



SUMMARY OF FINANCIAL INFORMATION

	FOR THE				
	YEAR ENDED				
	31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
OPERATING RESULTS					
Revenue	450,421	345,896	157,317	112,791	57,462
Gain on sales of factoring assets	156,242	124,548	57,967	5,876	_
Subtotal	606,663	470,444	215,284	118,667	57,462
Profit before tax	362,492	295,654	133,016	68,172	51,946
Profit for the year	295,125	211,874	88,807	48,008	36,994
Earnings per share					
– Basic (RMB cents)	32	26	14	9	N/A
– Diluted (RMB cents)	32	26	14	N/A	N/A
	AS AT				
	31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
FINANCIAL POSITION					
Total assets	4,479,174	3,192,581	1,718,821	1,451,337	716,740
Net assets	2,418,060	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

Independent Non-executive Directors

Mr. Hung Ka Hai Clement

Mr. Loo Yau Soon

Mr. Twoon Wai Mun, Benjamin

Mr. Fong Heng Boo

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. Wang Zheng (Appointed on 29 November 2019) Mr. Lo Wai Hung (Resigned on 29 November 2019)

AUTHORISED REPRESENTATIVES

Mr. Tung Chi Fung

Mr. Wang Zheng (Appointed on 29 November 2019) Mr. Lo Wai Hung (Resigned on 29 November 2019)

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 54, 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

6069



CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of the board of directors (the "Board") of Sheng Ye Capital Limited (the "Company", together with its subsidiaries, the "Group" or "Sheng Ye Capital'), I hereby present you the 2019 annual report of the Group for the year ended on 31 December 2019.

In the year 2019, global economy growth continued to be impacted by multiple factors including trade policy swings and geopolitical tensions. Meanwhile, under the pressure of the economic downturn, China is steadily evolving from high-speed growth to high-quality development. In light of such circumstance, the Group has followed the trend of China's sustainable transition and seized the opportunities which were brought by favorable policies, including the nation's strong support of supply chain finance to play a heavier role in boosting its real economy, and the acceleration of the construction and development of the Guangdong-Hong Kong-Macao Greater Bay Area. The Group continued to build and optimize the industry ecosystem by strengthening its fintech innovation capability and accumulating industry data. Such innovations brought us not only steady growth in 2019 annual results but also a number of other stellar achievements.

In 2019, Sheng Ye Capital successfully transferred listing from GEM to the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), becoming the first mainland China commercial factoring company listed on the main board of the Stock Exchange. Since being included in the MSCI Global Small Cap Indexes - MSCI China Index in 2018, the Group has gained more market attention and investor recognition. Recently, the Group was included in the Hang Seng Composite Index and the Hong Kong Stock Connect, garnering more support from the capital market in recognition of its business development. As at the end of 2019, the total assets of the Group amounted to RMB4,479.2 million, representing an increase of approximately 40.3% compared with the previous financial year. Profit for the year attributable to ordinary shareholders amounted to approximately RMB280.3 million, approximately 34.5% higher year-on-year.

The Group's above-mentioned stellar achievement is the result of all partners' united efforts in common goals. As a data-driven supply chain financial service and high-tech company, Sheng Ye Capital's razor focus on key high-quality industries and core enterprises, along with its self-developed technology systems and big data analysis technologies at its core, helped to build a comprehensive industry financial service ecosystem. Through in-depth business cooperation with approximately 10 Fortune Global 500 core enterprises and integration with dozens of professional external institutions, the Group is able to conduct long term accumulation and in-depth analysis of multi-dimensional data in the industry ecosystem, establish an exclusive preapproved credit mechanism and industry-based risk assessment model for customer acquisition, efficiently compare and verify the authenticity and rationality of transactions, and provide enterprises with diversified financing products and customized high-quality supply chain financial services.

The Group's professional information technology services have also been recognized by many outstanding partners. In 2019, the Group established loan facilitation platforms at a total of RMB1.04 billion in partnership with one of China's four largest state-owned banks and a leading municipal commercial bank, enabling us to promote high-quality assets verified by the Group's robust risk control systems to banks and facilitate efficient financing for small, medium and micro enterprises (the "SMEs"). The in-depth cooperation, including system integration and big data sharing with leading companies in the core industries, further enhanced the Group's industry knowledge and professional risk control capabilities. With the support of Sheng Ye Information Technology Service (Shenzhen) Co., Ltd. - a subsidiary of the Group, which has been awarded the National High-tech Enterprise Certification in China - the accumulated approved size of the asset-backed securities issuance powered by the Group fintech capability has exceeded RMB31 billion. Meanwhile, the Group obtained RMB1 billion credit insurance service from the world's leading credit insurance service provider. It shows that the quality of the Group's underlying assets has been recognized, which leads to more opportunities for Sheng Ye Capital to explore diversified funding channels across the region.



CHAIRMAN'S STATEMENT

Looking ahead into 2020, the global economy is facing new risks and challenges under the impact of the coronavirus outbreak. During this period, digitalization technology has proved its indispensable value in tackling the epidemic. We believe this means that companies actively leveraging on digital technology will also usher in new development opportunities in this test. With the domestic epidemic gradually stabilizing, coupled with the recovery of industry and economy, and the launch of a series of trillion-level key infrastructure investment plans across the country, it should bring more growth potential in Sheng Ye Capital's focused sectors. Policy-wise, the China Banking and Insurance Regulatory Commission (the "CBIRC") released the first regulatory document on the quasi-financial segment (including commercial factoring), "Notice on Strengthening the Supervision and Administration of Commercial Factoring Enterprises (General office of CBIRC [2019] No. 205)" (the "Notice 205") in October 2019, with a view to better standardizing and regulating the commercial factoring industry and strictly control the industry's entry standards, as well as encourage local governments to support the development of commercial factoring enterprises by introducing favorable policies. This not only marked the establishment of the compliance of the commercial factoring industry, but also hinted that the "survival of the fittest" will be an inevitable trend in the factoring market. High-quality companies with strong capabilities that operate in accordance with regulations will benefit from this policy and further consolidate its market position. This bodes well for Sheng Ye Capital, which has always operated in compliance and has a solid business foundation. In terms of strengthening supervision and management, Notice 205 also mentioned that the aggregate value of accounts receivables from a single debtor must not exceed 50% of the factoring company's total risk assets; the aggregate value of accounts receivables from a debtor being a affiliated company of the factoring company must not exceed 40% of its total risk assets. Under such circumstances, commercial factoring companies with most of their business concentrated on a single buyer or affiliated companies will actively look for cooperation with third-party factoring institutions. Sheng Ye Capital, as a leading thirdparty factoring company, will also be able to gain more market opportunities.

In the future, the Group will continue to focus on accumulating industry expertise, advancing technology innovation as well as building a more professional and comprehensive risk control mechanism and industry ecosystem. By actively leveraging its competitive advantages, the Group aims to provide customers with better supply chain financing and information technology services, and contribute more to helping the real economy with challenges from the epidemic.

Last but not the least, on behalf of the Board, I would like to extend my appreciation to all shareholders and partners for their continuous support, and sincerely thank all employees for their contributions to the Group. Everyone in the Group together as a whole will endeavor to achieve sustainable business growth and create greater returns for all shareholders and partners.

Sheng Ye Capital Limited
Tung Chi Fung
Chairman and Executive Director



BIOGRAPHIES OF THE DIRECTORS

Executive Director

Mr. Tung Chi Fung, aged 33, is the founder of the Group. He was appointed as an Executive Director and the Chairman of the Board on 4 March 2017. Mr. Tung is the Compliance Officer and Authorised Representative of the Group. He is also the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Group. Further, Mr. Tung is one of the members of the Risk Management Committee of the Group.

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 director of Raleigh China (a non-profit making organisation in the People's Republic of China), the vice president of Handpicked Love Foundation (a non-profit making organisation in the People's Republic of China), the director of The Lok Sin Tong Benevolent Society, Kowloon (a non-profit making organisation in Hong Kong), the sponsoring body manager of Lok Sin Tong Leung Kau Kui College, as well as Committee Member of Singapore Management University ("SMU") Enterprise Board and the Donor of the SMU P.A.K Entrepreneurship Fund.

Mr. Chen Jen-Tse, aged 48, was appointed as an Executive Director on 4 March 2017 and has been appointed as the Deputy General Manager of SY Factoring Limited since July 2014. Mr. Chen is one of the members of the Risk Management Committee of the Group and is responsible for reviewing and approving certain high risk factoring transactions.

Mr. Chen has over 19 years of experience in the factoring industry. Prior to joining the Group, Mr. Chen worked in various positions in financial institutions. From January 1998 to May 2007, he served in the Accounts Receivable Operations Department (帳款處理作業科) in Chailease Finance Co., Ltd. (中租迪和股份有限公司) (previously known as CITC Company (迪和股份有限公司)). From May 2007 to June 2008, he worked as an Assistant Vice President (receivable finance) of the Commercial Banking Department in the 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 64, obtained a Bachelor of Arts Degree from the University of Huddersfield, United Kingdom in 1980. Mr. Hung had served Deloitte China for 31 years where he had assumed various leadership roles, including serving as the Managing Partner of Deloitte Shenzhen office and Guangzhou office, before he took up the chairman role of Deloitte China from 2014 to 2016. He was also a member of the China management team of Deloitte China. Mr. Hung had also assumed the role of the Southern Audit Leader and the Deputy Managing Partner of the southern region of China (including Hong Kong, Macau, Shenzhen, Guangzhou, Xiamen and Changsha). He was also a board member of Deloitte Global. In June 2016, he retired from Deloitte China.

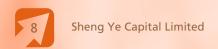
Mr. Hung served as a consultant of the Guangzhou Institute of Certified Public Accountants from 2004 to 2014. During the period between 2006 and 2011, he also served as a member of the Political Consultative Committee of Luohu District, Shenzhen. After his retirement as the Chairman of Deloitte China, he was appointed as an Expert Consultant of the Ministry of Finance in the People's Republic of China. Mr. Hung is a life member of The Institute of Chartered Accountants in England and Wales.

Mr. Hung was appointed as an Independent Non-executive Director in June 2017. Mr. Hung is also serving as a director of each of the following 8 listed companies whose issued shares are listed on the Stock Exchange:

- an independent non-executive director of Gome Finance Technology Company Limited (formerly known as Sino Credit Holdings Limited) (stock code: 628) since 31 October 2016;
- a non-executive director of High Fashion International Limited (stock code: 608) since 1 December 2017;
- an independent non-executive director of Zhongchang International Holdings Group Limited (formerly known as Henry Group Holdings Limited) (stock code: 859) since 12 January 2018;
- an independent non-executive director of Aoyuan Healthy Life Group Company Limited (stock code: 3662) since 22 February 2019;
- an independent non-executive director of China East Education Holdings Limited (stock code: 667) since 12 June 2019;
- an independent non-executive director of Huarong International Financial Holdings Limited (stock code: 993) since 13 December 2019;
- an independent non-executive director of Tibet Water Resources Ltd. (stock code: 1115) since 31 December 2019; and
- an independent non-executive director of Skyworth Group Ltd. (stock code:0751) since 18 March 2020.

Mr. Hung was an independent non-executive director of Lerthai Group Limited (formerly known as LT Commercial Real Estate Limited) (stock code: 112) from 24 February 2017 to 3 March 2017 and a non-executive director of the said company from 3 March 2017 to 30 June 2017. He was re-designated as an independent non-executive director of the said company on 30 June 2017 and subsequently resigned with effect from 30 September 2018. He was also an independent non-executive director of SMI Holdings Group Limited (stock code: 198) from 16 January 2017 to 15 March 2017 and re-designated as a non-executive director of the said company on 15 March 2017. He subsequently resigned with effect from 28 February 2019.

As stated above, apart from the appointment by the Company, Mr. Hung is also a non-executive director or independent non-executive director of 8 listed companies in Hong Kong. The Board has made enquiries with Mr. Hung and noted his good attendance record for board meetings and general meetings among these 8 listed companies. The Board is confident that Mr. Hung would still be able to devote sufficient time to the Board given that he has substantial knowledge and experience in



BIOGRAPHIES OF THE DIRECTORS

discharging directors' duties through his past work experience and his services as an independent non-executive director or as a non-executive director in different listed companies. He has good understanding of his role as the independent non-executive director or non-executive director or non-executive director of listed companies and has sufficient experience in estimating the time required for attending to the affairs of each listed company.

Mr. Loo Yau Soon, aged 47, was appointed as an 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 served as an independent director and the chairman of the audit committee for Indiabulls Property Investment Trust, a company listed on the Singapore Exchange in Singapore. Since February 2014, he has served as a director of Seri Venture Capital Management Sdn Bhd in Brunei. From March 2016 to March 2017, he was the Chief Executive Officer and the 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 served as an adjunct faculty and visiting professor 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 the APEC Business Advisory Council. From March 2017 to April 2019, he was the chief executive officer of the Brunei Economic Development Board.

Mr. Twoon Wai Mun, Benjamin, aged 31, was appointed as an 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, private equity and financial technology. He was a management associate at Citibank N.A. (Singapore) from July 2013 to September 2014, where he was responsible for the Citi-AIA Joint Venture and the implementation of productivity plans in the APAC region. From September 2014 to April 2015, Mr. Twoon worked as a Business Development (M&A) Executive in Pavilion Energy Management Pte Ltd., in Singapore, where he was responsible for the evaluation and management of investments in the oil and gas industry in various countries, formulating investment strategies and identifying potential acquisition targets. Mr. Twoon is currently the co-founder and the Chief Operating Officer of a licensed regional Fintech platform, Fundnel Pte Limited, since July 2015, and he is responsible for investments, business development and overseeing the operations of the company in 6 markets. Mr. Twoon is also a non-executive director of Anthill Capital Pte Ltd since May 2016, a regional investment and incubation platform, where he is responsible for evaluation of investments and syndication efforts across technology-related opportunities across Asia. In May 2017, Mr. Twoon was appointed as a non-executive director of Y Ventures Group, an e-commerce retailer and distributor listed on the Singapore Stock Exchange. He sat on the Remuneration Committee and he has involved in the development of business and growth strategies, as well as frameworks for corporate governance, and resigned in March 2019. In January 2019, Mr. Twoon was appointed as a director of HGX Pte Ltd., a company incorporated in Singapore which is Southeast Asia's first member-driven Private Exchange for unlisted securities.

Mr. Fong Heng Boo, aged 70, was appointed as an Independent Non-executive Director in September 2018. He obtained a Bachelor of Accountancy (Honours) from 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 held the position 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 Citicode Ltd, a company listed on the Singapore Exchange (stock code: 5FH), since July 2018.

BUSINESS REVIEW

The Group is a data driven supply chain financial services provider. Being part of the non-bank financial sector, the Group is regulated by the China Banking and Insurance Regulatory Commission. The Group strives to reshape the traditional supply chain financing landscape through innovative application of information technology. Benefitting from a professional and comprehensive risk management mechanism, the Group is able to fully leverage on its self-developed "Sheng Yi Tong" online factoring system to deliver convenient, efficient, secured and quality supply chain financing and information technology services at lower cost for small and medium enterprises ("SME"s) and micro-enterprises. As of 31 December 2019, the Group offered accounts receivables financing services to SMEs and micro-enterprises aggregately amounting to over RMB34 billion, and the Group managed accounts receivables aggregately totaling over RMB70 billion. Its headquarter is in Shenzhen, the People's Republic of China ("PRC").

The Group provides customers with customized financing solutions secured by, amongst others, their accounts receivables, and also offers them accounts receivables management services. These services include credit assessment, review and verification of transactions relating to the accounts receivables, collection of accounts receivables on behalf of customers, and regular reporting to customers on matters concerning their accounts receivables. 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 to improve the cash flow of the Group and to enhance management of the Group's factoring assets portfolio. With the Group's expansion in diversified corporate services in supply chain and establish of loan facilitation platform, the Group generates fee income through provision of guarantee services, information technology services, consulting services, and miscellaneous services principally including accounts receivables management services without financing.

FINANCIAL REVIEW

Revenue

The Group earns most of its revenue from the provision of factoring services, guarantee services, information technology services, consulting services and other services to customers in the PRC. For the year ended 31 December 2019, the Group made revenue of approximately RMB450.4 million, representing an increase of approximately 30.2% (for the year ended 31 December 2018: RMB345.9 million). The increase in revenue was mainly attributable to an expanded factoring business which was supported by bank and other borrowings. In addition, the Group generates fee income through provision of guarantee services, information technology services, consulting services and miscellaneous services principally including accounts receivables management services without financing.

Gain on sales of factoring assets

The Group sells the 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 25.5%, from RMB124.5 million for the year ended 31 December 2018 to RMB156.2 million for the year ended 31 December 2019. The increase was attributable mainly to the increase in market demand for factoring assets. None of the factoring assets previously sold to independent third parties involved non-performing assets.



Other income

Other income mainly comprises government subsidies, bank interest income and interest income from a loan receivable. For the year ended 31 December 2019 and 2018, the Group's other income was approximately RMB38.0 million and RMB17.8 million respectively, representing an increase of approximately 113.5%. The increase for the year ended 31 December 2019 was mainly attributable to the receipt of government subsidies of approximately RMB33.6 million, representing an increase of approximately 127.0% from approximately RMB14.8 million for the year ended 31 December 2018.

Other gains and losses

Other gains and losses mainly include exchange differences, gain on disposal of investments in associates and net loss arising from changes in fair value of derivative financial instruments.

Staff costs and other operating expenses

Staff costs and other operating expenses mainly comprise staff salaries and benefits, research and development costs, depreciation of right-of-use assets, legal and professional fees, amortisation of intangible assets and other miscellaneous items. Staff costs and other operating expenses for the year ended 31 December 2019 were RMB158.2 million (for the year ended 31 December 2018: RMB98.5 million), representing an increase of 60.6%, which was mainly attributable to the increase in headcount and salaries, research and development costs, legal and professional fees incurred as a result of business expansion.

Impairment losses under expected credit loss ("ECL") model, net of reversal

Impairment losses under ECL model, net of reversal for the year ended 31 December 2019 amounted to RMB17.0 million (for the year ended 31 December 2018: RMB17.8 million), representing a decrease of 4.5% which was mainly attributable to the increase in the reversal of allowance for impairment of factoring assets.

Share of profit of a joint venture

The Group shared the profits of a joint venture which amounted to RMB1.5 million for the year ended 31 December 2019 (for the year ended 31 December 2018: shared profits of RMB1.8 million).

Share of profit of associates

The Group shared the profits of associates which amounted to RMB4.2 million for the year ended 31 December 2019 (for the year ended 31 December 2018 RMB4.7 million).

Finance costs

Finance cost consists mainly interest expenses of borrowings from banks, financial institutions, a bond investor and related parties. For the year ended 31 December 2019, finance cost was RMB110.6 million, representing an increase of 21.3% (for the year ended 31 December 2018: RMB91.2 million). The increase in finance cost was due to 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 22.6% from approximately RMB295.7 million for the year ended 31 December 2018 to approximately RMB362.5 million for the year ended 31 December 2019. Profit before taxation accounted for approximately 59.8% and 62.8% of the Group's income from factoring and other services in 2019 and 2018, respectively.

Taxation

Income tax expenses represent the tax expense arising from the assessable profit generated by the Group in the PRC and deferred tax. Except for certain PRC subsidiaries that enjoy preferential tax rates, PRC enterprise income tax is calculated at 25% of the estimated assessable profits for both years ended 31 December 2019 and 2018. The decrease in effective tax rate from 28.3% for the year ended 31 December 2018 to 18.6% for the year ended 31 December 2019 was mainly attributable to the increase in the profit before taxation for certain PRC subsidiaries that enjoy preferential tax rates.

For the year ended 31 December 2019, income tax expenses amounted to approximately RMB67.4 million (for the year ended 31 December 2018: RMB83.8 million).

Dividend

The Directors recommend the payment of a final dividend of HK5.3 cents per ordinary share of the Company for the year ended 31 December 2019 (for the year ended 31 December 2018: HK4 cents per ordinary share).

Business outlook and prospects

In 2019, the Group successfully transferred listing from GEM to the main board of the Stock Exchange, becoming the first mainland China commercial factoring company listed on the main board of the Stock Exchange. Since being included in the MSCI Global Small Cap Indexes - MSCI China Index in 2018, the Group has gained more market attention and investor recognition. Recently, the Group was included in the Hang Seng Composite Index and the Hong Kong Stock Connect, garnering more support from the capital market in recognition of its business development.

Looking forward, the global economy is facing new risks and challenges under the impact of the coronavirus outbreak. During this period, digitalization technology has proved its indispensable value in tackling the epidemic, which means that companies actively leveraging on digital technology will also usher in new development opportunities in this test. With the domestic epidemic gradually stabilizing, coupled with the recovery of industry and economy, and the launch of a series of trillion-level key infrastructure investment plans across the country, it should bring more growth potential in the Group's focused sectors. In addition, the Group, as a leading third-party factoring company, will also be able to gain more market opportunities with the support from favorable policies.

In the future, the Group will continue to focus on accumulating industry expertise, advancing technology innovation, building a more professional and comprehensive risk control mechanism and industry ecosystem. By actively leveraging its competitive advantages, the Group aims to provide customers with better supply chain financing and information technology services, and contribute more to helping the real economy with challenges from the epidemic.



Capital structure, liquidity, financial resources and gearing

During the year ended 31 December 2019, the Group's main source of funds was the cash generated from daily operation, and new borrowings. As at 31 December 2019, the Group had bank balances and cash of RMB377.3 million (at 31 December 2018: RMB226.1 million), of which 99.3% and 0.5% were denominated in RMB and HK dollars respectively.

As at 31 December 2019, the Group had interest-bearing borrowings and bank overdraft which amounted to RMB1,885.2 million (at 31 December 2018: RMB922.0 million). Its gearing ratio, expressed as total liabilities over total equity was 0.85 as at 31 December 2019 (at 31 December 2018: 0.51).

Use of proceeds

The Placing

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

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

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

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

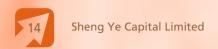
Use of proceeds from the Placing

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

Use of proceeds	Net proceeds raised (Approximately HK\$ million)	Actual use of net proceeds during the year ended 31 December 2018 (Approximately HK\$ million)	(Approximately	Intended use and expected timeline of the remaining amount of net proceeds
General working capital of the Group for expanding the factoring operations	757.0	757.0	_	The amount of the net proceeds for the general working capital of the Group for expanding the factoring operations had been fully utilised.
Developing the online factoring platform and IT system of the Group	62.5	18.5	27.4	The remaining unutilised amount of approximately HK\$16.6 million will be used for developing the online factoring platform and IT system of the Group and is expected to be fully utilised by 31 December 2020.

Capital commitments

As at 31 December 2019, the capital commitments of the Group comprised of purchase of intangible assets of approximately RMB0.6 million (31 December 2018: investments in associates of approximately RMB29 million and purchase of intangible assets of approximately RMB0.4 million).



Contingent liabilities

Save as disclosed in note 27 of the "Notes to the consolidated financial statements", the Group did not have any other guarantees or other material contingent liabilities.

Pledge of assets

As at 31 December 2019, the Group had pledged bank deposits of RMB86.4 million, security deposits of RMB9.8 million, pledged structured deposit of RMB9.0 million, and certain factoring assets with an aggregate carrying amount of RMB462.5 million to banks and third parties for facilities, loan facilitation platform in partnership with a bank and derivative financial instruments (31 December 2018: fixed deposit of approximately RMB8.8 million had been pledged to a bank for facilities).

Material acquisitions and disposals of subsidiaries and associates

In February 2019, the Group entered into an agreement and disposed of its 20% investment in 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), an associate of the Group, to an independent third party at a consideration of RMB1,000,000, which resulted in the Group recognising a gain of RMB230,000 in profit or loss.

In July 2019, the Group acquired 49% of the issued share capital of Zhu Guang Sheng Ye Factoring Limited* (珠光盛業商業保理有限公司) ("**ZGSY**"), a joint venture which was owned as to 51% by the Group at 31 December 2018, for a consideration of RMB24,802,000. Subsequently, ZGSY became a wholly owned subsidiary of the Group.

In December 2019, the Group disposed of its 20% investment in Shenzhen Sheng Peng Non-Financing Guarantee Limited* (深圳市盛鵬非融資性擔保有限責任公司), an associate of the Group, which resulted in the Group recognising a gain of RMB147,000 in profit or loss.

Significant investment held by the Group

As at 31 December 2019, the Group did not make any significant investments.

Future plan for material investments and capital assets

The Group intends to expand and develop its diversified corporate services in supply chain and to establish loan facilitation platform with an aim to become a Fintech service provider for enterprises. To achieve the goal, the Group will further develop the capabilities and functions of its online platform.

Foreign exchange risks

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

Employees and remuneration policy

As at 31 December 2019, the Group had a total of 199 staffs (31 December 2018: 117 staffs). Total staff costs (including Directors' emoluments) were approximately RMB92.4 million (for the year ended 31 December 2018: RMB56.6 million) including total share option benefits for employees were RMB10.0 million for the year ended 31 December 2019 (for the year ended 31 December 2018: RMB7.3 million). 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 and social insurance together with housing provident funds for employees in Hong Kong and the PRC, respectively.

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

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

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

Recent Development of Regulatory Framework

In 2019, financial regulatory institutions in China has strengthened their governance on local commercial factoring companies, further regulating and promoting the compliance development of the factoring industry and providing additional policy support for commercial factoring companies that practice market-oriented operation and focus on supporting SMEs and microenterprises. In April 2019, the Tianjin Local Financial Supervision Bureau promulgated the Circular on Issuing the Administrative Measures for Pilot Tianjin Commercial Factoring Companies (Trial Implementation) (Tianjin Financial Supervision Bureau Regulations [2019] No. 1) (《關於印發天津市商業保理試點管理辦法 (試行) 的通知 (津金監規範[2019]1號)》), which tightens the regulatory standards and compliance requirements for commercial factoring companies within the administrative region. In October 2019, China Banking and Insurance Regulatory Commission issued the first national regulatory document for the quasi-financial industry, Notice on Strengthening the Supervision and Administration of Commercial Factoring Enterprises (General Office of the China Banking and Insurance Regulatory Commission [2019] No.205) (《關於加強商業保理企業監督管理的通知 (銀保監辦發[2019]205號)》), which mainly concerns legal and compliant operation, strengthening of supervision and management, strict requirement for market entry and promoting industry development. It requires commercial factoring enterprises to complete their transformation towards market orientation, so as to provide better financing services for SMEs and micro-enterprises.

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



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 2019, the Group had complied with the code provisions in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of The Rules Governing the Listing of Securities on the Stock Exchange ("the 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 provisions set out in Appendix 10 of the Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the year ended 31 December 2019.

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;
- 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 and interim financial statements, reports, announcements and other disclosures required under the Listing Rules;
- 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 2019 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

Independent Non-executive Directors

Mr. Hung Ka Hai Clement

Mr. Loo Yau Soon

Mr. Twoon Wai Mun, Benjamin

Mr. Fong Heng Boo

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

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 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed four INEDs, representing at least one-third 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 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 3.13 of the 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	$\sqrt{}$		
Mr. Chen, Jen-Tse		$\sqrt{}$	
Mr. Hung Ka Hai Clement			\checkmark
Mr. Loo Yau Soon		$\sqrt{}$	
Mr. Twoon Wai Mun, Benjamin	\checkmark		
Mr. Fong Heng Boo			\checkmark

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

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 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 2019, 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.

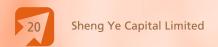
Board Meetings and Directors' Attendance Records

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 2019, seven Board meetings were held at which the Directors discussed and approved, amongst other matters, the Group's annual report 2018, interim and quarterly reports in 2019, results announcements, transfer of Listing and change of company secretary.



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

N <mark>ame of Directors</mark>	Number of Attendance/Number of Board Meeting	
Executive Directors		
Mr. Tung Chi Fung (Chairman)	7/7	
Mr. Chen Jen-Tse	7/7	
Independent Non-executive Directors		
Mr. Hung Ka Hai Clement	7/7	
Mr. Loo Yau Soon	7/7	
Mr. Twoon Wai Mun, Benjamin	7/7	
Mr. Fong Heng Boo	7/7	

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.

Each of the four INEDs, Mr. Hung Ka Hai Clement, Mr. Loo Yau Soon, Mr. Twoon Wai Mun, Benjamin and Mr. Fong Heng Boo 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.

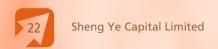
Nomination Policy

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 Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the 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 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 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 3.13 of the 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.

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 2019. During the year ended 31 December 2019, the responsibilities of the CEO 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 Stock Exchange.

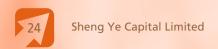
The Board Committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice, at the Company's expenses.

Audit Committee

The Company established an Audit Committee on 19 June 2017 with written terms of reference in compliance with Rules 3.21 to 3.24 of the Listing Rules and paragraph C.3 of the CG Code as set out in Appendix 14 of the Listing Rules. The written terms of reference of the Audit Committee (amended and approved by the Board on 23 October 2019) 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 2019, five meetings have been held by the Audit Committee, at which the Audit Committee reviewed, amongst other matters, the revised Terms of Reference of the Audit Committee incorporating the amendments to the GEM Listing Rules which become effective on 1 January 2019, the Group's annual report for the year ended 31 December 2018, the unaudited consolidated financial statements for the three months ended 31 March 2019, the interim period ended 30 June 2019 and the Terms of Reference of the Audit Committee which become effective after the transfer of listing from GEM to the Main Board.

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 Clement5/5Mr. Loo Yau Soon5/5Mr. Twoon Wai Mun, Benjamin5/5

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

At the Audit Committee Meeting held on 20 March 2020, all the members of the Audit Committee reviewed the Company's audited consolidated financial statements for the year ended 31 December 2019, 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 3.25 to 3.27 of the Listing Rules and paragraph B.1 of the CG Code as set out in Appendix 14 of the Listing Rules. The written terms of reference of the Remuneration Committee (amended and approved by the Board on 23 October 2019) 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 2019, three meetings have been held by the Remuneration Committee, which reviewed the revised Terms of Reference of the Remuneration Committee incorporating the amendments to the GEM Listing Rules which become effective on 1 January 2019, the remuneration of Directors and senior management for the year ended 31 December 2018 and the Terms of Reference of the Remuneration Committee which become effective after the transfer of listing from GEM to the Main Board.

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	3/3
Mr. Tung Chi Fung	3/3
Mr. Hung Ka Hai Clement	3/3

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 14 of the Listing Rules. The written terms of reference of the Nomination Committee (amended and approved by the Board on 23 October 2019) 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.

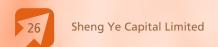
During the year ended 31 December 2019, three meetings have been held by the Nomination Committee to review the revised the Board Diversity Policy, the Board Nomination Policy and the Terms of Reference of the Remuneration Committee incorporating the amendments to the GEM Listing Rules which become effective on 1 January 2019, 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 Terms of Reference of the Remuneration Committee which become effective after the transfer of listing from GEM to the Main Board.

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	3/3
Mr. Hung Ka Hai Clement	3/3
Mr. Twoon Wai Mun. Beniamin	3/3

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 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.

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 CG Code, the remuneration of the members of the senior management (other than the Directors) for the financial year ended 31 December 2019 by band is set out below:

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

Auditors' Remuneration

The Company has appointed Deloitte Touche Tohmatsu as its external auditors for the year ended 31 December 2019. Details of the fees paid/payable to Deloitte Touche Tohmatsu during the year are as follows:

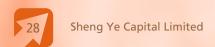
	RMB'000
Audit services	2,520
Review of interim financial information	400
Subtotal	2,920
Others	2,710
Total	5,630

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 2019, 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 42 to 47 of this Annual Report.



Company Secretary

Mr. Wang Zheng was appointed as the company secretary of the Company on 29 November 2019. Mr. Wang had been informed of the requirement of Rule 3.29 of the Listing Rules and he confirmed that he had attained no less than 15 hours of relevant professional training during the year ended 31 December 2019.

Mr. Lo Wai Hung resigned as the company secretary of the Company on the same day. After the resignation, Mr. Lo continues to act as chief financial officer of the Company.

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 2019. 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 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

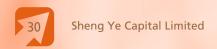
The Board recognises its responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group conducts periodic review on the overall adequacy and effectiveness of the Group's risk management 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 2019.

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 provisions set out in Appendix 10 of the 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 Listing Rules will be announced on the respective websites of the Stock Exchange and the Company in due course.



The directors of the Company (the "Directors") are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2019 (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 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 five 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 2019 are set out on pages 48 to 166 of this annual report.

The directors recommend the payment of a final dividend of HK5.3 cents per ordinary share for the year ended 31 December 2019 (for the year ended 31 December 2018: HK4 cents per ordinary share).

SUBSIDIARIES

Details of our Company's principal subsidiaries as at 31 December 2019 are set out in note 37 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 30 and 32, respectively, to the financial statements.

RESERVES

Details of movements in the reserves of the Company during the year ended 31 December 2019 are set out in note 41 to the consolidated financial statements.



MAJOR CUSTOMERS

For the year ended 31 December 2019, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue

- The largest customer 8.4%

- The total of five largest customers 36.3%

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 placing of shares on 11 July 2018. 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 2019.

DIRECTORS AND SERVICE CONTRACTS

As at 31 December 2019 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

Independent Non-executive Directors

Mr. Hung Ka Hai Clement

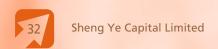
Mr. Loo Yau Soon

Mr. Twoon Wai Mun, Benjamin

Mr. Fong Heng Boo

Biographical information of each of the Directors is set out in the section headed "Biographies of the 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 Transactions" in page 40 of this annual report and note 34 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 SHARFHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as 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, banks and other financial institutions. The Group believes that a healthy relationship can be built 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.

PROPERTY AND EQUIPMENT

The movements in the Group's property and equipment for the year are set out in note 16 to the financial statements.

INTANGIBLE ASSETS

The movements in the Group's intangible assets for the year are set out in 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 the year ended 31 December 2019.

CHARITABLE DONATIONS

The Group's external charitable donations for the year amounted to RMB2.0 million (2018: RMB1.8 million).

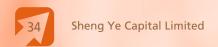
DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2019, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to provisions set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Interest in the Company

Name of Director	Capacity/nature of interest	Number and class of securities interested	Percentage of shareholding
Mr. Tung Chi Fung (" Mr. Tung ") <i>(Note 1)</i>	Beneficiary of a trust and settlor of a discretionary trust	555,000,000 (L) <i>(Note 2)</i>	63.05%
Mr. Chen Jen-Tse	Share option	3,000,000 <i>(Note 3)</i>	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%

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 approximately 63.05% 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 2019, none of the Directors or chief executive of the Company or their associates (as defined in the Listing Rules) had any interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to provisions set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2019, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity/nature of interest	Number and class of securities interested (Note 1)	Percentage of shareholding
TMF Trust (Note 2)	Trustee	555,000,000 (L)	63.05%
Eander (Note 2)	Interest in a controlled corporation	555,000,000 (L)	63.05%
Wisdom Cosmos (Note 2)	Beneficial owner	555,000,000 (L)	63.05%

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 approximately 63.05% 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 2019, 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.

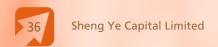
(b) Who may join and basis of eligibility

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 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 Listing Rules) for the approval of the Company's results for any year, half-year period or any other interim period (whether or not required under the Listing Rules), and (b) the deadline for the Company to publish an report of its results for any year, half-year period or any interim period (whether or not required under the 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 the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 prescribed by the 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 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 8.41% 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 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 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.

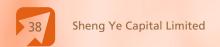
(f) Time of exercise of Option

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 the Listing Rules. Save as disclosed above, none of the other grantees is a Director, chief executive or substantial shareholder (as defined under the Listing Rules) of the Company or any of their respective associate(s) (as defined under the Listing Rules) as at the date of grant.



The following shows the outstanding position as at 31 December 2019 with respect to their granted options granted under the Share Option Scheme:

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2019	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2019
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 11/9/2020-10/9/2022	500,000 1,000,000	_	_	_	500,000 1,000,000
				2,000,000	_	_	_	2,000,000
Employees	11 September 2017	HK\$4.20	11/9/2018-10/9/2022	1,958,500	_	(897,500) (Note)	_	1,061,000
			11/9/2019-10/9/2022 11/9/2020-10/9/2022	2,315,000 4,630,000	_	(578,000) (Note) —	(130,000) (860,000)	1,607,000 3,770,000
				8,903,500	_	(1,475,500)	(990,000)	6,438,000
Mr. Chen Jen-Tse	14 November 2018	HK\$6.90	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\$6.90	14/11/2019-13/11/2023	50,000	_	_	_	50,000
Will Harig Na Har Clement	T Hovember 2010	111(\$0.50	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\$6.90	14/11/2019-13/11/2023	50,000	_	_	_	50,000
200 . da 500		111140150	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,	14 November 2018	HK\$6.90	14/11/2019-13/11/2023	50,000	_	_	_	50,000
Benjamin			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	14 November 2018	HK\$6.90	14/11/2019-13/11/2023	1,842,500	_	_	(336,250)	1,506,250
eligible persons		****	14/11/2020-13/11/2023	1,842,500	_	_	(336,250)	1,506,250
			14/11/2021-13/11/2023	3,685,000	_		(672,500)	3,012,500
				7,370,000	_	_	(1,345,000)	6,025,000

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 2019, i) 16,063,000 granted options were outstanding under the Share Option Scheme; ii) 1,475,500 granted options were exercised; iii) 2,335,000 granted options were lapsed; and iv) no granted options were cancelled.

PERMITTED INDEMNITY

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

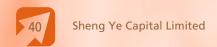
COMPLIANCE OF NON-COMPETITION UNDERTAKINGS

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 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 a connected person, constituted continuing connected transactions of the Group under Chapter 14A of the 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 rates and government rent is currently HK\$18,939 in total per month and subject to review from time to time.

As the applicable percentage ratios under Chapter 14A of the 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 thereunder are fully exempt from all annual review, reporting, announcement and independent shareholders' approval (including independent financial advisor) requirements under Chapter 14A of the 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 34 to the consolidated financial statements, which do not constitute notifiable connected transactions under the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the 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 2019 and thereafter up to the date of this report.

ENVIRONMENTAL POLICY AND SOCIAL RESPONSIBILITY

The Group is committed to sustainable development of the environment and our society. 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 2019 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 Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

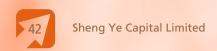
INTERESTS OF THE COMPLIANCE ADVISER

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 3A.07 of the 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



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 48 to 166, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key Audit 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")

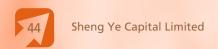
We identified the impairment of factoring assets at FVTOCI as a key audit matter due to its significance to the consolidated financial statements, and the use of judgement by the management in evaluating the expected credit losses ("ECL") on factoring assets at FVTOCI which are subject to impairment under HKFRS 9.

As set out in note 20 to the consolidated financial statements, the carrying amount of factoring assets at FVTOCI is RMB3,837,348,000 as at 31 December 2019. This carrying amount represented approximately 86% of the total assets. The impairment allowance in respect of factoring assets at FVTOCI is RMB46,334,000.

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, 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 involving 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 RMB156,242,000 which contributed approximately 26% of the income from factoring and other services for the year ended 31 December 2019.

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.

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

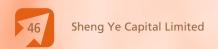
The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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

20 March 2020

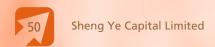


CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTEC	2040	2040
	NOTES	2019	2018
		RMB'000	RMB'000
Revenue	6		
Interest income from factoring service		429,214	308,484
Income from other services		21,207	37,412
Total revenue		450,421	345,896
Gain on sales of factoring assets	7	156,242	124,548
Income from factoring and other services		606,663	470,444
Other income	8(a)	37,953	17,796
Other gains and losses	8(b)	(166)	10,186
Impairment losses under expected credit loss ("ECL")			
model, net of reversal	9	(16,960)	(17,761)
Staff costs	12(a)	(69,583)	(45,447)
Other operating expenses		(88,622)	(53,088)
Donation		(1,964)	(1,800)
Share of profit of a joint venture		1,537	1,775
Share of profit of associates		4,240	4,705
Finance costs	10	(110,606)	(91,156)
Profit before taxation		362,492	295,654
Taxation	11	(67,367)	(83,780)
Profit for the year	12(a)	295,125	211,874

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	2019 RMB'000	2018 RMB'000
Other comprehensive income ("OCI"):	12(b)		
Items that may be reclassified subsequently to profit or loss:			
Fair value gain, net of ECL, after reclassification of derecognition on:			
factoring assets at fair value through OCI ("FVTOCI")		4,582	794
Income tax relating to items that may be reclassified subsequently		(984)	(198
Share of other comprehensive income (expense) of a joint venture,			
net of related income tax		32	(32
Share of OCI of associates, net of related income tax		1,423	835
OCI for the year, net of income tax		5,053	1,399
Total comprehensive income for the year		300,178	213,273
Profit for the year attributable to:			
– Owners of the Company		280,343	208,421
– Non-controlling interests		14,782	3,453
		295,125	211,874
Total comprehensive income for the year attributable to:			
– Owners of the Company		284,148	209,345
– Non-controlling interests		16,030	3,928
		300,178	213,273
Earnings per share	15		
– Basic (RMB cents)	1.0	32	26
– Diluted (RMB cents)		32	26
		7.	



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	31/12/2019 RMB'000	31/12/2018 RMB'000
NON-CURRENT ASSETS			
Property and equipment	16	5,840	2,728
Intangible assets	17	19,960	13,467
Right-of-use assets	18	22,147	_
Factoring assets at FVTOCI	20	_	18,609
Investment in a joint venture	21(a)	_	27,077
Investments in associates	21(b)	67,580	53,540
Prepayments for non-current assets		985	1,060
Deferred tax assets	19	11,319	20,683
Refundable rental deposits		2,788	_
		130,619	137,164
CURRENT ASSETS			
Factoring assets at FVTOCI	20	3,837,348	2,799,706
Other financial assets at fair value through profit or loss ("FVTPL")		4,497	_
Derivative financial instruments	22	751	_
Loan receivable	23	9,066	12,986
Receivables from guarantee customers	24(a)	7,700	_
Trade receivables	24(b)	403	_
Other receivables, prepayments and others	24(c)	16,113	7,892
Pledged structured deposit	25	9,000	_
Pledged bank deposits	25	86,350	8,764
Bank balances and cash	25	377,327	226,069
		4,348,555	3,055,417
CURRENT LIABILITIES			
Loans from a related party	34(a)	_	10,005
Other payables and accrued charges	26	73,740	55,411
Derivative financial instruments	22	2,359	_
Contract liabilities		672	2,786
Income tax payable		29,682	77,521
Liabilities arising from guarantee contracts	27	12,050	_
Borrowings	28(a)	1,867,299	911,956
Bank overdraft	28(b)	17,864	_
Lease liabilities	29	6,613	_
		2,010,279	1,057,679
NET CURRENT ASSETS		2,338,276	1,997,738



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	31/12/2019 RMB'000	31/12/2018 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	29	15,448	_
Deferred tax liabilities	19	35,387	18,840
		50,835	18,840
NET ASSETS		2,418,060	2,116,062
CAPITAL AND RESERVES			
Share capital	30	7,636	7,623
Reserves		2,281,363	2,012,558
Equity attributable to owners of the Company Non-controlling interests		2,288,999 129,061	2,020,181 95,881
TOTAL EQUITY		2,418,060	2,116,062

The consolidated financial statements on pages 48 to 166 were approved and authorised for issue by the board of directors on 20 March 2020 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 2019

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	FVTOCI reserves RMB'000 (note i)	Share based- payments reserve RMB'000	Statutory reserves RMB'000 (note ii)	Retained profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total RMB'000
At 1 January 2018	6,442	917,312	-	_	2,361	21,018	158,145	1,105,278	_	1,105,278
Adjustments of application of accounting policy changes	_	_	_	(2,604)		_		(2,604)		(2,604)
At 1 January 2018 (restated)	6,442	917,312	_	(2,604)	2,361	21,018	158,145	1,102,674	_	1,102,674
Profit for the year Other comprehensive income for the year	_ _	_ _	_ _	— 924	_ _	- -	208,421 —	208,421 924	3,453 475	211,874 1,399
Total comprehensive income for the year	_	_	_	924		_	208,421	209,345	3,928	213,273
Issue of new shares from placing (note 30)	1,178	705,979	_	_	_	_	_	707,157	_	707,157
Transaction costs attributable to issue of new shares from placing (note 30)	_	(9,207)	_	_	_	_	_	(9,207)	_	(9,207)
Fransfer to PRC statutory reserves (note ii) Capital contribution by non-controlling	_	_	_	_	_	23,419	(23,419)	_	_	_
interests (note iii)	_	_	1,547	_	_	_	_	1,547	91,953	93,500
Recognition of equity-settled share-based payments Exercise of share options	3	1,703	_	_	7,341 (382)	_	_	7,341 1,324	_	7,341 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
Profit for the year	_	_	_	_	_	_	280,343	280,343	14,782	295,125
Other comprehensive income for the year				3,805				3,805	1,248	5,053
Total comprehensive income for the year	_	_	_	3,805	_	_	280,343	284,148	16,030	300,178
Fransfer to PRC statutory reserves (note ii)	_	_	_	_	_	35,565	(35,565)	_	_	_
Capital contribution by non-controlling interests	_	_	_	_	_	_	_	_	17,150	17,150
Recognition of equity-settled share-based payments Dividends recognised as distribution (note 14)	_	(30,905)	_	_	10,006	_	_	10,006 (30,905)	_	10,006 (30,905)
Exercise of share options	13	7,223	_	_	(1,667)	_	_	5,569	_	5,569
At 31 December 2019	7,636	1,592,105	1,547	2,125	17,659	80,002	587,925	2,288,999	129,061	2,418,060

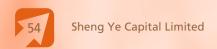
Notes:

- (i) FVTOCI reserves attributable to owners of the Company represent (i) net effect of fair value changes on FVTOCI after tax; (ii) share of FVTOCI reserves of a joint venture and associates.
- (ii) 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.
- (iii) 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

NOTE	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Profit for the year	295,125	211,874
Adjustment for:		
Taxation	67,367	83,780
Share of profit of a joint venture	(1,537)	(1,775)
Share of profit of associates	(4,240)	(4,705)
Depreciation of property and equipment	1,563	1,289
Depreciation of right-of-use assets	7,202	_
Amortisation of intangible assets	3,641	696
Research and development costs recognised as an expense	_	7,485
Impairment losses under ECL model, net of reversal	16,960	17,761
Loss on disposal of equipment	5	62
Gain on disposal of investments in associates	(377)	_
Gain on disposal of a subsidiary	_	(514)
Gain from changes in fair value of other financial assets at FVTPL	(88)	_
Net loss arising from changes in fair value of		
derivative financial instruments	1,785	_
Equity-settled share-based payments expense	10,006	7,341
Finance costs	110,606	91,156
Bank interest income	(2,736)	(2,003)
Interest income from a loan receivable	(1,584)	(136)
Interest income from loan to an associate	(64)	(791)
Exchange gain, net	(1,178)	(10,124)
Operating cash flows before movements in working capital	502,456	401,396
Increase in factoring assets at FVTOCI	(1,026,331)	(1,498,916)
Increase in receivables from guarantee customers	(7,801)	_
Increase in trade receivables	(403)	_
Decrease (increase) in other receivables, prepayments and others	2,225	(5,709)
Decrease in amount due from a related party	_	90
Decrease in receivables from sales of factoring assets	_	56,168
Decrease in security deposits for guarantee	_	11,821
Increase in other payables and accrued charges	17,460	31,556
(Decrease) increase in contract liabilities	(2,114)	2,786
Increase in liabilities from guarantee contracts	11,258	_
Decrease in deposits from counter guarantors	_	(11,821)
Cash used in operations	(503,250)	(1,012,629)
Enterprise Income Tax paid	(90,986)	(35,899)
NET CASH USED IN OPERATING ACTIVITIES	(594,236)	(1,048,528)



CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTEC	2010	2010
	NOTES	2019 RMB'000	2018 RMB'000
		KIVID 000	KIVID 000
INVESTING ACTIVITIES			
Repayments from loans to former shareholder of a subsidiary		27,500	_
Repayments from loans to associates		7,350	_
Bank interest income received		2,736	2,003
Proceeds on disposal of investments in associates		1,600	_
Interest received from a loan receivable		1,317	136
Interest received from loans to former shareholder of a subsidiary		202	_
Redemption of other financial assets at FVTPL		201	_
Interest received from loans to associates		64	791
Proceeds from disposal of equipment		2	8
Repayments from related parties		_	70,803
Net cash inflow arising on disposal of a subsidiary	39	_	19,656
Advances to a related party		_	(88)
Advances of a loan receivable		_	(13,143)
Advances to an associate		_	(53,500)
Received from settlement of derivative financial instruments		(177)	_
Payments for right-of-use assets		(345)	_
Security deposits paid for derivative financial instruments		(3,550)	_
Payments for refundable rental deposits		(3,626)	_
Payment for purchase of equipment and prepayments of a property		(4,447)	(2,652)
Purchases of other financial assets at FVTPL		(4,610)	_
Loans to associates		(7,350)	_
Investment in an associate		(9,000)	(42,000)
Placement of pledged structured deposit		(9,000)	_
Payment for development costs/expenses and purchase			
of other intangible assets		(10,294)	(14,065)
Net cash outflow on acquisition of a subsidiary	38	(24,240)	_
Placement of pledged bank deposits		(77,586)	(8,764)
NET CASH USED IN INVESTING ACTIVITIES		(113,253)	(40,815)

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTE	2019 RMB'000	2018 RMB'000
FINIANCING ACTIVITIES	40		
FINANCING ACTIVITIES	40	1 001 300	4 002 700
New borrowings raised		1,991,288	4,802,796
Loans raised from related parties		666,398	47,175
Capital contribution from non-controlling shareholders of the subsidiaries Exercise of equity-settled share options		17,150 5,569	93,500 1,324
Issue of placing shares		5,569	697,950
Interest paid for financial liability arising from repurchase agreements		_	(285) (10,000)
Repayment of financial liability arising from repurchase agreements		(201)	(10,000)
Interest paid for bank overdraft		(361)	_
Interest paid for lease liabilities		(1,402)	_
Dividends paid to former shareholder of a subsidiary prior to acquisition		(2,721)	_
Security deposits paid for borrowings		(6,296)	_
Repayment of lease liabilities		(6,705)	(4.22)
Interest paid for loans from related parties		(11,265)	(132)
Dividends paid		(30,905)	
Interest paid for borrowings		(85,620)	(77,393)
Repayment of loans from related parties		(647,798)	(37,175)
Repayment of borrowings		(1,047,627)	(4,386,749)
NET CASH FROM FINANCING ACTIVITIES		839,705	1,131,011
NET INCREASE IN CASH AND CASH EQUIVALENTS		132,216	41,668
Effect of foreign exchange rate changes		1,178	10,124
CASH AND CASH EQUIVALENTS AT 1 JANUARY		226,069	174,277
CASH AND CASH EQUIVALENTS AT 31 DECEMBER			
represented by		359,463	226,069
Bank balances and cash		377,327	226,069
Bank overdraft		(17,864)	
		359,463	226,069



For the year ended 31 December 2019

1. GENERAL

Sheng Ye Capital Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's immediate holding company is Wisdom Cosmos Limited. Its ultimate shareholder is Mr. Tung Chi Fung, who is also the Chairman and Executive Director of the Company. The 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 Company completed transfer of listing of its shares from GEM to the Main Board of the Stock Exchange with effective from 24 October 2019.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are provision of factoring and guarantee services in the PRC. Details of the Company's subsidiaries are set out in note 37.

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 16 Leases

HK(IFRIC) - Int 23 Uncertainty over Income Tax Treatments

Amendments to HKFRS 9 Prepayment Features with Negative Compensation
Amendments to HKAS 19 Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures

Amendments to HKFRSs Annual Improvements to HKFRSs 2015 - 2017 Cycle

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.

For the year ended 31 December 2019

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 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected 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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

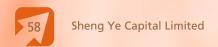
As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b) (ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;



For the year ended 31 December 2019

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 16 Leases (continued)

As a lessee (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 6.76%.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	8,398
Lease liabilities discounted at relevant incremental borrowing rates Less: Recognition exemption - short-term leases	7,472 (383)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	7,089
Lease liabilities as at 1 January 2019	7,089
Analysed as	
Current	4,045
Non-current	3,044
	7,089

For the year ended 31 December 2019

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 16 Leases (continued)

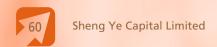
As a lessee (continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of- use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 Reclassified from prepaid lease payments (note i) Adjustments on rental deposits at 1 January 2019 (note ii)	7,089 238 —
	7,327
By class: Land and buildings	7,327

Notes:

- (i) Upfront payments for buildings in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current portion of prepaid lease payments amounting to RMB238,000 were reclassified to right-of-use assets.
- (ii) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. The carrying amount of discounting effect had no material impact on the consolidated financial statements of the Group as at 1 January 2019.



For the year ended 31 December 2019

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 16 Leases (continued)

As a lessee (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amounts under HKFRS 16 at 1 January 2019 RMB'000
Non-current assets		7 227	7 227
Right-of-use assets Current assets	_	7,327	7,327
Other receivables, prepayments and others - prepaid lease payments	238	(238)	_
Current liabilities Lease liabilities	_	4,045	4,045
Non-current liabilities Lease liabilities	_	3,044	3,044

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

Based on the current business model, no other impact resulted from the adoption of HKFRS 16 on the amounts reported on the opening consolidated financial statements of the Group as at 1 January 2019.



For the year ended 31 December 2019

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 17 Insurance Contracts¹
Amendments to HKFRS 3 Definition of a Business²

Amendments to HKFRS 10 and Sale or Contribution of Assets between an Investor and

HKAS 28 its Associate or Joint Venture³

Amendments to HKAS 1 and Definition of Material⁴

HKAS 8

Amendments to HKFRS 9, HKAS 39 Interest Rate Benchmark Reform⁴

and HKFRS 7

- ¹ Effective for annual periods beginning on or after 1 January 2021.
- 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.
- Effective for annual periods beginning on or after a date to be determined.
- Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be 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.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.



For the year ended 31 December 2019

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

New and amendments to HKFRSs issued but not yet effective (continued)

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a
 measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances
 OCI will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the 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.

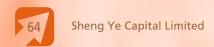
Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

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 accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), 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 at initial recognition 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.



For the year ended 31 December 2019

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 OCI 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.

For the year ended 31 December 2019

SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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.

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 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.



For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based
 payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree
 are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy
 below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held* for Sale and Discontinued Operations are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

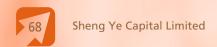
Business combinations (continued)

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or OCI, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in OCI and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.



For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a prorata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of a joint venture is described below.

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.

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates and a joint venture (continued)

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 OCI 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.

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 is not allocated to any asset, including goodwill, that 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, 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 OCI 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.



For the year ended 31 December 2019

SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates and a joint venture (continued)

Therefore, if a gain or loss previously recognised in OCI 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 OCI 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.

Revenue recognition

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

Revenue from contracts with customers

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 or 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.

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

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 and customers 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 or a point in time when services are rendered in accordance with contract terms.

Consulting service income is recognised at a point in time when performance obligation is completed and the entity 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.



For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of land and building that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and
- any lease payments made at or before the commencement date, less any lease incentives received;

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.



For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

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.

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.

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.

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Employees in the PRC are members of a state-managed employee pension scheme operated by the relevant municipal government in the PRC which undertakes to assume the retirement benefit obligations of all existing and future retired employees. The Group's obligation is to make the required contributions under the scheme. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

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.



For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based 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-based payments 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-based payments reserve.

When share options are exercised, the amount previously recognised in share-based payments 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-based payments reserve will be transferred to retained profits.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share premium.

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 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 assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

For the year ended 31 December 2019

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities. For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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.

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.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.



For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of services, or for administrative purposes. Property and equipment are stated in the consolidated statement of financial position 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 assets 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 property and 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 property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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.

Internally-generated intangible assets - research and development expenditure

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 (if any), on the same basis as intangible assets that are acquired separately.

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on property and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use 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). 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.

The recoverable amount of property and equipment, right-of-use assets 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.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

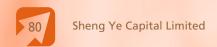
Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific 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 (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) 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 (or a cash-generating unit or a group of cash-generating units) 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.



For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. 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 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

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.

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 selling and collecting 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.



For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/ 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.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or.
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and factoring assets subsequently measured at FVTOCI. 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.



For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(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.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and financial guarantee contracts

The Group performs impairment assessment under ECL model on financial assets (including refundable rental deposits, factoring assets at FVTOCI, loan receivable, receivables from guarantee customers, trade receivables, other receivables, pledged structured deposit, pledged bank deposits, and bank balances) and financial guarantee contracts which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

For the year ended 31 December 2019

SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and financial guarantee contracts (continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("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.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances.

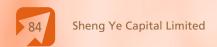
For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant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



For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and financial guarantee contracts (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. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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 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 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and financial guarantee contracts (continued)

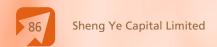
(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset 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 or past due event;
- (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

(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, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. 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.



For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and financial guarantee contracts (continued)

(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.

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 following basis:

- Nature of financial instruments (i.e. the Group's other receivables, financial guarantee contracts and amounts
 due from customers are each assessed as a separate group. Trade receivable and 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.



For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and financial guarantee contracts (continued)

(v) Measurement and recognition of ECL (continued)

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, with the exception of trade receivables, 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. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.!

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.



For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- such it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination 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 liability 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 HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL (continued)

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as cross currency swap contracts and foreign currency forward contract, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in OCI. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Financial liabilities at amortised cost

The Group's financial liabilities including loans from a related party, other payables, borrowings and bank overdraft are subsequently measured at amortised cost, using the effective interest method.

Financial quarantee 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; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

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



For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

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.

For the year ended 31 December 2019

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.

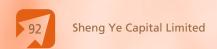
Derecognition of financial assets

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 control 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 2019, gain on sales of factoring assets at FVTOCI which met the derecognition criteria were RMB156,242,000 (2018: RMB124,548,000). Details of derecognition of factoring assets are disclosed in note 7.



For the year ended 31 December 2019

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.

Measurement 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 measurement 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 20 and 36.

Recognition of deferred taxation

As at 31 December 2019, a deferred tax asset of RMB11,319,000 (2018: RMB20,683,000) in relation to the deferred income, ECL provision and fair value adjustment 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 19.

For the year ended 31 December 2019

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.

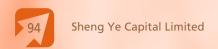
The Company is an investment holding company and the principal place of the Group's operation is mainly in the PRC. Most of the Group's revenue and major non-current assets principally derived from or located in the PRC.

Information about major customers

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

	2019 RMB'000	2018 RMB'000
Customer A	N/A¹	36,877

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



For the year ended 31 December 2019

6. REVENUE

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

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

	2019 RMB'000	2018 RMB'000
Interest income from factoring service	429,214	308,484
Income from other services:		
– Guarantee service	9,155	17,962
 Information technology service 	8,355	2,621
 Consulting service 	661	14,483
– Other services (note)	3,036	2,346
	21,207	37,412
	450,421	345,896

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.

(ii) Disaggregation of revenue from contracts with customers

	2019 RMB′000	2018 RMB'000
	KIVIB 000	KIVIB 000
Timing of revenue recognition		
A point in time	6,873	14,483
Over time	5,179	4,967
Total	12,052	19,450

7. SALES OF FACTORING ASSETS

For the years ended 2019 and 2018, 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.

	2019 RMB'000	2018 RMB'000
Gain on sales of factoring assets	156,242	124,548

For the year ended 31 December 2019

8. OTHER INCOME/OTHER GAINS AND LOSSES

(a) Other income

	2019 RMB′000	2018 RMB'000
Government subsidies (note)	33,553	14,844
Bank interest income	2,736	2,003
Interest income from a loan receivable	1,584	136
Interest income from loans to associates (note 34)	64	791
Others	16	22
	37,953	17,796

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

	2019 RMB'000	2018 RMB'000
Exchange gain, net	1,178	10,124
Gain on disposal of investments in associates (note 21(b))	377	_
Gain from changes in fair value of other financial assets at FVTPL	88	_
Gain on disposal of a subsidiary (note 39)	_	514
Net loss arising from changes in fair value of derivative		
financial instruments	(1,785)	_
Loss on disposal of equipment	(5)	(62)
Others	(19)	(390)
	(166)	10,186

For the year ended 31 December 2019

9. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2019 RMB'000	2018 RMB'000
Impairment losses recognised on:		
– Factoring assets at FVTOCI	11,880	17,604
– Loan receivable	4,187	157
– Financial guarantee contracts	792	_
– Receivables from guarantee customers	101	_
	16,960	17,761

Details of impairment assessment are set out in note 36(b).

10. FINANCE COSTS

	2019 RMB′000	2018 RMB'000
Interest on borrowings (note)	97,302	90,982
Interest on loans from related parties	11,541	137
Interest on lease liabilities	1,402	_
Interest on bank overdraft	361	_
Interest on financial liability arising from repurchase agreements	_	37
	110,606	91,156

Note: Details of the interest on borrowings in relation to a related party are set out in note 34.

For the year ended 31 December 2019

11. TAXATION

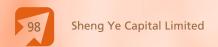
	2019 RMB'000	2018 RMB'000
The charge (credit) comprises:		
Current tax		
– PRC Enterprise Income Tax ("EIT")	35,995	84,880
– Withholding tax levied on dividend declared of a PRC subsidiary	1,625	300
– Withholding tax levied on interest income of Hong Kong subsidiaries	4,820	1,865
	42,440	87,045
Deferred tax (note 19)	24,927	(3,265)
	67,367	83,780

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 (i) a PRC subsidiary enjoys preferential tax rate of 15% since year 2016; (ii) a PRC subsidiary, located in Horgos city in the PRC, was exempted from income tax in the first 5 years since set up in year 2018, according to "關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知" (Caishui [2011] 112) issued by the State Administration of Taxation and the Ministry of Finance of the PRC.

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:

	2019 RMB'000	2018 RMB'000
Profit before taxation	362,492	295,654
Tax at the domestic EIT rate of 25%	90,623	73,914
Tax effect of share of profit of a joint venture and associates	(1,444)	(1,620)
Tax effect of expenses not deductible for tax purposes	19,288	21,218
Effect of different tax rates of the subsidiaries	(8,950)	(8,140)
Effect of tax exemption granted to a PRC subsidiary	(50,475)	(11,955)
Tax effect of tax loss not recognised	3,869	599
Utilisation of tax losses previously not recognised	(1,740)	(40)
Tax benefit on research and development expenses	(1,976)	(887)
Withholding tax on distributable earnings of the PRC subsidiaries	18,172	10,691
Tax charge for the year	67,367	83,780



For the year ended 31 December 2019

12. PROFIT FOR THE YEAR/OTHER COMPREHENSIVE INCOME

(a) Profit for the year

Profit for the year has been arrived at after charging:

	2019 RMB′000	2018 RMB'000
Directors' emoluments (note 13)	5,536	4,530
Other staffs costs	3,330	7,330
– Salaries, allowances and other staff benefits, including		
share option expenses	82,630	49,309
Staffs' retirement benefit scheme contributions	4,201	2,727
Starts retirement benefit scrience contributions	7,201	2,727
Total staff costs	92,367	56,566
Less: amount capitalised in development costs	(9,188)	(5,703)
Less: staff costs recognised as research and development costs		
in other operating expenses	(13,596)	(5,416)
Staff costs recognised in profit or loss	69,583	45,447
Research and development costs recognised as an expense		
(included in other operating expenses)	14,269	7,485
Total depreciation of property and equipment	1,694	1,335
Less:amount capitalised in development costs	(131)	(46)
Depreciation of property and equipment recognised in profit or loss	1,563	1,289
Depreciation of right-of-use assets	7,202	_
Amortisation of intangible assets	3,641	696
Auditor's remuneration	2,520	1,880

For the year ended 31 December 2019

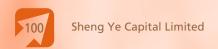
12. PROFIT FOR THE YEAR/OTHER COMPREHENSIVE INCOME (continued)

(b) Other comprehensive income

	2019 RMB'000	2018 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	9,055	1,700
- Reclassification adjustment to profit or loss on derecognition	(4,473)	(906)
	4,582	794
Income tax relating to items that may be reclassified subsequently	(984)	(198)
Share of other comprehensive income (expense) of		
a joint venture, net of related income tax	32	(32)
Share of OCI of associates, net of		
related income tax	1,423	835
	5,053	1,399

Income tax effect relating to other comprehensive income

	Year ended 31/12/2019			Year ended 31/12/2018			
	Before tax	Tax (expense)	Net of	Before tax	Tax (expense)	Net of	
	amount	benefit	income tax	amount	benefit	income tax	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Items that may be reclassified							
subsequently to profit or loss:							
Fair value gain on factoring							
assets at FVTOCI	(7,298)	570	(6,728)	(16,810)	4,203	(12,607)	
Impairment losses for factoring							
assets at FVTOCI included							
in profit or loss	11,880	(1,554)	10,326	17,604	(4,401)	13,203	
Share of other comprehensive							
income (expense) of							
a joint venture	32	_	32	(32)	_	(32)	
Share of OCI of associates	1,423	_	1,423	835	_	835	
	6,037	(984)	5,053	1,597	(198)	1,399	



For the year ended 31 December 2019

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 2019						
Executive directors						
Mr. Tung Chi Fung	1,056	_	_	_	_	1,056
Mr. Chen Jen-Tse	106	54	1,095	195	1,679	3,129
Independent non-executive directors						
Mr. Hung Ka Hai Clement	317	_	_	_	204	521
Mr. Loo Yau Soon	158	_	_	_	204	362
Mr. Twoon Wai Mun,Benjamin	106	_	_	_	204	310
Mr. Fong Heng Boo	158	_	_		_	158
	1,901	54	1,095	195	2,291	5,536
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 ii)	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 i)	50	_	_		_	50
	1,841	60	1,120	168	1,341	4,530



For the year ended 31 December 2019

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.

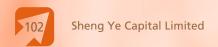
The independent non-executive director's emoluments shown above were for their services as directors of the Company.

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

The Group has been providing accommodation, which is leased from third party, to Mr. Chen Jen-Tse for use by him and his family members at no charge. The estimated money value of the benefit in kind is approximately RMB240,000.

Notes:

- (i) Being appointed as an independent non-executive director of the Company on 7 September 2018.
- (ii) Being resigned as a non-executive director of the Company on 7 September 2018.



For the year ended 31 December 2019

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 (2018: 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 (2018: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and other benefits	4,043	4,049
Performance related bonuses	4,177	2,315
Share-based payment	3,725	2,785
Staffs' retirement benefit scheme contributions	122	135
	12,067	9,284

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:

	2019 No. of employees	2018 No. of employees
HK\$2,000,001 to HK\$3,000,000 HK\$3,000,001 to HK\$4,000,000	1	3
11145,000,001 to 1114 1,000,000	4	4

For the year ended 31 December 2019

14. DIVIDENDS

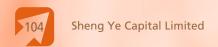
During the year, a final dividend of HK4 cents per share in respect of the year ended 31 December 2018 was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the year amounted to HK\$35,154,000 (equivalent to RMB30,905,000) (2018: nil).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of HK5.3 cents (2018: HK4 cents) per ordinary share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting of the Company.

15. EARNINGS PER SHARE

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

	2019 RMB'000	2018 RMB'000
Earnings:		
Profit for the year attributable to owners of the Company for		
the purpose of basic and diluted earnings per share	280,343	208,421
	2019	2018
	'000	′000
Number of shares:		
Weighted average number of ordinary shares for the purpose of		
basic earnings per share	879,176	806,057
Effect of dilutive potential ordinary shares:		
Share options	4,262	4,240
Weighted average number of ordinary shares for the purpose of		
diluted earnings per share	883,438	810,297



For the year ended 31 December 2019

16. PROPERTY AND EQUIPMENT

	Leasehold improvement RMB'000	Electronic equipment RMB'000	Furniture and office equipment RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Total RMB'000
COST						
At 1 January 2018	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
Additions	370	1,933	53	603	1,854	4,813
Disposals			(46)			(46)
At 31 December 2019	4,295	6,121	654	603	1,854	13,527
DEPRECIATION						
At 1 January 2018	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
Charge for the year	352	1,052	80	17	193	1,694
Eliminated on disposals		_	(39)	_	_	(39)
At 31 December 2019	3,859	3,169	449	17	193	7,687
CARRYING VALUES						
At 31 December 2019	436	2,952	205	586	1,661	5,840
At 31 December 2018	418	2,071	239	_	_	2,728



For the year ended 31 December 2019

16. PROPERTY AND EQUIPMENT (continued)

The above items of property and 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

Electronic equipment 3 years
Furniture and office equipment 5 years
Buildings 20 years
Motor vehicles 4 years

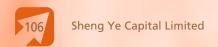
17. INTANGIBLE ASSETS

	Development costs RMB'000	Software system RMB'000	Total RMB′000
COST			
At 1 January 2018	7,308	1,021	8,329
Additions	5,749	474	6,223
At 31 December 2018	13,057	1,495	14,552
Additions	9,795	339	10,134
At 31 December 2019	22,852	1,834	24,686
AMORTISATION			
At 1 January 2018	160	229	389
Charge for the year	401	295	696
At 31 December 2018	561	524	1,085
Charge for the year	3,296	345	3,641
At 31 December 2019	3,857	869	4,726
CARRYING VALUES			
At 31 December 2019	18,995	965	19,960
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



For the year ended 31 December 2019

18. RIGHT-OF-USE ASSETS

	Leased properties RMB'000
As at 1 January 2019	
Carrying amount	7,327
As at 31 December 2019	
Carrying amount	22,147
For the year ended 31 December 2019	
Depreciation charge	7,202
Expense relating to short-term leases and other leases with lease terms end	
within 12 months of the date of initial application of HKFRS 16	276
Total cash outflow for leases	8,728
Additions to right-of-use assets	22,022

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 2 to 3.5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. The Group regularly entered into short-term leases for leased properties. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 18.

In addition, lease liabilities of RMB22,061,000 are recognised with related right-of-use assets of RMB22,147,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

For the year ended 31 December 2019

19. DEFERRED TAXATION

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

	31/12/2019 RMB'000	31/12/2018 RMB'000
Deferred tax assets	11,319	20,683
Deferred tax liabilities	(35,387)	(18,840)
	(24,068)	1,843

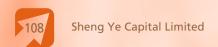
The following are the major deferred tax assets (liabilities) recognised and movements thereon during the year:

	Undistributed earnings of PRC subsidiaries RMB'000	Deferred income RMB'000	ECL provision RMB'000 (note)	Fair value adjustments RMB'000	Total RMB'000
At 1 January 2018	(8,449)	2,278	4,376	869	(926)
(Charge) credit to profit or loss	(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
(Charge) credit to profit or loss	(16,547)	(7,424)	(1,336)	380	(24,927)
Charge to OCI	_	_	_	(984)	(984)
At 31 December 2019	(35,387)	3,935	7,317	67	(24,068)

Note: At 31 December 2019, deferred tax asset of RMB7,317,000 (31 December 2018: RMB8,653,000) was recognised based on the deductible temporary differences associated with ECL provision. As a PRC subsidiary of the Group exempted from income tax, the deferred tax asset of the ECL provision of RMB22,303,000 (31 December 2018: nil) out of RMB51,571,000 (31 December 2018: RMB34,611,000) has not been recognised.

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 2019, the Hong Kong subsidiaries had cumulative unutilised tax losses of RMB15,470,000 (2018: nil). No deferred tax asset has been recognised in relation to such cumulative tax losses as it is not probable that taxable profit will be available against which the cumulative tax losses can be utilised.



For the year ended 31 December 2019

19. DEFERRED TAXATION (continued)

At 31 December 2019, the PRC subsidiaries had cumulative unutilised tax losses of RMB38,000 (2018: RMB6,990,000). 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.

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

	31/12/2019 RMB'000	31/12/2018 RMB'000
2021	24	24
2022	2	4,569
2023	4	2,397
2024	8	
	38	6,990

20. FACTORING ASSETS AT EVTOCI

	31/12/2019 RMB'000	31/12/2018 RMB'000
Factoring assets at FVTOCI	3,881,779	2,855,448
Changes in fair value	(44,431)	(37,133)
	3,837,348	2,818,315
Analysed for reporting purposes as:		
Current assets	3,837,348	2,799,706
Non-current assets	_	18,609
	3,837,348	2,818,315

As at 31 December 2019, the effective interest rates of the factoring assets range mainly from 5.90% to 18.00% (2018: 6.00% to 18.36%) per annum.

As at 31 December 2019, certain commercial acceptance bills are received from customers with fair value amounting of RMB412,030,000 (2018: RMB467,780,000) 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.

For the year ended 31 December 2019

20. FACTORING ASSETS AT FVTOCI (continued)

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

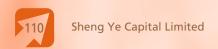
	31/12/2019 RMB'000	31/12/2018 RMB'000
Not past due	3,837,348	2,818,280
Past due (note)	_	35
	3,837,348	2,818,315

Note: In the event that instalments repayment of a factoring asset at FVTOCI 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 instalments which are past due (instalments which are not yet due at the end of the reporting period are excluded):

	31/12/2019 RMB'000	31/12/2018 RMB'000
Past due by: 1 - 30 days	_	35

Details of impairment assessment are set out in note 36(b).



For the year ended 31 December 2019

21. 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:

	31/12/2019 RMB'000	31/12/2018 RMB'000
Cost of investment in a joint venture, unlisted	_	25,500
Share of post-acquisition profit	_	1,609
Share of post-acquisition other comprehensive expense	_	(32)
	_	27,077

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 ownership i voting ri held by the as at 31 Decention 2019 (note 38)	nterest/ ghts Group	Principal activity
Zhu Guang Sheng Ye Factoring Limited* (珠光盛業商業保理有限公司)("ZGSY")	PRC	RMB50,000,000	100%	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.



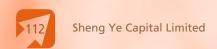
For the year ended 31 December 2019

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

(a) Investment in a joint venture (continued)

ZGSY

	31/12/2018
	RMB'000
Current assets	54,065
Non-current assets	294
Current liabilities	(1,266)
Cash and cash equivalents	1,541
Current financial liabilities (excluding other payables)	_
	2010
	2018
	RMB'000
Revenue	4,769
nevenue	4,703
Impairment losses on factoring assets	(240)
Profit before taxation	4,609
Due file for the year	2 401
Profit for the year	3,481
Other comprehensive expense for the year	(62)
Total comprehensive income for the year	3,419
Dividends received from ZGSY during the year	
Depreciation and amortisation	
Interest income	38
Interest expense	_
<u> </u>	
Taxation	(1,128)



For the year ended 31 December 2019

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

(a) Investment in a joint venture (continued)

ZGSY (continued)

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

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

(b) Investments in associates

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

	31/12/2019 RMB'000	31/12/2018 RMB'000
Cost of investments in associates, unlisted	56,000	48,000
Share of post-acquisition profit	9,322	4,705
Share of post-acquisition OCI	2,258	835
	67,580	53,540

For the year ended 31 December 2019

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

(b) Investments in associates (continued)

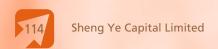
Details of the Group's associates at the end of the reporting period are as follows:

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
			31/12/2019	31/12/2018	
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%	40%	Provision of factoring service
Shenzhen Sheng Ye Non-Financing Guarantee Limited # (深圳市盛業非融資性擔保有限責任公司) ("SYNFGL")	PRC	RMB30,000,000 RMB30,000,000	20%	20%	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	RMB100,000,000 RMB100,000,000	10%	10%	Provision of factoring 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	N/A (note ii)	20%	Provision of factoring service
Shenzhen 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 —	N/A (note iii)	20%	Provision of non-financing guarantee 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) In February 2019, the Group disposed of investment in Shenzhen Sheng Ye Dun Hao Gold Chain Factoring Co., Ltd, an associate of the Group, to an independent third party at consideration of RMB1,000,000, which resulted in the Group recognising a gain of RMB230,000 in profit or loss.
- (iii) In December 2019, the Group disposed of investment in SPNFGL, an associate of the Group, which resulted in the Group recognising a gain of RMB147,000 in profit or loss.



For the year ended 31 December 2019

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

(b) Investments in associates (continued)

Summarised financial information of the material associate

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

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

WXGJ

	31/12/2019 RMB'000	31/12/2018 RMB'000
Current assets	655,525	222,385
Non-current assets	145,416	87
Current liabilities	688,261	120,731
	2019	2018
	RMB'000	RMB'000
Revenue	43,026	2,227
Profit before taxation	10,827	71
Profit for the year	8,102	53
OCI for the year	2,837	1,688
Total comprehensive income for the year	10,939	1,741
Dividends received from the associate during the year	_	_

For the year ended 31 December 2019

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

(b) Investments in associates (continued)

Summarised financial information of the material associate (continued)

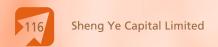
WXGJ (continued)

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

	31/12/2019 RMB'000	31/12/2018 RMB'000
Net assets of WXGJ	112,680	101,741
Proportion of the Group's ownership investment in WXGJ	40%	40%
Carrying amount of the Group's investment in WXGJ	45,072	40,696

Aggregate information of associates that are not individually material

	2019 RMB'000	2018 RMB'000
The Group's share of profit from continuing operations	999	4,684
The Group's share of OCI	288	160
The Group's share of total comprehensive income	1,287	4,844
Aggregate carrying amount of the Group's investments in these associates	22,508	12,844



For the year ended 31 December 2019

22. DERIVATIVE FINANCIAL INSTRUMENTS

	31/12	31/12/2019	
	Assets RMB'000	Liabilities RMB'000	
Cross currency swap contracts	700	2,359	
Foreign currency forward contract	51	_	
	751	2,359	

Analysed for financial reporting purpose based on maturity dates:

	31/12/2019	
	Assets RMB'000	Liabilities RMB'000
Current	751	2,359

The above derivatives are measured at fair values at the end of the reporting period and changes in fair value are recognised in the profit or loss. Their fair values are determined by Fairdex Valuation Advisory Limited, an independent valuer, based on appropriate valuation techniques as detailed in note 36(c).

At 31 December 2019, the security deposits of RMB3,550,000 and bank deposits of RMB6,904,000 were pledged as security for the derivative financial instruments (2018: nil). The balance of the security deposits and bank deposits can be applied and used to settle any outstanding payments for the corresponding contracts if default occurs.

For the year ended 31 December 2019

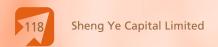
22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cross currency swap contracts

The major terms of the outstanding Cross currency swap contracts at the end of the reporting period are as follows:

At 31 December 2019

Notional amounts	Commencement dates	Maturity dates	Contracted swap rates	Interest rates
HKD70,000,000	12/07/2019	10/06/2020	HKD:RMB 1:0.8784 HKD against RMB swap rates	From 5.15% per annum to 3 months Hong Kong Interbank Offered Rate ("HIBOR") plus 2.4%
HKD50,000,000	16/08/2019	01/07/2020	HKD:RMB 1:0.8975 HKD against RMB swap rates	From 5.13% per annum to 3 months HIBOR plus 2.4%
USD1,500,000	27/09/2019	31/08/2020	USD:RMB 1:7.1281 USD against RMB swap rates	From 4.06% per annum to 3 months London Interbank Offered Rate ("LIBOR") plus 1.4%
USD8,500,000	27/09/2019	31/08/2020	USD:RMB 1:7.1043 USD against RMB swap rates	From 4.00% per annum to 3 months LIBOR plus 1.4%
USD8,600,000	20/12/2019	26/11/2020	USD:RMB 1:7.0150 USD against RMB swap rates	From 4.07% per annum to 3 months LIBOR plus 1.5%



For the year ended 31 December 2019

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Foreign currency forward contract

The major terms of the outstanding foreign currency forward contract at the end of the reporting period is as follow:

At 31 December 2019

Notional amount	Maturity date	Contracted exchange rate
Buy EUR1,400,000	03/09/2020	EUR:RMB
		1:7.9500

The Group entered into cross currency swap contracts to manage its foreign currency risk exposures and interest risk exposures arising from certain of its variable-rate bank borrowings denominated in HK\$ and US\$.

The Group entered into foreign currency forward contract to manage its foreign currency risk exposure arising from its variable-rate bank borrowing denominated in EUR€.

23. LOAN RECEIVABLE

	31/12/2019 RMB'000	31/12/2018 RMB'000
Carrying amount receivable based on maturity set out in the loan agreement:		
– Within one year	13,410	13,143
Less: ECL allowance	(4,344)	(157)
	9,066	12,986

As at 31 December 2019, the guaranteed and unsecured loan receivable from a third party amounting of HK\$15,000,000 (equivalent to RMB13,410,000) bearing a fixed interest rate of 14.5% per annum, was due on 5 December 2019. The loan contract was agreed by both parties to extend to 5 March 2020 on 3 December 2019. On 5 March 2020, the principal of HK\$1,450,000 was repaid and the remaining balance of HK\$13,550,000 was extended to 5 September 2020. The loan receivable is guaranteed by the debtor's immediate holding company and a beneficial owner of the immediate holding company. The directors of the Company assessed the status of extension, guarantee for the debt, the financial position of the debtor as well as the economic outlook of the industries in which the debtor operate, and concluded that there are significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on lifetime ECL.

Included in the carrying amount of the loan receivable as at 31 December 2019 is accumulated impairment losses of RMB4,344,000 (2018: RMB157,000). Details of impairment assessment are set out in note 36(b).

For the year ended 31 December 2019

24. RECEIVABLES FROM GUARANTEE CUSTOMERS/TRADE RECEIVABLES/ OTHER RECEIVABLES, PREPAYMENTS AND OTHERS

(a) Receivables from guarantee customers

For guarantee service which is recognised in accordance with HKFRS 9, the Group recognises receivables from guarantee customers equal to the guarantee fees less amounts that the Group received from the customer.

The following is an aged analysis of receivables from guarantee customers presented based on the date of payment.

	31/12/2019 RMB'000	31/12/2018 RMB'000
0-30 days	7,700	_

(b) Trade receivables

	31/12/2019 RMB'000	31/12/2018 RMB'000
Contracts with customers of information technology and other services	403	_

The following is an aged analysis of trade receivables presented based on the date of rendering of services.

	31/12/2019 RMB'000	31/12/2018 RMB'000
0-30 days	403	_

(c) Other receivables, prepayments and others

	31/12/2019 RMB'000	31/12/2018 RMB'000
Security deposits for borrowings (note 28(a))	6,296	_
Security deposits for derivative financial instruments (note 22)	3,550	_
Refundable rental deposits	2,242	1,404
Prepayments	1,900	1,600
Value-added tax recoverable	24	3,794
Other receivables	2,101	1,094
	16,113	7,892



For the year ended 31 December 2019

25. PLEDGED STRUCTURED DEPOSIT/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

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

	Range of interest rates (per annum)	
	31/12/2019 %	31/12/2018 %
Fixed-rate pledged structured deposit	1.66	_
Fixed-rate pledged bank deposits	0~2.40	2.15
Market rate bank balances	0~1.73	0~1.61

As at 31 December 2019, a pledged structured deposit of HK\$10,000,000 (equivalent to RMB9,000,000) will be released upon the settlement of relevant bank overdraft.

An analysis of the Group's pledged bank deposits for the reporting period is as follows:

	31/12/2019 RMB'000	31/12/2018 RMB'000
The bank deposits pledged for:		
– bank borrowings (note 28)	59,446	8,764
– loan guarantee contracts in relation to third parties (note 27)	20,000	_
– cross currency swap contracts (note 22)	6,904	_
	86,350	8,764

For the year ended 31 December 2019, the Group performed impairment assessment on pledged structured deposit, pledged bank deposits and bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

For the year ended 31 December 2019

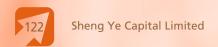
25. PLEDGED STRUCTURED DEPOSIT/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH (continued)

The pledged structured deposit, pledged bank deposits and bank balances that are denominated in currencies other than the functional currencies of each entity are set out below:

	31/12/2019 RMB'000	31/12/2018 RMB'000
Hong Kong Dollars ("HK\$")	45,380	10,027
US Dollars ("US\$")	719	110
Great Britain Pound ("GBP \pounds ")	13	13
	46,112	10,150

26. OTHER PAYABLES AND ACCRUED CHARGES

	31/12/2019 RMB'000	31/12/2018 RMB'000
Accrued charges	40,661	22,836
Other tax payables	27,197	28,113
Advance receipt from disposal of investment in an associate	600	_
Deposits from customers	_	3,000
Other payables	5,282	1,462
	73,740	55,411



For the year ended 31 December 2019

27. LIABILITIES ARISING FROM GUARANTEE CONTRACTS

		31/12/2019			31/12/2018	
	Premium less			Premium less		
	accumulated	ECL	Carrying	accumulated	ECL	Carrying
	amortisation	provision	amount	accumulated	provision	amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loan guarantee contracts in relation to:				_	_	_
- third parties (note i)	8,299	6,276	8,914	_	_	_
– an associate (note ii)	2,070	1,069	2,247	_	_	_
Guarantee contracts to						
suppliers in relation to:						
– non-payment of payables (note iii)	889	653	889	_	_	_
	11,258	7,998	12,050	_	_	_

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



For the year ended 31 December 2019

27. LIABILITIES ARISING FROM GUARANTEE CONTRACTS (continued)

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

	31/12/2019 RMB'000	31/12/2018 RMB'000
Loan guarantee contracts in relation to		
– third parties (note i)	456,788	_
– an associate (note ii)	270,000	48,000
Guarantee contracts to suppliers in relation to non-payment of payables (note iii)	46,608	_
	773,396	48.000

Notes:

- (i) As at 31 December 2019, the Group provided guarantee services for loan guarantee customers which are third parties of the maximum amount of RMB456,788,000 and placed bank deposits of RMB20,000,000 to lenders. The Group has to pay on behalf of loan guarantee customers to lenders when the customers defaulted in settlement of their outstanding liabilities with lenders when due, after deduction of the bank deposits placed to lenders.
 - As at 31 December 2019, the directors of the Company have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. An amount of RMB6,276,000 has been estimated as a loss allowance as at 31 December 2019 in accordance with HKFRS 9, an amount of RMB615,000 loss allowance was recognised in the profit or loss because the premium received less cumulative amount of certain contracts were lower than the amount of loss allowance.
- (ii) As at 31 December 2019, the Group provided guarantees to loans amounting to RMB675,000,000 (31 December 2018: RMB120,000,000), raised by an associate of the Group from the controlling shareholder, its related party of the associate and its lenders. The guaranteed amounts were approximately 40% of all sums payable by the associate.
 - For the loan guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was RMB270,000,000 (31 December 2018: RMB48,000,000). Fair value initially recognised in relation to the loan guarantees by the Group amounted to RMB3,522,000 (31 December 2018: the fair value of the guarantee was insignificant).
 - As at 31 December 2019, the directors of the Company have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. An amount of RMB1,069,000 has been estimated as a loss allowance as at 31 December 2019 (31 December 2018: the impairment was insignificant) in accordance with HKFRS 9, an amount of RMB177,000 loss allowance was recognised in the profit or loss because the premium received less cumulative amount of certain contracts were lower than the amount of loss allowance.
- (iii) The Group provided guarantee services to independent third parties, which are the suppliers of the Group's customers of guarantee services. The Group has to pay on behalf of the customers to their suppliers when the customers defaulted in settlement of the outstanding payables when due. The maximum amount that the Group has guaranteed under the contracts was RMB46,608,000 as at 31 December 2019.
 - As at 31 December 2019, the directors of the Company have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. An amount of RMB653,000 has been estimated as a loss allowance as at 31 December 2019 in accordance with HKFRS 9, however, no loss allowance was recognised in the profit or loss because the premium received less cumulative amount recognised in profit or loss was higher than expected amount of loss allowance.
- (iv) Details of impairment assessment are set out in note 36(b).



For the year ended 31 December 2019

28. BORROWINGS/BANK OVERDRAFT

(a) Borrowings

	31/12/2019 RMB'000	31/12/2018 RMB'000
Bank borrowings	469,495	16,648
Entrusted loans	445,376	_
Bills discounted	31,107	61,818
Bonds	_	713,490
Other loans	921,321	120,000
	1,867,299	911,956
Secured	560,633	78,466
Unsecured	1,306,666	833,490
	1,867,299	911,956
The carrying amounts of the above borrowings are repayable*:		
Within one year	1,475,574	911,956
The carrying amounts of the above borrowings that contain		
a repayment on demand clause (shown under current liabilities)		
but repayable:		
Within one year	391,725	_
Amounts shown under current liabilities	1,867,299	911,956

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



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28. BORROWINGS/BANK OVERDRAFT (continued)

(a) Borrowings (continued)

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

	31/12/2019 RMB'000	31/12/2018 RMB'000
Fixed-rate borrowings	1,502,030	895,308
Variable-rate borrowings	365,269	16,648
	1,867,299	911,956

The Group's variable-rate borrowings carry interest at HIBOR, LIBOR or Europe Interbank Offered Rate ("EURIBOR").

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

	31/12/2019 %	31/12/2018 %
Range of fixed-rate borrowings interest rates (per annum)	4.00~10.00	5.00~7.00
Range of variable-rate borrowings interest rates (per annum)	2.30~5.35	5.32

As at 31 December 2019, the Group's borrowings of RMB447,668,000 were secured by charge over certain factoring assets of the Group with an aggregate carrying values of RMB462,512,000, in respect of which the legal title and legal right to receive cash flows was also transferred to the lenders.

As at 31 December 2019, the carrying amount of bills discounted borrowings is RMB31,107,000 (2018: RMB61,818,000). The bills received from customers as pledged to factoring assets with par value of RMB31,632,000 (2018: RMB62,191,000) were discounted to the bank.

As at 31 December 2019, the Group's bank borrowings of RMB362,453,000 (2018: RMB16,648,000) were secured by charge over certain bank deposits of RMB59,446,000 (2018: RMB8,764,000) and security deposits of RMB6,296,000 (2018: nil), in respect of which the legal title and legal right to receive cash flows was also transferred to the banks.

As at 31 December 2019, the Group's borrowings of RMB418,490,000 (2018: RMB730,138,000) were guaranteed by the Company, a PRC subsidiary and/or a Hong Kong subsidiary.

Details of the transfer of financial assets are set out in note 36(d).



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28. BORROWINGS/BANK OVERDRAFT (continued)

(a) Borrowings (continued)

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	31/12/2019 RMB'000	31/12/2018 RMB'000
HK\$	290,390	16,648
US\$	171,863	_
EUR€	46,950	_
	509,203	16,648

(b) Bank overdraft

As at 31 December 2019, the bank overdraft amounted to HK\$19,943,000 (equivalent to RMB17,864,000), which is repayable on demand, carrying interest rate per annum at the rate of the benchmark rate offered by the HIBOR plus 2.25% per annum, guaranteed by the Company and a PRC subsidiary and pledged by structured deposit amounting to HK\$10,000,000 (equivalent to RMB9,000,000).

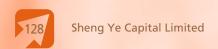
For the year ended 31 December 2019

29. LEASE LIABILITIES

	31/12/2019 RMB'000
Lease liabilities payable:	
Within one year	6,613
Within a period of more than one year but not more than two years	7,379
Within a period of more than two years but not more than five years	8,069
	22,061
Less: Amount due for settlement with 12 months shown under current liabilities	(6,613)
Amount due for settlement after 12 months shown under non-current liabilities	15,448

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	31/12/2019 RMB'000
HK\$	492



For the year ended 31 December 2019

30. SHARE CAPITAL

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

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2018, 31 December 2018 and 31 December 2019	5,000,000,000	50,000,000
	Number of shares	Share capital
		HK\$
Issued:		
At 1 January 2018	740,000,000	7,400,000
Issue of new shares from placing (note)	138,484,000	1,384,840
Exercise of share options (note 32)	356,500	3,565
At 31 December 2018	878,840,500	8,788,405
Exercise of share options (note 32)	1,475,500	14,755
At 31 December 2019	880,316,000	8,803,160
	31/12/2019	31/12/2018
	RMB'000	RMB'000
Shown in the consolidated statement of financial position	7,636	7,623

Note: 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 costs 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.

For the year ended 31 December 2019

31. OPERATING LEASES/CAPITAL COMMITMENTS

(a) Operating leases

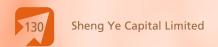
The Group as lessee

	2018 RMB'000	
	MVID 000	
Minimum lease payments paid under operating leases during the year	3,835	
The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:		
	31/12/2018	
	RMB'000	

Within one year 4,990
After one year but within five years 3,408

(b) Capital commitments

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Capital expenditure contracted for but not provided for in the consolidated financial statements		
– Intangible assets	572	378
– Investments in associates	_	29,000
	572	29,378



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32. 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 and certain independent non-executive directors of the Company and the management of an associate of the Company, to subscribe for shares in the Company.

At 31 December 2019, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 16,063,000 (31 December 2018: 19,873,500), representing 1.82% (31 December 2018: 2.26%) 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 of directors of the Company. 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

For the year ended 31 December 2019

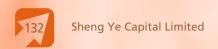
32. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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 2019	Granted during year	Forfeited during year	Exercised during year	Outstanding at 31 December 2019
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
		3,600,000	_	_	_	3,600,000
Exercisable at t	the end of the reporting period	500,000				1,400,000
Weighted aver	age exercise price per share	5.40		_	_	5.40

Grantee	Exercise period	Outstanding at 1 January 2019	Granted during year	Forfeited during year	Exercised during year	Outstanding at 31 December 2019
Employees	11/9/2018-10/9/2022	1,958,500	_	_	(897,500)	1,061,000
	11/9/2019-10/9/2022	2,315,000	_	(130,000)	(578,000)	1,607,000
	11/9/2020-10/9/2022	4,630,000	_	(860,000)	_	3,770,000
	14/11/2019-13/11/2023	1,842,500	_	(336,250)	_	1,506,250
	14/11/2020-13/11/2023	1,842,500	_	(336,250)	_	1,506,250
	14/11/2021-13/11/2023	3,685,000	_	(672,500)	_	3,012,500
		16,273,500	_	(2,335,000)	(1,475,500)	12,463,000
Exercisable at th	ne end of the reporting period	1,958,500				4,174,250
Weighted avera	age exercise price per share	5.42	_	5.76	4.20	5.51



For the year ended 31 December 2019

32. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

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 t	the end of the reporting period					500,000
Weighted aver	age 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 th	ne end of the reporting period					1,958,500
Weighted avera	age exercise price per share	4.20	6.90	4.20	4.20	5.42

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32. 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:

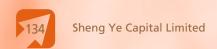
	Tranche 1	Tranche 2	Tranche 3
Grant date	11 September 2017	11 September 2017	11 September 2017
Fair value at grant date	HK\$1.29	HK\$1.42	HK\$1.52
Share price	HK\$4.09	HK\$4.09	HK\$4.09
Exercise price	HK\$4.20	HK\$4.20	HK\$4.20
Expected volatility	45.00%	45.00%	45.00%
Expected life	5 years	5 years	5 years
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	14 November 2018	14 November 2018	14 November 2018
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%
Expected life	5 years	5 years	5 years
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 RMB10,006,000 for the year ended 31 December 2019 (2018: RMB7,341,000) in relation to share options granted by the Company.



For the year ended 31 December 2019

33. 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 16% 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 2019 is RMB4,255,000 (2018: RMB2,787,000). As at 31 December 2019, contributions due in respect of the year ended 31 December 2019 had been paid over to the plans.

34. RELATED PARTY TRANSACTIONS

(a) Related party balances

(i) Other receivables - refundable rental deposits

Name of Related Party	Relationship	31/12/2019 RMB'000	31/12/2018 RMB'000
Bondlink Investment Limited	Related company with controlling shareholder	496	485

(ii) Factoring assets at FVTOCI

Name of Related Party	Relationship	31/12/2019 RMB′000	31/12/2018 RMB'000
НЈ	Associate	181,472	9,177

The remaining balance of fixed-rate factoring assets at FVTOCI carries interest at the range of 10.20% to 17.00% with principal amount of RMB180,879,000 within one year.

For the year ended 31 December 2019

34. RELATED PARTY TRANSACTIONS (continued)

(a) Related party balances (continued)

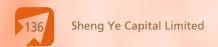
(iii) Loans from a related party

Name of Related Party	Relationship	31/12/2019 RMB'000	31/12/2018 RMB'000
НЈ	Associate	_	10,005

As at 31 December 2018, the remaining loan principal is RMB10,000,000 with a total carrying amount of RMB10,005,000. The amount represents a loan, due within one year, from an associate of the Company carrying interest at 6.00% per annum. The amount outstanding as at 31 December 2018 was fully settled in January 2019.

(iv) Contract liabilities

Name of Related Party	Relationship	31/12/2019 RMB'000	31/12/2018 RMB'000
WXGJ	Associate	393	_
HJ	Associate	279	203
SYNFGL	Associate	_	204
SPNFGL	Associate	_	204
		672	611



For the year ended 31 December 2019

34. RELATED PARTY TRANSACTIONS (continued)

(a) Related party balances (continued)

(v) Liabilities arising from guarantee contracts

Name of Related Party	Relationship	31/12/2019 RMB'000	31/12/2018 RMB'000
WXGJ	Associate	2,247	_

(b) Related party transactions

(i) Revenue from related parties

Name of Related Party	Relationship	2019 RMB'000	2018 RMB'000
НЈ	Associate	13,090	10,760
WXGJ	Associate	1,697	_
SYNFGL	Associate	1,289	539
SPNFGL	Associate	261	445
		16,337	11,744



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34. RELATED PARTY TRANSACTIONS (continued)

(b) Related party transactions (continued)

(ii) Interest income from loans to associates

Name of Related Party	Relationship	2019 RMB'000	2018 RMB'000
SPNFGL	Associate	33	_
SYNFGL	Associate	31	791
		64	791

(iii) Interest expenses on loans from related parties

Name of Related Party	Relationship	2019 RMB'000	2018 RMB'000
WXGJ (note) ZGSY	Associate Joint venture	11,187 280	122 10
HJ	Associate	74	5
		11,541	137

Note: During the year ended 31 December 2019, loans from WXGJ amounting of RMB624,998,000 carrying interest ranging from 8.50% to 8.80% were received and the loans were fully repaid together with interests of RMB11,187,000.

(iv) Lease agreement

Relationships	Nature of balances/ transactions	As at/ For the year ended 31/12/2019 RMB'000	As at/ For the year ended 31/12/2018 RMB'000
Related company with controlling shareholder	Interest expenses on lease liabilities Lease liabilities (note) Operating lease expenses (note)	96 492 —	 1,487

Note: During the year ended 31 December 2018, the Group entered into a new lease agreement for the use of building with a related company of the controlling shareholder for 2 years. As at 1 January 2019, the Group recognised right-of-use asset and lease liabilities of RMB2,157,000 and RMB2,157,000 respectively by applying HKFRS 16 at transition.



For the year ended 31 December 2019

34. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel

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

	2019	2018
	RMB'000	RMB'000
Salaries, allowances and other benefits	10,193	8,575
Share-based payment	6,265	4,816
Performance related bonuses	5,245	3,343
Retirement benefit scheme contributions	358	298
	22.061	17.022
	22,061	17,032

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.

(d) Borrowing and guarantee

On 11 September 2018, a related company with controlling shareholder bought bonds issued by the Group amounting of RMB700,000,000. The amount outstanding as at 31 December 2018 was fully settled during the year ended 31 December 2019.

The interest of these bonds for the year ended 31 December 2019 was RMB33,621,000.

Details of the guarantee to an associate and borrowing are set out in notes 27 and 28, respectively.

For the year ended 31 December 2019

35. 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 a related party as set out in note 34(a), borrowings and bank overdraft as set out in notes 28 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.

36. FINANCIAL INSTRUMENTS

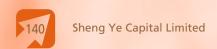
(a) Categories of financial instruments

	31/12/2019 RMB′000	31/12/2018 RMB′000
		11112 223
Financial assets		
Factoring assets at FVTOCI	3,837,348	2,818,315
Other financial assets at FVTPL	4,497	_
At amortised cost	506,823	250,317
Derivative financial instruments	751	_
Financial liabilities		
Amortised cost	1,890,445	926,423
Liabilities arising from guarantee contracts	12,050	_
Derivative financial instruments	2,359	

(b) Financial risk management objectives and policies

The Group's major financial instruments include refundable rental deposits, factoring assets at FVTOCI, other financial assets at FVTPL, derivative financial instruments, loan receivable, receivables from guarantee customers, trade receivables, other receivables, pledged structured deposit, pledged bank deposits, bank balances and cash, loans from a related party, other payables, borrowings, bank overdraft and financial guarantee contracts. 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.



For the year ended 31 December 2019

36. FINANCIAL INSTRUMENTS (continued)

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

Market risk

(i) Currency risk

The Group's exposure to foreign currency risk related primarily to bank balances, pledged structured deposit, pledged bank deposits, loan receivable, other receivables, borrowings, bank overdraft and lease liabilities that are denominated in HK\$, US\$, GBP£ and EUR€. In addition, the Group entered into cross currency swap contracts and foreign currency forward contracts during the year which exposed the Group to currency risk. The management manages and monitors this exposure to ensure appropriate measures are implemented on a timely and effective manner.

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		Liabi	lities
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RMB'000	RMB'000	RMB'000	RMB'000
HK\$	54,942	23,498	308,254	16,648
US\$	2,772	110	171,863	_
GBP £	13	13	_	_
EUR€	_	_	46,950	_

For the year ended 31 December 2019

36. 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\$, GBP£ and EUR€, 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.

	31/12/2019 RMB'000	31/12/2018 RMB'000
HK\$ impact:		
5% appreciation of RMB against HK\$		
Increase (decrease) in profit before taxation for the year	12,666	(343)
5% depreciation of RMB against HK\$	·	
(Decrease) increase in profit before taxation for the year	(12,666)	343
US\$ impact:		
5% appreciation of RMB against US\$		
Increase (decrease) in profit before taxation for the year	8,455	(6)
5% depreciation of RMB against US\$,,	(*)
(Decrease) increase in profit before taxation for the year	(8,455)	6
GBP € impact:		
5% appreciation of RMB against GBP £		
Decrease in profit before taxation for the year	(1)	(1)
5% depreciation of RMB against GBP £	. ,	` '
Increase in profit before taxation for the year	1	1
EUR€ impact:		
5% appreciation of RMB against EUR€		
Increase in profit before taxation for the year	2,348	_
5% depreciation of RMB against EUR€		
Decrease in profit before taxation for the year	(2,348)	<u> </u>



For the year ended 31 December 2019

36. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(i) Currency risk (continued)

In relation to foreign currency forward contract:

If the relevant exchange rate had been 5% higher and all other variables were held constant, the Group's profit before taxation for the year would increase by approximately RMB548,000 (2018: nil).

If the relevant exchange rate had been 5% lower and all other variables were held constant, the Group's profit before taxation for the year would decrease by approximately RMB548,000 (2018: nil).

In relation to the cross currency swap contracts:

If the exchange rate relevant to the cross currency swap contracts had been 5% higher and all other variables were held constant, the Group's profit before taxation for the year would increase by approximately RMB11,964,000 (2018: nil).

If the exchange rate relevant to the cross currency swap contracts had been 5% lower and all other variables were held constant, the Group's profit before taxation for the year would decrease by approximately RMB11,964,000 (2018: nil).

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.



For the year ended 31 December 2019

36. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate factoring assets (see note 20 for details), the cross currency swap contracts(see note 22 for details), loan receivable (see note 23 for details), fixed-rate borrowings (see note 28 for details) and lease liabilities (see note 29 for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings (see note 28 for details). The Group uses interest rate swap to reduce exposure to interest rate fluctuations associated with these floating-rate borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China/HIBOR/LIBOR/EURIBOR rate arising from bank borrowings and cross currency swap contracts.

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 detailed in the liquidity risk management section of this note. These are excluded from sensitivity analysis as the directors of the Company consider that the exposure of fair value interest rate risk arising from fixed-rate factoring assets, loan receivable, fixed-rate borrowings and lease liabilities is insignificant.

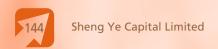
Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates risk for variable-rate borrowings at the end of each reporting period. 50 basis points increase or decrease is used when reporting interest rate risk internally to key management and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by RMB901,000 (2018: RMB62,000).

If the forward interest rate curves for HIBOR and LIBOR as relevant for the cross currency swap contracts had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by approximately RMB658,000 (2018: nil).

The directors of the Company consider that the exposure of fair value interest rate risk arising from variablerate borrowings is insignificant as the exposure is reduced by cross currency swap contracts of the Group.

In the opinion of the management, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.



For the year ended 31 December 2019

36. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(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 20.

For the outstanding factoring assets at FVTOCI, if the risk adjusted discount rate of the counterparties had been 1% (2018: 1%) increase/decrease, post-tax OCI for the year ended 31 December 2019 would decrease/increase by RMB9,932,000/RMB10,070,000 (2018: RMB9,719,000/RMB9,852,000) as a result of the changes in the market price of debt financing instrument.

Credit risk and impairment assessment

As at 31 December 2019, 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 2019, the Group's concentration of credit risk on factoring assets included five major counterparties accounting for 47% (2018: 33%) and the largest counterparty accounting for 15% (2018: 11%), 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, receivables from guarantee customers 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.

The carrying amount of the Group's financial assets at FVTPL best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

Except for financial assets at FVTPL, the Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

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 based on internal credit rating. As at 31 December 2019, no factoring assets or other financial assets were past due. As at 31 December 2018, the total past due amount is RMB35,000. The amounts were fully received during the year ended 31 December 2019.

For the year ended 31 December 2019

36. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

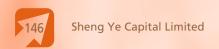
For guarantee service provided to customers and the loan guarantee issued by the Group to an associate, the management had set up the credit limit and credit terms to delegated officers. Any further extension of credit beyond the approved limit has to be approved by the management of the Company. As at 31 December 2019, the maximum amount that the Group has guaranteed under the guarantee contracts was RMB773,396,000 (2018:RMB48,000,000). Details are set out in note 27.

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. bank balances) is limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

Internal credit rating	Description	Factoring assets/ financial guarantee contracts/other financial assets	Trade receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL	Lifetime ECL - not credit-impaired
Watch list	The repayment schedule is extended over 30 days or past due or there have been significant increases in credit risk	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



For the year ended 31 December 2019

36. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets and financial guarantee contracts, which are subject to ECL assessment:

As at 31 December 2019

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	1.19%	3,877,938	46,080
Watch list	Lifetime ECL	6.61%	3,841	254
	(not credit-impaired)			
Loss	Credit-impaired	N/A	_	_
			3,881,779	46,334
Financial assets at amortised cos	t			
AAA/BBB+ (note i)	12m ECL	N/A	86,350	_
Pledged structured deposit	12111 ECE	14/7	00,550	
BBB+ (note i)	12m ECL	N/A	9,000	_
Bank balances and cash			37000	
AAA/BBB+ (note i)	12m ECL	N/A	377,327	_
Loan receivable			,	
Watch list	Lifetime ECL (not credit-impaired)	32.39%	13,410	4,344
Receivables from guarantee customers	(,			
Low risk	12m ECL	1.29%	7,801	101
Refundable rental deposits				
Low risk(note i)	12m ECL	N/A	2,788	_
Trade receivables				
Low risk(note i)	Lifetime ECL (not credit-impaired)	N/A	403	_
Other receivables				
N/A (note i) (note ii)	12m ECL	N/A	14,189	
			511,268	4,445

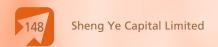
For the year ended 31 December 2019

36. 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 Ioss allowance RMB'000
Other items				
Financial guarantee contracts (note iii)				
 Loan guarantee contracts in relation to third parties 				
Low risk	12m ECL	1.37%	456,788	6,276
 Loan guarantee contracts in relation to an associate 				
Low risk	12m ECL	0.40%	270,000	1,069
 Guarantee contracts to suppliers 				
Low risk	12m ECL	1.40%	46,608	653
			773,396	7,998



For the year ended 31 December 2019

36. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

As at 31 December 2018

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
Watch list	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 cos	st			
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	1.19%	13,143	157
Other receivables				
N/A (note i) (note ii)	12m ECL	N/A	2,498	
			250,474	157
Other items				
Financial guarantee contracts (notes i and iii)				
Low risk (note i)	12m ECL	N/A	48,002	_

Notes:

- (i) The directors of the Company reviewed and assessed the impairment under ECL model, considering that these financial assets 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 2019 and 2018, all of other receivables were not past due.
- (iii) For financial guarantee contract, the amount represents the maximum amount the Group has guaranteed under the contract.

For the year ended 31 December 2019

36. FINANCIAL INSTRUMENTS (continued)

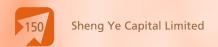
(b) Financial risk management objectives and policies (continued)

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 and forward-looking information related to the economic inputs and the future macroeconomic conditions such as consumer price index and producer price index.

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

		Lifetime ECL not credit-	
	12m ECL	impaired	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2018	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
Changes due to financial instruments			
recognised as at 1 January:			
– Impairment losses, net of reversal	(25,707)	(8,747)	(34,454)
New financial assets purchased, net of settlement	46,080	254	46,334
·			
As at 31 December 2019	46,080	254	46,334



For the year ended 31 December 2019

36. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

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

		Lifetime ECL not credit-	
	12m ECL RMB′000	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 purchased	12,507,735	153,708	12,661,443
New financial assets settled	(9,788,376)	(19,498)	(9,807,874)
As at 31 December 2018	2,719,359	136,089	2,855,448
Changes due to factoring assets recognised			
as at 1 January:			
– Impairment losses, net of reversal	(2,719,359)	(136,089)	(2,855,448)
New financial assets purchased	16,541,295	28,394	16,569,689
New financial assets settled	(12,663,357)	(24,553)	(12,687,910)
As at 31 December 2019	3,877,938	3,841	3,881,779

For the year ended 31 December 2019

36. FINANCIAL INSTRUMENTS (continued)

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

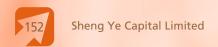
Credit risk and impairment assessment (continued)

The movements in the allowance for impairment in respect of loan receivable during the reporting period were as follows:

	12m ECL RMB′000	Lifetime ECL not credit- impaired RMB'000	Total RMB'000
As at 1 January 2018	_	_	_
New financial assets purchased	157	_	157
As at 31 December 2018	157	_	157
Changes due to loan receivable			
recognised as at 1 January: – Transfer to lifetime ECL - not credit-impaired	(157)	157	_
- Impairment losses recognised	(157) —	4,187	4,187
As at 31 December 2019	_	4,344	4,344

The movements in the gross carrying amount of loan receivable were as follows:

		Lifetime ECL not credit-	
	12m ECL RMB'000	impaired RMB'000	Total RMB'000
As at 1 January 2018	_	_	_
New financial assets purchased	13,143	_	13,143
As at 31 December 2018	13,143	_	13,143
Changes due to loan receivable recognised as at 1 January:			
– Transfer to lifetime ECL - not credit-impaired	(13,143)	13,143	_
Exchange adjustments	_	267	267
As at 31 December 2019	_	13,410	13,410



For the year ended 31 December 2019

36. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

The movements in the allowance for impairment in respect of receivables from guarantee customers during the reporting period were as follows:

	12m ECL RMB'000
As at 1 January 2019	_
New financial assets purchased	101
As at 31 December 2019	101

The movements in the gross carrying amount of receivables from guarantee customers were as follows:

	12m ECL RMB'000
As at 1 January 2019	_
New financial assets purchased	7,801
As at 31 December 2019	7,801

The movements in the allowance for impairment in respect of financial guarantee contracts during the reporting period were as follows:

	12m ECL RMB′000
As at 31 December 2018	_
New financial guarantee contracts purchased, net of settlement	7,998
As at 31 December 2019	7,998



For the year ended 31 December 2019

36. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

The movements in the gross carrying exposure of financial guarantee contracts were as follows:

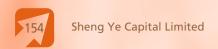
	12m ECL RMB′000
As at 1 January 2018	_
New financial guarantee contracts purchased	48,002
As at 31 December 2018	48,002
Changes due to financial guarantee contracts recognised as at 1 January:	
– Impairment losses, net of reversal	(48,002)
New financial guarantee contracts purchased	1,084,845
New financial guarantee contracts settled	(311,449)
As at 31 December 2019	773,396

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.

In addition, the following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of each reporting period and projected exchange rates. The liquidity analysis for the Group's derivative financial instruments is prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.



For the year ended 31 December 2019

36. 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	3 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 2019							
Non-derivative financial assets							
Other financial assets at FVTPL		2,200	_	2,210	_	4,410	4,497
Factoring assets at FVTOCI	13.00	560,111	1,097,932	2,421,830	_	4,079,873	3,837,348
Loan receivable	14.50	1,948	1,948	13,437	_	17,333	9,066
Refundable rental deposits		_	_	_	2,788	2,788	2,788
Receivables from guarantee							
customers		422	1,551	5,828	_	7,801	7,700
Trade receivables		403	_	_	_	403	403
Other receivables		2,091	1,567	10,531	_	14,189	14,189
Pledged structured deposit	1.66	_	9,038	_	_	9,038	9,000
Pledged bank deposits	1.32	10,570	19,064	56,855	_	86,489	86,350
Bank balances and cash	0.56	377,327	_	_	_	377,327	377,327
		955,072	1,131,100	2,510,691	2,788	4,599,651	4,348,668
Non-derivative financial liabilities							
Borrowings	6.02	273,967	101,151	1,547,573	_	1,922,691	1,867,299
Bank overdraft	5.19	17,916	_	_	_	17,916	17,864
Other payables		5,282	_	_	_	5,282	5,282
Lease liabilities	6.76	792	979	6,242	16,592	24,605	22,061
		297,957	102,130	1,553,815	16,592	1,970,494	1,912,506
Maximum amount							
guaranteed (note)		1,953	24,146	773,875	_	799,974	12,050
Derivative - gross settlement							
Foreign currency forward contracts							
- inflow	3.13	_	_	10,931	_	10,931	10,953
- outflow	3.13	_	_	(11,130)	_	(11,130)	(10,902)
Cross currency swaps						·	
- inflow	3.15	726	1,624	241,689	_	244,039	239,314
- outflow	3.15	(798)	(1,921)	(243,010)	_	(245,729)	(240,973)
		(72)	(297)	(1,520)	_	(1,889)	(1,608)

For the year ended 31 December 2019

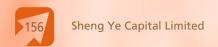
36. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

	Weighted	On					
	average	demand/				Total	
	effective	less than	1 month	3 months		undiscounted	Carrying
	interest rate	1 month	to 3 months	to 1 year	Over 1 year	cash flow	amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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
Pledged bank 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 a related party	6.00	10,040	_	_	_	10,040	10,005
Other payables		1,462	3,000	_	_	4,462	4,462
		163,990	37,143	751,737	_	952,870	926,423
Maximum amount							
guaranteed (note)		_	_	50,784	_	50,784	_

Note: The maximum amount guaranteed represents the total amount of liability should all customers default. Since a significant portion of guarantee is expected to expire without being called upon, the maximum liabilities do not represent expected future cash outflows.



For the year ended 31 December 2019

36. 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.

(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:

Fair value hierarchy as at 31/12/2019

	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets:			
Other financial assets at FVTPL	_	4,497	4,497
Factoring assets at FVTOCI	_	3,837,348	3,837,348
Derivative financial instruments	751	_	751
	751	3,841,845	3,842,596
Financial liabilities:			
Derivative financial instruments	2,359	_	2,359



2,818,315

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

36. FINANCIAL INSTRUMENTS (continued)

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

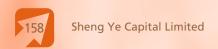
Fair value hierarchy as at 31/12/2018

Factoring assets at FVTOCI

Level 3
RMB'000

Financial assets:

	Fair v	alue alue	Fair value	Valuation technique(s)
Financial assets/liabilities	2019	2018 RMB'000	hierarchy	and key input(s)
	RMB'000	KIVIB 000		
Cross currency swaps contracts	Assets -	Assets -	Level 2	Discounted cash flow.
	700	_		Future cash flows are estimated
	Liabilities -	Liabilities -		based on forward exchange
	2,359	_		rates (from observable forward
				exchange rates at the end of the
				reporting period) and contracted
				forward rates, as well as
				forward interest rates (from
				observable yield curves at the
				end of the reporting period) and
				contract interest rates,
				discounted at a rate that reflects
				the credit risk of various
				counterparties.
Foreign currency forward contracts	Assets -	Assets -	Level 2	Discounted cash flow.
	51	_		Future cash flows are estimated
				based on forward exchange
				rates (from observable forward
				exchange rates at the end of the
				reporting period) and contracted
				forward rates, discounted at a
				rate that reflects the credit risk
				of various counterparties.



For the year ended 31 December 2019

36. FINANCIAL INSTRUMENTS (continued)

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

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

	Fair v	alue			Significant
Financial assets	2019 RMB'000	2018 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	unobservable input(s)
Factoring assets at FVTOCI	Assets - 3,837,348	Assets - 2,818,315	Level 3	Discounted cash flow. Risk-adjusted discount rate and cash flow are key inputs	The higher discount rate, the lower fair value
Other financial assets at FVTPL	Assets - 4,497	Assets - —	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.

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

	Other	
	Financial assets	Factoring assets
	at FVTPL	at FVTOCI
	RMB'000	RMB'000
At 1 January 2018	_	1,336,209
Purchases	_	12,661,443
Settlements	_	(11,162,527)
Fair value changes through OCI	_	(16,810)
At 31 December 2018	_	2,818,315
Purchases	4,610	16,569,689
Settlements	(201)	(15,543,358)
Fair value changes through OCI (note 12(b))	_	(7,298)
Fair value changes through profit or loss (note 8(b))	88	_
At 31 December 2019	4,497	3,837,348

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.

For the year ended 31 December 2019

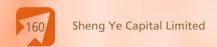
36. FINANCIAL INSTRUMENTS (continued)

(d) Transfers of financial assets

The following were the Group's factoring assets that were transferred to banks 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 borrowings (note 28).

These financial assets are carried at amortised cost, approximate their fair values, in the Group's consolidated statement of financial position.

	Factorin	g assets
	31/12/2019	31/12/2018
	RMB'000	RMB'000
Carrying amount of transferred assets	462,512	_
Carrying amount of associated liabilities	447,668	_
Net position	14,844	_



For the year ended 31 December 2019

37. PARTICULARS OF SUBSIDIARIES

As at 31 December 2019, 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 ow voting rights hel as at 31 D	ld by the Group	Principal activity
			2019	2018	
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%	100%	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%	100%	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%	100%	Investment holding
Alpha-10 SY (2019-01) Limited	Hong Kong 3 September 2019	HK\$1	100%	N/A	Investment holding
Shengyefintech Singapore PTE.LTD.	Singapore 2 December 2019	S\$1	100%	N/A	Provision of supply chain finance management service
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%	51%	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%	60%	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%	51%	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%	51%	Provision of factoring service



For the year ended 31 December 2019

37. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiary	Place and date of incorporation/ establishment	Particulars of issued capital	voting rights he	vnership interest/ eld by the Group December	Principal activity
			2019	2018	
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%	100%	Provision of factoring service
Sheng Ye Information Technology Service (Shenzhen) Co., Limited* (盛業信息科技服務(深圳)有限公司*)	PRC 11 March 2016	HK\$5,000,000	100%	100%	Provision of IT service
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
ZGSY (note 38)	PRC 28 March 2017	RMB50,000,000	100%	N/A	Provision of factoring service
Sheng Long Information Technology Service (Ningbo) Co., Limited (盛隆信息科技服務(寧波)有限公司*)	PRC 9 July 2019	RMB10,000,000	60%	N/A	Provision of IT service
Yi Lian Shu Ke (Shenzhen) Co., Limited (易聯數科(深圳)有限責任公司 ^a)	PRC 19 November 2019	RMB50,000,000	60%	N/A	Provision of IT service

[#] 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.

^{*} The entities are wholly foreign owned enterprise established in the PRC.



For the year ended 31 December 2019

38. ACQUISITION OF A SUBSIDIARY

In July 2019, the Group acquired 49% of the issued share capital of ZGSY, a joint venture at 31 December 2018, for consideration of RMB24,802,000. This acquisition has been accounted for using the purchase method. ZGSY, engaging in the provision of factoring services, was acquired for further development of factoring customers of the Group. For the acquisition of ZGSY, no goodwill was recognised in the consolidated financial statements.

Consideration transferred:

	RMB'000
Cash	24,802

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	2019 RMB'000
Bank balances and cash	562
Loans to shareholders	56,583
Dividend payable	(5,552)
Other payables and accrued charges	(269)
Income tax payable	(707)
	50,617
Goodwill arising on acquisition:	
Cash consideration transferred	24,802
Plus: interest in a joint venture (51% in ZGSY)	25,815
Less: net assets acquired	(50,617)
Goodwill arising on acquisition	_
Net cash outflow on acquisition of ZGSY:	
Cash consideration paid	24,802
Less: cash and cash equivalents balances acquired	(562)
	24,240

Included in the profit for the year is RMB915,000 attributable to the additional business generated by ZGSY. Revenue for the year includes RMB13,000 generated from ZGSY.

Had the acquisition been completed on 1 January 2019, revenue for the year of the Group would have been RMB2,480,000, and profit for the year of the Group would have been RMB3,928,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.



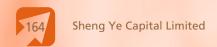
For the year ended 31 December 2019

39. 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 prior 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



For the year ended 31 December 2019

40. 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.

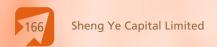
	Borrowings RMB'000	Interest on bank overdraft RMB'000	Lease liabilities RMB'000	Loans from a related party RMB'000	Financial liability arising from repurchase agreements RMB'000	Dividend payable RMB'000	Total RMB'000
At 1 January 2018	482,320	_	_	_	10,248	_	492,568
Financing cash flows	338,654	_	_	9,868	(10,285)	_	338,237
Interest expenses	90,982			137	37		91,156
At 31 December 2018 Adjustment upon application	911,956	_	_	10,005	_	_	921,961
of HKFRS 16	_	_	7,089		_	_	7,089
As at 1 January 2019 (restated)	911,956	_	7,089	10,005	_	_	929,050
Financing cash flows	858,041	(361)	(8,107)	7,335	_	(33,626)	823,282
Arising from acquisition of a subsidiary	_	_	_	(28,881)	_	2,721	(26,160)
Dividends declared	_	_	_	_	_	30,905	30,905
New leases entered/lease modified	_	_	21,677	_	_	_	21,677
Interest expenses	97,302	361	1,402	11,541			110,606
At 31 December 2019	1,867,299	_	22,061	_	_	_	1,889,360



For the year ended 31 December 2019

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31/12/2019 RMB′000	31/12/2018 RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	810,226	800,822
Amounts due from a subsidiary	863,712	833,456
7 tillourité duc il orir à Sabstalary	003,7.12	033, 130
	1,673,938	1,634,278
CURRENT ASSETS		
Loans to subsidiaries	613,373	_
Other receivables, prepayments and others	2,388	320
Amounts due from subsidiaries	24,621	1,643
Bank balances and cash	1,766	195
	642,148	2,158
CURRENT LIABILITIES	,	,
Borrowings	676,039	_
Accrued charges	14,549	3,825
	690,588	3,825
NET CURRENT LIABILITIES	(48,440)	(1,667)
NET ASSETS	1,625,498	1,632,611
CAPITAL AND RESERVES		
Share capital	7,636	7,623
Reserves	1,617,862	1,624,988
TOTAL EQUITY	1,625,498	1,632,611



For the year ended 31 December 2019

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

Movement in reserves

	Share premium RMB′000	Share-based payments reserve RMB'000	Retained profits/ (Accumulated losses) RMB'000	Total RMB'000
At 1 January 2018	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
Profit for the year	_	_	8,217	8,217
Recognition of equity-settled				
share-based payments	_	10,006	_	10,006
Dividends recognised as distribution	(30,905)	_	_	(30,905)
Exercise of share options	7,223	(1,667)	_	5,556
At 31 December 2019	1,592,105	17,706	8,051	1,617,862

42. EVENT AFTER THE REPORTING PERIOD

The ECL at 31 December 2019 was estimated based on a range of forecast economic conditions as at that date and information available at that date without undue cost or effort. Since early January 2020, the coronavirus outbreak has spread across mainland China and beyond, causing disruption to business and economic activity. The impact on certain key indicators will be considered when determining the severity and likelihood of downside economic scenarios that will be used to estimate ECL under HKFRS 9 in 2020.

As the situation remains fluid as at the date these financial statements are authorised for issue, the directors of the Company considered that the financial effects of the COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated. Nevertheless, the COVID-19 outbreak is expected to affect the consolidated results of the Group for the first half and full year of 2020.

Except as disclosed above and in notes 14 and 23 of the consolidated financial statements, the Group had no other significant subsequent event after the reporting period.