB'000
Exchange gain (loss), net	10,124	(2,062)
Gain on disposal of a subsidiary (note 37)	514	—
Loss on disposal of equipment	(62)	(96)
Others	(390)	—
	10,186	(2,158)

9. IMPAIRMENT LOSSES, NET OF REVERSAL

	2018 RMB'000	2017 RMB'000
Impairment losses recognised on:		
– Factoring assets at FVTOCI	17,604	—
– Loan receivable	157	—
– Factoring assets	—	1,402
– Security deposits for guarantee	—	653
	17,761	2,055

Details of impairment assessment for the year ended 31 December 2018 are set out in note 35(b).

10. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest on borrowings	90,982	24,704
Interest on loans from related parties (note 33(b))	137	9,779
Interest on financial liability arising from repurchase agreements	37	1,732
	91,156	36,215

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

11. TAXATION

	2018 RMB'000	2017 RMB'000
The charge (credit) comprises:		
Current tax		
– PRC Enterprise Income Tax ("**EIT**")	84,880	38,059
– Withholding tax levied on dividend declared of a PRC subsidiary	300	700
– Withholding tax levied on interest income of a Hong Kong subsidiary	1,865	934
	87,045	39,693
Deferred tax (note 18)	(3,265)	4,516
	83,780	44,209

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

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

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:

	2018 RMB'000	2017 RMB'000
Profit before taxation	295,654	133,016
Tax at the domestic enterprise income tax rate of 25%	73,914	33,254
Tax effect of share of profit of a joint venture and associates	(1,620)	—
Tax effect of expenses not deductible for tax purposes	21,218	9,115
Effect of different tax rates of the subsidiaries	(20,095)	(4,786)
Tax effect of tax loss not recognised	599	1,153
Utilisation of tax losses previously not recognised	(40)	—
Additional tax benefit on research and development expenses	(887)	—
Withholding tax on distributable earnings of the PRC subsidiaries	10,691	5,473
Tax charge for the year	83,780	44,209

12. PROFIT FOR THE YEAR/OTHER COMPREHENSIVE INCOME

(a) Profit for the year

Profit for the year has been arrived at after charging:

	2018 RMB'000	2017 RMB'000
Directors' emoluments	4,530	2,593
Other staffs costs		
– Salaries, allowances and other staff benefits, including share option expenses	49,309	21,751
– Staffs' retirement benefit scheme contributions	2,727	1,434
Total staff costs	56,566	25,778
Less: amount capitalised in development costs	(5,703)	(5,771)
Less: research and development costs recognised as expenses	(5,416)	—
Staff costs recognised in profit or loss	45,447	20,007
Research and development costs recognised as an expense (included in other operating expenses)	7,485	—
Total depreciation of equipment	1,335	982
Less:amount capitalised in development costs	(46)	(18)
Depreciation of equipment recognised in profit or loss	1,289	964
Amortisation of intangible assets	696	320
Auditor's remuneration	1,880	1,380
Minimum lease payments paid under operating leases	3,835	3,029

12. PROFIT FOR THE YEAR/OTHER COMPREHENSIVE INCOME (continued)

(b) Other comprehensive income

	2018 RMB'000	2017 RMB'000
Other comprehensive income includes:		
Items that may be reclassified subsequently to profit or loss:		
Factoring assets measured at FVTOCI		
– Fair value changes during the year, net	1,700	—
– Reclassification adjustment to profit or loss on derecognition	(906)	—
	794	—
Income tax relating to items that may be reclassified subsequently	(198)	—
Share of other comprehensive expense of a joint venture, net of related income tax	(32)	—
Share of other comprehensive income of associates, net of related income tax	835	—
	1,399	—

13. 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 2018						
Executive Directors						
Mr. Tung Chi Fung	1,016	—	—	—	—	1,016
Mr. Chen Jen-Tse	102	60	1,120	168	1,254	2,704
Non-executive Director:						
Ms. Tung Ching Ching (note iii)	114	—	—	—	—	114
Independent Non-executive Directors						
Mr. Hung Ka Hai Clement	305	—	—	—	29	334
Mr. Loo Yau Soon	152	—	—	—	29	181
Mr. Twoon Wai Mun,Benjamin	102	—	—	—	29	131
Mr. Fong Heng Boo (note v)	50	—	—	—	—	50
	1,841	60	1,120	168	1,341	4,530
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

(a) Directors' emoluments (continued)

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.

The Independent Non-executive Director's 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 Executive Director and three Independent Non-executive Directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 31. The Group grants share option to the Executive Director based on his service years and annual key performance indicator ("KPI") performance and to the Independent Non-executive Directors based on their service years.

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, and resigned as a Non-executive Director of the Company on 7 September 2018.

(iv) Being appointed as Independent Non-executive Directors of the Company on 19 June 2017.

(v) Being appointed as Independent Non-executive Directors of the Company on 7 September 2018.

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

(b) Five highest paid employees

The five highest paid employees of the Group during the year included one Director (2017: one Director), details of whose remuneration are set out in note 13(a) above. Details of the remuneration for the year of the remaining four (2017: four) highest paid employees who are neither a Director nor chief executive of the Company are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and other benefits	4,049	3,276
Share-based payment	2,785	777
Performance related bonuses	2,315	711
Staffs' retirement benefit scheme contributions	135	121
	9,284	4,885

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:

	2018 No. of employees	2017 No. of employees
Within HK$1,000,000	—	—
HK$1,000,001 to HK$1,500,000	—	2
HK$1,500,001 to HK$2,000,000	—	2
HK$2,000,001 to HK$3,000,000	3	—
HK$3,000,001 to HK$4,000,000	1	—
	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. Details of the share option scheme are set out in note 31. The Group grants share option to its employees based on their service years and annual KPI performance.

14. DIVIDENDS

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

15. EARNINGS PER SHARE

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

	2018 RMB'000	2017 RMB'000
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	208,421	88,807

	2018 '000	2017 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	806,057	645,726
Effect of dilutive potential ordinary shares:		
Share options	4,240	67
Weighted average number of ordinary shares for the purpose of diluted earnings per share	810,297	645,793

16. EQUIPMENT

	Leasehold improvement RMB'000	Electronic equipment RMB'000	Furniture and office equipment RMB'000	Total RMB'000
COST				
At 1 January 2017	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
Additions	254	1,685	56	1,995
Disposals	(18)	(72)	(81)	(171)
At 31 December 2018	3,925	4,188	647	8,760
DEPRECIATION				
At 1 January 2017	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
Charge for the year	450	762	123	1,335
Eliminated on disposals	(18)	(54)	(29)	(101)
At 31 December 2018	3,507	2,117	408	6,032
CARRYING VALUES				
At 31 December 2017	614	1,166	358	2,138
At 31 December 2018	418	2,071	239	2,728

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

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17. INTANGIBLE ASSETS

	Development costs RMB'000	Software system RMB'000	Total RMB'000
COST			
At 1 January 2017	1,403	737	2,140
Additions	5,905	284	6,189
At 31 December 2017	7,308	1,021	8,329
Additions	5,749	474	6,223
At 31 December 2018	13,057	1,495	14,552
AMORTISATION			
At 1 January 2017	13	56	69
Charge for the year	147	173	320
At 31 December 2017	160	229	389
Charge for the year	401	295	696
At 31 December 2018	561	524	1,085
CARRYING VALUES			
At 31 December 2017	7,148	792	7,940
At 31 December 2018	12,496	971	13,467

Development costs represent expenditure, mainly included staff costs, 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

18. DEFERRED TAXATION

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

	31/12/2018 RMB'000	31/12/2017 RMB'000
Deferred tax assets	20,683	6,654
Deferred tax liabilities	(18,840)	(8,449)
	1,843	(1,795)

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	ECL provision/ Impairment allowances RMB'000	Fair value adjustments/ Revaluation RMB'000	Total RMB'000
At 1 January 2017	(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)
Restated under HKFRS 9 (Note 2)	—	—	—	869	869
(Charge) credit to profit or loss (Note 11)	(10,391)	9,216	4,440	—	3,265
Charge to OCI	—	—	—	(198)	(198)
Disposals	—	(135)	(163)	—	(298)
At 31 December 2018	(18,840)	11,359	8,653	671	1,843

The amounts were included in factoring assets.

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 2018, the PRC subsidiaries had cumulative unutilised tax losses of RMB 6,990,000 (2017: RMB4,752,000). 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.

18. DEFERRED TAXATION (continued)

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

	2018 RMB'000	2017 RMB'000
2021	24	140
2022	4,569	4,612
2023	2,397	—
	6,990	4,752

19. FACTORING ASSETS AT FVTOCI/FACTORING ASSETS

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

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

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

19. FACTORING ASSETS AT FVTOCI/FACTORING ASSETS (continued)

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

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

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

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

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

Details of impairment assessment under ECL model after adoption of HKFRS 9 are set out in note 35(b).

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

(a) Investment in a joint venture

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

	31/12/2018 RMB'000	31/12/2017 RMB'000
Cost of investments in a joint venture, unlisted	25,500	25,500
Share of post-acquisition profit (loss)	1,609	(166)
Share of post-acquisition OCI	(32)	—
	27,077	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 2018	2017	Principal activity
Zhu Guang Sheng Ye Factoring Limited# (珠光盛業商業保理有限公司) ("ZGSY", former name as "SL")	PRC	RMB50,000,000	51%	51%	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 ZGSY is classified as a joint venture as major decisions require the unanimous consent among the shareholders.

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.

20. INVESTMENT(S) IN A JOINT VENTURE/ASSOCIATES (continued)

(a) Investment in a joint venture (continued)

ZGSY

	31/12/2018 RMB'000	31/12/2017 RMB'000
Current assets	54,065	49,793
Non-current assets	294	682
Current liabilities	(1,266)	(801)

The above amounts of assets and liabilities include the following:

	31/12/2018 RMB'000	31/12/2017 RMB'000
Cash and cash equivalents	1,541	16,721
Current financial liabilities (excluding other payables)	—	(90)

	2018 RMB'000	2017 RMB'000
Revenue	4,769	104
Impairment allowances on factoring assets	(240)	(430)
Profit (loss) before taxation	4,609	(435)
Profit (loss) for the year	3,481	(326)
Other comprehensive expense for the year	(62)	—
Total comprehensive income (expense) for the year	3,419	(326)
Dividends received from ZGSY during the year	—	—

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20. INVESTMENT(S) IN A JOINT VENTURE/ASSOCIATES (continued)

(a) Investment in a joint venture (continued)

The above profit (loss) for the year includes the following:

	2018 RMB'000	2017 RMB'000
Depreciation and amortisation	—	—
Interest income	38	13
Interest expense	—	—
Tax (expense) credit	(1,128)	109

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

	31/12/2018 RMB'000	31/12/2017 RMB'000
Net assets of ZGSY	53,093	49,674
Proportion of the Group's ownership investment in ZGSY	51%	51%
Carrying amount of the Group's investment in ZGSY	27,077	25,334

(b) Investments in associates

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

	31/12/2018 RMB'000	31/12/2017 RMB'000
Cost of investment in associates, unlisted	48,000	—
Share of post-acquisition profits	4,705	—
Share of post-acquisition OCI	835	—
	53,540	—

20. INVESTMENT(S) IN A JOINT VENTURE/ASSOCIATES (continued)

(b) Investments in associates (continued)

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

Name of entity	Place of incorporation/ establishment	Particulars of authorised and paid up capital	Proportion of ownership interest/voting rights held by the Group as at		Principal activity
			31/12/2018	31/12/2017	
Shengzhen Sheng Ye Non-Financing Guarantee Limited # (深圳市盛業非融資性擔保有限責任公司) ("SYNFGL") (Note 37)	PRC	RMB30,000,000 RMB30,000,000	20%	100%	Provision of non-financing guarantee service
Shenzhen Sheng Ye Dun Hao Gold Chain Factoring Co., Ltd. # (深圳盛業敦豪金鏈商業保理股份有限公司)	PRC	RMB100,000,000 RMB5,000,000	20%	N/A	Provision of factoring service
Shengzhen Sheng Peng Non-Financing Guarantee Limited # (深圳市盛鵬非融資性擔保有限責任公司) ("SPNFGL")	PRC	RMB30,000,000 — (note ii)	20%	N/A	Provision of non-financing guarantee service
Hong Ji Factoring (Shenzhen) Limited # (弘基商業保理(深圳)有限公司) ("HJ") (note i)	PRC	RMB50,000,000 RMB10,000,000	10%	N/A	Provision of factoring service
Wuxi Guojin Factoring Limited # 無錫國金商業保理有限公司("WXGJ")	PRC	RMB100,000,000 RMB100,000,000	40%	N/A	Provision of factoring service

\# English translated name is for identification purpose only.

Notes:

(i) The Group is able to exercise significant influence over the entity because it has the power to appoint one out of three directors of the entity under the articles of association of the entity.

(ii) As at 31 December 2018, the share capital of the entity has not yet been paid by the Group and other investors.

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20. INVESTMENT(S) IN A JOINT VENTURE/ASSOCIATES (continued)

(b) Investments in associates (continued)

Aggregate information of associates that are not individually material

	2018 RMB'000	2017 RMB'000
The Group's share of profit from continuing operations	4,705	—
The Group's share of other comprehensive income	835	—
The Group's share of total comprehensive income	5,540	—
Aggregate carrying amount of the Group's investments in these associates	53,540	—

21. LOAN RECEIVABLE

	31/12/2018 RMB'000	31/12/2017 RMB'000
Carrying amount receivable based on maturity set out in the loan agreement:		
– Within one year	13,143	—
Less: impairment allowance	(157)	—
	12,986	—

As at 31 December 2018, an unsecured loan receivable from a third party amounting of HK$15,000,000 (equivalent to RMB13,143,000) bearing a fixed interest rate of 12% per annum and receivable within one year, was guaranteed by the chairman and the chief executive officer of the debtor's holding company.

As at 31 December 2018, accumulated impairment losses included in the carrying amount of loan receivable is RMB157,000. Details of impairment assessment are set out in note 35(b).

22. 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.

During the year ended 31 December 2018, the Group disposed of its 80% equity interest in SYNFGL that carried out the operation stated above. Therefore, no remaining balance of the securities deposits for guarantee and deposits from counter guarantors is on the consolidated statement of financial position as at 31 December 2018. Details of disposal of a subsidiary are set out in note 37.

23. OTHER RECEIVABLES, PREPAYMENTS AND OTHERS

	31/12/2018 RMB'000	31/12/2017 RMB'000
Value-added tax recoverable	3,794	615
Prepayments	1,600	558
Refundable rental deposits	1,404	984
Other receivables	1,094	26
	7,892	2,183

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24. FIXED DEPOSIT AND BANK BALANCES AND CASH

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

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

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

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

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

25. OTHER PAYABLES AND ACCRUED CHARGES

	31/12/2018 RMB'000	31/12/2017 RMB'000
Other tax payables	28,113	11,371
Accrued charges	22,836	6,140
Deposits from customers	3,000	1,757
Advance receipt from customers	—	4,623
Other payables	1,462	656
	55,411	24,547

26. FINANCIAL LIABILITY ARISING FROM REPURCHASE AGREEMENTS

	31/12/2018 RMB'000	31/12/2017 RMB'000
Financial liability arising from repurchase agreements	—	10,248

Note: The contract terms of financial liability arising from repurchase agreements are within one year. Details of the transfer of financial assets are set out in note 35(d).

27. BORROWINGS

	31/12/2018 RMB'000	31/12/2017 RMB'000
Carrying amount repayable within one year*:		
– Unsecured and guaranteed bonds (note i)	713,490	—
– Unsecured and unguaranteed loans (note ii)	120,000	—
– Bills discounted (note iii)	61,818	—
– Secured and guaranteed bank borrowing (note iv)	16,648	—
– Unsecured entrusted loans	—	482,320
Amounts shown under current liabilities	911,956	482,320

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

Notes:

(i) On 11 September 2018, a wholly owned subsidiary of the Company issued one year bonds of RMB700,000,000 in aggregate in Hong Kong. The bonds were issued and held by a company which is a related company with controlling shareholder. The issued bonds were guaranteed by the Company with carrying interest at 7% per annum.

(ii) The amount represents loans, due within one year, from a non-controlling shareholder of Sheng Ye (Shenzhen) Factoring Limited, a PRC subsidiary of the Company, carrying interest at 7% per annum.

(iii) The bills received from customers as pledged to factoring assets with par value of RMB62,191,000 were discounted to a bank. RMB61,399,000 was received from the discount bills as principal amount and recognised as borrowings.

(iv) The variable-rate bank borrowing carry interest rate per annum at the rate of the benchmark rate offered by the Hong Kong Inter-bank Offered Rate ("HIBOR") plus 3% per annum, guaranteed by the Company and a PRC subsidiary and pledged by fixed deposit amounting to HK$10,002,000 (equivalent to RMB8,764,000).

27. BORROWINGS (continued)

The exposure of the Group's variable-rate borrowing and fixed-rate borrowings are as follows:

	31/12/2018 RMB'000	31/12/2017 RMB'000
Fixed-rate borrowings	895,308	482,320
Variable-rate borrowing	16,648	—
	911,956	482,320

The ranges of effective interest rates on the Group's borrowings are as follows:

	31/12/2018 %	31/12/2017 %
Range of fixed-rate borrowings interest rates (per annum)	5.00~7.00	5.20
Rate of variable-rate borrowings interest rates (per annum)	5.32	N/A

28. SHARE CAPITAL

The share capital presented as at 31 December 2017 represented the share capital of the Company and the share capital presented as at 1 January 2017 represented the aggregate of share capital of SYIC, Nice Day and the Company in issue as at 1 January 2017.

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

	Number of shares	Share capital HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2017 (note i)	1,000,000	10,000
Increase in authorised capital (note ii)	4,999,000,000	49,990,000
At 31 December 2017 and 31 December 2018	5,000,000,000	50,000,000
Issued:		
At 1 January 2017 (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
Issue of new shares from placing (note iv)	138,484,000	1,384,840.00
Exercise of share options	356,500	3,565.00
At 31 December 2018	878,840,500	8,788,405.00

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28. SHARE CAPITAL (continued)

	31/12/2018 RMB'000	31/12/2017 RMB'000
Shown in the consolidated statement of financial position	7,623	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 1 January 2017.

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

At the same date, Wisdom Cosmos and the Company also entered into a subscription agreement under which Wisdom Cosmos conditionally agreed to subscribe for, and the Company conditionally agreed to issue, the subscription shares (the "Subscription").

The Placing and the Subscription were completed on 4 July and 11 July 2018 respectively. An aggregate of 138,484,000 subscription shares (equals to the number of the placing shares successfully placed under the Placing) were subscribed by Wisdom Cosmos at the subscription price of HK$6.00 for each subscription share. The Company received total net proceeds of approximately HK$819.5 million (equivalent to approximately RMB698 million, net of transaction cost amount of RMB9.2 million) from the Placing and the Subscription. Details are set out in the Company's announcements dated 28 June 2018 and 11 July 2018.

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

29. COMMITMENTS

(a) 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 one to three 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:

	31/12/2018 RMB'000	31/12/2017 RMB'000
Within one year	4,990	3,109
After one year but within five years	3,408	2,262
	8,398	5,371

(b) Capital Commitments

	31/12/2018 RMB'000	31/12/2017 RMB'000
Capital expenditure contracted for but not provided for in the consolidated financial statements		
– Investments in associates	29,000	—
– Intangible assets	378	—
	29,378	—

30. CONTINGENT LIABILITY

As at 31 December 2018, the Group provided a guarantee to a loan amounting to RMB120,000,000, raised by an associate of the Group from the controlling shareholder of the associate. The guaranteed amount was approximately 40% of all sums payable by the associate.

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

For the loan guarantee contract, the maximum amount that the Group has guaranteed under the contract was RMB48,002,000 as at 31 December 2018. During the year ended 31 December 2018, fair value and impairment in relation to the loan guarantee given by the Group had not been recognised as, in the opinion of the directors of the Company, the fair value of the guarantee at inception and impairment were not significant.

31. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme"), was adopted pursuant to resolutions passed on 11 September 2017 and 14 November 2018 ("Option Grant Date") for the primary purpose of providing incentives to Directors and eligible employees, and will expire on 10 September 2022 and 13 November 2023 respectively. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including a Director of the Company and the management of an associate of the Company, to subscribe for shares in the Company.

At 31 December 2018, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 19,873,500 (31 December 2017:12,470,000), representing 2.26% (31 December 2017: 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.

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:

Equity-settled share option scheme on 11 September 2017:

	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

Equity-settled share option scheme on 14 November 2018:

	Date of grant	Vesting period	Exercise period	Exercise Price	Exercise dates
Tranche 4	14/11/2018	14/11/2018-13/11/2019	14/11/2019-13/11/2023	HK$6.90	14/11/2019
Tranche 5	14/11/2018	14/11/2018-13/11/2020	14/11/2020-13/11/2023	HK$6.90	14/11/2020
Tranche 6	14/11/2018	14/11/2018-13/11/2021	14/11/2021-13/11/2023	HK$6.90	14/11/2021

31. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

The following table discloses movements of the Company's share options held by the directors of the Company and employees of the Group during both years:

Grantee	Exercise period	Outstanding at 1 January 2018	Granted during year	Forfeited during year	Exercised during year	Outstanding at 31 December 2018
Directors	11/9/2018-10/9/2022	500,000	—	—	—	500,000
	11/9/2019-10/9/2022	500,000	—	—	—	500,000
	11/9/2020-10/9/2022	1,000,000	—	—	—	1,000,000
	14/11/2019-13/11/2023	—	400,000	—	—	400,000
	14/11/2020-13/11/2023	—	400,000	—	—	400,000
	14/11/2021-13/11/2023	—	800,000	—	—	800,000
		2,000,000	1,600,000	—	—	3,600,000
Exercisable at the end of the reporting period		—				500,000
Weighted average exercise price per share		4.20	6.90	—	—	5.40

Grantee	Exercise period	Outstanding at 1 January 2018	Granted during year	Forfeited during year	Exercised during year	Outstanding at 31 December 2018
Employees	11/9/2018-10/9/2022	2,617,500	—	(302,500)	(356,500)	1,958,500
	11/9/2019-10/9/2022	2,617,500	—	(302,500)	—	2,315,000
	11/9/2020-10/9/2022	5,235,000	—	(605,000)	—	4,630,000
	14/11/2019-13/11/2023	—	1,842,500	—	—	1,842,500
	14/11/2020-13/11/2023	—	1,842,500	—	—	1,842,500
	14/11/2021-13/11/2023	—	3,685,000	—	—	3,685,000
		10,470,000	7,370,000	(1,210,000)	(356,500)	16,273,500
Exercisable at the end of the reporting period		—				1,958,500
Weighted average exercise price per share		4.20	6.90	4.20	4.20	5.42

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31. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

Grantee	Exercise period	Outstanding at 1 January 2017	Granted during year	Forfeited during year	Outstanding at 31 December 2017
Director	11/9/2018-10/9/2022	—	500,000	—	500,000
	11/9/2019-10/9/2022	—	500,000	—	500,000
	11/9/2020-10/9/2022	—	1,000,000	—	1,000,000
		—	2,000,000	—	2,000,000
Exercisable at the end of the reporting period					—
Employees	11/9/2018-10/9/2022	—	2,655,000	(37,500)	2,617,500
	11/9/2019-10/9/2022	—	2,655,000	(37,500)	2,617,500
	11/9/2020-10/9/2022	—	5,310,000	(75,000)	5,235,000
		—	10,620,000	(150,000)	10,470,000
Exercisable at the end of the reporting period					—

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

31. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

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

Equity-settled share option scheme on 11 September 2017:

	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	—	—	—

Equity-settled share option scheme on 14 November 2018:

	Tranche 4	Tranche 5	Tranche 6
Grant date	11 November2018	11 November2018	11 November2018
Fair value at grant date	HK$2.13	HK$2.31	HK$2.44
Share price	HK$6.87	HK$6.87	HK$6.87
Exercise price	HK$6.90	HK$6.90	HK$6.90
Expected volatility	43.00%	43.00%	43.00%
Exercise period	14/11/2019-13/11/2023	14/11/2020-13/11/2023	14/11/2021-13/11/2023
Risk-free rate	2.25%	2.25%	2.25%
Expected dividend yield	1%	1%	1%

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 RMB7,341,000 for the year ended 31 December 2018 (2017: RMB2,361,000) in relation to share options granted by the Company.

32. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF 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 MPF 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 2018 is RMB2,787,000 (2017: RMB1,478,000). As at 31 December 2018, contributions due in respect of the year ended 31 December 2018 had been paid over to the plans.

33. RELATED PARTY TRANSACTIONS

(a) Related party balances

(i) Amounts due from related parties

Name of Related Party	Relationship	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000	Maximum outstanding during the year ended 31 December 2018 RMB'000	Maximum outstanding during the year ended 31 December 2017 RMB'000
Mr. Tung Chi Fung	Controlling shareholder	—	—	88	—
ZGSY	Joint venture	—	90	90	90
Wisdom Cosmos Limited	Immediate holding company	—	1	1	1
		—	91	179	91

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

33. RELATED PARTY TRANSACTIONS (continued)

(a) Related party balances (continued)

(ii) Other receivables - Security deposits

Name of Related Party	Relationship	31/12/2018 RMB'000	31/12/2017 RMB'000
Bondlink Investment Limited	Related company with controlling shareholder	485	—

(iii) Factoring assets at FVTOCI

Name of Related Party	Relationship	31/12/2018 RMB'000	31/12/2017 RMB'000
HJ	Associate	9,177	—

(iv) Contract liabilities

Name of Related Party	Relationship	31/12/2018 RMB'000	31/12/2017 RMB'000
HJ	Associate	203	—
SYNFGL	Associate	204	—
SPNFGL	Associate	204	—
		611	—

(v) Loans from an associate

Name of Related Party	Relationship	31/12/2018 RMB'000	31/12/2017 RMB'000
HJ	Associate	10,005	—

The amount represents a loan, due within one year, from an associate of the Company carrying interest at 6.00% per annum. As at 31 December 2018, the remaining loan principal is RMB10,000,000 with a total carrying amount of RMB10,005,000.

33. RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions

(i) Revenue from related parties

Name of Related Party	Relationship	2018 RMB'000	2017 RMB'000
HJ	Associate	10,760	—
SYNFGL	Associate	539	—
SPNFGL	Associate	445	—
ZGSY	Joint venture	—	85
		11,744	85

(ii) Interest income from loans to an associate

Name of Related Party	Relationship	2018 RMB'000	2017 RMB'000
SYNFGL	Associate	791	—

(iii) Interest expenses on loans from related parties

Name of Related Party	Relationship	2018 RMB'000	2017 RMB'000
WXGJ	Associate	122	—
ZGSY	Joint venture	10	13
HJ	Associate	5	—
Tianjin Sheng Ye Financial Leasing Company Limited	Fellow subsidiary	—	1,251
Sheng Ye Financial Leasing Company Limited	Fellow subsidiary	—	279
Mr. Tung Chi Fung	Controlling shareholder	—	8,236
		137	9,779

33. RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

(iv) Rental expense

Name of Related Party	Relationship	2018 RMB'000	2017 RMB'000
Bondlink Investment Limited	Related company with controlling shareholder	1,487	1,105

(v) 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:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and other benefits	8,575	5,278
Share-based payment	4,816	1,176
Performance related bonuses	3,343	859
Retirement benefit scheme contributions	298	165
	17,032	7,478

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.

(c) Borrowing and guarantee

During the year ended 31 December 2018, a related company with controlling shareholder bought bonds issued by the Group amounting of RMB700,000,000 and the interest of these bonds for the current period was RMB13,490,000.

Details of the outstanding borrowing and guarantee to an associate are set out in notes 27 and 30, respectively.

34. 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 loans from an associate as set out in note 33(a), financial liability arising from repurchase agreements and borrowings as set out in notes 26 and 27 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.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31/12/2018 RMB'000	31/12/2017 RMB'000
Financial assets		
Factoring assets at FVTOCI/factoring assets	2,818,315	1,339,682
Loans and receivables - security deposits for guarantee	—	104,354
Loans and receivables - others		
(including fixed deposit and bank balances and cash)	250,317	231,546
	3,068,632	1,675,582
Financial liabilities		
Amortised cost	926,423	556,458

35. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include factoring assets at FVTOCI/factoring assets, receivables from sales of factoring assets, loan receivable, security deposits for guarantee, amounts due from related parties, other receivables, fixed deposit, bank balances and cash, loans from an associate, other payables, deposits from counter guarantors, financial liability arising from 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, interest rate risk and other price risk), credit risk and impairment assessment 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.

Market risk

(i) Currency risk

The Group's exposure to foreign currency risk related primarily to certain bank balances, certain other receivables, borrowings 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	
	31/12/2018 RMB'000	31/12/2017 RMB'000	31/12/2018 RMB'000	31/12/2017 RMB'000
HK$	23,498	2,421	16,648	—
US$	110	20	—	—
GBP£	13	17	—	—

35. 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.

	31/12/2018 RMB'000	31/12/2017 RMB'000
HK$ impact:		
5% appreciation of RMB against HK$		
Decrease in profit before taxation for the year	(343)	(121)
5% depreciation of RMB against HK$		
Increase in profit before taxation for the year	343	121
US$ impact:		
5% appreciation of RMB against US$	(6)	(1)
Decrease in profit before taxation for the year		
5% depreciation of RMB against US$		
Increase in profit before taxation for the year	6	1
GBP£ impact:		
5% appreciation of RMB against GBP£	(1)	(1)
Decrease in profit before taxation for the year		
5% depreciation of RMB against GBP£		
Increase in profit before taxation for the year	1	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.

35. 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 and borrowings. The Group takes on exposure to the effects of fluctuation in the prevailing market interest rates on the cash flow risks.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate factoring assets, fixed-rate borrowings, loans from an associate and financial liability arising from repurchase agreements. The Group does not have a fair value interest rate hedging policy as the directors of the Company considered the effect is immaterial.

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 the People's Bank of China/HIBOR rate arising from bank balances and bank borrowing in which the Directors of the Company considered the effect is immaterial.

(iii) Other price risk

The Group's other price risk is mainly concentrated on the factoring assets at FVTOCI. Details are set out in note 19.

For the outstanding factoring assets at FVTOCI, if the discount rate from valuation curve of debt financing instrument pricing had been 1% (2017: nil) increase/decrease, OCI before taxation for the year ended 31 December 2018 would decrease/increase by RMB9,719,000/RMB9,852,000 as a result of the changes in the market price of debt financing instrument.

35. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment

As at 31 December 2018, 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.

As at 31 December 2018, the Group's concentration of credit risk on factoring assets included five major counterparties accounting for 33% (2017: 57%), of the aggregate outstanding balance at the respective year end date.

The Group has closely monitored the recoverability of the receivables (i.e. factoring assets and loan receivable) 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 mainly 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.

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 performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) based on internal credit rating. As at 31 December 2018, the total past due amount is RMB35,000 (2017: nil).

For guarantee service provided to customers and the loan guarantee issued by the Group to an associate, the management had set up the credit limit and credit terms to delegated officers. Any further extension of credit beyond the approved limit had to be approved by the management of the Company. As at 31 December 2018, there were no outstanding guarantee contracts for service provided to customers. For the loan guarantee to an associate, the maximum amount that the Group has guaranteed under the contract was RMB48,002,000 as at 31 December 2018.

In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

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

35. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Factoring assets/ other financial assets	Financial guarantee contracts
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL	12m ECL
Watch list	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired or more than 90 days past-due	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the customer is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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35. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

External/Internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000	Impairment loss allowance RMB'000
Factoring assets at FVTOCI				
Low risk	12m ECL	0.95%	2,719,359	25,707
Doubtful	Lifetime ECL (not credit impaired)	6.43%	136,089	8,747
Loss	Credit-impaired	N/A	—	—
			2,855,448	34,454
Financial assets at amortised cost				
Fixed deposit				
BBB+ (note i)	12m ECL	N/A	8,764	—
Bank balances and cash				
AAA/BBB+ (note i)	12m ECL	N/A	226,069	—
Loan receivable				
Low risk	12m ECL	N/A	13,143	157
Other receivables				
N/A (note i) (note ii)	12m ECL	N/A	2,498	—
			250,474	157
Other items				
Loan guarantee contract (notes i and iii)				
Low risk	12m ECL	N/A	48,002	—
			3,153,924	34,611

Notes:

(i) The directors of the Company reviewed and assessed the impairment under ECL model, considering that these financial assets and loan guarantee contract were determined to have low credit risk as these financial assets and loan guarantee contract have a low risk of default and the debtors have a strong capacity to meet their contractual cash flow obligations in the near term, and no loss allowance was recognised as the amount was immaterial.

(ii) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. As at 31 December 2018, all of other receivable were not past due.

(iii) For financial guarantee contract, the amount represents the maximum amount the Group has guaranteed under the contract.

35. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

The measurement of ECL is a function of the PD, LGD and the exposure at default. The assessment of the PD and LGD is by referencing the external data adjusted by macroeconomic factors, industry practice and forward-looking information.

The movements in the allowance for impairment in respect of factoring assets at FVTOCI during the reporting period were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Provisions under HKAS 39 RMB'000	Total RMB'000
As at 31 December 2017 under HKAS 39	—	—	16,850	16,850
Adjustment upon application of HKFRS 9	16,850	—	(16,850)	—
As at 1 January 2018 (restated)	16,850	—	—	16,850
Changes due to financial instruments recognised as at 1 January:				
– Transfer to lifetime ECL - not credit-impaired	(53)	53	—	—
– Impairment losses, net of reversal	(16,797)	—	—	(16,797)
New financial assets purchased, net of settlement	25,707	8,694	—	34,401
As at 31 December 2018	25,707	8,747	—	34,454

35. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

The movements of factoring assets at FVTOCI with the gross amount were as follows:

	12m ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Total RMB'000
As at 1 January 2018	1,356,532	—	1,356,532
Changes due to factoring assets recognised as at 1 January:			
– Transfer to lifetime ECL-not credit-impaired	(1,879)	1,879	—
– Impairment losses, net of reversal	(1,354,653)	—	(1,354,653)
New financial assets settled	(9,788,376)	(19,498)	(9,807,874)
New financial assets purchased	12,507,735	153,708	12,661,443
As at 31 December 2018	2,719,359	136,089	2,855,448

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.

35. 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 2018							
Non-derivative financial assets							
Factoring assets at FVTOCI	12.75	677,151	702,057	1,668,567	22,316	3,070,091	2,818,315
Loan receivable	12.00	134	255	14,327	—	14,716	12,986
Other receivables		94	—	—	2,404	2,498	2,498
Fixed deposit	2.15	—	—	8,858	—	8,858	8,764
Bank balances and cash	0.50	226,069	—	—	—	226,069	226,069
		903,448	702,312	1,691,752	24,720	3,322,232	3,068,632
Non-derivative financial liabilities							
Borrowings	6.76	152,488	34,143	751,737	—	938,368	911,956
Loans from an associate	6.00	10,040	—	—	—	10,040	10,005
Other payables		1,462	3,000	—	—	4,462	4,462
Loan guarantee contract		—	—	50,784	—	50,784	—
		163,990	37,143	802,521	—	1,003,654	926,423
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 liability arising from 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

35. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

The amounts included above for variable interest rate instruments for financial assets and financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The amount included above for loan guarantee contract represented the maximum amount that the Group could be required to pay if the guarantee was called upon in its entirety. As at 31 December 2018, the carrying amount of loan guarantee contract (determined based on expectations at the end of the reporting period) was nil. However, this estimate was subject to change depending on the probability of the counterparty claiming under the loan guarantee contract.

(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 2018 RMB'000	Fair value 2017 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Factoring assets at FVTOCI	Assets - 2,818,315	N/A	Level 3	Discounted cash flow. Risk-adjusted discount rate and cash flow are key inputs	The higher discount rate, the lower fair value

(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.

35. FINANCIAL INSTRUMENTS (continued)

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

(iii) Reconciliation of Level 3 fair value measurements of financial assets

	Factoring assets at FVTOCI RMB'000
At 31 December 2017	N/A
Restated under HKFRS 9 (note 2)	1,336,209
At 1 January 2018	1,336,209
Purchases	12,661,443
Settlements	(11,162,527)
Fair value through OCI	(16,810)
At 31 December 2018	2,818,315

All gains and losses included in OCI relate to factoring assets at FVTOCI held at the end of the reporting period and are reported as changes of FVTOCI reserves.

(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 liability arising from repurchase agreements (note 26).

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

	Factoring assets	
	31/12/2018 RMB'000	31/12/2017 RMB'000
Carrying amount of transferred assets	—	10,000
Carrying amount of associated liabilities	—	10,248
Net position	—	(248)

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36. PARTICULARS OF SUBSIDIARIES

As at 31 December 2018, 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 capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December		Principal activity
			2018	2017	
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
Sheng Ye International Supply Chain Finance Limited (盛業國際供應鏈金融有限公司)	Hong Kong 30 October 2018	HK$1	100%	N/A	Investment holding
Sheng Ye Overseas Finance Limited (盛業海外金融有限公司)	BVI 9 August 2018	US$50,000	100%	N/A	Investment holding
Sheng Ye Capital (2018-01) Limited (盛業資本(2018-01)有限公司)	Cayman Islands 15 August 2018	HK$380,000	100%	N/A	Investment holding
SY Factoring Limited (盛業商業保理有限公司#)	PRC 26 December 2013	US$200,000,000	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	51%	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	60%	100%	Provision of factoring service
Sheng Heng Factoring Limited (盛恆商業保理有限公司#)	PRC 28 March 2017	RMB50,000,000	100%	100%	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	51%	100%	Provision of factoring service
Sheng Peng Factoring Limited (盛鵬商業保理有限公司#)	PRC 19 January 2017	RMB50,000,000	51%	100%	Provision of factoring service
Khorgos Yong Zhuo Factoring Limited (霍爾果斯永卓商業保理有限公司#)	PRC 7 March 2018	RMB50,000,000	100%	N/A	Provision of factoring t service
Sheng Ye InformationTechnology 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
Tianjin shengye investment management Limited (天津盛業投資管理有限公司#)	PRC 2 November 2017	RMB25,000,000	100%	100%	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.

37. DISPOSAL OF A SUBSIDIARY

In January 2018, the Group disposed of its 80% investment in SYNFGL, a directly wholly-owned subsidiary of the Group, to an independent third party at consideration of RMB24,000,000. There were no profit or loss and cash flows of SYNFGL recognised on the consolidated financial statements for the current period.

Consideration received:	RMB'000
Cash received	24,000

The net assets of SYNFGL at the date of disposal were as follows:

	2018 RMB'000
Bank balances and cash	4,344
Security deposit for guarantee	92,533
Deferred tax asset	298
Deposits from counter guarantors	(49,656)
Loans from related parties	(17,000)
Amount due to related parties	(302)
Other payables and accrued charges	(604)
Income tax payable	(127)
Net assets disposed of	29,486
Gain on disposal of a subsidiary:	
Cash consideration received	24,000
Net assets disposed of	(29,486)
Retained interest in an associate	6,000
Gain on disposal	514
Net cash inflow arising on disposal:	
Cash consideration	24,000
Less: bank balances and cash disposed of	(4,344)
	19,656

37. DISPOSAL OF A SUBSIDIARY (continued)

During the year ended 31 December 2017, the Group disposed of its 49% investment in ZGSY, directly wholly-owned subsidiary of the Group, to independent third parties at consideration of RMB24,500,000.

Consideration received:	RMB'000
Cash received	24,500

The net assets of ZGSY at the date of disposal were as follows:

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

38. 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				
	As at 1 January 2018 RMB'000	Cash in RMB'000	Cash out RMB'000	Net cash financing activities RMB'000	Non-cash changes Interest accruals RMB'000	As at 31 December 2018 RMB'000
Borrowings - principal	482,000	4,802,796	(4,386,749)	416,047	—	898,047
Borrowings - interest	320	—	(77,393)	(77,393)	90,982	13,909
Financial liability arising from repurchase agreements - principal	10,000	—	(10,000)	(10,000)	—	—
Financial liability arising from repurchase agreements - interest	248	—	(285)	(285)	37	—
Loans from related parties - principal	—	47,175	(37,175)	10,000	—	10,000
Loans from related parties - interest	—	—	(132)	(132)	137	5

		Financing cash flows				
	As at 1 January 2017 RMB'000	Cash in RMB'000	Cash out RMB'000	Net cash financing activities RMB'000	Non-cash changes 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 liability arising from repurchase agreements - principal	83,450	170,161	(243,611)	(73,450)	—	10,000
Financial liability arising from 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	—

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39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31/12/2018 RMB'000	31/12/2017 RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	800,822	666,664
Amounts due from a subsidiary	833,456	247,231
	1,634,278	913,895
CURRENT ASSETS		
Prepayments	320	335
Amounts due from a subsidiary	1,643	—
Amounts due from the immediate holding company	—	1
Bank balances and cash	195	536
	2,158	872
CURRENT LIABILITY		
Accrued charges	3,825	446
	3,825	446
NET CURRENT (LIABILITIES) ASSETS	(1,667)	426
NET ASSETS	1,632,611	914,321
CAPITAL AND RESERVES		
Share capital	7,623	6,442
Reserves	1,624,988	907,879
TOTAL EQUITY	1,632,611	914,321

39. 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 1 January 2017	—	—	(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
Profit for the year	—	—	11,628	11,628
Issue of placing shares	696,772	—	—	696,772
Recognition of equity-settled share-based payments	—	7,388	—	7,388
Exercise of share options	1,703	(382)	—	1,321
At 31 December 2018	1,615,787	9,367	(166)	1,624,988

40. EVENT AFTER THE REPORTING PERIOD

Save as disclosed in Note 14 of the consolidated financial statements, the Group had no other significant subsequent event after the reporting period.