

盛業資本有限公司

Sheng Ye Capital Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8469

GLOBAL OFFERING

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

SHENG YE CAPITAL LIMITED

盛業資本有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	185,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	18,500,000 Shares (subject to adjustment)
Number of International Offer Shares	:	166,500,000 Shares (subject to adjustment and the Over-allotment Option)
Offer Price	:	Not more than HK\$2.20 per Offer Share and expected to be not less than HK\$1.80 per Offer Share (payable in full on application plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% and subject to refund)
Nominal value	:	HK\$0.01 per Share
Stock code	:	8469

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, or for the account or benefit of U.S. persons, except that Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

The Offer Price is expected to be fixed by the Price Determination Agreement between our Company and the Joint Global Coordinators on the Price Determination Date, which is expected to be on or before 30 June 2017 at or before 5:00 p.m. The Offer Price will not be more than HK\$2.20 per Offer Share and is expected to be not less than HK\$1.80 per Offer Share. If our Company and the Joint Global Coordinators are unable to reach an agreement on the Offer Price by that date or time or such later date or time as agreed by our Company and the Joint Global Coordinators, the Global Offering will not become unconditional and will not proceed.

The Joint Global Coordinators may, with our consent, reduce the number of Offer Shares in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, notices of the reduction in the number of Offer Shares in the Global Offering and/or the indicative Offer Price range will be published on the website of our Company at www.shengyecapital.com and on the website of the Stock Exchange at www.hkexnews.hk not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer. Further details are set forth in the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" of this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators if certain grounds arise prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Please see the section "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offer — Grounds for Termination". It is important that you refer to that section for further details.

26 June 2017

CHARACTERISTICS OF GEM

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Hong Kong Public Offer, we will issue an announcement on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.shengyecapital.com.

Latest time to complete electronic applications under HK eIPO White Form service through the designated website www.hkeipo.hk ⁽²⁾	11:30 a.m. on Thursday, 29 June 2017
Application lists of the Hong Kong Public Offer open ⁽³⁾	11:45 a.m. on Thursday, 29 June 2017
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Thursday, 29 June 2017
Latest time to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Thursday, 29 June 2017
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, 29 June 2017
Application lists of the Hong Kong Public Offer close	12:00 noon on Thursday, 29 June 2017
Expected Price Determination Date ⁽⁵⁾	Friday, 30 June 2017
(1) Announcement of:	
<ul style="list-style-type: none">• the final Offer Price;• an indication of the level of interest in the International Placing;• the level of applications in the Hong Kong Public Offer; and• the basis of allocation of the Hong Kong Offer Shares	
to be published (a) in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese); (b) on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.shengyecapital.com on or before ⁽⁶⁾	Wednesday, 5 July 2017

EXPECTED TIMETABLE

(2) Announcement of results of allocations in the Hong Kong Public Offer (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the websites of the Stock Exchange at www.hkexnews.hk and our Company's website at www.shengyecapital.com (see the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of results" in this prospectus) from Wednesday, 5 July 2017

(3) A full announcement of the Hong Kong Public Offer containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk⁽⁶⁾ and the Company's website at www.shengyecapital.com⁽⁷⁾ from Wednesday, 5 July 2017

Results of allocations for the Hong Kong Public Offer will be available at www.tricor.com.hk/ipo/result with a "search by ID Number/Business Registration Number" function from Wednesday, 5 July 2017

Despatch/Collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offer on or before⁽⁸⁾ Wednesday, 5 July 2017

Despatch/Collection of **HK eIPO White Form e-Auto Refund** payment instructions/refund cheques on or before⁽⁹⁾ Wednesday, 5 July 2017

Dealings in Shares on GEM to commence on Thursday, 6 July 2017

Notes:

- (1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Thursday, 29 June 2017, the application lists will not open on that day. See the section headed "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.
- (5) The Price Determination Date is expected to be on or around Friday, 30 June 2017. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators and our Company by Tuesday, 4 July 2017, the Global Offering will not proceed and will lapse.

EXPECTED TIMETABLE

- (6) The announcement will be available for viewing on the “Growth Enterprise Market — Allotment Results” page on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.shengyecapital.com.
- (7) None of the website or any of the information contained on the website forms part of this prospectus.
- (8) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required in their Application Forms that they may collect Share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 5 July 2017 or any other date notified by us as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who opt for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. Applicants who have applied on **YELLOW** Application Forms may collect their refund cheque (if applicable) in person but may not collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed “How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.
- (9) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus. Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Auto Refund payment instructions. Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **HK eIPO White Form** Services Provider, in the form of refund cheques, by ordinary post at their own risk.

You should read carefully the sections headed “Underwriting”, “Structure and Conditions of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus for details relating to the structure and conditions of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the despatch of refund cheques and Share certificates.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

You should rely only on the information contained in this prospectus to make your investment decision.

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offer and the Hong Kong Offer Shares does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus. This prospectus may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

Our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners and the Underwriter(s) have not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Underwriter(s), any of their respective directors, officers, employees, agents or representatives or any other party involved in the Global Offering.

The contents on the website at www.shengyecapital.com which is the official website of our Company do not form part of this prospectus.

	<i>Page</i>
Characteristics of GEM	i
Expected Timetable	ii
Contents	v
Summary	1
Definitions	12
Glossary of Technical Terms	23
Forward-looking Statements	24
Risk Factors	25
Information about this Prospectus and the Global Offering	40
Directors and Parties Involved in the Global Offering	43
Corporate Information	47
Regulatory Overview	49
Industry Overview	61
History, Reorganisation and Development	74

CONTENTS

	<i>Page</i>
Business	86
Risk Management and Operations	131
Relationship with our Controlling Shareholders	146
Connected Transactions	155
Directors and Senior Management	158
Substantial Shareholders	169
Share Capital	171
Financial Information	175
Future Plans and Use of Proceeds	210
Cornerstone Investors	213
Underwriting	217
Structure and Conditions of the Global Offering	230
How to Apply for Hong Kong Offer Shares	240
Appendix I — Accountants' Report	I-1
Appendix II — Unaudited Pro Forma Financial Information	II-1
Appendix III — Summary of the Constitution of the Company and Cayman Islands Company Law	III-1
Appendix IV — Statutory and General Information	IV-1
Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set forth in the section headed "Risk Factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this prospectus, respectively.

OVERVIEW

We are a specialised enterprise financial services provider offering accounts receivable financing and other related solutions, mainly in the energy, construction and medical sectors in the PRC. Our headquarters are based in Shenzhen, the PRC. According to the Frost & Sullivan Report, we ranked fourth in terms of factoring business turnover for the year ended 31 December 2015 among all third party commercial factoring companies registered in the PRC, with a market share of approximately 5.4%. We have a strong capital base with our principal operating subsidiary in the PRC having a registered capital of US\$100 million.

Since we commenced business in April 2014, we have strategically developed our customer base by targeting SME suppliers of SOEs and large scale enterprises in the energy, construction and medical sectors in the PRC. Our effective risk management system in selecting customers and evaluating creditworthiness of underlying debtors of accounts receivable has enabled us to experience nil non-performing assets as at 31 December 2015 and 2016. With a view to making use of new technology and innovation to deliver our financial services, we launched an online factoring platform in November 2016. Through this platform, we aim to improve our factoring and accounts receivable management services and to increase our volume of transactions.

Our income from factoring business is mainly derived through the provision of factoring services, which contributed to 99.4% and 94.2% of our income from factoring business for the two years ended 31 December 2015 and 2016, respectively. Our factoring services primarily involve providing (i) financing to our factoring customers, which financing is secured by, amongst others, the accounts receivable of these customers; and (ii) accounts receivable management services, which include review and verification of documents relating to the accounts receivable, collection of the accounts receivable on behalf of our customers, and regular reports to our customers regarding the accounts receivable. In return, we receive both interest income and fee income.

We also derive income from factoring business through (i) sales of factoring assets; and (ii) other services. Through the sale of our factoring assets to a third party, we record a gain that is equal to the excess of the consideration received and receivable over the book value of the factoring assets as recorded by our Group prior to the transfer. In addition, we receive fee income from our provision of other services, principally including accounts receivable management services without financing.

SUMMARY

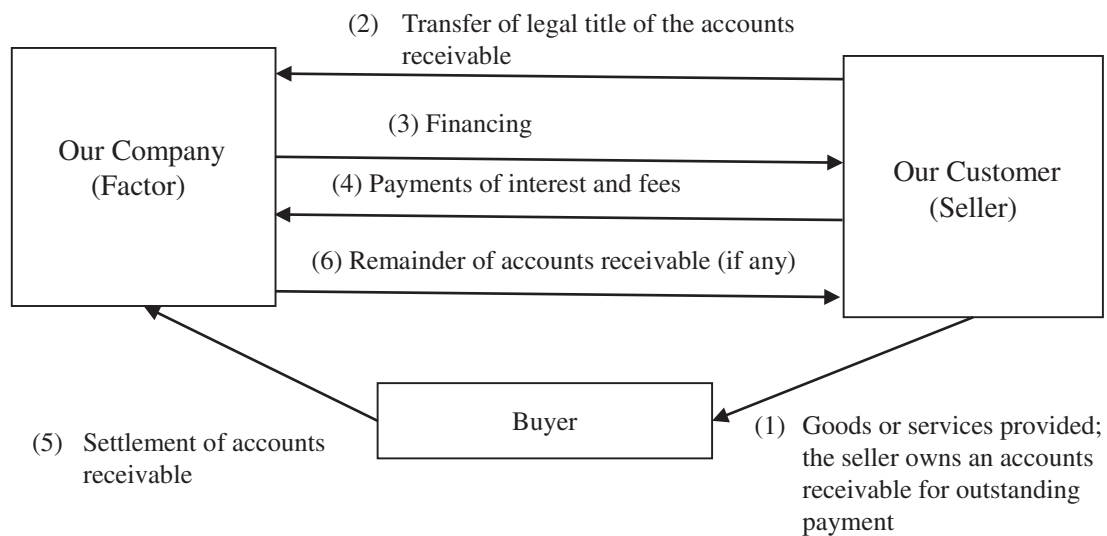
Business model

Factoring Services

In a typical factoring transaction, we (as factor) provide financing and accounts receivable management services to our customer (as seller) in return for (i) interest and fee income, and (ii) transfer of legal title of accounts receivable from our customer to us. After the transfer of the accounts receivable to us, we own the right to receive the outstanding amount of the accounts receivable from the buyer.

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

A typical factoring transaction involves three parties, namely the factor (us), the seller (our customer) and the buyer. The following diagram illustrates the relationship among the three parties:



Such accounts receivable are usually payable within one year.

Sales of Factoring Assets

With the intention of improving our cash flow and management of our factoring assets portfolio, we may sell our factoring assets to various financial institutions in the PRC. We record a gain that is equal to the excess of the consideration received and receivable over the book value of the factoring assets as recorded by our Group prior to the transfer. As at 31 December 2016, we have entered into one framework factoring asset sale agreement with an Independent Third Party in September 2016. The transfers were (and, in the case of future transfers, will be) without recourse against us.

SUMMARY

Other Services

We also provide various services relating to our customer's accounts receivable, principally including accounts receivable management services without financing, in return for a fee income.

Our accounts receivable management services typically include review and verification of documentation relating to the accounts receivable, collection of the accounts receivable on behalf of our customers, and regular reports to our customers regarding the accounts receivable.

OUR COMPETITIVE STRENGTHS

We believe that our following competitive strengths will enable us to compete effectively in the commercial factoring industry in the PRC.

- We have a strong capital base and a variety of funding channels.
- We have stringent and effective risk management and internal control processes.
- We have a diversified and high-quality customer base with recurring business opportunities.
- We have implemented our online factoring platform.
- We have an experienced management team.

For further details, see "Business — Our Competitive Strengths."

OUR STRATEGIES

We aim to develop our business through the following strategies:

- Expand and develop our internet financial services with an aim to become a Fintech service provider for enterprises.
- Expand the size of our factoring portfolio.
- Increase capital turnover to enhance factoring return and risk management.
- Enhance our specialised and professional workforce.
- Expand our sales network across the PRC.
- Continue to enhance our risk management capabilities.

SUMMARY

For further details, see “Business — Our Strategies”.

OUR CUSTOMERS

Our customer base comprises mainly SMEs in a number of strategic industries. For the two years ended 31 December 2015 and 2016, SME customers contributed to 84% and 67% of our revenue respectively. During the Track Record Period, our strategic industries in respect of our factoring business comprised the energy, construction and medical industries. For the two years ended 31 December 2015 and 2016, 91.5% and 99.1% of our revenue was derived from our customers in the energy, construction and medical industries. During the Track Record Period, we had over 70 customers in various industries across more than 10 different municipalities, provinces and autonomous regions in the PRC.

For the two years ended 31 December 2015 and 2016, our five largest customers in terms of revenue accounted for 83.2% and 54.8%, respectively, of our total revenue, and our largest customer accounted for 50.0% and 14.9% of our total revenue for the same years. Our five largest customers during the Track Record Period included Customer A. For details on Customer A, see “Business — Our Customers”. For the two years ended 31 December 2015 and 2016, our revenue derived from Customer A amounted to approximately RMB28.7 million and RMB15.6 million respectively. Our factoring transactions with Customer A were with recourse and with notification. We charged Customer A at an average contractual interest rate and service fee rate of 9.5% and 0.22% respectively for the year ended 31 December 2015, and at an average contractual interest rate and service fee rate of 11.8% and 0.35% respectively for the year ended 31 December 2016, which was comparable to that offered to other independent third party customers.

As at 31 December 2016 and the Latest Practicable Date, we had no outstanding advances to Customer A. Correspondingly, as at 31 December 2016 and the Latest Practicable Date, we had no outstanding accounts receivable that were transferred from Customer A. We had ceased to enter into any business transaction with Customer A after October 2016 because we intended to diversify our customer base by reducing our reliance on any single customer and developing new customers.

For further details on our customers, see “Business — Customer Industry Analysis” and “Business — Our Customers”.

OUR RISK MANAGEMENT SYSTEM

As a specialised enterprise financial services provider offering accounts receivable financing and other related solutions, we face a variety of risks in our daily business operations, including credit risk, liquidity risk, interest rate risk, operational risk, and legal and compliance risk. We recognise the importance of an effective risk management system for identifying and mitigating these risks. We have developed a risk management system tailored to the characteristics of our business operations, with a focus on managing the risks through comprehensive due diligence on our customer and the underlying debtor, independent information review and multi-level approval process. We seek to maintain a diversified portfolio with a primary focus on various strategic industries for our factoring businesses. We also strategically develop our customer base by targeting SME suppliers of SOEs and large scale enterprises that have a good credit rating, in order to minimise our risk of non-performing assets. As a result of our stringent risk management procedures and our strategic selection of

SUMMARY

customers, we did not experience any non-performing assets as at 31 December 2015 and 2016. However, our Group had a litigation proceeding against Customer C (for details on Customer C, see “Business — Our Customers”) and its guarantors for the recovery of factoring assets, penalty for late payment, legal fees, guarantee fees and costs and expenses for enforcing the debt, amounting to a total of approximately RMB10.6 million in October 2015. In December 2015, our Group recovered a total sum of RMB10.5 million, which included the total outstanding amount of factoring assets. Taking into account that the outstanding amount of factoring assets was fully recovered during the year ended 31 December 2015, we did not recognise any provisions on non-performing assets nor impairment loss on our factoring assets. Our Directors confirmed that we did not experience any problems with the recovery of our factoring assets during the Track Record Period, other than the above-mentioned litigation proceeding. In addition, the Directors confirm that during the Track Record Period, the factoring assets that were past due were all repaid by our customers or the buyers within the one-month grace period that we granted to our customers for debt repayment and there were no factoring assets that rolled over upon original maturity. Having said that, the impairment was assessed and provided for on a collective basis for factoring assets that were assessed not to be impaired individually, ranging from 1% to 1.5% on our factoring assets based on our internal provisioning policy and their respective asset quality, hence we recorded respective impairment allowance of RMB6.8 million and RMB15.4 million for the two years ended 31 December 2015 and 2016.

During the Track Record Period, we provided our factoring customers with net funding which ranged from 15% to 100% of the net value of either (i) the corresponding accounts receivable transferred to us under the factoring agreements, for customers who are granted a fixed credit for that specific accounts receivable from approved buyers; or (ii) the aggregate accounts receivable transferred to us under the factoring agreements, for customers who are granted a revolving credit facility in connection with a pool of accounts receivable from approved buyers. For the year ended 31 December 2015, 86% of our total revenue during the year was derived from factoring transactions which we provided financing of not exceeding 80% of the accounts receivable. For the year ended 31 December 2016, 80% of our total revenue during the year was derived from factoring transactions which we provided financing of not exceeding 80% of the accounts receivable. Financing that exceeds 80% of the accounts receivable requires the approval from our Risk Management Committee and such transactions will only be approved if the credit risk of the customer and its underlying debtor as a whole is relatively low and acceptable.

For details on our risk management system, see “Risk Management and Operations” and for details on our provision policy for our factoring assets, see “Financial Information — Principal Factors Affecting Our Results of Operations — Asset quality and provisioning policy”.

OUR SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and no share is issued pursuant to the exercise of options which may be granted under the Share Option Scheme), Mr. Tung, TMF Trust, Eander and Wisdom Cosmos will be interested in 75% of the issued share capital of our Company and hence will be our Controlling Shareholders after the Listing.

For further details on our Controlling Shareholders, see “Relationship with Controlling Shareholders”.

SUMMARY

SUMMARY FINANCIAL INFORMATION AND OPERATING DATA

You should read the summary historical financial information set forth below in conjunction with our financial information included in the Accountants' Report set forth in Appendix I to this prospectus, which is prepared in accordance with HKFRS, and see "Financial Information" of this prospectus.

Summary of results of operations

	Year ended 31 December	
	2015	2016
	RMB'000	RMB'000
Revenue	57,462	112,791
Gain on sales of factoring assets	—	5,876
Income from factoring business	<u>57,462</u>	<u>118,667</u>
Other income	15,558	11,316
Other gains (losses), net	2,456	(681)
Operating expenses	(17,152)	(24,823)
Listing expenses	—	(5,827)
Impairment allowances on factoring assets	(5,859)	(8,671)
Finance costs	<u>(519)</u>	<u>(21,809)</u>
Profit before taxation	51,946	68,172
Taxation	<u>(14,952)</u>	<u>(20,164)</u>
Profit and total comprehensive income for the year	<u>36,994</u>	<u>48,008</u>
Attributable to owners of our Company	<u>36,994</u>	<u>48,008</u>

Our factoring business has been gradually expanding since the commencement of our operations in 2014. For each of the two years ended 31 December 2016, we recorded revenue of approximately RMB57.5 million and RMB112.8 million, respectively and profit attributable to our Company's shareholders of approximately RMB37.0 million and RMB48.0 million, respectively.

For the two years ended 31 December 2015 and 2016, we received government subsidies from the Tianjin municipal government that amounted to approximately RMB1.7 million and RMB10.8 million, respectively. For the year ended 31 December 2015, we also received a one-off commission income that amounted to approximately RMB13.8 million. The aforesaid government subsidies and commission income were classified as other income. For details, see "Financial Information — Management Discussion and Analysis — Other income".

SUMMARY

Selected Combined Statements of Financial Position

	As at 31 December	
	2015	2016
	RMB'000	RMB'000
Non-current assets	7,206	79,571
Current assets	709,534	1,371,766
Current liabilities	53,917	738,464
Net current assets	655,617	633,302
Total assets less current liabilities	662,823	712,873
Non-current liabilities	1,635	3,676
Total equity	661,188	709,197

The increase in our current and non-current assets as at 31 December 2016 was primarily attributed to the increase in our factoring assets resulting from our continuous business expansion. In line with our business expansion, our current liabilities (mainly interest-bearing liabilities) also increased from RMB53.9 million as at 31 December 2015 to RMB738.5 million as at 31 December 2016.

Condensed Summary of Combined Statements of Cash Flows

	Year ended 31 December	
	2015	2016
	RMB'000	RMB'000
Operating cash flows before movements in working capital	57,278	100,711
Net cash flows used in operating activities	(428,066)	(582,579)
Net cash flows used in investing activities	(1,180)	(14,057)
Net cash flows from financing activities	470,481	650,740
Effect of foreign exchange rate changes	3,481	(682)
Cash and cash equivalents as at the beginning of the year	6,173	50,889
Cash and cash equivalents as at the end of the year	50,889	104,311

Our Group derives cash inflow from operating activities principally from the receipts of payments for our factoring services. Our Group's cash outflow from operating activities mainly consists of advances provided to our customers, payments for finance costs, expenses incurred in our daily operations and taxes.

Net cash flows used in operating activities for the year ended 31 December 2016 was RMB582.6 million while our Group's profit before taxation for the same period was RMB68.2 million. The difference of RMB650.8 million was primarily due to the increase in factoring assets of RMB675.0 million, but partially offset by the increase in other payables and accrued charges of RMB14.3 million.

SUMMARY

Net cash flows used in operating activities for the year ended 31 December 2015 was RMB428.1 million while our Group's profit before taxation for the same period was RMB51.9 million. The difference of RMB480.0 million was primarily due to the increase in factoring assets of RMB482.4 million.

Key operational and financial data

Major Financial Ratios

	Year ended 31 December	
	2015	2016
Current ratio (<i>Note 1</i>)	13.2	1.9
Gearing ratio (<i>Note 2</i>)	5.6	100.0
Return on assets (<i>Note 3</i>)	5.2%	3.3%
Return on equity (<i>Note 4</i>)	5.6%	6.8%
Net interest spread (<i>Note 5</i>)	11.3%	5.4%
Net interest margin (<i>Note 6</i>)	13.6%	9.1%

Notes:

1. Current ratio is calculated by dividing current assets by current liabilities.
2. Gearing ratio is calculated by dividing total debt by total equity. Total debt is defined to include payables incurred not in the ordinary course of business.
3. Return on assets is calculated by dividing net profit for the year by the closing balance of total assets.
4. Return on equity is calculated by dividing net profit for the year by the closing balance of total equity.
5. Net interest spread is calculated as the difference between the interest income yield and the interest expense yield.
6. Net interest margin is calculated by dividing the net interest income by the average balance of factoring assets (net of impairment allowances).

For the two years ended 31 December 2015 and 2016, our net interest spread was 11.3% and 5.4%, whereas our net interest margin was 13.6% and 9.1%, respectively. We recorded a lower net interest spread for the year ended 31 December 2016, primarily due to the combined effect of the increase in our interest expense yield and decrease in our net interest margin. During the year ended 31 December 2015, our Group principally financed our operations through capital contributions from our Controlling Shareholder. We had minimal debt financing in the second half of 2015 and accordingly, our finance costs for the year amounted to RMB0.5 million and our interest expense yield was only 2.4%. During the year ended 31 December 2016, our Group utilised debt financing for the full year and the proportion of debt financing was also higher than that for the year ended 31 December 2015, which increased our finance costs to RMB21.8 million and our interest expense yield to 5.9%. The decrease in our net interest margin for the year ended 31 December 2016 was mainly attributed to the increase in our debt financing, which significantly increased our interest expenses.

SUMMARY

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period, we have continued to focus on expanding our factoring business while complying with our existing stringent risk management measures. As a result of our effective and mature risk management measures, there were no new non-performing assets for the four months ended 30 April 2017. For the four months ended 30 April 2017, we have entered into 19 new factoring agreements with total financing amount of RMB373.1 million. Our factoring assets as at 30 April 2017 amounted to RMB1,484.9 million, representing an increase of 12.1% from RMB1,324.3 million as at 31 December 2016.

Our Directors have confirmed that since 31 December 2016 and up to the date of this prospectus, there has been no material adverse change in our Group's financial or trading position.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of HK\$334.6 million assuming the Offer Price of HK\$2.00 being the mid-point of the Offer Price range from HK\$1.80 to HK\$2.20, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and on the basis that the Over-allotment Option is not exercised; or of HK\$387.9 million upon the exercise of the Over-allotment Option in full. We intend to use the net proceeds we receive from the Global Offering for the following purposes:

- approximately 89%, or HK\$297.8 million, for expanding our factoring operations;
- approximately 10%, or HK\$33.5 million, to repay a portion of outstanding loan with interest from a financial institution; and
- approximately 1%, or HK\$3.3 million, to develop our online factoring platform and to upgrade our financial reporting system.

For further details, see "Future Plans and Use of Proceeds".

SUMMARY

GLOBAL OFFERING STATISTICS

All statistics in this table are based on the assumption that Over-allotment Option is not exercised.

	Audited combined net tangible assets of our Group as at 31 December 2016 RMB'000 (note 1)	Estimated net proceeds from the Global Offering RMB'000 (note 2)	Unaudited pro forma adjusted combined net tangible assets of our Group RMB'000	Unaudited pro forma adjusted combined net tangible assets of our Group per Share RMB HK\$ (note 3) (note 4)	
Based on an Offer Price of HK\$1.80 per Offer Share	707,126	270,520	977,646	1.32	1.49
Based on an Offer Price of HK\$2.20 per Offer Share	707,126	333,388	1,040,514	1.41	1.59

Notes: Please see Appendix II for notes 1-4 above.

LISTING EXPENSES

The total listing expenses in connection with the Global Offering (including underwriting commission) were currently estimated to be approximately RMB31.3 million, assuming the Over-allotment Option is not exercised and based on the mid-point of the indicative Offer Price range.

For the year ended 31 December 2016, our Group incurred listing expenses of approximately RMB5.8 million which was charged to the combined statement of profit and loss and other comprehensive income. For the year ending 31 December 2017, we estimate that the listing expenses to be incurred will amount to approximately RMB25.5 million, of which approximately RMB8.4 million will be charged to profit and loss in the year and the remaining approximately RMB17.1 million will be charged against equity upon successful Listing under relevant accounting standards.

DIVIDEND

Dividends may be paid out by ways of cash or by other means we consider appropriate. For each of the two years ended 31 December 2016, our Group did not declare and pay any dividends. Our Group does not have a predetermined dividend payout ratio. Payment of any future dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors consider relevant.

SUMMARY

The declaration, payment and amount of any future dividends will be subject to our constitutional documents comprising the memorandum and articles of association including, where necessary, the approval of our Shareholders. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

RISK FACTORS

There are certain risks and uncertainties involved in our operations, some of which are beyond our control. Major risks we face include, among others, the following:

- Our Group has a short operating history, and our results during the Track Record Period may not be representative of the results of our performance in the future.
- Our high customer concentration may subject us to fluctuations or declines in revenue and our high underlying debtor concentration may subject us to credit exposure to certain industries and underlying debtors.
- Our customer base for our factoring business is concentrated in the PRC's energy, construction, and medical industries. Any slowdown in the PRC's energy, construction, or medical industry could have a material adverse effect on our financial condition, results of operations and growth prospects.
- We derive a significant portion of our revenue from SMEs, which may be more susceptible than larger scale businesses to adverse changes in market conditions, competition and general economic conditions and may therefore pose a higher risk of default.
- If we are unable to effectively mitigate credit risk and maintain our asset quality, our financial condition, results of operations and growth prospects may be materially and adversely affected.
- We are subject to the credit risks of our customers and the underlying debtors, and may not receive full and/or timely repayment of our receivables.
- We may not be able to fund the capital outlays required for growth of our business if we cannot obtain additional capital as required.
- Our provisions for impairment losses on receivables may not be adequate to cover future credit losses.
- Our risk management systems and internal control policies may not be effective in mitigating our risk exposure.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus. Certain other terms are explained in the section headed “Glossary of Technical Terms”

“Accountants’ Report”	the accountants’ report set out in Appendix I to this prospectus
“Application Form(s)”	WHITE, YELLOW and GREEN application form(s) or, where the context so requires, any of them, which is used in relation to the Hong Kong Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company adopted on 19 June 2017, which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Audit Committee”	the audit committee of the Board
“Board of Directors” or “Board”	the board of Directors of our Company
“Business Day” or “business day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 554,999,998 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the sub-section headed “A. Further Information about Our Company and Our Subsidiaries — 3. Written resolutions of the sole Shareholder” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation

DEFINITIONS

“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Central government”, “Chinese government” or “PRC government”	the central government of PRC, including all government subdivisions (including provincial, municipal or other regional or local government entities) and instrumentalities
“ChaoShang”	ChaoShang Securities Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 2 (dealing in future contracts) regulated activities, being one of the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers to the Global Offering
“close associates(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance” or “Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Sheng Ye Capital Limited (盛業資本有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 29 December 2016
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of this prospectus, means each of Mr. Tung, TMF Trust, Eander and Wisdom Cosmos
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules

DEFINITIONS

“Dakin Capital” or “Sole Sponsor”	Dakin Capital Limited, a licensed corporation under the SFO permitted to carry out type 6 (advising on corporate finance) regulated activity, being the sole sponsor of the Global Offering
“Dakin Securities”	Dakin Securities Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 2 (dealing in future contracts) regulated activities, being one of the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers to the Global Offering
“Deed of Indemnity”	the deed of indemnity dated 19 June 2017 entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries), particulars of which are set out in the paragraph headed “E. Other Information — 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-Competition”	the deed of non-competition undertaking dated 19 June 2017 entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries), particulars of which are set out in the paragraph headed “Relationship with our Controlling Shareholders — Non-competition Undertakings” in this prospectus
“Director(s)”	the director(s) of our Company
“Eander”	Eander Limited (鷹德有限公司), a company incorporated in BVI on 12 August 2015 with limited liability and wholly owned by TMF Trust, a Controlling Shareholder
“Ever Giant”	Ever Giant Global Limited (永巨環球有限公司), a company incorporated in BVI on 20 January 2016 with limited liability and a subsidiary of our Group
“Excluded Business”	the financial leasing business engaged by the Financial Leasing Group
“Financial Leasing Group”	collectively Sheng Ye International Leasing Limited (盛業國際租賃有限公司), Tianjin SY Financial Leasing Limited (天津盛業融資租賃有限公司) and SY Financial Leasing Limited* (盛業融資租賃有限公司)
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a market research and consulting company and an Independent Third Party

DEFINITIONS

“Frost & Sullivan Report”	a market research report on the commercial factoring industry in the PRC commissioned by us and prepared by Frost & Sullivan
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited as amended, supplemented or otherwise modified from time to time
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Global Offering”	the Hong Kong Public Offer and the International Placing
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “we”, “our” and “us”	our Company and its subsidiaries at the relevant time or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“HK eIPO White Form”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the HK eIPO White Form service at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKAS”	the Hong Kong Accounting Standards
“HKFRS”	the Hong Kong Financial Reporting Standards issued by HKICPA
“HKICPA”	the Hong Kong Institute of Certified Public Accountants
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	the HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

DEFINITIONS

“HK\$” or “Hong Kong dollars”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 18,500,000 newly issued Shares offered by our Company for subscription under the Hong Kong Public Offer, representing 10% of the initial number of the Offer Shares subject to adjustment as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“Hong Kong Public Offer”	the offer of the Hong Kong Offer Shares by our Company for subscription by members of the public in Hong Kong (subject to adjustment as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus), and subject to the terms and conditions stated herein and in the Application Forms
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offer listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 23 June 2017 relating to the Hong Kong Public Offer entered into amongst our Company, the Controlling Shareholders, the executive Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, particulars of which are set forth in the section headed “Underwriting” in this prospectus
“HSSL”	Head & Shoulders Securities Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities, being one of the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers to the Global Offering
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any Directors, chief executive or substantial shareholders of our Company, its subsidiaries or their respective associates
“INED(s)”	independent non-executive director(s) or, in the context of our Company, our independent non-executive Director(s)

DEFINITIONS

“International Offer Shares”	the 166,500,000 Shares being offered by our Company for subscription under the International Placing subject to adjustment and together, where relevant, with any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option as further described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Placing”	the conditional placing of the International Offer Shares for and on behalf of our Company outside the United States (including to professional, institutional and corporate investors and excluding retail investors in Hong Kong) in reliance on Regulation S, subject to adjustment and exercise of the Over-allotment Option as further described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Underwriters”	the underwriters named in the International Underwriting Agreement, being the underwriters of the International Placing
“International Underwriting Agreement”	the conditional underwriting agreement expected to be entered into on or about the Price Determination Date, between our Company, the Joint Global Coordinators and the International Underwriters in respect of the International Placing, particulars of which are set forth in the section headed “Underwriting” in this prospectus
“Joint Bookrunners”	Dakin Securities, HSSL and ChaoShang
“Joint Global Coordinators”	Dakin Securities, HSSL and ChaoShang
“Joint Lead Managers”	Dakin Securities, HSSL and ChaoShang
“Latest Practicable Date”	16 June 2017, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	listing of the Shares on GEM
“Listing Date”	the date on which the Shares are listed and from which dealings in the Shares on the GEM commences, which is expected to be on or about Thursday, 6 July 2017
“Listing Division”	the listing division of the Stock Exchange
“Main Board”	the Main Board operated by the Stock Exchange

DEFINITIONS

“Memorandum of Association”	the memorandum of association of our Company (as amended from time to time), adopted at its incorporation on 19 June 2017, a summary of which is set out in Appendix III to this prospectus
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Tung”	Mr. Tung Chi Fung, founder of SYF, an executive Director and a Controlling Shareholder
“Nice Day”	Nice Day Corporation Limited (麗日有限公司), a company incorporated in Hong Kong on 1 December 2015 with limited liability and a subsidiary of our Group
“Nomination Committee”	the nomination committee of the Board
“Offer Price”	the final price for each Offer Share (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee payable thereon) of not more than HK\$2.20 per Offer Share and is expected to be not less than HK\$1.80 per Offer Share at which the Offer Shares are to be offered for subscription pursuant to the Global Offering
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option to be granted by our Company to the Stabilising Manager, exercisable by it, pursuant to the International Underwriting Agreement
“PBOC”	People’s Bank of China
“PJ Trust”	Pak Jeff Trust, an irrevocable reserved power trust established by Mr. Tung with Mr. Tung and his family members as the beneficiaries and TMF Trust as the trustee
“PRC” or “China”	the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“PRC Legal Advisers”	DeHeng Law Offices (Shenzhen) (北京德恒(深圳)律師事務所), our Group’s legal advisers as to PRC laws
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Global Coordinators on or before the Price Determination Date to record and fix the Offer Price

DEFINITIONS

“Price Determination Date”	the date, expected to be on or about 30 June 2017, on which the Offer Price will be fixed for the purposes of the Global Offering
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the reorganisation arrangements undertaken by our Group in preparation for the Listing, which are described in more detail in the section headed “History, Reorganisation and Development” and Appendix IV to this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	State Administration for Industry & Commerce of the People’s Republic of China (中華人民共和國國家工商管理總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) having a par value of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 19 June 2017 and effective upon the Listing, the principal terms of which are summarised under the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus
“SME”	small and medium enterprise
“SHF”	盛恆商業保理有限公司 (Sheng Heng Factoring Limited*), a company established in the PRC on 28 March 2017 and a subsidiary of our Group
“SLF”	盛利商業保理有限公司 (Sheng Li Factoring Limited*), a company established in the PRC on 28 March 2017 and a subsidiary of our Group

DEFINITIONS

“SNF”	盛諾商業保理有限公司 (Sheng Nuo Factoring Limited*), a company established in the PRC on 18 September 2016 and a subsidiary of our Group
“SOE”	state-owned enterprise
“SPF”	盛鵬商業保理有限公司 (Sheng Peng Factoring Limited*), a company established in the PRC on 19 January 2017 and a subsidiary of our Group
“sq.m”	square metre
“Stabilising Manager”	ChaoShang
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules, unless the context otherwise requires
“Substantial Shareholder(s)”	has the meaning ascribed to it in the GEM Listing Rules and details of our Substantial Shareholders are set out in the section “Substantial Shareholders” in this prospectus
“SYF”	盛業商業保理有限公司 (SY Factoring Limited), a company established in the PRC on 26 December 2013 and a subsidiary of our Group
“SYIC”	Sheng Ye International Capital Limited (盛業國際資本有限公司), a company incorporated in BVI on 24 September 2013 with limited liability and a subsidiary of our Group
“SYIF”	Sheng Ye International Finance Limited (盛業國際金融有限公司), a company incorporated in Hong Kong on 9 October 2013 with limited liability and a subsidiary of our Group
“SYIT”	盛業信息科技服務(深圳)有限公司 (Sheng Ye Information Technology Service (Shenzhen) Co., Limited*), a company established in the PRC on 11 March 2016 and a subsidiary of our Group
“SYSZ”	盛業(深圳)商業保理有限公司 (Sheng Ye (Shenzhen) Factoring Limited*), a company established in the PRC on 21 March 2016 and a subsidiary of our Group
“SY Financial”	Sheng Ye Financial Group Limited (盛業金融集團有限公司), a company incorporated in BVI on 16 January 2014 with limited liability which ceased to be part of our Group after the Reorganisation

DEFINITIONS

“SZF”	盛卓商業保理有限公司 (Sheng Zhuo Factoring Limited*), a company established in the PRC on 30 March 2017 and a subsidiary of our Group
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
“TGG”	Talent Group Global Limited (智連環球有限公司), a company incorporated in BVI on 1 November 2016 with limited liability and a subsidiary of our Group
“TMF Trust”	TMF (Cayman) Ltd, a company incorporated in the Cayman Islands on 30 September 1994 and the trustee of the PJ Trust, a Controlling Shareholder
“Track Record Period”	the two financial years ended 31 December 2016
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“VAT”	value-added tax of the PRC (中華人民共和國增值稅)
“ WHITE Application Form(s)”	the application form(s) for use by the public who requires such Hong Kong Offer Shares to be issued in the applicants’ own names
“Wisdom Cosmos”	Wisdom Cosmos Limited (慧普有限公司), a company incorporated in BVI on 15 April 2015 with limited liability and wholly owned by Eander, a Controlling Shareholder
“ YELLOW Application Form(s)”	the application form(s) for use by the public who requires such Hong Kong Offer Shares to be deposited directly into CCASS
“%”	per cent.

* Translation for identification purpose

DEFINITIONS

Unless otherwise specified, for the purpose of this prospectus and for illustration purposes only, amounts denominated in Hong Kong dollars have been converted to RMB at the rate of RMB1.00:HK\$1.13, and vice versa. For details, please refer to the section headed “Information about this Prospectus and the Global Offering — Exchange Rate Conversion” in the prospectus. The Company does not make any representation that any amounts in RMB or Hong Kong dollars had been or may be converted at the date of this prospectus or any other date at such rate or any other rate.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise specified, all times refer to Hong Kong time and references to years in this prospectus are to calendar years.

If there is any inconsistency between the Chinese names of the entities, companies or legal entities incorporated in PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such entities, companies or legal entities are provided for explanation purposes only.

GLOSSARY OF TECHNICAL TERMS

“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over a certain time period
“factoring business turnover”	the amount of receivables being factored to a particular entity
“Fintech”	an industry composed of companies that use new technology and innovation with available resources in order to compete in the marketplace of traditional financial institutions and intermediaries in the delivery of financial services
“GDP”	gross domestic product
“IT”	information technology
“non-performing assets”	factoring accounts receivable having objective evidence of impairment as a result of one or more events that occur after initial recognition and these event(s) has an impact on the estimated future cash flows of lease receivables that can be reliably estimated. These accounts receivable are classified as “substandard” or “loss”
“non-performing assets ratio”	percentage of non-performing assets over net factoring accounts receivable
“turnover of commercial factoring”	the aggregate amount of receivables being factored to commercial factoring companies for the respective period end

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Future Plans and Use of Proceeds” in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed “Risk Factors” in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend policy; and
- our profit estimate and other prospective financial information.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of the government relating to any aspect of our business or operations;
- general global economic, market and business conditions;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section headed “Risk Factors” in this prospectus.

RISK FACTORS

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to our Company. Potential investors should pay particular attention to the fact that our Company is incorporated in the Cayman Islands, and that our Group's business is mainly located in China. The occurrence of any of the following events may have a material adverse effect on the business, results of operations, financial conditions and prospects of our Group. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our Group has a short operating history, and our results during the Track Record Period may not be representative of the results of our performance in the future.

Our operating subsidiary was only established in December 2013, and commenced business operations in April 2014. For the two years ended 31 December 2015 and 2016, our total revenue was RMB57.5 million and RMB112.8 million, and our total profit was RMB37.0 million and RMB48.0 million, respectively. The increase in our revenue during the Track Record Period was primarily attributable to the increase in our factoring receivables. Although we have generally experienced revenue growth since our inception, we cannot assure you that our revenue will continue to increase at previous rates or at all, or that we will be able to operate profitably in the future. Our limited operating history makes it difficult to evaluate our prospects and future profitability. You should consider our prospects and future profitability in light of the risks, uncertainties, expenses and difficulties encountered by any new company. Such risks and uncertainties may affect our Group's ability to develop and maintain our range of services for our customers and to compete with our competitors. As a result, our results during the Track Record Period may deviate from those in the future.

Our high customer concentration may subject us to fluctuations or declines in revenue and our high underlying debtor concentration may subject us to credit exposure to certain industries and underlying debtors.

Our five largest customers by revenue for the two years ended 31 December 2015 and 2016 accounted for 83.2% and 54.8%, and our single largest customer by revenue accounted for 50.0% and 14.9%, of our total revenue in the corresponding years, respectively. Our five largest factoring assets contributed by our five major customers accounted for 64% and 77% of our total factoring assets as at 31 December 2015 and 2016 respectively. It cannot be guaranteed that we will be able to maintain or improve our relationships with our major customers, or that we will be able to continue to provide factoring and other related services to our major customers at current levels or at all. If our major customers do not continue to use our services and we are unable to find alternative customers at comparable levels, our revenue may fluctuate or decline as a result.

We also face overall concentration risk from our credit exposure to the underlying debtors in our factoring business. Our five largest underlying debtors accounted for 60.4% and 81.9% of our total factoring assets as at the end of the respective year. Any deterioration in the financial condition or results of operations of the underlying debtors in relevant industries could undermine the quality of

RISK FACTORS

our factoring assets and our ability to grant new financing to customers, which in turn could materially and adversely affect our business, financial condition and results of operations. In addition, the underlying debtors which accounted for 61% of our Group's total factoring assets as at 31 December 2016 were private companies which may be more vulnerable to the impact from macroeconomic downturn when compared with companies which are SOEs.

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

For the two years ended 31 December 2015 and 2016, 91.5% and 99.1%, respectively, of our revenue was derived from customers in the energy, construction, and medical industries in the PRC. If any slowdown in these industries in the PRC occurs due to any change in the PRC government's policies for the respective industry or otherwise, this may affect the demand for the products and services of our customers and/or their underlying debtors in these industries, which may in turn affect their ability to make payments to us in a timely manner or at all. This may have a material adverse effect on our financial condition, results of operations and growth prospects.

We derive a significant portion of our revenue from SMEs, which may be more susceptible than larger scale businesses to adverse changes in market conditions, competition and general economic conditions and may therefore pose a higher risk of default.

Our business relies significantly on SMEs to generate revenue. For the two years ended 31 December 2015 and 2016, SME customers contributed to 84% and 67% of our revenue respectively. SMEs may be subject to significant variations in their results of operations because they often engage in rapidly evolving businesses and industries. As compared to larger scale businesses, SMEs may have a weaker financial position or may be more susceptible to adverse changes in market conditions, competition and general economic conditions. Our SME customers may have weak accounting controls and may lack the expertise and resources to prepare accurate audited financial statements on which we rely to evaluate their creditworthiness. In addition, a number of factors may affect an SME's ability to meet its payments to us. Such factors include the failure to implement its business plan, a downturn in its market and adverse general economic conditions. As such, SMEs may pose increased risk of default relative to larger scale businesses.

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

The sustainability of our business and future growth depends largely on our ability to effectively manage our credit risk and maintain the quality of our factoring assets. Any deterioration in our asset quality or impairment in the collectability of our accounts receivable could have a material adverse effect on our financial condition, results of operations and growth prospects. As at 31 December 2015 and 2016, our non-performing assets ratio of our factoring business was nil, respectively. Despite that, we may not be able to effectively control the level of new non-performing assets in the future. The amount of our non-performing assets may increase in the future due to an increase in our factoring assets over the Track Record Period, or a deterioration in the quality of our factoring assets. As at 31 December 2015 and 2016, our factoring assets amounted to RMB658.0 million and RMB1,324.3

RISK FACTORS

million, respectively. The quality of our factoring assets may deteriorate for a variety of reasons, including factors beyond our control such as a slowdown of the PRC or global economy, a recurrence of a global financial crisis or other adverse macroeconomic trends that may cause operational, financial and liquidity problems for our customers. If the level of our impaired accounts receivable increases in the future, our financial condition, results of operations and growth prospects may be materially and adversely affected.

We are subject to the credit risks of our customers and the underlying debtors, and may not receive full and/or timely repayment of our receivables.

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

Our business model could be negatively impacted by changes in the banking industry in the PRC.

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

We cannot assure you that we can or will continue to match the maturity profile of our assets and liabilities as both our assets and liabilities grow. Inability to do so will impact our liquidity and our ability to repay our borrowings and settle our outstanding liabilities, which could materially and adversely affect our business, financial condition and results of operations.

We seek to match the maturity profile of our financial assets and financial liabilities on an ongoing basis. As at 31 December 2015 and 2016, our total financial assets amounted to RMB709.4 million and RMB1,440.7 million, respectively, while our total financial liabilities amounted to RMB37.1 million and RMB713.5 million, respectively. For the two years ended 31 December 2015 and 2016, based on the scheduled repayment dates in the loan agreements and without taking into account any repayment on demand clause, our bank and other borrowings that were due on demand or within one year amounted to RMB37.0 million and RMB142.5 million, respectively. Whilst we did not have any net liquidity shortfall during the Track Record Period, we cannot assure you that the

RISK FACTORS

banks will not exercise its right to demand immediate repayment of our banking facilities, or that we will not have any net liquidity shortfall, in the future. If any net liquidity shortfall occurs in the future, we may not be able to meet our financial liabilities as they fall due, and our ability to obtain sufficient additional financing may be impaired. This may have a material adverse effect on our business, financial condition and results of operations.

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

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

We had negative operating cash flows for each of the two years ended 31 December 2016. Failure to manage our liquidity and cash flows may materially and adversely affect our business, results of operations and financial condition.

For the years ended 31 December 2015 and 2016, we recorded negative cash flow in operating activities of RMB428.1 million and RMB582.6 million, respectively. The negative operating cash flows of the Company during the Track Record Period was due to the increase in our factoring assets along with our business expansion during the Track Record Period. During the Track Record Period, we relied on a combination of cash flow from bank borrowings, capital injections from our Controlling Shareholder for our business operations. Our ability to generate adequate cash inflows from operating activities in the future will depend in large part on our ability to collect factoring receivables from our customers in a timely manner and the banking facilities we can obtain from our banks. If we are not able to generate sufficient cash flows from our operations or obtain sufficient financing to support our business operation, our growth prospects may be materially and adversely affected.

Increase in finance costs on borrowings for funding may materially and adversely affect our Group's expansion in business and growth prospects.

We experienced significant growth over the Track Record Period. Our revenue increased by 96.2% from RMB57.5 million for the year ended 31 December 2015 to RMB112.8 million for the year ended 31 December 2016. On the other hand, our interest-bearing liabilities (including bank and other borrowings, financial assets sold under repurchase agreements as well as loans from related parties) for the finance of our factoring business also increased from RMB37.0 million as at 31 December 2015 to RMB704.9 million as at 31 December 2016. As interest-bearing liabilities are one of the major funding sources for our business expansion, an increase in interest rates on our outstanding liabilities

RISK FACTORS

will increase our finance costs and reduce our interest spread. The average interest cost increased from 2.4% for the year ended 31 December 2015 to 5.9% for the year ended 31 December 2016, while the net interest spread decreased from 11.3% for the year ended 31 December 2015 to 5.4% for the year ended 31 December 2016. As a result, any increase in our finance costs on borrowings for funding could have a material adverse effect on our Group's expansion in business and growth prospects.

Our provisions for impairment losses on receivables may not be adequate to cover future credit losses.

We make provisions for impairment losses on factoring assets in accordance with HKFRS. Our impairment loss on factoring assets amounted to RMB5.9 million and RMB8.7 million for the two years ended 31 December 2015 and 2016, respectively. As our impairment provision under HKFRS require significant judgment and estimation, our allowance for impairment provision may not be adequate to cover future credit losses in our business operations. If adverse changes occur to the PRC economy or if other events adversely affect our customers, industries or markets, we may need to make additional impairment provision for our receivables, which could significantly reduce our profit and may have a material adverse effect on our financial condition, results of operations and growth prospects.

Our risk management systems and internal control policies may not be effective in mitigating our risk exposure.

Our risk management systems and internal control policies may not be effective in mitigating our exposure to all types of risks, including unidentified or unanticipated risks. Some of our risk management and control methods are based upon historical market behaviour and past events. As such, we may not be able to adequately identify or estimate future risk exposures, which could be significantly greater than indicated by measures based on historical data. Other risk management methods depend on evaluation of information regarding markets, customers or other relevant matters, which may be inaccurate, incomplete, obsolete or improperly evaluated. For instance, the information infrastructure in the PRC is relatively underdeveloped, and we have no direct access to the nationwide credit information system that is open to commercial banks in the PRC. As such, we are only able to rely on publicly available resources and our internal resources to assess credit risks associated with a particular customer. Such assessment may not be based on complete, accurate or reliable information. Any failure of our risk management procedures or any failure to identify applicable risks could materially and adversely affect our financial condition, results of operations and growth prospects.

RISK FACTORS

The unavailability of any favourable regulatory treatment, particularly government subsidies and preferential income tax rates, could materially and adversely affect our business, financial condition and results of operations.

We enjoy certain favourable regulatory treatments, particularly government subsidies, which are offered by relevant governmental authorities in the PRC. For the two years ended 31 December 2015 and 2016, the total amount of government subsidies we received amounted to approximately RMB1.7 million and RMB10.8 million, respectively. For details on these government subsidiaries, see “Financial Information — Management Discussion and Analysis — Other income — Government subsidies”.

It is in the sole discretion of the government, subject to applicable PRC laws and regulations, to decide whether and when to provide government subsidies to us. There can be no assurance that we will be able to obtain similar government subsidiaries on a recurring basis in the future. Furthermore, we face uncertainty relating to the availability of government subsidies due to potential unexpected changes in the relevant PRC policies, laws and regulations. If we are unable to obtain or maintain government grants or any other favourable treatments in the future, and our business, financial condition and results of operations could be adversely affected.

We may face increased implementation and enforcement of laws and regulations when we tap into the Fintech market in the PRC that may increase our compliance costs, lowering our profitability and returns on capital.

According to the Frost & Sullivan Report, the Fintech market in the PRC is currently dominated by a few sizeable e-commerce companies. These companies first tap into the market by providing online trading and management services and then gradually expand their online services to cover financial and wealth management. In light of the growing importance of internet finance, the regulators may respond with the implementation and enforcement of relevant laws and regulations on the companies engaging in Fintech business. The stricter and more stringent laws and regulations may increase our compliance costs, lowering our profitability and returns on capital when we expand and develop our internet finance services with an aim to become a Fintech service provider for enterprises.

We may not be able to retain members of our management team and other key personnel.

We believe that our senior management team and other key employees are critical for our success. Our executive Directors (namely Mr. Tung and Mr. Chen Jen-Tse) and our senior management (including Mr. Lo Wai Hung, Mr. He Zhigang and Mr. Feng Chaowu) play vital roles in our operations. They have years of experience in the factoring or financial services industries in the PRC or other countries including Singapore and Taiwan, and they possess a deep understanding of our target industries, our customers, competitors, and the laws regulating our business. Therefore, they play an important role in formulating and implementing appropriate strategies for our success. However, we cannot assure you that any of our key management personnel will not leave his or her position due to reasons beyond our control. The loss of service of any of our key management could impair our ability to operate and make it difficult to implement our business and growth strategies. We may not be able to replace such persons within a reasonable period of time or with another person of equivalent expertise and experience, which may severely disrupt our business operations.

Our continued success also depends on our ability to attract and retain qualified personnel to manage our existing operations and future growth. We may not be able to successfully attract or retain all the personnel we need with the required industry expertise (such as sales and marketing or risk

RISK FACTORS

management personnel). We may also need to offer higher compensation and other benefits to attract and retain key personnel, therefore it cannot be guaranteed that the costs of such compensation and benefits will not increase unpredictably or at a greater rate than our revenue. Our failure to attract and retain qualified personnel, and any increase in staffing costs to retain such personnel, could have a negative impact on our ability to maintain our competitive position and grow our business, and may also have a material adverse effect on our financial condition, results of operations and growth prospects.

The value of our collateral and/or guarantees may be inadequate to cover our related factoring receivables.

Our factoring assets are typically secured by the underlying accounts receivable and/or guarantees usually provided by our customers. However, a significant deterioration in the financial condition of the guarantors, or value of the collateral due to factors such as damage, depreciation, loss or reduced market demand, could significantly decrease the amounts we may recover under such guarantees or collateral. If the value of the collateral proves to be insufficient to cover the related receivables, or if there is a significant deterioration in the financial condition of the guarantors, we may not be able to recoup the principal amounts of the loans that we have extended to our customers, and our financial condition, results of operations and growth prospects could be materially and adversely affected.

We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties.

Fraud or other misconduct by employees, such as unauthorised business transactions and breaches of our internal policies and procedures, or third parties, such as breach of law, may be difficult to detect and prevent and could subject us to financial loss, sanctions imposed by governmental authorities and seriously harm our reputation. Our risk management systems, information technology systems and internal control procedures are designed to monitor our operations and overall compliance. However, we cannot assure you that we will be able to identify non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct and the precautions we take to prevent and detect such activities may not be effective. Hence, there exists the risk that fraud or other misconduct may have previously occurred but was undetected, or may occur in the future. As a result of actual occurrence of fraud or other misconduct, our financial condition, results of operations and growth prospects could be materially and adversely affected.

Disruptions to our information technology systems could materially and adversely affect our financial condition, results of operations and growth prospects, and may subject us to liabilities and harm our reputation.

Our business operations rely on our information technology systems, including our online factoring platform. The proper functioning of our financial control, risk management, accounting, customer service and other data processing systems is critical to our business and our ability to compete effectively. However, we cannot assure you that our operations will not be materially disrupted if any of our systems fails due to, among other things, fire, natural disasters, power loss, software faults, computer virus attacks, conversion errors due to system upgrades, or security breaches. Any disruption to any of our information technology systems could materially and adversely affect our financial condition, results of operations and growth prospects.

RISK FACTORS

We may be involved in legal and other disputes from time to time arising out of our operations.

We may be involved in legal and other disputes from time to time for a variety of reasons, which may generally be the disputes or claims arising out of our business operations. During the Track Record Period, we had one litigation proceeding, which was against one of our five largest customers for the year ended 31 December 2015, Customer C together with its guarantors, for the recovery of factoring assets, penalty for late repayment, legal fees, guarantee fees and other costs and expenses for enforcing the debt, amounting to a total of approximately RMB10.6 million. The legal proceeding was concluded in November 2015 with the court endorsement of a settlement agreement entered into by the parties, pursuant to which our Group recovered from Customer C and its guarantors a total sum of approximately RMB10.5 million. Customer C is a service provider for interior and outdoor decoration works. During the year ended 31 December 2015, Customer C factored to us its accounts receivable which were related to the decoration works it rendered for a five-star hotel in Zhejiang Province and the underlying debtor of which was a five-star hotel company. Although we had only one litigation proceeding during the Track Record Period, there is no assurance that we will not be involved in other disputes in the future. These disputes may lead to legal or other proceedings against us. Where we assess and discover a risk of potential loss, we will make provisions for the loss in accordance with our policies. In addition, our view on provisions will change according to our risk assessment. We cannot guarantee that the outcome in any of the litigation in which we are involved would be favourable to us, or that our litigation provisions are adequate to cover our losses arising from legal proceedings or other disputes. We may encounter various legal, administrative or other disputes and proceedings in the future, which may result in damage to our reputation, additional operational costs and a diversion of resources and management's attention from our core business operations.

RISKS RELATING TO OUR INDUSTRY

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

The legal framework in respect of the factoring business in China is relatively undeveloped to date. Save for the normative documents as mentioned in the "Regulatory Overview" section in this prospectus, there is currently no uniform or comprehensive law in China to regulate the factoring business undertaken by entities that are not commercial banks. For example, it is uncertain what constitutes valid notification to the underlying debtor in order for the transfer of receivables to be enforceable under the PRC laws, and the formality requirements for one province may differ from another province. Our business operations are subject to the supervision of all the relevant authorities as well as the discretion of different authorities with respect to the interpretation, implementation and enforcement of relevant laws, regulations, and normative documents. Any non-compliance may subject us to restrictions on our business, administrative sanctions and penalties, or even the revocation of our business licence. In the event that the enforceability of our past factoring transactions during the Track Record Period is challenged by our customers and/or their underlying debtors in the various provinces of China, or the regulatory policies for factoring businesses in the PRC changes or stricter rules are promulgated and implemented, this could materially and adversely affect our financial condition, results of operations and growth prospects.

RISK FACTORS

We operate our factoring business in an increasingly competitive environment.

The factoring industry in the PRC is increasingly competitive, and there is no guarantee that we will be able to sustain our competitive advantage or to effectively implement our business strategies. According to the Frost & Sullivan Report, the commercial factoring market in the PRC has seen fast growth since 2012 when the MOFCOM officially implemented the commercial factoring pilot scheme, and the number of registered commercial factoring companies increased from 40 in 2011 to 2,346 in 2015. Our competitors mainly comprise commercial factoring companies that are of similar scale as us, and other financial service companies. Competition from such entities may result in certain developments in our industry, such as downward competitive pressure on interest rates charged to customers, expansion by existing competitors, adoption by our competitors of innovative financial services or comparatively effective branding efforts, any of which may have a material adverse impact on our financial condition, results of operations and growth prospects.

Interest rate changes may materially and adversely affect interest expenses related to our borrowings, reduce net interest income, and reduce the demand for our factoring services.

Our business is affected by interest rates, including both the interest rates charged to our customers and the interest rates we pay on our borrowings. In order to remain responsive to changing interest rates and to manage our interest rate exposure, we have implemented measures to adjust the structure of our assets and liabilities based on an assessment of the sensitivity of projected net interest income under various interest rate scenarios. Any mismatch in interest rates exposes us to an interest rate risk, and may negatively affect our net interest margin and net interest spread if different benchmark interest rates fluctuate and diverge.

In addition, an increase in interest rates, or the perception that an increase may occur, could adversely affect our ability to obtain bank loans at favourable interest rates, our ability to maximise our interest income, our ability to originate new factoring loans, and our ability to grow our business. Furthermore, our net interest income is also impacted by our ability and frequency of repricing the applicable interest rates. If we fail to appropriately adjust the interest rates of our factoring contracts in a timely manner, our net interest spread and our net interest margin may decrease, and as a result, our profitability and results of operations could be materially and adversely impacted. Any increase in our interest expense or decrease in our net interest income could have a material adverse effect on our financial condition, results of operations and growth prospects.

RISKS RELATING TO CONDUCTING OPERATIONS IN THE PRC

Adverse developments in the PRC's economy or an economic slowdown in the PRC may reduce the demand for our services, and may have a material adverse effect on our financial condition, results of operations and growth prospects.

We conduct most of our business and generate all of our revenue in the PRC. As a result, economic developments in the PRC have a significant effect on our financial condition, results of operations and growth prospects. In recent years, the PRC has been one of the world's fastest growing economies in terms of GDP growth. However, the global financial crisis that unfolded in 2008 and continued in the past few years has led to a marked slowdown in the economic growth of the PRC. According to the Frost & Sullivan Report, the real GDP growth rate of the PRC decreased from 9.5%

RISK FACTORS

in 2011 to 6.7% in 2016, and the GDP growth rate for 2017 is expected to be below 6.6%. The global economy may continue to deteriorate in the future and continue to have an adverse impact on the PRC's economy. Any significant slowdown in the PRC economy could have a material adverse effect on our business and operations. In particular:

- during a period of economic slowdown, there is a greater likelihood that more of our customers or underlying debtors could become delinquent in respect of their payment obligations to us, which, in turn, could result in a higher level of non-performing loans, allowance for impairment losses on loans and write-offs, all of which would materially reduce our profit before tax;
- we may not be able to raise additional capital on favourable terms, or at all; and
- trade and capital flows may further contract as a result of protectionist measures introduced in certain markets, which could cause a further slowdown in economies and materially and adversely affect our business and prospects.

In addition, factors such as consumer, corporate and government spending, business investment, volatility of the capital markets and inflation could affect the business and economic environment in the PRC, and ultimately, the profitability of our business.

If the PRC's economy experiences significant adverse developments or a significant downturn, we could experience reduced level of liquidity and increased credit spreads, and our financial condition, results of operations and growth prospects would be materially and adversely affected.

Uncertainties with regard to the PRC's legal system could materially and adversely affect us.

The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Additionally, the PRC's written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of the PRC's laws and regulations may not be definitive. In addition, the PRC's legal system is based in part on government policies and internal rules (some of which are not published on a timely basis, if at all) that may have a retroactive effect. The PRC may not accord equivalent rights (or protection for such rights) to those rights investors might expect in countries with more sophisticated real estate laws and regulations.

Agreements that are governed by the PRC's laws may be more difficult to enforce by legal or arbitral proceedings in the PRC than in countries with more mature legal systems. Even if the agreements generally provide for arbitral proceedings for disputes arising out of the agreements to be in another jurisdiction, it may be difficult for us to obtain effective enforcement in the PRC of an arbitral award obtained in that jurisdiction.

RISK FACTORS

In particular, the laws and regulations governing the internet information services continues to evolve, and we may face uncertainties when utilising and upgrading our online platform to facilitate our commercial factoring business, as we may further be subject to certain sophisticated and complex scheme of regulations in internet telecommunication services. Although our Group has made proper filing of our online platform to the relevant PRC authorities, we may in the future be required to apply for additional approvals and permits if the services we upgrade or plan to provide via the online platform fall into the category of value-added telecommunication services or as otherwise required under the relevant laws and regulations.

Fluctuations in exchange rates and governmental control over currency conversion may affect the value of your investment and limit our ability to utilise our cash effectively.

Renminbi is not currently a freely convertible currency. We receive all of our payments from our customers in Renminbi and will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares. Under the existing foreign exchange regulations in the PRC, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from SAFE or its local branches by complying with certain procedural requirements. However, the PRC government may take measures at its discretion in the future to restrict access to foreign currencies for current account transactions if foreign currencies become scarce in the PRC. We may not be able to pay dividends in foreign currencies to our Shareholders if the PRC government restricts access to foreign currencies for current account transactions. Foreign exchange transactions under our capital account continue to be subject to significant foreign exchange controls. These limitations could affect our ability to obtain foreign exchange through equity financing, or to obtain foreign exchange for capital expenditures.

The exchange rate of the Renminbi against the Hong Kong dollar, U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC government and changes in the PRC's and international political and economic conditions. In July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Between May 2007 and March 2014, the PRC government further widened the daily band to as high as 2% in order to further improve the managed floating Renminbi exchange rate regime based on market supply and demand. In addition, the PBOC has introduced a series of measures to facilitate the reform of the Renminbi exchange rate regime, including the introduction of financial derivative products such as currency swaps, and the relaxation on Renminbi trading by non-financial institutions. The PRC government has since made, and in the future may make, adjustments to the exchange rate system. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a further and more significant appreciation of Renminbi against the Hong Kong dollar, the U.S. dollar or other foreign currencies. If the appreciation of Renminbi continues, and as we need to convert the proceeds from the Global Offering and future financing into Renminbi for our operations, appreciation of Renminbi against the relevant foreign currencies would reduce the Renminbi amount we would receive from the conversion. On the other hand, because the dividends on our Shares, if any, will be paid in Hong Kong dollars, any devaluation of Renminbi against the Hong Kong dollar could reduce the amount of any cash dividends on our Shares in Hong Kong dollar terms.

RISK FACTORS

It may be difficult to effect service upon, or to enforce judgments against us or the Directors or senior management residing in the PRC, in connection with judgments obtained from courts other than the PRC courts.

Some of our Directors and members of our senior management reside in the PRC. Almost all of our assets and most of the assets of our Directors and the members of our senior management are located within the PRC. Moreover, the PRC does not have treaties with most other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards. As a result, recognition and enforcement in the PRC of the judgment of a non-PRC court in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. Judgments obtained in a Hong Kong court may be enforced in the PRC, provided that certain conditions are satisfied. However, there are uncertainties as to the outcome of any applications to recognise and enforce such judgments in the PRC.

Furthermore, the PRC does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, or most other European countries or Japan. Hence, the recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

There has been no prior public market for our Shares.

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Joint Global Coordinators and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of our Company may affect the volume and price at which our Shares will be traded.

The price and trading volume of our Shares may be volatile, which could result in substantial losses for investors purchasing our Shares in the Global Offering.

Factors such as fluctuations in our revenue, earnings, cash flows, new investments, regulatory development, additions or departures of key personnel, or actions taken by competitors could cause the market price of our Shares or trading volume of our Shares to change substantially and unexpectedly. In addition, stock prices have been subject to significant volatility in recent years. Such volatility has not always been directly related to the performance of the specific companies whose shares are traded. Such volatility, as well as general economic conditions, may materially and adversely affect the prices of shares, and as a result investors in our Shares may incur substantial losses.

RISK FACTORS

Subscribers and purchasers of our Shares under the Global Offering will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price of our Shares is higher than our net tangible assets value per Share immediately prior to the Global Offering. Therefore, subscribers and purchasers of our Shares under the Global Offering will experience an immediate dilution in pro forma net tangible assets value per Share. In order to expand our business, we may consider offering and issuing additional Shares in the future. Subscribers and purchasers of our Shares may experience dilution in the net tangible assets value per Share if we issue additional Shares in the future at a price which is lower than our net tangible assets value per Share.

Future sale or major divestment of Shares by any of our substantial Shareholders could adversely affect the prevailing market price of our Shares.

The Shares held by certain substantial Shareholders are subject to certain lock-up periods, the details of which are set out in the section headed “Underwriting” in this prospectus. However, we cannot give any assurance that after the restrictions of the lock-up periods expire, these Shareholders will not dispose of any Shares. Sale of substantial amounts of our Shares in the public market, or the perception that these sale may occur, may materially and adversely affect the prevailing market price of our Shares.

The market price of the Shares when trading begins could be lower than the Offer Price.

The Offer Price will be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be the fifth Business Day after the expected Price Determination Date. Investors may not be able to sell or otherwise deal in the Shares during that period. As a result, holders of the Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur during that period.

Shareholders’ interests in our Company may be diluted in the future.

Our Company may issue additional Shares pursuant to the Share Option Scheme. In addition, we may need to raise additional funds in the future to finance our business expansion, for existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of the existing Shareholders may be reduced, and they may experience subsequent dilution and reduction in their earnings per share, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

RISK FACTORS

Investors should not place undue reliance on facts, forecasts, estimates and other statistics in this prospectus relating to the economy and our industry obtained from official resources.

Facts, forecasts, estimates and other statistics in this prospectus relating to the economy and the industry in which we operate our business on have been collected from materials from official government sources. While we have exercised reasonable care in compiling and reproducing such information and statistics derived from government publications, we cannot assure you nor make any representation as to the accuracy or completeness of such information.

Neither we or any of our respective affiliates or advisers, nor the Underwriters or any of its affiliates or advisers, have independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information relating to the economy and the industry derived from the official government sources used in this prospectus may not be consistent with other information available from other sources and therefore, investors should not unduly rely upon such facts, forecasts, estimates and statistics while making investment decisions.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding the Global Offering.

There may have been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, such as the profit estimate information. You should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding the Global Offering. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any estimates, views or opinions expressed by the press or other media regarding the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions whether to invest in the Global Offering. Prospective investors in the Global Offering are reminded that, in making their decisions as to whether to purchase our Shares, they should rely only on the financial, operational and other information included in this prospectus and the Application Forms. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Application Forms.

RISK FACTORS

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements that are “forward-looking” and uses forward looking terminology such as “anticipate,” “estimate,” “believe,” “expect,” “may,” “plan,” “consider,” “ought to,” “should,” “would,” and “will.” Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources.

Purchasers of our Offer Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Company’s plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the GEM Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this prospectus or any statement herein misleading.

THIS HONG KONG PUBLIC OFFER AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offer, which forms part of the Global Offering. For applicants under the Hong Kong Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offer. See “How to Apply for Hong Kong Offer Shares” and the Application Forms for details of the procedures for applying for the Hong Kong Offer Shares.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers and Joint Bookrunners, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING AND UNDERWRITING

See “Structure and Conditions of the Global Offering” for details of the Structure and Conditions of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilisation.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or around the Price Determination Date, subject to agreement on the Offer Price between the Joint Global Coordinators and us. The Global Offering is managed by the Joint Global Coordinators. If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. See “Underwriting” for details of the Underwriters and the underwriting arrangements.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offer will be required to confirm, and is deemed by his acquisition of Hong Kong Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the United States.

APPLICATION FOR LISTING ON GEM

Our Company has applied to the Listing Division of the Stock Exchange for the granting of the listing of and permission to deal in the Shares in issue and to be issued on GEM pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option). Dealings in the Shares on GEM are expected to commence on 6 July 2017.

Save as disclosed in this prospectus, no part of our share capital or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the Stock Exchange granting the listing of, and permission to deal in, our Shares on GEM and we complying with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offer will be registered on our register of members to be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong. Our principal register of members will be maintained by our principal registrar, Estera Trust (Cayman) Limited, in the Cayman Islands.

No stamp duty is payable by applicants in the Global Offering.

Dealings in the Shares registered on our register of members in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of us, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers and the Joint Bookrunners, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB amounts into Hong Kong dollars at a specified rate. Unless we indicate otherwise, the translations of RMB into Hong Kong dollars and vice versa have been made at the rate of RMB1.00 to HK\$1.13 in this prospectus.

No representation is made that any amount in RMB or Hong Kong dollars can be or could be, or have been, converted at the above rate or any other rate or at all.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Tung Chi Fung	Apartment 0373, 3/F Block 13 Hong Kong Parkview 88 Tai Tam Reservoir Road Hong Kong	Singaporean
Chen Jen-Tse (陳仁澤)	Room 19C, Block D2, Galaxy International, Fuhua San Road, Futian District, Shenzhen, Guangdong Province, PRC	Taiwanese
<i>Independent non-executive Directors</i>		
Hung Ka Hai Clement (洪嘉禧)	House 25, Casas Domingo, Kam Ka Street, Kwu Tung, Sheung Shui, New Territories Hong Kong	Chinese
Loo Yau Soon	No 44 JLN Perakong Seria Kuala Belait Brunei Darussalam KB1733	Bruneian
Twoon Wai Mun, Benjamin (段偉文)	107 Pavilion Circle, Singapore 658541	Singaporean

For further information of our Directors, please refer to the section headed “Directors and Senior Management” of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

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

Joint Global Coordinators

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

Head & Shoulders Securities Limited
Room 2511, 25/F
Cosco Tower
183 Queen's Road Central
Hong Kong

ChaoShang Securities Limited
Rooms 4001-4002, 40/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Joint Bookrunners

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

Head & Shoulders Securities Limited
Room 2511, 25/F
Cosco Tower
183 Queen's Road Central
Hong Kong

ChaoShang Securities Limited
Rooms 4001-4002, 40/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers

Dakin Securities Limited

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

Head & Shoulders Securities Limited

Room 2511, 25/F
Cosco Tower
183 Queen's Road Central
Hong Kong

ChaoShang Securities Limited

Rooms 4001-4002, 40/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Underwriter(s)

Dakin Securities Limited

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

Head & Shoulders Securities Limited

Room 2511, 25/F
Cosco Tower
183 Queen's Road Central
Hong Kong

ChaoShang Securities Limited

Rooms 4001-4002, 40/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

**Legal adviser to our Company
as to Hong Kong law**

TC & Co.

Units 2201-3, Tai Tung Building
8 Fleming Road
Wan Chai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal adviser to our Company as to Cayman Islands law	Appleby 2206-19 Jardine House 1 Connaught Place Central Hong Kong
Legal adviser to our Company as to PRC law	DeHeng Law Offices (Shenzhen) Storey 11, Section B, Anlian Plaza 4018 Jintian Road Shenzhen PRC
Legal adviser to the Sole Sponsor and the Underwriters as to Hong Kong law	Deacons 5th Floor, Alexandra House 18 Chater Road Central Hong Kong
Legal adviser to the Sole Sponsor and the Underwriters as to PRC law	Shu Jin Law Firm 12/F, Taiping Finance Tower 6001 Yitian Road, Futian District Shenzhen PRC
Auditors and reporting accountants	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35/F, One Pacific Place 88 Queensway Hong Kong
Industry consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Room 1018, Tower B No. 500 Yunjin Road, Xuhui District Shanghai, 200232 China
Compliance adviser	Dakin Capital Limited Room 2701, 27/F Tower 1, Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
Receiving bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

CORPORATE INFORMATION

Registered office	PO Box 1350, Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in the PRC	10/F Kerry Plaza Tower 2 1-1 Zhong Xin No. 4 Road Futian, Shenzhen 518048 PRC
Principal place of business in Hong Kong	Room 4206, 42/F, Tower 1 Lippo Centre 89 Queensway Admiralty Hong Kong
Company's website address	<u>www.shengyecapital.com</u> <i>(information contained in this website does not form part of this prospectus)</i>
Company secretary	Lo Wai Hung (盧偉雄) <i>Certified Public Accountant</i> 42A, Block 5 Royal Ascot Fo Tan, New Territories Hong Kong
Authorised representatives	Tung Chi Fung Apartment 0373, 3/F Block 13 Hong Kong Parkview 88 Tai Tam Reservoir Road Hong Kong Lo Wai Hung (盧偉雄) 42A, Block 5 Royal Ascot Fo Tan, New Territories Hong Kong
Compliance officer	Tung Chi Fung Apartment 0373, 3/F Block 13 Hong Kong Parkview 88 Tai Tam Reservoir Road Hong Kong

CORPORATE INFORMATION

Audit committee	Hung Ka Hai Clement (<i>Chairman</i>) Twoon Wai Mun, Benjamin Loo Yau Soon
Remuneration committee	Loo Yau Soon (<i>Chairman</i>) Tung Chi Fung Hung Ka Hai Clement
Nomination committee	Tung Chi Fung (<i>Chairman</i>) Twoon Wai Mun, Benjamin Hung Ka Hai Clement
Principal share registrar and transfer office	Estera Trust (Cayman) Limited Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Shanghai Pudong Development Bank, Puxin Branch, Tianjin No. 4-6, Dongfangmingju Building No. 2, Second Street Tianjin Development Zone China Bank of Communication, Jinye Branch, Shenzhen 1/F., Shenhua Commercial Building Nanhu Road, Luohu District Shenzhen Industrial and Commercial Bank of China Shenzhen Excellence Times Square Branch 1/F., Excellence Times Square, Yitian Road Futian District, Shenzhen, China Standard Chartered Bank (Hong Kong) Limited Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong

REGULATORY OVERVIEW

PRC LAWS AND REGULATIONS

The relevant laws and regulations applicable to the operations and business of the subsidiaries in the PRC are set out below:

INCORPORATION, OPERATION AND MANAGEMENT OF WHOLLY FOREIGN-OWNED ENTERPRISE

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC (中華人民共和國公司法) (the “Company Law”), which was promulgated by the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013. The newly amended Company Law has been promulgated and effective from 1 March 2014. Pursuant to the Company Law, companies are classified into categories, namely limited liability companies and limited companies by shares. The Company Law shall also apply to foreign-invested limited liability companies and companies limited by shares. According to the Company Law, the provisions otherwise prescribed by the laws on foreign investment shall prevail.

The establishment procedures, approval procedures, registered capital requirement, foreign exchange, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) (the “Wholly Foreign-owned Enterprise Law”), which was promulgated on 12 April 1986 and amended on 31 October 2000 and 3 September 2016, and the Implementation Regulations of the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法實施細則) (the “Implementation Regulations”), which was promulgated on 12 December 1990 and amended on 12 April 2001 and 19 February 2014.

According to the latest amendment to Wholly Foreign-owned Enterprise Law on 3 September 2016, foreign-invested enterprises which do not fall within the scope of special administrative measures for foreign investment admission stipulated by the National Development and Reform Commission (中華人民共和國國家發展和改革委員會, the “NDRC”) and MOFCOM or approval procedures stipulated in Article 6, Article 10 and Article 20 of the Wholly Foreign-owned Enterprises Law of the PRC shall be subject to filing procedures.

Pursuant to the Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法), which was promulgated by the MOFCOM on 8 October 2016 and became effective on the same date, where establishment and changes to a foreign-invested enterprise do not fall within the scope of special administration measures for foreign investment admission as stipulated by the NDRC and MOFCOM, the foreign-invested enterprise shall go through filing procedures instead of the procedures for approvals. However, where establishment and changes to a foreign-invested enterprise falls within the scope of special administration measures for foreign investment admission as stipulated by the State, the foreign-invested enterprise shall go through procedures for approvals according to the relevant laws and regulations governing foreign investment.

REGULATORY OVERVIEW

As to the Latest Practicable Date, our Group falls outside the scope of aforementioned special administrative measures or approval procedures.

Any investments conducted by the foreign investors and foreign enterprises in the PRC shall be subject to the Catalogue for the Guidance of Foreign Investment Industries (外商投資產業指導目錄) (the “Guidance Catalogue”), the latest version of which was promulgated by the NDRC and the MOFCOM on 10 March 2015 and came into effect on 10 April 2015. The Guidance Catalogue was divided into the Encouraged Foreign Investment Industries, the Restricted Foreign Investment Industries and the Prohibited Foreign Investment Industries. Industries which are not listed in the Guidance Catalogue shall be classified as the Permitted Foreign Investment Industries. Pursuant to National Economy Industry Classification Catalogue (國民經濟行業分類 (GB/4754-2011)), commercial factoring falls within the finance industry but does not belong to the Restricted Foreign Investment Industries and the Prohibited Foreign Investment Industries, the core business of our PRC subsidiaries falls within the Permitted category for foreign investments on a wholly-owned basis.

LAWS AND REGULATIONS AND NORMATIVE DOCUMENTS RELATING TO COMMERCIAL FACTORING

Given that the commercial factoring is a relatively new business model in the PRC, there are no uniformed or comprehensive laws or regulations at the Latest Practicable Date governing the registration and operation of commercial factoring business by entities that are not commercial banks. However, as the regulatory authority of commercial factoring at national level, the MOFCOM had issued a series of circulars, notices and measures to promote the sustainable and healthy development of commercial factoring, which include the Circular on Issues Related to the Pilot Program of Commercial Factoring (關於商業保理試點有關工作的通知) (Shang Zi Han [2012] No. 419) on 27 June 2012, the Replies to the Implementation Scheme of the Pilot Program of Commercial Factoring (關於商業保理試點實施方案的復函) (Shang Zi Han [2012] No.919, the “MOFCOM Replies No. 919”) on 9 October 2012 and subsequently amended by MOFCOM Order No. 2 issued on 28 October 2015 where the minimum registered capital requirement of no less than RMB50,000,000 had been abolished, the Notice of the MOFCOM on the Pilot Program of Formation of Commercial Factoring Enterprises in Shenzhen and Guangzhou by Hong Kong and Macao Service Suppliers (關於香港、澳門服務提供者在深圳市、廣州市試點設立商業保理企業的通知)(Shang Zi Han [2012] No.1091), and the Circular of the General Office of the MOFCOM on Improving the Administration of Commercial Factoring Business (商務部辦公廳關於做好商業保理行業管理工作的通知)(Shang Ban Yi Han [2013] No.718, the “Circular No. 718”) on 15 August 2013.

In furtherance of the MOFCOM Replies No. 919, the Tianjin Municipal People’s Government promulgated Administrative Measures for the Commercial Factoring Pilot Program in Tianjin Municipality (天津市商業保理業試點管理辦法)(Jin Zheng Ban Fa [2013] No.103, the “Tianjin Administrative Measures No.103”), which came into effect on 17 December 2012 and was subsequently amended on 27 November 2013. The Economy, Trade and Information Commission of Shenzhen Municipality (深圳市經濟貿易與信息化委員會), which was responsible for the establishment and changes of foreign-invested enterprises in Shenzhen Municipality, promulgated the Interim Detailed Rules of Shenzhen Municipality on Review and Approval of Pilot Program of Foreign-invested Commercial Factoring Enterprises (深圳市外資商業保理試點審批工作暫行細則) (Shen Jing Mao Xin Xi Wai Zi Zi [2013] No.73, the “Shenzhen Interim Detailed Rules No. 73”) on 12 August 2013 and came into effect on 31 August 2013.

REGULATORY OVERVIEW

Pursuant to the aforementioned normative documents, commercial factoring companies shall be established by foreign investors with good reputations and relevant business experiences in the commercial factoring industry. The commercial factoring companies may conduct a series of business for their customers that includes trade financing, sale subsidiary ledger management, credit investigation and assessment, management and debt collection of account receivables, and non-commercial bad debts guarantee related to commercial factoring. The commercial factoring companies shall have at least two senior management personnel with management experience in the related field and with good personal credit record. To safe guard the company against risks, the risk assets of commercial factoring companies, which shall be determined by subtracting cash, bank loans, residual assets of treasury bonds from the total assets of the company, shall not exceed 10 times the total net assets of the company as of the end of each financial year. Commercial factoring companies shall not engage in deposit, loan or other financial activities, or any entrusted recovery or specialised debt collection business for potential customers with overdue account receivables. Commercial factoring companies shall submit monthly business statistical report, quarterly financial report and annual report to the provincial branches of the MOFCOM, and shall report to the same any substantial changes on the shareholding, management structure or business operation.

During the Track Record Period, we provided accounts receivable management services which includes assisting our client in the collection of account receivables that arise from their goods sales or service contracts. Such service was within the scope of business as registered and approved in the business licenses of the relevant PRC subsidiaries and was in accordance with the normative documents. We do not accept engagement by potential customers who already have overdue account receivables and intend to engage us to collect, which falls into the scope of either entrusted recovery or specialized debt collection that were prohibited by the aforementioned normative documents.

Under the relevant laws and regulations of the PRC, we are allowed to conduct commercial factoring business through online platform. Pursuant to the Circular on Some Issues concerning the Approval and Administration of Foreign Investment Projects of Sale through Internet and Automat (關於外商投資互聯網、自動銷售機方式銷售項目審批管理有關問題的通知) (Shang Mao Zi [2010] No.272) promulgated by the general office of MOFCOM on 19 August 2010, and the Administrative Measures for Online Trading (網絡交易管理辦法) promulgated by the State Administration of Industry and Commerce of the PRC (中華人民共和國工商行政管理總局) on 26 January 2014, foreign enterprises may take advantage and use their online platform as an extension of its own business and conduct internet sale of its commodities or services. Such foreign enterprise shall, however, carry out record-filing measures first if they engage in direct sale of commodity via their own online platforms.

Under the Tianjin Administrative Measures No.103 and the Shenzhen Interim Detailed Rules No. 73, commercial factoring companies shall comply with the Announcement of the People's Bank of China on the Procedures on the Registration of Pledge of Accounts Receivables (中國人民銀行應收賬款質押登記辦法) and shall register the transfer of accounts receivables via the public notice system by the Credit Information Center of the PBOC for public enquiry.

REGULATORY OVERVIEW

LAWS AND REGULATIONS RELATING TO INTERNET INFORMATION SERVICES

According to the Telecommunication Regulations of the PRC (中華人民共和國電信條例) promulgated by the State Council and became effective on 25 September 2000 and subsequently amended on 29 July 2014, telecommunication businesses are divided into basic telecommunication services and valued-added telecommunication services. Pursuant to the Administrative Measures for Internet Information Services (互聯網信息服務管理辦法, Order of the State Council [2000] No.292, the “Order 292”) promulgated by the State Council on 25 September 2000 and subsequently amended on 8 January 2011, service providers who provide internet information to online users on a compensated basis (i.e. commercial internet information services)(經營性互聯網信息服務) shall first apply for the Internet Information Services Value-added Telecommunications Service Operating Permit (互聯網信息服務增值電信業務經營許可證), while those who provide openly accessible internet information in a public domain on a non-compensated basis (i.e. non-commercial internet information services) (非經營性互聯網信息服務) shall first carry out record-filing measures. Pursuant to the Measures for the Archival Administration of Non-commercial Internet Information Services (非經營性互聯網信息服務備案管理辦法) promulgated by the former Ministry of Industry and Information Technology of the PRC (中華人民共和國信息產業部) on 8 February 2005 (Order of the Ministry of Industry and Information technology [2005] No.33, the “Order 33”), a service provider who plan to provide non-commercial internet information services shall first file the record to the provincial telecommunications administration at his domicile.

Our Group has made proper filing of its online factoring platform to the relevant PRC authorities in accordance with the Order 292 and the Order 33, and had obtained a ICP filing number of 粵ICP備No.17033957.

LAWS AND REGULATIONS RELATING TO PROTECTION OF STATE AND BUSINESS SECRETS

According to the Law of the PRC on Protecting the State Secrets (中華人民共和國保守國家秘密法) promulgated by the Standing Committee of the National People’s Congress on 29 April 2010 and became effective on 1 October 2010, and the Implementing Regulations regarding the Law of the PRC on Protecting the State Secrets promulgated by the State Council on 17 January 2014 and became effective on 1 March 2014 (together the “State Secret Protection Laws”), all government agencies, enterprises and institutes and other relevant units (the “Agencies and Units”) with knowledge of the State Secrets shall fulfill their obligation to protect the State secrets, which refer to confidential issues of the State related to the national defense, diplomatic activities, national economic and social development and other significant decisions of the State, and shall be accessed by a limited number of personnel within a certain period of this as determined under relevant legal procedures and the divulgence of which may cause harm to the national security and interests. The State Secret Protection Laws stipulate that seven confidential issues shall be classified as the State secrets: (a) issues involved in the significant decisions on the State affairs; (b) issues involved in the national defense development and in the activities of the armed forces; (c) issues involved in the diplomatic activities and in activities related to foreign countries, and the secrets of which the State shall fulfill the obligations of confidentiality to foreign countries; (d) issues involved in the national economic and social development; (e) issues involved in the science and technology; (f) issues involved in the activities in protecting the security of the State and in the investigation of crimes; and (g) other issues which are cognized by the State secret-protection administration. The Agencies and Units shall (a) be

REGULATORY OVERVIEW

legal persons duly established for more than three years and without any criminal records; (b) assign personnel with the nationality of the PRC to process the State Secrets; (c) establish appropriate confidentiality systems based on the confidential level of the State Secrets, and assign specialized personnel to safeguard the State Secrets; (d) have the professional capability to process and safeguard the State Secrets; and (e) meet other requirements as stipulated by the laws and regulations of the PRC. The Agencies and Units which originate State secrets have the obligation to determine, classify and declare the security levels, confidentiality period and scope of awareness of the State secrets in accordance with the regulation and standard of the State secrets. Any media carrier carrying the State Secrets shall be labeled with marks of the State Secrets and any Agencies and Units and personnel including the one that is assigned by the Agencies and Units to process and safeguard State Secrets is prohibited to copy, record or save the State Secrets, or disclose to a third party without proper and necessary prior approvals of the personnel responsible for determining, changing, and relieving the State secrets of the Agencies and Units, or relevant government agencies stipulated by the State Secret Protection Laws. The Agencies and Units may not jeopardize the State secrets by connecting the devices with the State secrets to the internet or any other public information networks. Besides, enterprises and institutions engaged in State secrets involving business, shall go through the confidentiality examination by relevant department of government and sign secrecy agreement with the State secret holder which stipulates the confidentiality management requirements.

According to the Anti-Unfair Competition Law of the PRC (中華人民共和國反不正當競爭法) promulgated by the National People's Congress on 2 September 1993 and became effective on 1 December 1993 (together with the State Secret Protection Law, the "Secrecy Protection Laws"), business secrets refer to technical and operational information that are not known to the public, can be used to bring economic benefits to the holders, and have practicability and for which the right holders have taken measures to ensure confidentiality. Any enterprise who is made aware of the business secrets may not infringe, disclose, use or allow others to use such secrets in violation of the agreements they have entered into or against the holders' demand for keeping business secrets.

LAWS AND REGULATIONS RELATING TO LABOUR

Employment Contract

Pursuant to the Labour Law of the PRC (中華人民共和國勞動法) effective since January 1, 1995, and amended on August 27, 2009, the PRC Labour Contract Law (中華人民共和國勞動合同法) effective since January 1, 2008 and amended on December 28, 2012, and the Implementing Regulations of the PRC Labour Contract Law (中華人民共和國勞動合同法實施條例) effective since September 18, 2008, an employment relationship is established from the date when an employee commences working for an employer, and a written employment contract must be entered into on this same date. If an employment relationship has already been established with an employee but no written employment contract has been entered into simultaneously, a written employment contract must be entered into within one month of the date on which the employee commences work. If an employer fails to enter into a written employment contract with an employee within one year of the date on which the employment relationship is established, it must pay the employee twice his/her salary for each month of the 11-month period and rectify the situation by subsequently entering into a written employment contract with the employee.

REGULATORY OVERVIEW

Social Insurance and Housing Fund

As required under Regulation of Insurance for Labour Injury (工傷保險條例), Provisional Insurance Measures for Maternity of Employees (企業職工生育保險試行辦法), Regulation of Unemployment Insurance (失業保險條例), the Decision of the State Council on Setting up Basic Medical Insurance System for Staff Members and Workers in Cities and Towns (國務院關於建立城鎮職工基本醫療保險制度的決定), the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) and the Interim Provisions on Registration of Social Insurance (社會保險登記管理暫行辦法), business enterprises are obligated to provide their employees in China with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance. Any enterprise that fails to make social insurance contributions in accordance with the relevant regulations may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline. If the enterprise fails to rectify the non-compliance by the stipulated deadline set out by the government authorities, it can be assessed a late fee by the relevant authority in the amount of 0.2% of the amount overdue per day from the original due date.

In addition, on 28 October 2010, the Standing Committee of the National People's Congress promulgated the Social Insurance Law (中華人民共和國社會保險法), which became effective on 1 July 2011, to clarify the components of the social insurance system in China. According to the Social Insurance Law, employees will participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees. According to the Social Insurance Law, an employer that fails to make social insurance contributions may be ordered to pay the required contributions within a stipulated deadline and be subject to a late fee of 0.05% of the amount overdue per day from the original due date by the relevant authority. If the employer continues to fail to rectify the delinquent social insurance contribution payment within such stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue.

According to Regulations on Management of Housing Fund (住房公積金管理條例), promulgated in April 1999 and amended in March 2002, PRC enterprises must register with and be subject to review by housing fund administration centers with competent jurisdictions, and establish accounts of housing fund for their employees in entrusted banks. Enterprises are also obligated to pay and deposit housing fund in the full amount and in a timely manner. Each of the PRC enterprises and their employees are required to contribute to the housing fund and their respective deposits shall not be less than 5% of the individual employee's monthly average wage during the preceding year. Any enterprise that fails to make housing fund contributions may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline; otherwise, an application may be made to a local court for compulsory enforcement.

REGULATORY OVERVIEW

LAWS AND REGULATIONS RELATING TO PRC TAXATION

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法, the “EIT Law”) promulgated on 16 March 2007 and effective on 1 January 2008 and the Implementation Rules of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) effective on 1 January 2008, the income tax for both domestic and foreign-invested enterprises will be at the same rate of 25% effective from 1 January 2008.

Income Tax on Share Transfer of Non-resident Enterprise

Pursuant to the Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Gain Derived from Equity Transfer Made by Non-Resident Enterprise (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知, the “Notice 698”) promulgated by the State Administration of Taxation (中華人民共和國國家稅務總局) (the “SAT”) and came into effect from 1 January 2008, and the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告, the “Announcement No. 7”) promulgated by SAT and came into effect on 3 February 2015, where a non-resident enterprise indirectly transfers properties such as equity in Chinese resident enterprises without any reasonable commercial purposes with the aim of avoiding to pay enterprise income tax, such indirect transfer shall be reclassified as a direct transfer of equity in Chinese resident enterprise in accordance with Article 47 of the EIT Law. Indirect transfer of PRC taxable properties shall mean transactions of non-resident enterprises which are carried out through transfer of equity of enterprises abroad that directly or indirectly hold PRC taxable properties (not including the Chinese resident enterprises registered abroad, hereinafter referred to as “enterprises abroad”) and other similar equities (hereinafter referred to as “equity”) and cause the concrete results same as or similar to that of direct transfer of PRC taxable properties, including the circumstance that the restructuring of non-resident enterprises causes changes of shareholders of enterprises abroad. Non-resident enterprises that indirectly transfer PRC taxable properties are referred to as equity transferor.

According to the Announcement No. 7, indirect transfer of PRC taxable properties that meets all of the following conditions shall be deemed as having a reasonable commercial purpose: (1) the equity relationship of the parties involved in the transfer falls under one of the following circumstances: (i) equity transferor directly or indirectly owns more than 80% of the equity of the equity transferee; (ii) equity transferee directly or indirectly owns more than 80% of the equity of the equity transferor; or (iii) more than 80% of the equity of both equity transferor and equity transferee is owned by the same party. If more than 50% (not including 50%) of the value of the equity of an enterprise abroad is directly or indirectly from the real estate in the territory of China, the proportion in items (i), (ii) and (iii) of Paragraph 1 of this article shall be 100%. The aforesaid equity indirectly held shall be calculated based on the product of the shareholding ratios of all enterprises in the shareholding chain; (2) compared with the same or similar indirect transfer occurred without this indirect transfer, the burden of taxation in China will not be reduced on the indirect transfer that may occur again after this indirect transfer; and (3) equity transferee pays all the equity transfer consideration with its equity or equity of enterprises controlled by it (not including equity of listed enterprises).

REGULATORY OVERVIEW

Business Tax

Pursuant to Interim Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例) which was promulgated by the State Council on 13 December 1993, and revised on 10 November 2008 and the Implementing Rules for the Interim Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例實施細則) which was promulgated by the Ministry of Finance on 18 December 2008 and revised on 28 October 2011, all units and individuals engaged in the provision of services, the transfer of intangible assets or the sale of immovable properties within the territory of the PRC shall pay Business Tax. The applicable tax rates range from 3% to 20%.

Value-added Tax and Preferential Tax Treatments

All entities and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, and the importation of goods within the territory of the PRC shall pay value-added tax (“VAT”) in accordance with the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) (the “Provisional Regulations on VAT”) and its implementation rules. The Provisional Regulations on VAT was promulgated by the State Council of the PRC (國務院) which became effective on 1 January 1994 and amended on 5 November 2008. Pursuant to the Provisional Regulations on VAT and its implementation rules, VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is 17% or 13% in certain limited circumstances depending on the product type.

The SAT and the Ministry of Finance promulgated the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax In Lieu of Business Tax (全面推開營業稅改征增值稅試點的通知)(Cai Shui [2016] No. 36) on 23 March 2016 and become effective on 1 May 2016. The former Circulars including the one on the Inclusion of the Railway Transport Industry and Postal Service Industry in the Pilot Collection of Value-added Tax in Lieu of Business Tax (關於將鐵路運輸和郵政業納入營業稅改征增值稅試點的通知)(Cai Shui [2013] No. 106) (hereafter the “Circular”) on 12 December 2013 has been abolished accordingly.

Appendix 1 to the Circular, namely Implementing Measures for Pilot Collection of Value-added Tax in Lieu of Business Tax (營業稅改征增值稅試點實施辦法), stipulates that entities and individuals shall pay PRC VAT at a rate of 6% for any taxable activities unless otherwise stipulated, and the levy rate for PRC VAT is 3% except as otherwise specified by the SAT and the Ministry of Finance. The payment obligation arises on the day when the payment is received or the evidence of demanding the payment is obtained in connection with the taxable activities, or on the day when the invoice is issued in the case where such invoice is issued in advance.

REGULATORY OVERVIEW

The tax rates applicable to our Group's commercial factoring services before and after the implementation of the VAT reform on 1 May 2016 are as follows:

Before 1 May 2016	25% (EIT)
	6% (VAT)
	5% (Business Tax)
Since 1 May 2016	25% (EIT)
	6% (VAT)

Withholding Tax on Dividends

According to the PRC Enterprise Income Tax Law and the Implementation Rules of the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法實施條例), non-resident enterprises which have not set up institutions or premises in the PRC, or where the institutions or premises are set up but its subsidiary's after-tax income has no actual relationship with such institutions or premises shall be subject to the withholding tax of 10% on income derived from the after-tax profit of its subsidiary. According to the Arrangements between the Mainland of the PRC and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion With Respect to Taxes On Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), profit derived by a foreign investor residing in Hong Kong from PRC enterprise in which such foreign investor owns directly at least 25% equity interest is subject to the tax rate of 5% after obtaining the approval from the relevant tax bureau.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaties (關於執行稅收協定股息條款有關問題的通知), which was promulgated by the SAT and became effective on 20 February 2009, all of the following requirements shall be satisfied for a party to a tax agreement to be entitled to the tax rate specified in the tax agreement for dividends paid to it by a PRC resident company: (i) such a fiscal resident who obtains dividends should be the company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the PRC resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the PRC domestic company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, shall reach the percentage specified in the tax agreement.

According to the Administrative Measures for Non-resident Taxpayers to Enjoy Treatments under Tax Treaties (《非居民納稅人享受稅收協定待遇管理辦法》) (the "Administrative Measures"), which was promulgated on 27 August 2015 and came into force on 1 November 2015, if the non-resident taxpayers are qualified for enjoying the favorable tax benefits under the tax arrangements, they could enjoy such benefits of themselves from the tax authority when they or their withholding agents make declarations to the relevant tax authority. Under the Administrative Measures, when the non-resident taxpayers or their withholding agents make declarations to the relevant tax authority, they should deliver the relevant reports and materials to the tax authority and such non-resident taxpayers and withholding agents will be subject to the follow-up management of the tax authority.

REGULATORY OVERVIEW

Foreign Currency Exchange

Foreign Currency Exchange

The principal regulation governing foreign currency exchange in the PRC is the Foreign Exchange Administration Rules of the PRC (中華人民共和國外匯管理條例) (the “Foreign Exchange Administration Rules”). It was promulgated by the State Council of the PRC on 29 January 1996, became effective on 1 April 1996 and was amended on 14 January 1997 and 1 August 2008. Pursuant to the Foreign Exchange Administration Rules, the payment in and transfer of foreign exchange for current international transactions shall not be subject to the government control or restriction. Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of State Administration of Foreign Exchange (國家外匯管理局, hereinafter the “SAFE”) for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. While convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loan are subject to registration with SAFE and approval or file with the relevant governmental authorities (if necessary).

On 30 March 2015, SAFE promulgated Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) to reform the management approach regarding the settlement of the foreign exchange capital of foreign-invested enterprises. The notice implemented a discretionary foreign exchange settlement where the foreign exchange capital in the capital account of foreign-invested enterprises for which the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) has been handled can be settled at the banks based on the actual operation needs of the enterprises.

On 9 June 2016, the SAFE further promulgated the Circular on Relevant Issues Concerning the Reform and Regulation of the Administrative Policies of the Conversion under Capital Items (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (the “Circular No.16”). The Circular No.16 allows all enterprises including foreign invested enterprises to convert 100 percent (subject to future adjustment at discretion of SAFE) of the foreign currency capital in their capital accounts into RMB at their own discretion without providing various supporting documents. However, to use the converted RMB, an enterprise still needs to provide supporting documents and goes through the review process with the banks for each withdrawal. A negative list with respect to the usage of the capital and the RMB proceeds through the aforementioned settlement procedure is set forth under the Circular No.16.

REGULATORY OVERVIEW

On 12 January 2017, the PBOC issued the Circular on the Matters Relating to the Macro-prudential Management of Full-covered Cross-border Financing (關於全口徑跨境融資宏觀審慎管理有關事宜的通知)(Yin Fa [2017] No.9, the “PBOC Circular No.9”), which repealed the previous circulars of PBOC including the one on the Nationwide Implementation of Macro-management of Full-covered Cross-border Financing Activities (關於在全國範圍內實施全口徑跨境融資宏觀審慎管理的通知)(Yin Fa [2016] No. 132). Under PBOC Circular No.9, the outstanding cross-border financings of an enterprise or financial institution shall be calculated using a risk-weight approach and not exceed the specified upper limited, which was determined by the capital or assets of such entities, the cross-border financing leverage ratio and the macro-prudential regulation parameter.

OVERSEAS INVESTMENT BY DOMESTIC RESIDENTS

Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment and Financing and Round-trip on Investment Conducted by PRC Residents via Special-Purpose Companies (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (“SAFE Circular No. 37”), which was promulgated and effective on 4 July 2014, replaces Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Financing and Round-trip on Investment Conducted by PRC Residents via Special-Purpose Companies (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (“SAFE Circular No. 75”). According to SAFE Circular No. 37, prior to making contribution to a Special-Purpose Company (“SPC”) with legitimate holdings of domestic or overseas assets or interests, a Mainland resident shall apply to the relevant Foreign Exchange Bureau for foreign exchange registration of overseas investment. Mainland resident individuals shall refer to Chinese citizens holding the identity cards for Mainland residents, military identity documents or identity documents for Chinese armed police force, and overseas individuals who do not hold any Mainland legal identity document, but who have habitual residences within the territory of China due to relationship of economic interests. After a SPC has completed overseas financing, if the funds raised are repatriated to the Mainland for use, relevant Chinese provisions on foreign investment and external debt management shall be complied with.

Under the relevant rules, failure to comply with the registration procedures set forth in SAFE Circular No. 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also incur penalties under PRC foreign exchange administration regulations to relevant domestic resident.

On 13 February 2015, SAFE promulgated the Circular on Further Simplifying and Improving Direct Investment-related Foreign Exchange Administration Policies (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (Huifa [2015] No. 13, the “Circular No. 13”), which went into effect on 1 June 2015. Circular No. 13 simplifies the foreign exchange registration procedures for foreign direct investment and overseas direct investment, enables enterprises to handle it in a designated foreign exchange bank, and abolishes the capital contribution confirmation registration procedures. The foreign exchange registration procedure for direct investment is delegated to local banks which, after reviewing the documents a foreign-invested enterprise submits, will complete the registration through the online Capital Account Information System managed by SAFE.

REGULATORY OVERVIEW

M&A RULES AND OVERSEAS LISTINGS

On 8 August 2006, six PRC governmental and regulatory agencies, including MOFCOM and the China Securities Regulatory Commission (“CSRC”), promulgated the Regulations on Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “M&A Rules”), a new regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on 8 September 2006 and amended on 22 June 2009.

According to the M&A Rules, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

INDUSTRY OVERVIEW

The information presented in this section includes certain facts, statistics and data, derived from the Frost & Sullivan Report, which was commissioned by us and from various official government publications and other publicly available publications, unless otherwise indicated. We believe that these sources are appropriate for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person (exclude Frost & Sullivan) involved in the Global Offering and no representation is given as to its accuracy, completeness or fairness. The information and statistics may not be consistent with other information and statistics compiled within or outside the PRC. As a result, excessive reliance on the information contained in this section shall be avoided. Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the Frost & Sullivan Report that would qualify, contradict or have a material impact on the information in this section.

SOURCE OF INFORMATION

In connection with the Global Offering, we have commissioned Frost & Sullivan to conduct a study of the commercial factoring market in the PRC. Frost & Sullivan is an independent global market research and consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. Frost & Sullivan services include technology research, independent market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. We paid a total fee of RMB400,000 to Frost & Sullivan for the preparation and use of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful Listing or on the result of the Frost & Sullivan Report.

The methodology used by Frost & Sullivan in gathering the relevant market data in compiling the Frost & Sullivan Report included primary interviews and secondary research. Primary interviews are conducted with relevant institutions to obtain objective and factual data and prospective predictions and the results of primary interviews are for reference only. Secondary research involves integration of data and publication from publicly available resources, including official data and announcements from government authorities of the PRC and market research on industry and enterprise player information issued by our major competitors. Our Directors are of the view that the information set forth in this section is reliable and not misleading as the information was extracted from the Frost & Sullivan Report and Frost & Sullivan is an independent professional market research company with extensive experience in their profession. Frost & Sullivan collected the information and data using the aforesaid methodology and such information and data was carefully analysed, assessed and validated using its in-house analysis models and techniques.

INDUSTRY OVERVIEW

ASSUMPTIONS

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) the social, economic and political environments of the PRC are likely to remain stable in the forecast period; (ii) the PRC economy is assumed to maintain steady growth across the forecast period; (iii) key industry drivers mentioned below are likely to promote the stable and healthy development of the PRC commercial factoring market in the forecast period; and (iv) there is no war or large scale disaster during the forecast period.

PARAMETERS

The parameters considered in the market sizing and forecast model in the Frost & Sullivan Report include: (i) GDP value and GDP growth rate from 2011 to 2020; (ii) turnover of factoring market in the PRC from 2011 to 2020; (iii) turnover of commercial factoring market in the PRC from 2011 to 2020; and (iv) turnover of top five players of third party commercial factoring market in PRC in 2015.

OVERVIEW OF THE PRC ECONOMY

Over the past years, the PRC economy has maintained a solid growth pace even under the shock of the global financial crisis. During the time of global financial crisis, the PRC government has taken effective stimulus policies to prevent the economy from huge decline. According to National Bureau of Statistics of China, the PRC's nominal GDP increased from RMB48.4 trillion in 2011 to RMB74.4 trillion in 2016, representing a CAGR of 9.0 percent.

Going forward, it is expected that the PRC government will adopt consistent and stable macroeconomic policies. Driven by the stable economic growth and urbanisation, annual disposable income per capita will continue to rise and the PRC consumers will be more willing to spend to improve their quality of life. Such trend will gradually transform the PRC economy from an investment-driven model to a consumption-driven model and provide more business opportunities for PRC enterprises, which is expected to support the continuous growth in nominal GDP and increase the demand for financing. According to the International Monetary Fund, the PRC's nominal GDP is expected to reach RMB100.7 trillion in 2020, representing a CAGR of 7.9 percent from 2016.

OVERVIEW OF THE FINANCIAL SERVICES MARKET IN THE PRC

Financial services market refers to the provision of monetary financial services, capital market services, insurance and other financial services (such as internet finance). Banks, investment banks, insurance companies, credit card companies, consumer finance companies, and stock brokerage firms are the major service providers. Over the years, the PRC government has been very supportive in the development of financial services market in order to support its rapidly growing economy. According to National Bureau of Statistics of China, financial services market in the PRC has been gradually expanding with 8.4% contribution to the GDP in 2015.

INDUSTRY OVERVIEW

OVERVIEW OF THE FACTORING MARKET IN THE PRC

Factoring refers to the business whereby a seller (creditor) transfers its accounts receivables generated from a sales or service contract with the purchaser (debtor) to the factor, thereby obtaining comprehensive services such as trade financing or accounts receivable management and collection from the factor.

Key types of market players

Factoring services in the PRC are provided by banks and commercial factoring companies. The table below sets forth their major characteristics, advantages and disadvantages:

	Banks	Commercial factoring companies
Target customers	Large and medium-sized enterprises	SMEs
Business Model	<ul style="list-style-type: none"> • Offer comprehensive product and service portfolio and factoring is only one of the various services provided by banks • The operations of banks are regulated by stringent laws and regulations and therefore they are more prudent on loan approval and the process takes a longer period of time 	<ul style="list-style-type: none"> • Focus on factoring business and may offer value-added services, such as accounts receivables management and consultancy services • Commercial factoring companies place their business focus on specific industries, and therefore they are more experienced in those industries • Commercial factoring is a relatively new business model in the PRC. As at the Latest Practicable Date, there are no specific laws or regulations promulgated governing the registration and operations of commercial factoring companies
Pros	<ul style="list-style-type: none"> • Stable sources of funds and low cost of financing • Relatively strong lending capacity • Can offer single loan of significant amounts, suitable for enterprises with huge capital needs 	<ul style="list-style-type: none"> • Short approval time with efficient review procedure • More flexible repayment terms • Fewer restrictions on the usage of the loans • Commercial factoring companies usually have rich business connections in specific industries and are well informed about the market demand
Cons	<ul style="list-style-type: none"> • Complicated loan review procedure leads to long approval time and sets high barrier for SMEs • Unable to provide flexible services • Usually have stringent constraints on the usage of loans 	<ul style="list-style-type: none"> • Usually relies on shareholders' capital contribution and/or loans for source of funding, which affects its lending capacity • More vulnerable to credit risks

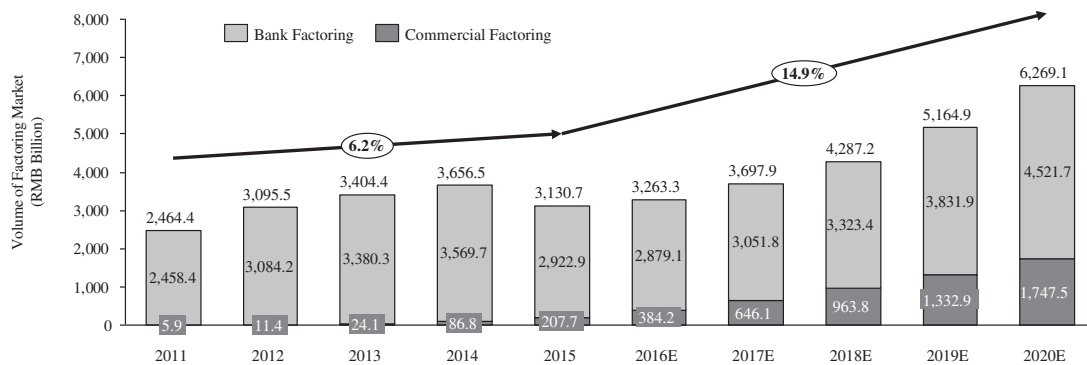
INDUSTRY OVERVIEW

TURNOVER OF FACTORING MARKET IN THE PRC

From 2011 to 2014, the turnover of PRC factoring market increased at a CAGR of 14.4% from RMB2,464.4 billion in 2011 to RMB3,656.5 billion in 2014, but declined to RMB3,130.7 billion in 2015. The decline was primarily attributed to the slowdown of economy and banks were more cautious on the approval of factoring applications. The prudent credit policies adopted by banks created opportunities for the commercial factoring companies and the turnover of commercial factoring significantly increased from RMB86.8 billion in 2014 to RMB207.7 billion in 2015.

The PRC is expected to maintain stable economic growth in the foreseeable future and turnover of the overall factoring market is expected to reach RMB6,269.1 billion in 2020, representing a CAGR of 14.9% from 2015. In light of the market drivers mentioned below, the commercial factoring market is expected to record a faster growth as compared with bank factoring. According to Frost & Sullivan, turnover of commercial factoring will increase at a CAGR of 53.1% from RMB207.7 billion in 2015 to RMB1,747.5 billion in 2020.

Turnover of PRC Factoring Market, 2011-2020E



Source: Frost & Sullivan Report

Main drivers of commercial factoring market in the PRC

The growing number of SMEs

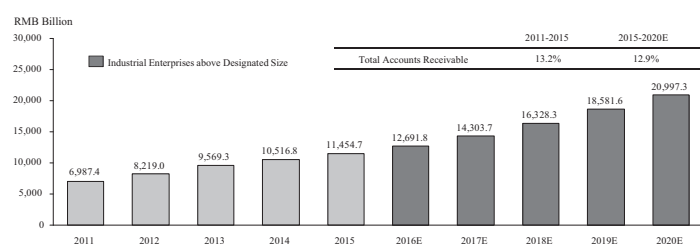
As compared with commercial factoring companies, banks prefer to do business with sizable companies and they adopt more prudent credit policies and the approval process generally takes a longer period of time. This has created difficulties for SMEs to finance their operations and/or business expansions in a timely manner, and therefore they will consider other finance options, such as commercial factoring. Over 90% of the companies in the PRC are SMEs and they have been the key customers of commercial factoring. From 2011 to 2015, the number of SMEs grew from 316,500 units to 393,800 units, realising a CAGR of 5.6%. According to Frost & Sullivan, it is expected that the number of SMEs will reach 538,400 units in 2020, which supports the continuous growth of the commercial factoring business.

INDUSTRY OVERVIEW

The increasing of accounts receivables

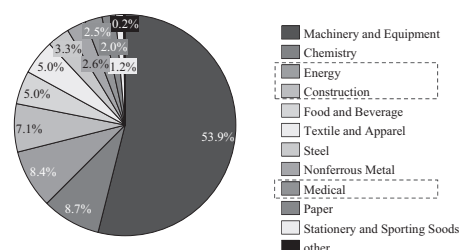
In recent years, the total accounts receivable of industrial enterprises^(Note) in the PRC increased rapidly regardless of the increasing uncertainty of global economy and ongoing transition of the PRC economy.

Total Accounts Receivable of Industrial Enterprises (China), 2011-2020E



Source: Frost & Sullivan Report

Accounts Receivable of Industrial Enterprises above Designated Size in Major Industries (China), 2015



Source: Frost & Sullivan Report

Note: Industrial enterprises above designated size refer to the enterprises with annual revenue above RMB20 million from their main businesses.

Despite the PRC government has taken various stimulus policies to prevent the economy from huge decline, many PRC enterprises have been adversely affected by the global economic slowdown and the overcapacity problem. Common problems faced by these enterprises include inventories piling up and accounts receivables rising more rapidly than sales, which significantly affected their liquidity. Total accounts receivable of industrial enterprises reached RMB11,454.7 billion in 2015, representing a CAGR of 13.2 percent from 2011. It is expected that total accounts receivable of industrial enterprises will maintain an upward trend from 2016 to 2020. With the rising accounts receivables on hand, the PRC enterprises are more inclined to use commercial factoring to finance their business operations and maintain sufficient liquidity, which offers business opportunities for the commercial factoring companies.

Our Group focus on serving the customers of the construction industry, medical industry and energy industry as we are familiar with these industries and they have significant contributions to the PRC's GDP. In 2015, accounts receivables arising from these industries in aggregate accounted for 18.0% of the total accounts receivables of all PRC industrial enterprises.

Construction industry

Revenue of the construction industry increased from RMB11.6 trillion in 2011 to RMB18.1 trillion in 2015, representing a CAGR of 11.6%, stimulated by the demand on properties from investors and various policies implemented by the PRC government to boost the development of public infrastructure. In particular, the PRC government introduced the use of public private partnership model to encourage the private sector to cooperate with the PRC government in infrastructure projects in 2014. Under such model, the PRC government and the private construction

INDUSTRY OVERVIEW

company will establish a project management company, undertaking the design, construction and financing of a public work, and after the completion of construction, the title of the public work will be transferred back to the PRC government. The PRC government will eventually pay the private construction company the costs incurred in the construction and operation of the public work plus a reasonable return, which gives incentive of private sector to work with the PRC government and support the growth of the construction industry. It is expected that the PRC government will continue to emphasise on infrastructure investments. In the period of 2015 and 2020, the revenue of construction industry is expected to grow at CAGR of 10.1 percent, reaching RMB29.2 trillion in 2020.

As compared with many other industries, the construction industry is generally more capital intensive as the projects involve significantly larger contract sums and require more time to complete. Due to the nature of the construction industry, the construction companies are generally required to incur various costs upfront, including material costs, subcontractor costs, staff costs and capital expenditure on the equipment and machineries. As the construction companies usually do not possess significant fixed assets, it is relatively difficult for them to apply for bank loans. Instead, they have significant amounts of accounts receivables due from the property developers, which give them incentives to apply for commercial factoring to ensure that they have sufficient funds to meet their capital needs.

Since 2011, the PRC government has gradually tightened its monetary policy to reduce the risk of an overinflated property market. The real estate investment growth rate declined, but construction costs continued to rise due to inflation. These situations made it more difficult for the construction companies to manage their liquidity. Taking into consideration that the commercial factoring companies can offer more flexible terms than the banks and the approval procedures can be processed more quickly, the construction companies view commercial factoring as a fast solution to their liquidity problems. For commercial factoring companies, they are keen to serve construction companies as their loan amounts are relatively larger than many other industries. Further, the construction companies have a lower chance of default payment as their customers (property developers) generally possess significant fixed asset investments.

Medical industry

Driven by PRC's aging population and the increasing expenditure on medicines and medical treatments, revenue of the medical industry increased from RMB1,448.4 billion in 2011 to RMB2,573.0 billion in 2015, representing a CAGR of 15.4%. In 2020, revenue of the medical industry is likely to reach RMB3,916.2 billion with a CAGR of 8.8% from 2015 to 2020. Fixed asset investments of the medical industry increased from RMB264.9 billion in 2011 to RMB581.2 billion in 2015, representing a CAGR of 21.7%. Going forward, it is expected that the fixed asset investment of the medical industry will maintain stable growth. The PRC government has rolled out policies to streamline the distribution channels of medical products. Prior to that, manufacturers of medical products generally sell their products to distributors, which in turn sell them to sub-distributors, and then to hospitals. Under these policies, the manufacturers sell the medical products to the distributors, which in turn directly sell them to the hospitals. The sub-distributors are removed from the distribution channel. As compared with the sub-distributors, hospitals take a longer period of time to settle their payments, and therefore the collection period of the distributors' accounts receivables are

INDUSTRY OVERVIEW

lengthened. Since the distributors are generally asset light companies with difficulties in obtaining bank loans, they would consider to factor their receivables to the commercial factoring companies. Commercial factoring companies are interested in doing business with distributors of medical products as the default risk of their accounts receivables due from hospitals is relatively low.

Energy industry

The PRC is the world's largest energy consumer. According to the National Bureau of Statistics of China, the PRC's total energy consumption increased significantly at a CAGR of 2.7% from 3.87 billion tons of standard coal equivalent in 2011 to 4.30 billion tons of standard coal equivalent in 2015, driven by the fast-growing economy. Among various types of energies being consumed, the PRC demand on petrochemical products has been growing exponentially. Over the past few years, the PRC has witnessed massive investments in the petrochemical sector, including plant construction and upgrade. According to the 12th Five Year Plan (2011 to 2015) of the PRC, the PRC government has emphasised the urgent need to enhance the petrochemical capacities and energy efficiency as well as to promote cost optimisation. With the support and encouragement from the PRC government, it is expected that the petrochemical sector will maintain its robust growth. The energy industry is very capital intensive as huge sums are required for (i) energy acquisition of high dollar amounts and regular trading frequency; and (ii) the construction of infrastructure. Fixed asset investments of the energy industry increased from RMB2,180.1 billion in 2011 to RMB3,014.3 billion in 2015, representing a CAGR of 8.4%. It is expected that fixed asset investments of the energy industry will increase to RMB4,326.5 billion in 2020, representing a CAGR of 7.5% from 2015 to 2020. In light of the characteristics of energy industry and the expected increase in fixed asset investments, market players have huge demand on financing. However, the global economic downturn has weakened the energy demand, leading to the decline in energy prices. As a result, the business performance and credit rating of the market players were adversely affected. Banks have tightened the credit granted to the market players. In order to maintain the operations, the market players would consider other financing options, such as commercial factoring.

The support of government policy

The PRC government has a positive attitude towards the development of commercial factoring. On 9 October 2012, the MOFCOM promulgated the Official Reply of the Ministry of Commerce to the Implementation Scheme of the Pilot Program of Commercial Factoring (Shang Zi Han [2012] No. 919) 《商務部關於商業保理試點實施方案的復函》(商資函[2012]919號), pursuant to which the MOFCOM generally agreed to the implementation plans for launching the pilot program of commercial factoring in Tianjin and Shanghai. Since then, the PRC government has issued a series of policies to regulate and improve the administration for the commercial factoring pilot program and to encourage and guide the healthy development of the commercial factoring industry. Further, local authorities also issued administrative measures to support the commercial factoring industry, such as the commercial factoring companies in Tianjin enjoy preferential tax subsidies and financial reward when they provide factoring services to SMEs. Currently, the commercial factoring pilot program covers six cities, including Tianjin, Shanghai, Shenzhen, Chongqing, Nanjing and Suzhou. The number of registered commercial factoring companies increased significantly from 40 in 2011 to 2,346 in 2015. With the support from the government, commercial factoring is likely to usher in better growing opportunities.

INDUSTRY OVERVIEW

The improvement of credit environment

An integrated credit system is crucial for the development of commercial factoring in risk management. On 27 June 2014, the State Council issued the Guideline on the Construction of Social Credit System (2014 — 2020) (社會信用體系建設規劃綱要(2014—2020年)), pursuant to which the PRC government intends to set up a social credit system that contains the credit record of every PRC citizen by 2020. In addition, on August 6, 2015, with an aim to increase the punishments of financial fraud, strengthen the construction of financial credit information infrastructure, and further expand the coverage of credit records, as well as encourage the honesty and restraint the dishonesty, the credit information exchange system of the factoring industry was formally launched by Commercial Factoring Expertise Committee of CATIS, which included more than 180 dishonest debtors' information and is updated regularly. Some cities like Tianjin have opened Credit Reference System of People's Bank of China interface to commercial factoring companies. Accordingly, commercial factoring companies will have better access to the credit information of their customers, which is expected to minimise their credit risks.

The development of the IT technology

Smart phones and social network have become an indispensable part of people's everyday life. With mobile devices, consumers and enterprises prefer to settle their payments and/or make investments online as they can obtain real time financial information and the payments/investments can be done more efficiently. In light of such social behaviour, non-bank financial institutions (including commercial factoring companies) are developing their own electronic business or logistics platform with a view to enhance the ability of risk control and the efficiency of data analysis on account of big data and cloud calculation. Besides, some mature platforms have unique ability to create incremental demand by developing electronic credit instruments. In the past, commercial factoring companies refinance through bank credit, issue of shares, loan from shareholders and the processing of these finance methods is time consuming. Now, the problem can be overcome with the help of online platform featuring fast and strong financing capability. Accordingly, advanced IT technology will further drive the development of commercial factoring market.

Market trend of commercial factoring market in the PRC

Regulatory evolvement

Currently, there are no specific laws or regulations governing the registration and operations of commercial factoring companies. It is expected that the PRC government will promulgate laws and regulations to promote the healthy development of the commercial factoring industry. As mentioned above, the PRC government has issued various policies to support commercial factoring. It is likely for the PRC government to further improve the business environment of commercial factoring companies by various measures, such as improving legal framework, expanding their financing channels and ameliorating the training and evaluating system of employee as well as the credit system of nationwide enterprise. These measures are expected to reduce the operating costs of commercial factoring companies, enhance the flow of commercial credit information and strengthen the cooperation between factoring companies and the banks.

INDUSTRY OVERVIEW

Asset securitisation

Asset securitisation is a financial practice that pools various types of contractual debts or accounts receivables together and sell their related cash flows to third party investors as securities. Securities backed by accounts receivables are referred as asset-backed securities. Commercial factoring companies generally rely on shareholders' capital contributions as well as bank and other loans to finance their operations. Asset securitisation acts as their alternative funding option. As there are many uncertainties in the global investment market, investors are more cautious before making investments and they may prefer securities that are backed by accounts receivables from customers with high credit ratings. Going forward, asset securitisation will be more commonly used by commercial factoring companies to finance their operations. Security companies and fund companies will make full use of reliable accounts receivables to package their products to attract investors and there will be a significant growth of such products. On the other hand, the PRC government is expected to improve the legal framework to govern these products and protect the investors.

Growing importance of internet finance

Internet finance refers to any organisations that provide their financial services to public over the internet. Over the past few years, internet finance is developing at a fast pace in the PRC with the start-up of many Fintech companies and innovative solutions emerging. The market size of internet finance in the PRC increased from RMB5.3 trillion to RMB37.1 trillion as measured of total transaction value, representing a CAGR of 62.5% in the period from 2011 to 2015. Driven by the further development of financial market and internet technology advancement, the market size of internet finance is expected to reach RMB197.8 trillion by 2020, attaining a CAGR of 35.8% from 2016 to 2020.

Fintech companies mainly provide the following services:

(i) Online payment

Online payment is the most common type of service provided by Fintech companies and the market competition of such service is very intense.

(ii) Online wealth management

Driven by the rising disposable income per capita, PRC consumers will have more incentive to explore investments with high returns. Internet-based wealth management companies are very keen to capture such opportunity through their online platforms, which in general can offer real time investment advices to their customers and enable them to make investments or alter their investment portfolios efficiently via mobile devices.

INDUSTRY OVERVIEW

(iii) Online consumer and SME finance

Fintech companies also provide online financing targeting young consumers and SMEs. Younger generations are more open to online personal-finance products, and have both a higher propensity to spend and a higher tolerance for financial risk. On the other hand, SMEs has been facing various difficulties when they apply for loans from traditional banks. Fintech companies are generally more flexible in considering loan applications and their online platform can speed up the loan application process.

(iv) Business-to-business internet finance

It is expected that the PRC companies will gradually shift from simply borrowing to having more complicated banking needs, such as transaction banking and asset management. In transaction banking, Fintech companies can provide time-effective supply-chain financing solutions and digitised cash management systems to support high-quality management of corporate finance and capital for large companies. In asset management, Fintech companies can better address increasingly complex customer needs by providing quick, customised, and differentiated product matching, especially when high-quality assets are difficult to find.

The Fintech market in the PRC is currently dominated by a few sizable e-commerce companies. These companies first tap into the market by providing online trading and payment services, and then gradually expand their online services to cover financial and wealth management.

In light of the growing importance of internet finance, many traditional financial institutions are accelerating the pace to build their online platforms for the provision of financial services. It is expected that commercial factoring companies will follow such trend. With the use of online platforms, potential customers can submit their factoring applications and the required credit assessment documents to the commercial factoring companies online, which will enhance the efficiency of the application progress and attract more customers, in particular those with immediate finance needs.

On the other hand, online platforms are expected to save time and physical labor for commercial factoring companies, which can focus their resources on their business operations and the development of value-added services to enhance their market share and ultimately increase their revenue.

Entry barrier of commercial factoring market in the PRC

Huge capital requirements

The Official Reply of the Ministry of Commerce to the Implementation Scheme of the Pilot Program of Commercial Factoring (商務部關於商業保理試點實施方案的覆函) issued by MOFCOM stipulated that the carrying amounts of risk assets of commercial factoring companies should not exceed 10 times their net asset value. Therefore, capital is essential to the operations and growth of commercial factoring business. New entrants, with no business track records, are difficult to obtain loans from banks and can only rely on shareholders' capital contributions.

INDUSTRY OVERVIEW

Talents

It is critical for commercial factoring companies to have professional talents with high capability to source customers, raise funds and manage business risks. In addition, these professional talents are expected to have substantial experience and expertise in the factoring business and the target industries. However, qualified and experienced talents usually serve established commercial factoring companies thus increasing the cost and time for new entrants to hire professional talents.

Financial system and risk control system

A sound and comprehensive financial system and risk control system enables a commercial factoring company to keep track of its working capital flow, financial performance and also to minimise its business risks. The setup of such system relies on the knowledge and experience of the employees. As mentioned above, it is difficult for the new entrants to hire the experienced professionals to set up the system and it also takes time to fine tune the system.

Competitive landscape of commercial factoring market in the PRC

In 2015, the total turnover of the PRC commercial factoring industry reached RMB207.7 billion. Despite that, the PRC commercial factoring industry is still at its early development stage. According to the Commercial Factoring Expertise Committee of CATIS, 2,346 legal person entity had obtained the licenses to carry out commercial factoring business by end of 2015, of which only around 20% were active. Among the active commercial factoring companies, most of them had small business scale and only approximately 50 companies recorded annual turnover of factoring business above RMB1.0 billion. Further, in terms of the turnover of commercial factoring industry in 2015, 45.7% of the active commercial factoring companies provide their factoring services to third party customers, while the rest of them provide factoring services to their intra group companies. The degree of concentration of the PRC commercial factoring market is low and market competition is not intense. Besides, the commercial factoring companies may also target different business sectors depending on their business objectives and working capital level.

Total turnover of the commercial factoring companies providing services to third parties amounted to approximately RMB94.9 billion in 2015, of which the top five market players accounted for a total market share of 30.2 percent. In terms of factoring business turnover, Our Group ranked fourth in 2015 and enjoyed a market share of 5.4 percent. Our Group were among the first batch of companies that entered into the PRC commercial factoring market and we had a registered capital of USD0.1 billion. We believe that our early entry into the market together with sufficient capital resources enable us to compete with our competitors and further expand our market share in the future.

INDUSTRY OVERVIEW

Ranking and market share of top five market players by turnover of PRC third party commercial factoring market, 2015

Ranking	Company Name	Company Profile	Market Share (%)
1	Company A	Company A is a member of Factors Chain International with its headquarters located in Tianjin.	7.6%
2	Company B	Company B is a subsidiary of a large PRC financial group and located in Shanghai.	6.1%
3	Company C	Company C is located in Shenzhen with focus on the commercial factoring business in medical industry.	5.8%
4	Our Group	Our Group is one of the leading third party commercial factoring companies in the PRC with headquarters in Shenzhen.	5.4%
5	Company D	Company D is a subsidiary of an asset management company located in Guangdong.	5.3%
Top five market players			30.2%
Others			69.8%
Total			100%

Source: Frost & Sullivan Report

Key success factors of commercial factoring market in the PRC

Risk control capability

Credit risks, legal risks and operational risks are the major challenges to the commercial factoring companies. To minimise the potential loss arising from these risks, factoring companies should have a well-established risk control mechanism, such as the adoption of clear guidelines on credit review and approval process, the performance of detailed due diligence procedures before granting credits to customers, etc. Prudent attitude and sound policy should be applied during the business development and project execution process.

Industry experiences and resources

Commercial factoring companies with better knowledge and more extensive experience in their customers' industries will have competitive advantage over their competitors. They can quickly react to the changes in those industries and tailor their factoring services to better suit the needs of their customers. This can be achieved by recruiting talents with experience in the target industries and connections with the market players, and putting more resources on the update of industry information through various channels, such as having regular communications with large state-owned enterprises, listed companies and government authorities of the relevant industries.

INDUSTRY OVERVIEW

Financing channels

Capital is an essential element for the operations and growth of commercial factoring companies. Commercial factoring is an emerging business in the PRC and the market players have relatively short operating history. Commercial factoring companies may face difficulties in obtaining bank loans and their financing channels are limited. In order to maintain and/or further develop their business operations, they need to be proactive in sourcing adequate and low-cost funds.

Professional talents

It is critical for factoring companies to recruit varied professional talents, including sales who have rich abundant customer resources and experts with good risk management abilities.

Threats to commercial factoring market in the PRC

Potential competitions from banks

The business model of commercial factoring companies is built on the fact that SMEs are underserved by banks. It would be a potential threat to the commercial factoring companies if the banks realise the potential of the SME market and they are willing to lower their lending requirements and streamline the loan application process. SMEs may prefer to lend from banks as they are more established with stronger lending power than commercial factoring companies.

Implementation of more stringent rules and regulations

The PRC factoring market is still at its early development stage and currently there are no specific laws and regulations governing the registration and operations of commercial factoring companies. It is likely that the PRC government will roll out relevant rules and regulations to regulate the commercial factoring industry. Upon these rules and regulations becoming effective, the commercial factoring companies would be required to hire legal professionals to interpret these rules and regulations, and enhance the existing legal monitoring system to ensure the business operations will not violate these rules and regulations and ongoing legal compliance. It is expected that the implementation of more stringent rules and regulations would increase the costs and effort of the commercial factoring companies.

HISTORY, REORGANISATION AND DEVELOPMENT

INTRODUCTION

Our history can be traced back to the establishment of SYF, our main operating subsidiary, on 26 December 2013 in the PRC. SYF was financed by Mr. Tung's family resources when it was first established.

During the Track Record Period and as at the Latest Practicable Date, our Group was principally engaged in the provision of factoring services to our customers in the PRC.

BUSINESS MILESTONES

- 2014 We commenced our business in April 2014.
- We became a member of the Commercial Factoring Expertise Committee of China Association of Trade in Services (CATIS) (中國服務貿易協會商業保理專業委員會), which is a committee of CATIS, a national non-profit social body established under the approval of the State Council governed by the Ministry of Commerce and registered with the Ministry of Civil Affairs.
- 2015 We became a member of Tianjin Commercial Factoring Association* (天津市商業保理協會).
- We became the first factoring company to co-operate with Zhaocaibao platform of Alibaba Group* (阿里巴巴招財寶平台).
- 2016 We became a deputy president unit (副會長單位) of the Commercial Factoring Expertise Committee of China Association of Trade in Services (CATIS) (中國服務貿易協會商業保理專業委員會).
- We became a deputy president unit (副會長單位) of Shenzhen Commercial Factoring Association (深圳市商業保理協會).
- 2017 We became a year 2016 commercial factoring contribution unit* (2016商業保理行業貢獻單位) of China Commercial Factoring Industry Conference* (中國商業保理行業年會).

* Translation for identification purpose

CORPORATE HISTORY

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 December 2016 in preparation for the Listing and is the holding company of our Group. As at the Latest Practicable Date, our Group comprised our Company, SYIC, TGG, Ever Giant, SYIF, Nice Day, SYIT, SYF, SNF, SPF, SYSZ, SHF, SLF and SZF. Set out below is the brief corporate history of the subsidiaries of our Company.

HISTORY, REORGANISATION AND DEVELOPMENT

SYIC

SYIC was incorporated in the BVI with limited liability on 24 September 2013. As at the date of incorporation, SYIC was authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each, of which 46,000 shares (representing 92% of the then issued share capital) and 4,000 shares (representing 8% of the then issued share capital) were allotted and issued as fully paid to T&T Finance Holdings Limited (a BVI company wholly and beneficially owned by Mr. Tung) (“**T&T**”) and two Independent Third Parties, respectively on the same date.

On 28 November 2013, T&T transferred the said 46,000 shares of SYIC to Mr. Tung at par, who had subsequently transferred the said 46,000 shares of SYIC at par back to T&T on 2 January 2014. These transfers were properly and legally completed and settled. Following the completion of the said transfers, T&T continued to hold 92% of the issued shares of SYIC.

On 6 March 2014, T&T acquired the other 4,000 shares of SYIC at par from Independent Third Parties. Such acquisitions were properly and legally completed and settled. Following the completion of the said transfers, T&T, which was legally and beneficially owned by Mr. Tung, held the entire issued shares of SYIC.

On 25 March 2014, SY Financial, which was legally and beneficially owned by Mr. Tung, acquired the entire issued shares of SYIC at par from T&T. Such transfer was properly and legally completed and settled. Following the completion of the said transfer, SY Financial held the entire issued shares of SYIC.

During the period from March 2014 to December 2015, in response to the business needs of SYF from time to time, Mr. Tung injected capital up to an aggregate amount of US\$100,000,000 (the “**Injected Capital**”) into SY Financial, our holding company before Reorganisation.

The Injected Capital was then injected to SYIC (being the holding company of SYIF, which in turn held SYF) in the form of shareholder’s contributions (the “**Shareholder’s Contributions**”) and was paid to SYIF directly at the direction of SYIC. SYIF then injected the Shareholder’s Contributions to SYF as capital.

On 27 May 2016, the maximum number of shares SYIC is authorised to issue was increased from 50,000 shares of a single class with a par value of US\$1.00 each to 100,000,000 shares of a single class with a par value of US\$1.00 each. On the same day, SYIC allotted and issued as fully paid 99,950,000 shares to SY Financial in consideration of the capitalisation of the Shareholder’s Contributions in the amount of US\$99,950,000. Upon completion of the said capitalisation issue and allotment of shares, SY Financial continued to hold the entire issued shares of SYIC.

HISTORY, REORGANISATION AND DEVELOPMENT

In the course of the Reorganisation, SY Financial transferred the entire issued share capital of SYIC to our Company. Details of the Reorganisation are set out in the paragraph headed “Reorganisation” in this section.

As at the Latest Practicable Date, SYIC was an intermediate holding company in our Group.

TGG

TGG was incorporated in the BVI with limited liability on 1 November 2016. As at the date of incorporation, TGG was authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On 29 December 2016, one subscriber share was allotted and issued as fully paid to our Company. After the said allotment of the subscriber share and up to the Latest Practicable Date, TGG had been a wholly-owned subsidiary of our Company.

As at the Latest Practicable Date, TGG was an investment holding company in our Group proposed to hold the entire issued share capital in Nice Day.

Ever Giant

Ever Giant was incorporated in the BVI with limited liability on 20 January 2016. As at the date of incorporation, Ever Giant was authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On 18 February 2016, one subscriber share was allotted and issued as fully paid to Mr. Tung.

Upon completion of the Reorganisation, Ever Giant became a wholly-owned subsidiary of our Company. Details of the Reorganisation are set out in the paragraph headed “Reorganisation” in this section.

As at the Latest Practicable Date, Ever Giant was an investment holding company in our Group proposed to hold the trademarks for our Group.

SYIF

SYIF was incorporated in Hong Kong with limited liability on 9 October 2013. On the date of incorporation, SYIF allotted and issued as fully paid one share (representing the entire issued share of SYIF) to SYIC. Since its incorporation and up to the Latest Practicable Date, SYIF had been a wholly-owned subsidiary of SYIC.

As at the Latest Practicable Date, SYIF was an intermediate holding company in our Group holding the entire equity interest in SYF.

HISTORY, REORGANISATION AND DEVELOPMENT

Nice Day

Nice Day was incorporated in Hong Kong with limited liability on 1 December 2015 with an authorised share capital of HK\$1.00 divided into one share. On the date of incorporation, Nice Day allotted and issued as fully paid one share (representing the entire issued shares of Nice Day) to an initial subscriber. On 11 January 2016, Mr. Tung acquired one share of Nice Day at a consideration of HK\$1.00 from the initial subscriber.

Upon completion of the Reorganisation, Nice Day became a wholly-owned subsidiary of TGG. Details of the Reorganisation are set out in the paragraphs headed “Reorganisation” in this section below.

As at the Latest Practicable Date, Nice Day was an investment holding company in our Group holding the entire equity interest in SYIT.

SYF

SYF was established as a limited liability company in the PRC on 26 December 2013. As at the date of establishment, SYF had a registered capital of US\$100,000,000 which was fully paid up by 21 December 2015. Since its establishment and up to the Latest Practicable Date, SYF had been a wholly-owned subsidiary of SYIF.

As at the Latest Practicable Date, SYF was the principal operating subsidiary of our Group which was mainly engaged in commercial factoring.

SYIT

SYIT was established as a limited liability company in the PRC on 11 March 2016 by Nice Day. As at the date of establishment, SYIT had a registered capital of HK\$5,000,000 which was fully paid up by 29 December 2016. Since its establishment and up to the Latest Practicable Date, SYIT had been a wholly-owned subsidiary of Nice Day.

As at the Latest Practicable Date, SYIT engaged in the provision of IT support to our Group and was the registrant of the domain names used by our Group.

SNF

SNF was established as a limited liability company in the PRC on 18 September 2016. As at the date of establishment, SNF had a registered and paid-up capital of RMB50,000,000. Since its establishment and up to the Latest Practicable Date, SNF had been a wholly-owned subsidiary of SYF.

HISTORY, REORGANISATION AND DEVELOPMENT

Subject to the business environment, SNF was established to focus on the factoring business in the medical sector. As at the Latest Practicable Date, SNF had not yet commenced any business.

SPF

SPF was established as a limited liability company in the PRC on 19 January 2017. As at the date of establishment, SPF had a registered and paid-up capital of RMB50,000,000. Since its establishment and up to the Latest Practicable Date, SPF had been a wholly-owned subsidiary of SYF.

As at the Latest Practicable Date, SPF had not yet commenced any business.

SYSZ

SYSZ was established as a limited liability company in the PRC on 21 March 2016. As at the date of establishment, SYSZ had a registered capital of RMB50,000,000, which was yet to be paid up as at the Latest Practicable Date. Since its establishment and up to the Latest Practicable Date, SYSZ had been a wholly-owned subsidiary of SYIF.

Subject to the business environment, SYSZ was established to focus on the factoring business in the construction sector. As at the Latest Practicable Date, SYSZ had not yet commenced any business.

SHF

SHF was established as a limited liability company in the PRC on 28 March 2017. As at the date of establishment, SHF had a registered capital of RMB50,000,000. Since its establishment and up to the Latest Practicable Date, SHF had been owned as to 75% by SYF and 25% by SYIF.

As at the Latest Practicable Date, SHF had not yet commenced any business.

SLF

SLF was established as a limited liability company in the PRC on 28 March 2017. As at the date of establishment, SLF had a registered capital of RMB50,000,000. Since its establishment and up to the Latest Practicable Date, SLF had been owned as to 75% by SYF and 25% by SYIF.

As at the Latest Practicable Date, SLF had not yet commenced any business.

SZF

SZF was established as a limited liability company in the PRC on 30 March 2017. As at the date of establishment, SZF had a registered capital of RMB50,000,000. Since its establishment and up to the Latest Practicable Date, SZF had been owned as to 75% by SYF and 25% by SYIF.

As at the Latest Practicable Date, SZF had not yet commenced any business.

HISTORY, REORGANISATION AND DEVELOPMENT

DELINEATION OF OUR GROUP'S BUSINESS FROM SY FINANCIAL

Background of SY Financial

SY Financial, founded by Mr. Tung, was incorporated in the BVI with limited liability on 16 January 2014. As at the date of incorporation, SY Financial was authorised to issue 50,000 shares with a par value of US\$1.00 each. On the date of incorporation, one subscriber share was allotted and issued as fully paid to Mr. Tung.

On 18 November 2015, Wisdom Cosmos, a holding vehicle of Mr. Tung, acquired 39,000,000 shares of SY Financial at par from Mr. Tung. Such transfer was properly and legally completed and settled. Following the completion of the said transfer, SY Financial was wholly owned by Wisdom Cosmos.

Before the Reorganisation and during the period from March 2014 to December 2015, in response to the business needs of SYF from time to time, Mr. Tung injected the Injected Capital to SY Financial. The Injected Capital was then injected to SYIC in the form of shareholder's contributions, i.e. the Shareholder's Contributions, and paid to SYIF directly at the direction of SYIC. SYIF then injected the Shareholder's Contributions to SYF as capital. In 2015, SY Financial capitalised the Injected Capital, details of which are set out as below:

- (a) on 10 August 2015, the issued share capital of SY Financial was increased from US\$1 to US\$39,000,000 by allotting and issuing 38,999,999 new shares to Mr. Tung in consideration of capitalising US\$38,999,999 in the Injected Capital;
- (b) on 9 December 2015, the issued share capital of SY Financial was increased from US\$39,000,000 to US\$80,000,000 by allotting and issuing 41,000,000 new shares to Wisdom Cosmos in consideration of capitalising US\$41,000,000 in the Injected Capital; and
- (c) on 22 December 2015, the issued share capital of SY Financial was increased from US\$80,000,000 to US\$100,000,000 by allotting and issuing 20,000,000 new shares to Wisdom Cosmos in consideration of capitalising US\$20,000,000 in the Injected Capital.

Corporate information of the companies in the Financial Leasing Group

Sheng Ye International Leasing Limited

Sheng Ye International Leasing Limited was incorporated in Hong Kong on 19 December 2013. Mr. Tung was a subscriber to the company and SY Financial was the sole shareholder of Sheng Ye International Leasing Limited during the Track Record Period and up to the Latest Practicable Date.

As at the Latest Practicable Date, Sheng Ye International Leasing Limited was an intermediate holding company of the Financial Leasing Group holding the entire equity interest in Tianjin SY Financial Leasing Limited (天津盛業融資租賃有限公司) and SY Financial Leasing Ltd* (盛業融資租賃有限公司).

HISTORY, REORGANISATION AND DEVELOPMENT

Tianjin SY Financial Leasing Limited (天津盛業融資租賃有限公司)

Tianjin SY Financial Leasing Limited (天津盛業融資租賃有限公司) was established in the PRC on 19 June 2014 with a registered capital of US\$50,000,000. It has been wholly owned by Sheng Ye International Leasing Limited since its establishment.

As at the Latest Practicable Date, Tianjin SY Financial Leasing Limited (天津盛業融資租賃有限公司) was engaged in the Excluded Business.

SY Financial Leasing Limited (盛業融資租賃有限公司)*

SY Financial Leasing Limited* (盛業融資租賃有限公司) was established in the PRC on 15 August 2014 with a registered capital of US\$10,000,000. It has been wholly owned by Sheng Ye International Leasing Limited since its establishment.

As at the Latest Practicable Date, SY Financial Leasing Limited* (盛業融資租賃有限公司) was engaged in the Excluded Business.

Delineation from the Excluded Business

Both Wisdom Cosmos and SY Financial were beneficially owned by Mr. Tung since their incorporation. Before the Reorganisation, SY Financial had been the holding company of (i) our Group which was engaged in factoring business; and (ii) the Financial Leasing Group engaged in the Excluded Business.

The Financial Leasing Group provides financial leasing services to its customers in the PRC. The Excluded Business had a relatively low annual turnover since its commencement of business. Based on the audited accounts and management accounts of Tianjin SY Financial Leasing Limited (天津盛業融資租賃有限公司), the principal operating company of the Financial Leasing Group, for the years ended 31 December 2015 and 31 December 2016, its revenue amounted to approximately RMB1.2 million and RMB3.9 million, respectively and its profit/(loss) after tax was approximately RMB0.7 million and RMB(0.4 million), respectively. As SY Financial Leasing Limited* (盛業融資租賃有限公司) only started business in 2016, based on its management accounts for the year ended 31 December 2016, its revenue amounted to approximately RMB0.7 million and its profit after tax amounted to approximately RMB0.6 million. During the Track Record Period, except that the Financial Leasing Group had used approximately 86 sq.m of our office in Shenzhen and had one common customer in 2015, the Financial Leasing Group had been operating separately with our Group with its own management team (except Mr. Tung), back-office staff and customer bases. Our Directors are of the view that the financial leasing business of the Financial Leasing Group is totally different and independent from our factoring business. Please refer to “The Excluded Business” and “Business Delineation” in the section “Relationship with our Controlling Shareholders” in this prospectus for further information on the Excluded Business.

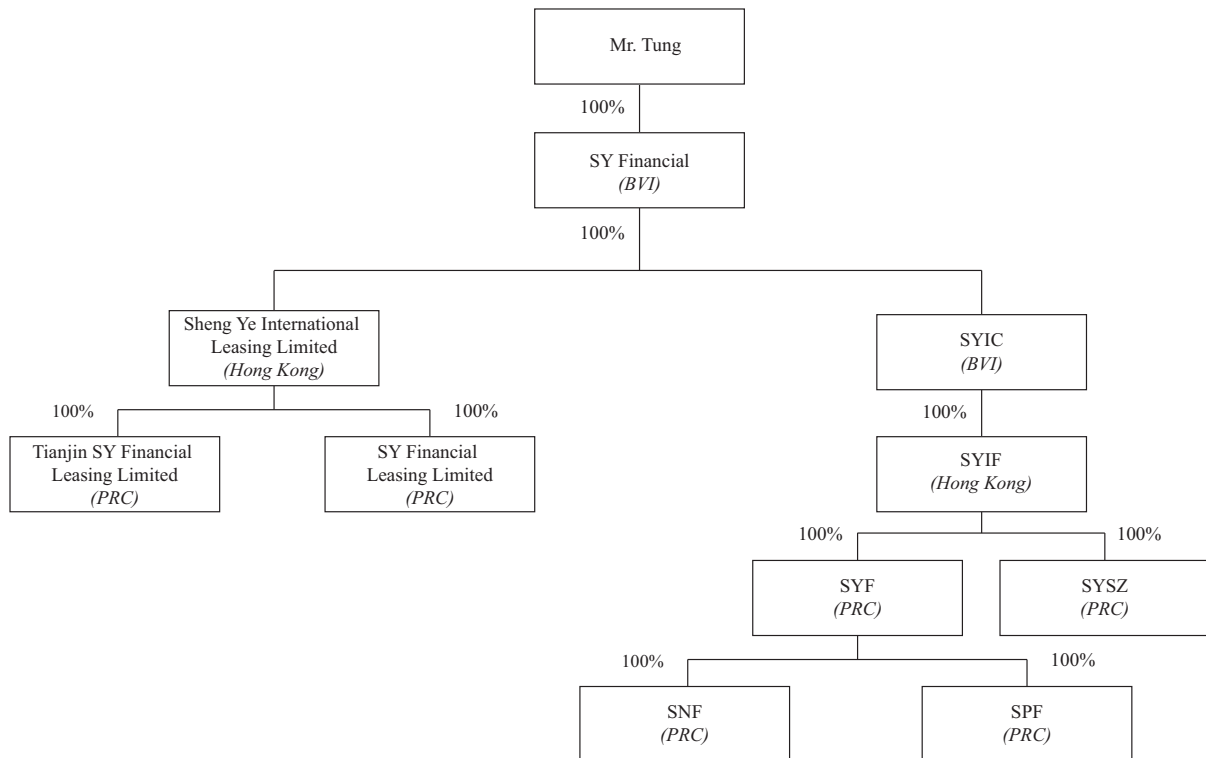
Furthermore, there were no material non-compliant incidents, claims, litigations or legal proceedings (whether actual or threatened) involving the Financial Leasing Group during the Track Record Period.

HISTORY, REORGANISATION AND DEVELOPMENT

For the purpose of Listing, our Group was delineated from the Financial Leasing Group, which continued to be owned by SY Financial after the Reorganisation. After the Reorganisation, SY Financial ceased to be part of our Group. Please refer to “Reorganisation” in this section for details.

REORGANISATION

The following charts set forth the respective corporate and shareholding structure of our Group and the Financial Leasing Group prior to the Reorganisation:



HISTORY, REORGANISATION AND DEVELOPMENT

In preparation for the Listing, our Group has carried out the Reorganisation which involved the following steps:

Reorganisation on holding company level

- (1) Wisdom Cosmos was incorporated in the BVI with limited liability on 15 April 2015. It was formed by Mr. Tung as a holding company for the purpose of holding the factoring and financial leasing business of Mr. Tung before the Reorganisation and our Company after the Reorganisation. Wisdom Cosmos was authorised to issue a maximum of 50,000 shares of US\$1.00 each. On 12 May 2015, one share in Wisdom Cosmos (representing the entire issued share capital of Wisdom Cosmos) was issued and allotted to Mr. Tung;
- (2) On 18 November 2015, Wisdom Cosmos acquired 39,000,000 shares of SY Financial at par (i.e. US\$1 per share) from Mr. Tung. Such transfer was properly and legally completed and settled. Following the completion of the said transfer, SY Financial was wholly owned by Wisdom Cosmos;

Establishment of the PJ Trust

- (3) On 7 December 2015, Mr. Tung established the PJ Trust with Mr. Tung and his family members being the beneficiaries and TMF Trust acting as the trustee. The trustee, TMF Trust, was incorporated on 30 September 1994 and has been providing trust services to and acting in its professional capacity as a trustee for its clients. Save and except for acting as a trustee of the PJ Trust, TMF Trust has no relationship with Mr. Tung;
- (4) Eander was incorporated in the BVI with limited liability on 12 August 2015. TMF Trust acquired Eander on 7 December 2015 as a vehicle of TMF Trust for the purpose of holding the companies under the PJ Trust. Since 7 December 2015 and up to the Latest Practicable Date, TMF Trust had been the sole shareholder holding one share in Eander;
- (5) On 7 December 2015, Mr. Tung transferred one share in Wisdom Cosmos to Eander by way of gift. Such transfer was properly and legally completed and settled. Upon completion of the said transfer and up to the Latest Practicable Date, Eander had been the sole shareholder of Wisdom Cosmos;

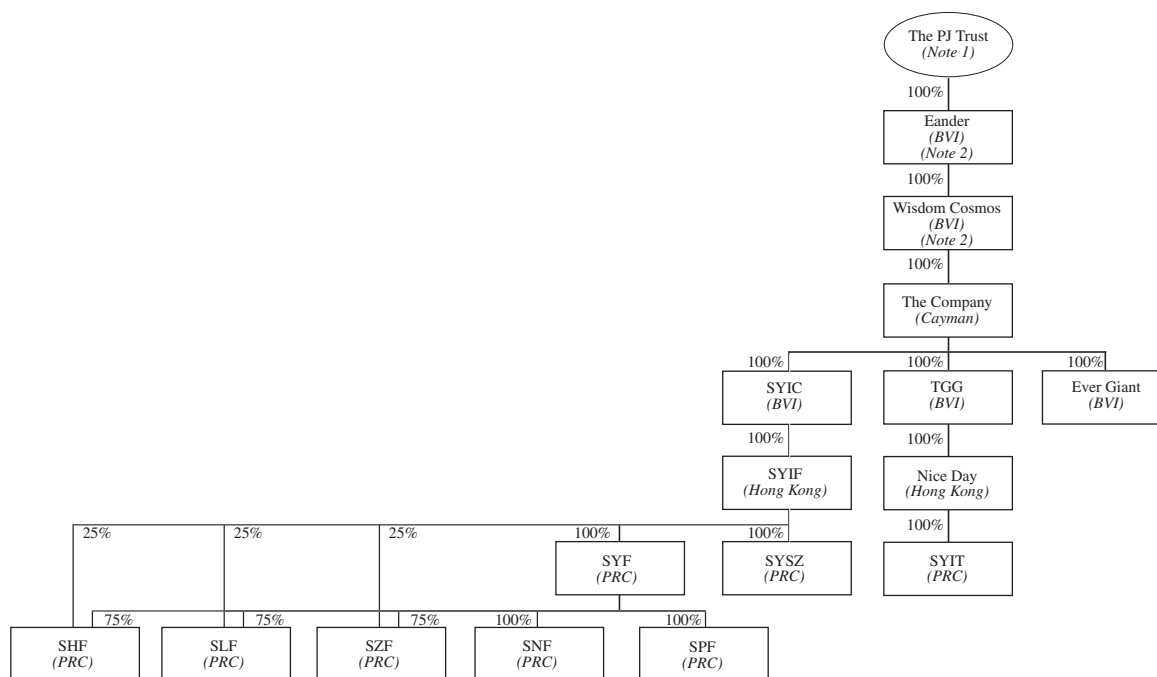
HISTORY, REORGANISATION AND DEVELOPMENT

Reorganisation of our Group

- (6) On 29 December 2016, our Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorised share capital of HK\$10,000 divided into 1,000,000 Shares of HK\$0.01 each. Only one Share was allotted and issued as fully paid to the initial subscriber according to the memorandum and articles of association of the Company (Reid Services Limited, a subscriber arranged by the corporate services company who incorporated the company) at par which was transferred to Wisdom Cosmos;
- (7) On 29 December 2016, one subscriber share of TGG was allotted and issued as fully paid to our Company. After the said allotment of the subscriber share and up to the Latest Practicable Date, TGG had been a wholly-owned subsidiary of our Company;
- (8) On 20 January 2016, Ever Giant was incorporated in the BVI with limited liability by Mr. Tung to hold the trademarks of the Group. Upon incorporation, it was authorised to issue a maximum of 50,000 shares with a par value of US\$1. On 18 February 2016, one subscriber share was allotted and issued as fully paid to Mr. Tung. On 30 December 2016, Mr. Tung transferred one share in Ever Giant to the Company at a consideration of US\$1. Such transfer was properly and legally completed and settled. Upon completion of the said transfer, Ever Giant became a wholly owned subsidiary of our Company;
- (9) On 14 March 2017, our Company and TGG entered into a sale and purchase agreement with Mr. Tung pursuant to which Mr. Tung transferred his entire shareholding interests in Nice Day to TGG in consideration of which TGG allotted and issued 1 share in TGG to our Company at the direction and instruction of Mr. Tung. Such transfer was properly and legally completed and settled. Upon completion of the said transfer, Nice Day became a wholly-owned subsidiary of TGG; and
- (10) On 19 June 2017, SY Financial as vendor and our Company as purchaser entered into a reorganisation agreement, pursuant to which our Company acquired the entire issued share capital of SYIC from SY Financial. In consideration thereof and at the direction and instruction by SY Financial, our Company allotted and issued as fully paid one Share to Wisdom Cosmos. Such transfer was properly and legally completed and settled. Upon completion of the said transfer, SYIC became a wholly-owned subsidiary of our Company.

HISTORY, REORGANISATION AND DEVELOPMENT

Upon completion of the Reorganisation set out above, our Company became the holding company of our Group. The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but prior to the completion of the Capitalisation Issue and the Global Offering:



Notes:

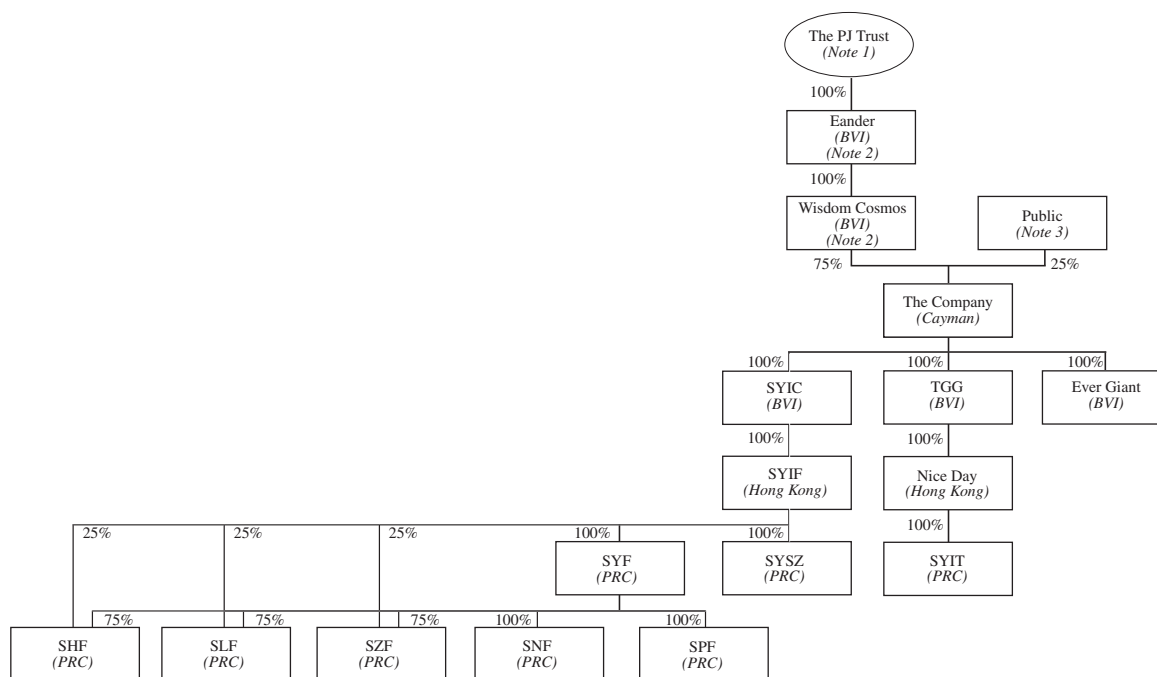
1. The PJ Trust is an irrevocable reserved power trust set up by Mr. Tung with Mr. Tung and his family members being the beneficiaries and TMF Trust acting as the trustee. TMF Trust is a Controlling Shareholder.
2. Eander and Wisdom Cosmos are the Controlling Shareholders.

The PRC Legal Advisers confirmed that all relevant approvals and permits in relation to the establishments of the PRC companies in our Group had been obtained and the procedures involved had been carried out in accordance with PRC laws and regulations.

Conditional on the share premium account of our Company being credited as a result of the Global Offering, certain amounts standing to the credit of the share premium account of our Company will be capitalised and applied in paying up in full such number of Shares for allotment and issue to the Shareholder on the register of members or principal share register of our Company at the close of business on 19 June 2017, i.e. Wisdom Cosmos, so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by it, will constitute not more than 75% of the total issued share capital of our Company. Details of the Capitalisation Issue are set out in the paragraph headed “A. Further information about our Company and our Subsidiaries — 3. Written resolutions of the sole Shareholder” in Appendix IV to this prospectus.

HISTORY, REORGANISATION AND DEVELOPMENT

The following chart sets out the shareholding structure of our Group immediately following the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme):



Notes:

1. The PJ Trust is an irrevocable reserved power trust set up by Mr. Tung with Mr. Tung and his family members being the beneficiaries and TMF Trust acting as the trustee. TMF Trust is a Controlling Shareholder.
2. Eander and Wisdom Cosmos are the Controlling Shareholders.
3. The public float of our Company includes the Shares subscribed by the cornerstone investors. For details, please see the section headed “Cornerstone Investors” in this prospectus.

BUSINESS

OVERVIEW

We are a specialised enterprise financial services provider offering accounts receivable financing and other related solutions, mainly in the energy, construction and medical sectors in the PRC. Our headquarters are based in Shenzhen, the PRC. According to the Frost & Sullivan Report, we ranked fourth in terms of factoring business turnover for the year ended 31 December 2015 among all third party commercial factoring companies registered in the PRC, with a market share of approximately 5.4%. We have a strong capital base with our principal operating subsidiary in the PRC having a registered capital of US\$100 million.

We have developed our customer base by targeting SME suppliers of SOEs and large scale enterprises in the energy, construction and medical sectors in the PRC. We achieved this by approaching SOEs and large scale enterprises that are interested in improving their supply chain management. With a view to making use of new technology and innovation to deliver our financial services, we launched an online factoring platform in November 2016. Through this platform, we aim to improve our factoring and accounts receivable management services and to increase our volume of transactions.

We derive our income from factoring business mainly through the provision of factoring services, which contributed to 99.4% and 94.2% of our income from factoring business for the two years ended 31 December 2015 and 2016, respectively. Our factoring services primarily involve providing (i) financing to our factoring customers, which financing is secured by, amongst others, the accounts receivable of these customers; and (ii) accounts receivable management services, which include review and verification of documents relating to the accounts receivable, collection of the accounts receivable on behalf of our customers, and regular reports to our customers regarding the accounts receivable. In return, we receive both interest income and fee income. During the Track Record Period, most of our factoring transactions were with recourse and with notification.

We also derive income from factoring business through (i) sales of factoring assets; and (ii) other services. Through the sale of our factoring assets to a third party, we record a gain that is equal to the excess of the consideration received and receivable over the book value of the factoring assets as recorded by our Group prior to the transfer. In addition, we receive fee income from our provision of other services, principally including accounts receivable management services without financing.

BUSINESS

The following table sets out a breakdown of our income from factoring business by type of service during the Track Record Period:

	Year ended 31 December			
	2015		2016	
	<i>RMB'000, except percentages</i>			
Factoring services	57,100	99.4%	111,809	94.2%
Sales of factoring assets	—	—	5,876	5.0%
Other services ⁽¹⁾	<u>362</u>	<u>0.6%</u>	<u>982</u>	<u>0.8%</u>
Total	<u><u>57,462</u></u>	<u><u>100%</u></u>	<u><u>118,667</u></u>	<u><u>100%</u></u>

Note:

(1) This primarily includes fee income from providing accounts receivable management services without financing.

According to the Frost & Sullivan Report, we were among the first batch of commercial factoring companies established in the PRC after the MOFCOM started to approve the licensing of commercial factoring companies in 2012. We believe that this provided us with a first mover advantage in terms of customer development.

Since we commenced our factoring business in April 2014, we focused our efforts on providing our services to the energy, construction and medical industries across the PRC. Within these industries, we have established connections with SOEs and large scale enterprises in the respective industries and gained valuable expertise. Moving forward, we intend to continue developing our factoring business in our three strategic industries in the PRC, which we believe to have stable income streams, strong government support, and favourable growth potential. The following table sets out a breakdown of our revenue by industry during the Track Record Period:

	Year ended 31 December			
	2015		2016	
	<i>RMB'000, except percentages</i>			
Energy	32,026	55.7%	52,041	46.1%
Construction	20,558	35.8%	57,693	51.2%
Medical	—	—	2,027	1.8%
Others ⁽¹⁾	<u>4,878</u>	<u>8.5%</u>	<u>1,030</u>	<u>0.9%</u>
Total	<u><u>57,462</u></u>	<u><u>100%</u></u>	<u><u>112,791</u></u>	<u><u>100%</u></u>

Note:

(1) Other industries include IT, finance, mining, and logistics supply chain.

BUSINESS

We strive to continue to improve and enhance our risk management system. Based on the experience accumulated by our management and employees since the commencement of our business in April 2014, we believe that we have implemented stringent risk management policies and procedures. As a result of our stringent risk management system, we did not experience any non-performing assets as at 31 December 2015 and 2016 and the Latest Practicable Date.

Our customers are located in different geographical locations across the PRC. In addition to our offices in Shenzhen, Shanghai and Tianjin, from which we can cover the neighbouring areas, our online factoring platform will allow our potential customers to apply to us for factoring services, and our existing customers to conduct their factoring transactions online. We aim to leverage our platform to become a successful financial technology player in our sector by (i) improving our efficiency and lowering our operating costs; (ii) enhancing our credit assessments on the customers and the underlying debtors; and (iii) potentially introducing more value-added services to our customers by utilising the data collected, such as online statements for our customers to monitor the status of their accounts receivable that have been transferred to us.

We experienced significant growth during the Track Record Period. For the two years ended 31 December 2015 and 2016, our revenue increased by 96.2% from RMB57.5 million to RMB112.8 million; our net profit increased by 29.7% from RMB37.0 million to RMB48.0 million; and our factoring assets increased by 101.3% from RMB658.0 million to RMB1,324.3 million.

For the two years ended 31 December 2015 and 2016, our five largest customers in terms of revenue accounted for 83.2% and 54.8% of our total revenue, respectively, whilst our largest customer in terms of revenue accounted for 50.0% and 14.9% of our total revenue for the same respective periods.

OUR COMPETITIVE STRENGTHS

We believe that our following competitive strengths will enable us to compete effectively in the commercial factoring industry in the PRC.

We have a strong capital base and a variety of funding channels

The registered share capital of SYF is US\$100 million. Previously, commercial factoring entities in the PRC were subject to a minimum registered capital requirement of RMB50 million. Since October 2015, this minimum registered capital requirement has been abolished. We believe that our registered share capital is much higher than most of our competitors in the PRC.

During the Track Record Period, the maximum month-end risk assets of SYF was maintained at a healthy level of no more than three times of our total net assets, which we believe is significantly lower than (i) the regulatory limit of 10 times of the total net assets for commercial factoring companies in the PRC; and (ii) other market participants.

BUSINESS

In addition, we have established relationships with various financial institutions in the PRC. These financial institutions included banks, asset management companies, trust companies and non-bank financial institutions in the PRC. With a view towards maintaining stable and cost efficient capital for our business operations, we have relied on a variety of funding channels during the Track Record Period. These channels include bank loan facilities, entrusted loans, and financial instruments such as asset backed securitisation products, through various banks and non-bank financial institutions. As at 31 December 2015 and 2016, our total outstanding bank and other borrowings were RMB37.0 million and RMB142.5 million, whilst our total amount of financial assets sold under repurchase agreements amounted to nil and RMB83.5 million, respectively. For details on our funding channels, see the paragraph headed “Our Lenders and Funding Capabilities” in this section.

Because of our strong capital base and fundraising capability, we believe that this provides assurances to our customers and financiers as to our financial health and commitment to our business.

We have stringent and effective risk management and internal control processes

We have established comprehensive risk management and internal control procedures to deal with various risks relating to our business. All factoring transactions are reviewed by multi-tier levels of approval, including our Risk Management Department and Risk Management Committee, prior to signing of transaction documents. Our review process includes verifying the authenticity of the underlying transaction between the customer and its buyer. Our risk management process also includes a continuous review process after the financing has been advanced. For example, our Operations Department will regularly check the due date of each accounts receivable and issue payment reminders to the customer or its buyer, and our Corporate Finance Department will conduct on-site visits to our customer or its buyer in the event of overdue payments. This continuous review process enables us to spot any potential default of our customers and their buyers, and to take remedial action to enhance the recovery of our assets at an early stage. As at 31 December 2015 and 2016 and the Latest Practicable Date, we did not experience any non-performing assets, which we believe demonstrates the effectiveness of our risk management system.

We have a diversified and high-quality customer base with recurring business opportunities

We have a diversified and high-quality customer base. As at 31 December 2015 and 2016, we had 42 and 65 customers, respectively, which included construction materials manufacturers, pharmaceutical products manufacturers, medical equipment manufacturers, and petroleum companies. During the Track Record Period, we had over 70 customers in various industries across more than 10 different municipalities, provinces and autonomous regions in the PRC. During the Track Record Period, our revenue derived from our five largest customers decreased from 83.2% for the year ended 31 December 2015 to 54.8% for the year ended 31 December 2016. We believe that our wide and diversified customer base enables us to diversify our risks from over reliance and adverse economic trends in any particular industry or region.

BUSINESS

Our customers are mainly SME suppliers of SOEs and large scale enterprises in their respective industry sectors. Since our inception, we developed our customer base with SME suppliers by developing relationships with SOEs and large scale enterprises that are interested in improving their supply chain management. Our business managers from our Corporate Finance Department will contact the finance managers of SOEs and large scale enterprises from time to time to understand their or their suppliers' funding needs. Our business managers will then promote our factoring services to them and their SME suppliers.

In addition, we have entered into strategic cooperation arrangements with two SOEs for a term of two years in the first quarter of 2017 to strengthen our relationships with them. One of the SOEs is a pharmaceutical group and the other is Underlying debtor D. For details on Underlying debtor D, see "Business — Our Business Model — (A) Factoring Services - Factoring Assets and Collaterals". Taken into account of the business relationships we had with the SOEs and their suppliers, the respective scale of operation of the SOEs and us, and with an intention to engage us to provide for the SOEs and/or their suppliers factoring services and other services relating to accounts receivable for the next two years, the SOEs and we entered into the strategic cooperation arrangements. The strategic cooperation arrangements aimed at setting out some non-binding commercial terms such as a non-binding indicative minimum financing amount which the SOEs and we may make reference to when entering into future transactions. Both the SOEs and we are not committed to meet the minimum financing amount. The SOEs, their suppliers and we will negotiate with each other for specific commercial terms for each future factoring transaction. We will approve factoring transactions with the SOEs and their suppliers in accordance with our existing risk management policies. Under the strategic cooperation arrangements, we will not provide exclusive factoring services to the SOEs and/or their suppliers.

Under our strategic cooperation arrangements with the two SOEs, the SOEs shall include us as their or their suppliers' factoring service provider. The SOEs and we also agreed to a non-binding indicative minimum annual financing amount, with specific commercial terms for each transaction to be agreed. If either party does not fulfill the minimum annual financing amount, there will not be any penalty for either party. As to the strategic cooperation arrangement we had with Underlying debtor D, the SOE and we agreed that the minimum annual average financing amount would be RMB1,300 million in 2017 and RMB1,600 million in 2018. Underlying debtor D will choose us to render factoring services with preference over other factoring services providers under the same terms and conditions. As to the strategic cooperation arrangement we had with the pharmaceutical group SOE, the SOE and we agreed that the minimum annual average financing amount would be RMB500 million in 2017 and RMB1,000 million in 2018. The intended interest rate would be 12% per annum.

We believe that our relationships with SOEs and large scale enterprises, particularly in the energy, construction and medical industries which we believe to have stable growth in the future, enable us to continue to develop a high-quality customer base with recurring business opportunities. We intend to continue to focus on the accounts payable of SOEs and large scale enterprises in order to maximise our recoverability and minimise our risk of non-performing assets.

BUSINESS

We have implemented our online factoring platform

We implemented our online factoring platform in November 2016. Our Group has made proper filing for its online factoring platform to the relevant PRC authorities in accordance with the Administrative Measures for Internet Information Services (互聯網信息服務管理辦法, Order of the State Council [2000] No.292) and the Measures for the Archival Administration of Non-commercial Internet Information Services (非經營性互聯網信息服務備案管理辦法, Order of the Ministry of Industry and Information technology [2005] No.33). The online platform has the capability to allow customers to (i) register online as users of our platform; (ii) apply for our factoring service and submit their factoring application documents (including invoices and contracts) to us online; (iii) execute the factoring agreements by affixing electronic signatures that have been authenticated; and (iv) review the financing amount advanced and repaid and amount of accounts receivable transferred. As the services we provide over the online platform are free and the intent to implement the online platform is to facilitate our factoring business and better serve our customers who engage our factoring services, our PRC Legal Advisers are of the view that such services are considered as non-commercial internet information services under the relevant PRC laws and regulations.

Pursuant to the relevant PRC laws and regulations, service providers who provide commercial internet information services shall first apply for the Internet Information Services Value-added Telecommunications Service Operating Permit (互聯網信息服務增值電信業務經營許可證). Further, such services are classified into the “restricted” category under the Catalogue for the Guidance of Foreign Investment Industries (Revised in 2015) (《外商投資產業指導目錄(2015年修訂)》), in which the ratio of foreign investments in value-added telecommunication business (other than e-commerce) cannot exceed 50%. Since our Controlling Shareholders are non-PRC residents holding more than 50% interest in our Company immediately following the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), we are not allowed to engage in the provision of commercial internet information services and we are also not eligible to obtain the Internet Information Services Value-added Telecommunication Service Operating Permit.

In the future, we may upgrade our online factoring platform along with our business expansion. Based on the relevant existing PRC laws and regulations, our PRC Legal Advisers are of the view that our services to be provided under the future upgrades are considered as non-commercial internet information services and we are not obliged to obtain the Internet Information Services Value-added Telecommunications Service Operating Permit as long as we continue to use our online platform as a channel to provide factoring services to our customers for free and we do not engage in the provision of commercial internet information services, such as provision of paid information service, website making and e-commerce. For the sake of prudence, before we carry out an upgrade to our online factoring platform in the future, we will consult our legal advisers in the PRC and seek confirmation from the relevant PRC telecommunication authorities on whether (i) our proposed platform upgrade and the additional services to be provided will be considered as commercial internet information services; and (ii) we are required to apply for any additional approvals and permits under the relevant PRC laws and regulations.

BUSINESS

Since its launch in November 2016, our online platform has been operated on a trial basis to allow our customers to get used to the use of our new platform. We believe that increasing the efficiency of our customers' application process will increase their likelihood of using our services instead of our competitors. In addition, we expect that the online platform will reduce our manpower resources required to collect physical documents from our customers across the PRC. We intend to rely on our online platform to expand the scale of our business because it allows us to (i) streamline our operations; (ii) facilitate the application process of both new and existing customers; (iii) expand our services to customers in geographical regions in the PRC that are currently not covered by our sales offices; and (iv) gather financial information of our customers, which may facilitate us to provide other value-added services to them in the future, such as preparation of credit analysis reports. Further, we believe that the platform improves our risk management system by allowing us to track whether the relevant documents and checklists have been reviewed by our staff.

We have an experienced management team

Our Directors and senior management have extensive experience in management and in the financial services industry. Mr. Tung, our executive Director and chairman of our Board, has over six years of experience in management and business administration. He has been the director and general manager of SYF since its date of establishment. He is responsible for the overall operational planning and management of SYF. Prior to founding SYF, he also worked for two years in a green social enterprise in Singapore, where he was responsible for the overall management and organisation of conferences. Mr. Chen Jen-Tse, as our executive Director, has over 18 years of experience in the factoring industry. Before joining our Group in July 2014, Mr. Chen Jen-Tse worked in management positions for more than a year in the commercial banking department in Hongkong and Shanghai Banking Corporation Limited Taipei branch, and around six years in the trade finance department in China Minsheng Banking Group. Mr. Lo Wai Hung, as our chief financial officer, worked in various international accounting firms for around 10 years, and has vast experience in acting as the financial controller for various companies. Mr. He Zhigang, as a member of our senior management, has over 10 years of experience in accounting and finance. Mr. Feng Chaowu, as another member of our senior management, has over 10 years of experience in banking and finance, and he oversees the implementation of our Group's risk management policies. For details on the qualifications and experience of our Directors and senior management, see the section headed "Directors and Senior Management" in this prospectus.

BUSINESS

OUR STRATEGIES

Expand and develop our internet financial services with an aim to become a Fintech service provider for enterprises

We are taking steps to become a Fintech service provider for enterprises with a focus on accounts receivable financing and other related solutions. With our existing high-quality customer base, relationships with SOEs and large scale enterprises, and intelligence derived from the data we collected from our offline financial services, we launched our online factoring platform in November 2016. We believe that our online platform will enable us to expand the scale of our business and provide convenience to our customers to use our service. We expect that our online factoring platform will be mutually beneficial to our customers and us. For example, by being able to electronically sign and submit the factoring application documents (including invoices and contracts) online, the risk of late or non-delivery of such documents is reduced. This enables us to approve and disburse the financing to our customers within a shorter timeframe. In addition, our online platform is expected to lower the risk of our customers submitting fraudulent transactions for our factoring services. Unlike traditional company chops in the PRC, the electronic signature system is authenticated by certified vendors in the PRC, hence the risk of forgery is lower. This in turn reduces our risk of non-payment due to fraudulent transactions. Further, the simplification and standardisation of our online factoring application process is expected to facilitate the overall user experience of our customers, thereby increasing the likelihood of recurring customers. On the other hand, our online platform will also increase the efficiency of our operations. Other than our preliminary on-site due diligence visits as well as post-lending visits as part of our portfolio management measures, we can reduce our manpower resources required to physically collect documents from our customers across the PRC.

Through a combination of offline and online customer engagement, we believe we will enhance our service offering as well as our ability to attract and retain customers to use our financial services. For instance, with the use of internet and information technology, we will be able to process smaller invoices at higher frequency online within the customers' approved credit limits and to provide real time reports for our customers who receive our accounts receivable management services by showing collection or release of accounts receivable to them real time. We will continue to enhance our online factoring platform and develop new tools for our customers based on their business needs. We will also apply new technology and innovation for gathering and processing data, sales and marketing and enhancing risk control in our financial services to enrich our customer base, improve the credit assessment capability, and lower our operation costs.

To achieve these goals and further develop the capabilities and functions of our online platform, in 2017, we will (i) develop connection gateways and upgrade our platform to make it compatible with that used by some cooperating SOEs which we have cooperation with, so that we will (a) have an additional channel to verify the underlying transactions between such SOEs and our customers, and (b) be able to analyse the historical transaction data between such SOEs and our customers to help us improve our risk analysis model; (ii) develop connection gateways and upgrade our platform to make it compatible with that used by some banks which we have bank accounts with, so that we can manage our funds with such banks more efficiently; and (iii) enhance our platform based on the existing operation model to make it a more user-friendly platform, especially in the area of financial reporting, invoices processing and procedures streamlining. For each of the two years ended 31 December 2016, the revenue contribution of our Group's factoring assets attributable to the aforesaid

BUSINESS

cooperating SOEs was RMB2.2 million and RMB10.9 million respectively. In 2018, we will (i) cooperate with more financial institutions to develop connection gateways; and (ii) advance our platform so that our current offline business model for sale of factoring assets can be conducted via our online platform.

To implement these plans in the two years ending 31 December 2018, we expect to invest a total of RMB6.0 million, of which RMB3.7 million will be funded by our internal resources and RMB2.3 million will be funded by the net proceeds from the Global Offering, to develop and upgrade our online platform. In 2017, we will spend RMB2.6 million for the salary expenses of IT programmers, RMB0.2 million for purchasing additional IT hardware and systems and software. In 2018, we will spend RMB3.1 million for salary expenses and RMB0.1 million for IT hardware and software. We expect we will incur RMB0.1 million per year to maintain our online platform from 2019 onwards. We expect that the total costs to be incurred in the development of the online factoring platform will be RMB6.0 million and all the costs for the development, mainly including staff costs will be capitalised.

Further, we have entered into cooperation agreements with two SOEs in the PRC, one of which is a pharmaceutical group and the other is Underlying debtor D. For details on Underlying debtor D, see “Business — Our Business Model — (A) Factoring Services — Factoring Assets and Collaterals”. Pursuant to these cooperation agreements, the SOEs have agreed to share with us information relating to their suppliers. Both cooperation agreements were executed by the SOEs with SYIT and have similar major terms. The term of the cooperation agreements is for a period of two years from the date of the agreements. During the term of the agreements, the SOEs will supply the the business information of the SOEs and their customers to us and we will analyse, organise and integrate such business information to produce data analysis reports or create a database for the SOEs. We do not charge the SOEs for our service. However, we are granted the right to use the business information supplied by the SOEs, the reports and database we created for the SOEs for our internal use without consideration. As at the Latest Practicable Date, the SOEs have not commenced any information sharing with us as the SOEs and we are exploring the scope of information to be shared with us. To further explore our cooperation with the SOEs, we further entered into supplemental agreements to the cooperation agreements with the two SOEs. Pursuant to the supplemental agreements, the SOEs and we confirm that the business information supplied to us under the cooperation agreements are information that relates to the transaction information and data (such as the type, amount, price and payment terms of the purchase and sales of products or services between the SOEs and their respective customers and suppliers).

The SOEs and we further agreed in the supplemental agreements that no State secrets or business secrets were involved during the cooperation and each of the SOEs and we shall abide by the State Secret Protection Laws. Further, as advised by our PRC Legal Advisers, the SOEs and their customers are required to keep any State secrets strictly confidential under the relevant Secrecy Protection Laws and without necessary approvals, they cannot share such secrets with any other parties (including our Group) regardless of whether there are any confidentiality agreements entered into between the SOEs and the relevant parties.

BUSINESS

Since the information provided by the SOEs does not and shall not involve any State secrets at all, we believe that our Company can fully provide any relevant information without limitation with respect to the audit work to be carried out by the reporting accountants of our Company after entering the said cooperation agreements with the SOEs. As at the Latest Practicable Date, our Group has not been informed or made aware that there were any State Secrets or business secrets involved in the information provided to us by the SOEs. As confirmed by our PRC Legal Advisers, the major terms of the aforesaid cooperation agreements do not violate the relevant Secrecy Protection Laws. Our Directors confirm that the aforesaid cooperation arrangement with the SOEs will not involve any State secrets in the future. We believe that the information provided by the SOEs pursuant to the cooperation agreements will enable us to identify more suitable customers for our factoring business.

Expand the size of our factoring portfolio

We intend to expand our factoring business and improve our market share in the commercial factoring in the PRC. According to the Frost & Sullivan Report, the turnover of the commercial factoring market in the PRC is expected to grow from RMB207.7 billion in 2015 to RMB1,747.5 billion in 2020 at a CAGR of 53.1%. We believe there is substantial growth potential in market demand for our factoring services arising from the growing number of SMEs, increasing accounts receivable of industrial enterprises, technological developments in risk control and credit analysis, and governmental support, in the PRC. Since our factoring business is capital-intensive in nature, we intend to utilise proceeds from the Global Offering to increase the size of our factoring portfolio in particular within our existing strategic industries. See “Future Plans and Use of Proceeds” for further details. We also aim to secure further funding from our lenders and the public market to continue to capitalise on growth opportunities in the commercial factoring market in the PRC.

Increase capital turnover to enhance factoring return and risk management

We intend to enhance the profitability of our factoring receivables portfolio by increasing the capital turnover through portfolio syndication and asset securitisation. We are negotiating with a number of PRC securities firms to structure and distribute our factoring assets, and we expect to transfer some of our portfolio during the year ending 31 December 2017. Through the transfer, we expect to earn a spread between (i) the interest rate charged to our factoring customers; and (ii) the interest rate paid to the purchaser. The capital raised from our portfolio syndication and asset securitisation can be redeployed for new factoring opportunities, thereby effectively increasing the turnover and efficiency of our capital.

Enhance our specialised and professional workforce

We believe our growth is attributable to our ability to select, develop, motivate and retain our talented and professional workforce. We plan to enhance our workforce to fulfill our strategic goals. We will continue to focus on recruiting and cultivating the technical expertise and industrial knowledge of our workforce for our target industries, provide training and development programs to enhance their professional knowledge and capability, and create a supportive culture promoting personal and professional development. We will continue to improve our incentive-based compensation structure to help align employees’ compensation with their contribution to our business. We will also continue to improve our human resources policies to attract, train, incentivize and retain employees.

BUSINESS

Expand our sales network across the PRC

We plan to expand our sales network across the PRC to fulfill our strategic goals. During the Track Record Period, our customers were primarily located in the South China, East China and Central China regions, and as at the Latest Practicable Date, we have established offices in Shenzhen, Shanghai and Tianjin. In addition to relying on our online factoring platform, we intend to establish new offices in Beijing to expand our sales network and strategically develop our business in the North China region.

Continue to enhance our risk management capabilities

We intend to continue to enhance our risk management capabilities by continuing to focus on implementing an integrated and dynamic risk management system and optimising our prudent risk management systems to protect the long-term interests of our Shareholders, customers and employees. We also intend to proactively streamline our procedures to enhance our customer selection process, credit assessment and approval procedures. In addition, we intend to upgrade our information technology systems, to more closely monitor and control the status of our assets, financing project management and overall asset monitoring of our Company. We also intend to enhance our risk conversion capabilities to deal with illiquid assets and defaulted loans. To achieve these goals, we will continue to expand our professional risk management team and plan to recruit at least three additional risk management personnel by the end of 2017.

OUR BUSINESS MODEL

We derive income from factoring business through our provision of factoring services, sales of factoring assets, and other services to customers throughout the PRC. Under the factoring services segment, we primarily generate interest income for financing provided to our factoring customers, which is secured by accounts receivable of these customers, and we also generate fee income for our accounts receivable management services. Under the sales of factoring assets segment, we record a gain that is equal to the excess of the consideration received and receivable over the book value of the factoring assets as recorded by our Group prior to the transfer. Under the other services segment, we generate fee income through provision of various services principally including accounts receivable management services without financing.

(A) Factoring Services

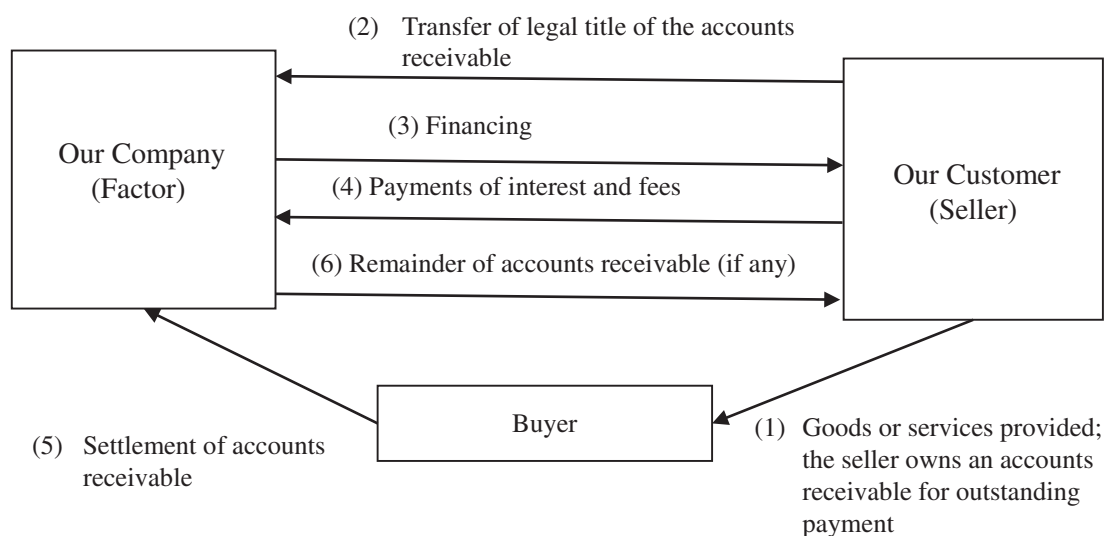
In a typical factoring transaction, we (as factor) provide financing and accounts receivable management services to our customer (as seller) in return for (i) interest and fee income, and (ii) transfer of legal title of accounts receivable from our customer to us. After the transfer of the accounts receivable to us, we own the right to receive the outstanding amount of the accounts receivable from the buyer. Such accounts receivable are usually payable within one year.

BUSINESS

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

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

A typical factoring transaction involves three parties, namely the factor (us), the seller (our customer) and the buyer. The following diagram illustrates the relationship among the three parties:



As at 31 December 2016, our factoring assets amounted to RMB1,324.3 million. During the Track Record Period, the financing amount provided for each factoring transaction ranged from RMB30,000 to RMB600.0 million.

We generally enter into master factoring agreements with our customers, whereby each customer has a pre-approved maximum credit limit that covers receivables (i) from approved buyers and (ii) with a specified repayment schedule. During the Track Record Period, most of our factoring transactions were: (i) with recourse, which means that under certain circumstances (such as a default by the buyer to pay the accounts receivable, and a dispute arising between the buyer and the seller) our customer is required to provide us with a guarantee to unconditionally repay the outstanding balance of the financing provided to such customer, together with any unpaid interest and related fees owed to us; and (ii) with notification, which means the buyer is notified of the factoring arrangement between our customer and us before we provide financing to our customer. On the other hand, for a factoring without recourse transaction, we do not have direct recourse to our customer if the buyer

BUSINESS

defaults on repayment of the accounts receivable; and for a factoring without notification transaction, we reserve the right to notify the buyer of the factoring arrangement after we have provided financing to our customer. The following tables set forth a breakdown of our revenue from different types of factoring during the Track Record Period:

	Year ended 31 December			
	2015		2016	
	<i>Number of transactions</i>	<i>RMB'000</i>	<i>Number of transactions</i>	<i>RMB'000</i>
With recourse <i>(Note)</i>	103	56,964	230	109,632
Without recourse	<u>2</u>	<u>136</u>	<u>1</u>	<u>2,177</u>
Total	<u><u>105</u></u>	<u><u>57,100</u></u>	<u><u>231</u></u>	<u><u>111,809</u></u>

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

	Year ended 31 December			
	2015		2016	
	<i>Number of transactions</i>	<i>RMB'000</i>	<i>Number of transactions</i>	<i>RMB'000</i>
With notification	77	48,928	185	96,503
Without notification	<u>28</u>	<u>8,172</u>	<u>46</u>	<u>15,306</u>
Total	<u><u>105</u></u>	<u><u>57,100</u></u>	<u><u>231</u></u>	<u><u>111,809</u></u>

The following tables set forth a breakdown of our factoring assets from different types of factoring as at 31 December 2015 and 2016:

	As at 31 December 2015	As at 31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
With recourse <i>Note</i>	625,919	1,324,315
Without recourse	<u>32,060</u>	<u>—</u>
Total	<u><u>657,979</u></u>	<u><u>1,324,315</u></u>

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

BUSINESS

	As at 31 December 2015 <i>RMB'000</i>	As at 31 December 2016 <i>RMB'000</i>
With notification	491,402	967,013
Without notification	<u>166,577</u>	<u>357,302</u>
Total	<u><u>657,979</u></u>	<u><u>1,324,315</u></u>

The following table sets forth a breakdown of our factoring assets by the industry and the nature of the underlying debtors of the corresponding accounts receivable, respectively as at 31 December 2015 and 2016:

	As at 31 December 2015				As at 31 December 2016			
	SOEs ⁽²⁾ <i>RMB'000</i>	Listed companies ⁽³⁾ <i>RMB'000</i>	Private companies <i>RMB'000</i>	Government administrative bodies <i>RMB'000</i>	SOEs ⁽²⁾ <i>RMB'000</i>	Listed companies ⁽³⁾ <i>RMB'000</i>	Private companies <i>RMB'000</i>	Government administrative bodies <i>RMB'000</i>
Energy	24,022	84,033 ⁽⁴⁾	247,811	—	85,826	133,018 ⁽⁴⁾	124,136	—
Medical	—	—	—	—	22,561	—	—	6,770
Construction	241,903	32,060	13,980	—	262,103	—	689,901	—
Others ⁽¹⁾	—	775	13,395	—	—	—	—	—
Sub total	<u>265,925</u>	<u>116,868</u>	<u>275,186</u>	<u>—</u>	<u>370,490</u>	<u>133,018</u>	<u>814,037</u>	<u>6,770</u>
Grand total	<u><u>657,979</u></u>				<u><u>1,324,315</u></u>			

Notes:

- (1) Other industries include IT, finance, mining, and logistics supply chain.
- (2) SOEs include the subsidiaries of the SOEs.
- (3) Listed companies include companies listed in the PRC or New York and their subsidiaries.
- (4) It includes factoring assets of an underlying debtor which is both a company listed in the PRC and a SOE.

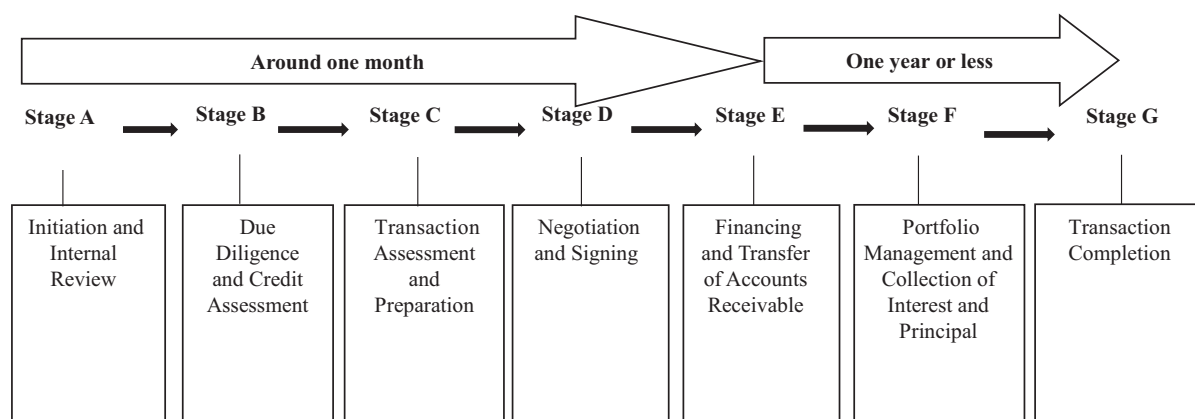
BUSINESS

Occasionally, our Company enters into reverse factoring transactions where the underlying debtor is also our customer. In such transactions, the seller transfers to us its accounts receivable, we advance financing to the seller but our customer-buyer shall assume the obligations to pay to our Group the underlying accounts receivable that the seller has transferred to us and the interest for the factoring transaction. Such reverse factoring transactions are with recourse against the seller if our customer-buyer defaults in payment.

For the year ended 31 December 2015, we had no reverse factoring transactions. For the year ended 31 December 2016, we had four reverse factoring transactions with advances of RMB739.1 million, which contributed to RMB21.9 million of our revenue.

Operational Workflow

We have designed a systematic operational workflow from Stage A to Stage G for our factoring business operation. Under this workflow, various risk control measures and procedures are consistently applied to every factoring transaction, involving the active participation of different departments in our Group. The chart below sets out the typical process workflow of our factoring business operation:



Stage A: Initiation and Internal Review

When we receive an application for factoring by a potential customer, our Corporate Finance Department will process the application and collect basic information such as corporate information, principal business, financial statements, buyers of the potential customer, the relevant accounts receivable and the requested credit limit, from the potential customer. We will also access the credit reference centre operated online by the PBOC to check whether the accounts receivable have already been factored or registered as a security. Our Corporate Finance Department will then conduct a preliminary assessment of the potential factoring transaction. In addition, with the assistance from our Risk Management Department and our Operations Department, our Corporate Finance Department will prepare a factoring proposal for discussion with the potential customer.

BUSINESS

Stage B: Customer Due Diligence and Credit Assessment

We then conduct more detailed research into the background, business and credit of both our potential customer and its relevant buyers. With a focus on (i) assessing the creditworthiness of the customer and its buyer, and (ii) verifying the authenticity of the underlying transaction, our Corporate Finance Department will obtain documents (such as business licences of the customer and its buyer, the business contracts and invoices between the customer and its buyer relating to the accounts receivable, and litigation and bankruptcy search results of the customer and the buyer) from the potential customer in accordance with our internal due diligence document checklist, and carry out on-site visits to collect information on the potential customer and its relevant buyers. For verification purposes, we may obtain such information and documents from third party agencies such as credit rating agencies. During the due diligence process, we will check if our potential customer which intends to transfer accounts receivable of a buyer to us will apply for a credit limit that exceeds the internal credit limit we approved for that buyer before. If we have factoring receivables from that buyer before, we will also check our internal record for the payment history of that buyer. Based on the information and documents collected, our Risk Management Department will perform separate due diligence on the potential transaction, and prepare a credit assessment report.

Stage C: Transaction Assessment and Preparation

Before determining the credit limit for our customer, we will first assess the creditworthiness of the buyer. We will approve an internal credit limit for each buyer. The aggregate credit limit for all factoring transactions involving accounts receivable from each customer shall not exceed our internal credit limit for that buyer. Our assessment criteria are set out in our internal credit management manual. To mitigate our potential concentration of credit risk of a buyer, we usually will not approve an internal credit limit for that buyer that exceeds in respect of an individual corporate buyer, 14% of our total assets, and in respect of corporate buyers that belong to the same group, 24% of our total assets. We will reassess the creditworthiness of the buyer and review the internal credit limit for that buyer before we continue to process the application of that potential customer, if the aggregate credit limit for all factoring transactions involving accounts receivable of that buyer exceeds the internal credit limit we approved for that buyer. After assessing the creditworthiness of the buyer, we will also assess the creditworthiness of the potential customer. To mitigate our risk exposure to any single customer, similarly, we usually will not grant credit that exceeds (i) in respect of an individual corporate customer, 14% of our total assets, and in respect of corporate customers that belong to the same group, 24% of our total assets; or (ii) 80% of the net value of the underlying accounts receivable that will be transferred to us.

Depending on the amount of the proposed factoring transaction, the terms of the transaction, which will mainly include the credit limit, whether such credit is revolving or fixed, credit period, interest rate, service fees, whether the factoring is with or without notification, will require the dual approvals by our Risk Management Department and by different authorised persons or committee within our Group. Our director of risk management is authorised to approve transactions involving a credit limit to a customer that does not exceed RMB10 million, after our internal credit limit for a buyer is approved. For credit limit to a customer or an internal credit limit for a buyer exceeding RMB10 million but not exceeding RMB50 million, approval from our general manager is required. For credit limit to a customer or an internal credit limit for a buyer exceeding RMB50 million, approval from our Risk Management Committee, which is the highest level authority overseeing risk

BUSINESS

management within our Group, is required. During the availability period (which usually does not exceed one year) of the credit limit, the relevant customer can obtain financing in multiple drawdowns within such limit. After the transaction is approved, the relevant factoring agreements, such as our factoring service agreement, factoring financing agreement and accounts receivable transfer agreement, will be prepared by our Operations Department and reviewed by our Legal Department.

Stage D: Negotiation and Signing

A business manager from our Corporate Finance Department will be primarily responsible for liaising with the customer, and will assist our Legal Department and Operations Department in negotiating, reviewing and executing the relevant factoring agreements. These agreements include (i) a factoring service agreement setting out the scope of our services as well as our standard factoring terms and conditions, (ii) a credit limit consent letter setting out the credit limit, whether such credit is revolving or fixed, credit period, interest rate, service fees, and whether the factoring is with or without notification, and (iii) if financing is required by the customer, a separate factoring financing agreement, which sets out, among others, the repayment terms, whether the financing is with or without recourse, and the guarantees (if any) in our favour.

Stage E: Financing and Transfer of Accounts Receivable

Before advancement of the financing (if applicable) to the customer, our Operations Department will ensure we have received all the documentary records in support of the accounts receivable, such as sales contracts, invoices and the signed factoring agreements. If the factoring is with notification, we will send a notice executed by our customer to the buyer. The notice will also instruct the buyer to pay into a designated bank account that we have control over. Our Operations Department will carry out a pre-financing check and register the transfer of the accounts receivable with the PBOC. The advancement of the financing will also be reviewed by our Finance Department and is subject to the approval of our deputy general manager and general manager. Once approval is received, our Finance Department will then advance the financing to our customer accordingly.

Stage F: Portfolio Management and Collection of Interest and Principal

Our Operations Department will regularly check the due date of each accounts receivable and will issue payment reminders to the customer or its buyer even before the accounts receivable payment is overdue. If the accounts receivable expires for over 45 days, our Corporate Finance Department is required to conduct an on-site visit to the premises of our customer or its buyer to collect the outstanding accounts receivable, whilst our Operations Department will issue overdue payment notifications to the customer or its buyer in addition to submitting fortnightly reports to our Corporate Finance Department and Risk Management Department in respect of these overdue payments. Our Operations Department, Corporate Finance Department and Finance Department will report to our Legal Department if there is anything unusual during the collection of accounts receivable. Our Legal Department may issue legal proceedings when necessary to assist the collection of accounts receivable. Our Operations Department is also responsible for collecting the factoring service fees and interest, providing accounts receivable management services, and following up on various matters relating to the financing.

BUSINESS

Our Directors confirm that during the Track Record Period, save for the litigation proceeding against Customer C as disclosed in the “Business — Legal Proceedings” of this prospectus, the factoring assets which were past due were all recovered from our customers or their buyers within the one-month grace period we granted to our customers. For those factoring assets which were past due, our Operations Department sent payment notifications to the customer or its buyer and reported the incidents to our Corporate Finance Department, Risk Management Department and Legal Department to follow up and monitor the process of the factoring assets collection.

Stage G: Transaction Completion

The factoring transaction is completed upon full repayment of the factored accounts receivable. The sum received will be used to settle the outstanding financing amount and any other fees owed to us by our customer. The remaining amount after such settlement will be paid to our customer. For further details on the risk management measures we have adopted, see “Risk Management and Operations”.

Summary of Key Terms of Factoring Agreements

We have standard templates for our factoring services. Our factoring agreements include (i) factoring service agreement, (ii) accounts receivable transfer agreement, (iii) factoring financing agreement, and (iv) credit limit consent letter. A summary of the key terms of our factoring agreements is set out below:

Factoring Service Agreement and Accounts Receivable Transfer Agreement

- *term of factoring service agreement*: usually two years;
- *subject matter*:
 - the seller transfers the accounts receivable to us, and we provide the seller with the factoring services;
 - for factoring with recourse transactions, we have the right to demand the seller to repay the outstanding balance of the financing provided to such seller, together with any unpaid interest and related fees owed to us, according to the conditions set out in the agreement^{Note};
 - we have the right to demand payment of the accounts receivable from the buyer; and
 - factoring is usually with notification, where we have the right to notify the buyer of such arrangement between us and the seller at the outset before we provide financing to the seller;
- *title/ownership of the accounts receivable*: the title/ownership will be transferred from the seller to us upon the commencement of the factoring agreement;

BUSINESS

- *dispute resolution*: if any dispute arises, the governing jurisdiction shall be the laws of the PRC; and
- *completion*: upon the end of the term or upon the end of the factoring agreements (whichever is earlier).

Factoring Financing Agreement and Credit Limit Consent Letter

- *factoring financing*: we determine (i) a credit limit (which is subject to review by us every year) for each customer, which limit will usually not exceed a certain percentage of our total assets and the size of the accounts receivable; (ii) whether the credit limit will be fixed or revolving; and (iii) the availability period of the credit limit for each customer, such period usually being one year;
- *factoring fees*: factoring fees comprise service fees and interest;
 - service fees are usually paid in full by the seller to us before we provide the seller with the financing; and
 - interest is usually paid upfront, but may also be paid in instalments, or at the end of the financing period;
- *default provision*: if the seller or the buyer fails to perform certain obligations specified in the agreement, we shall have the right to terminate the provision of the financing to the seller.

Note: Whilst we have the option to either exercise our right of recourse against the seller to repurchase the accounts receivable or to exercise our right to demand payment of the accounts receivable from the buyer, the exercise of one of these rights by us is without prejudice to our right to the other.

Factoring Assets and Collaterals

During the Track Record Period, we provided our factoring customers with net funding which ranged from 15% to 100% of the net value of either (i) the corresponding accounts receivable transferred to us under the factoring agreements, for customers who are granted a fixed credit for that specific accounts receivable from approved buyers; or (ii) the aggregate accounts receivable transferred to us under the factoring agreements, for customers who are granted a revolving credit facility in connection with a pool of accounts receivable from approved buyers. For the year ended 31 December 2015, 86% of our total revenue during the year was derived from factoring transactions which we provided financing of not exceeding 80% of the accounts receivable. For the year ended 31 December 2016, 80% of our total revenue during the year was derived from factoring transactions which we provided financing of not exceeding 80% of the accounts receivable.

BUSINESS

During the year ended 31 December 2015, there were 52 factoring transactions with factoring loans which matured during the year, with an aggregate value of matured factoring loans of RMB997.4 million and an aggregate value of the relevant underlying accounts receivable of RMB2,801.8 million. The proportion of factoring loans which matured during the year ended 31 December 2015 to our total factoring loans (including the loans lent out in the preceding year but not yet matured at year-end and the loans lent out during the current year) during the year ended 31 December 2015 was 48.7%. During the year ended 31 December 2016, there were 163 factoring transactions with factoring loans which matured during the year, with an aggregate value of matured factoring loans of RMB1,670.7 million and an aggregate value of the relevant underlying accounts receivable of RMB2,829.7 million. The proportion of factoring loans which matured during the year ended 31 December 2016 to our total factoring loans during the year ended 31 December 2016 was 46.0%.

The ratio of loan to accounts receivable for each of the two years ended 31 December 2016 ranged from 49% to 100% and 15% to 100% respectively; while the average ratio of loan to accounts receivable as at 31 December 2015 and 2016 was 60.5% and 80.9% respectively. In the factoring transactions with financing exceeding 80% of the net value of the accounts receivable, the buyers or sellers in the underlying transactions forming the accounts receivable were mainly SOEs, listed companies or private companies with relatively strong financial ability and good payment history. Our Risk Management Committee considered that these customers or their counterparties had relatively low default risk, and hence we approved the relevant factoring transactions. Generally, before we approve financing that exceeds 80% of the net value of the accounts receivable for a factoring transaction, we will take into account a number of factors, among others, the industry, financial ability and profit level of both the customer and its underlying debtor, the frequency of settlement of accounts receivable, payment history of the customer and its underlying debtor in previous factoring transactions with us, and the commercial terms of the factoring transaction such as the financing amount, interest, the provision of other collaterals and guarantees. In addition, the approval from our Risk Management Committee is required before approving the financing for such factoring transaction. We will only approve financing that exceeds 80% of the net value of the accounts receivable when we are satisfied that the credit risk of the customer and its underlying debtor as a whole is relatively low and acceptable. The discount rate applied to the face value of the factoring receivables will not be used to generate interest income. The interest is settled in accordance with the terms of the factoring agreements.

Under each factoring transaction, legal title of the accounts receivable is transferred to us and we register each factoring transaction with the online registration system established by the PBOC. During the Track Record Period, we obtained legal title to all accounts receivable transferred to us pursuant to the factoring agreements and duly registered all of them with the PBOC registration system.

BUSINESS

For a factoring without recourse transaction, we bear all credit risk in relation to the collection of the accounts receivable, and we do not have recourse to our customer if the buyer defaults on repayment of the accounts receivable. For a factoring with recourse transaction, we have the right to immediately demand our customer to repay the outstanding balance of the financing provided to such customer, together with any unpaid interest and related fees owned to us, under certain circumstances (such as a default by the buyer to pay the accounts receivable, and a dispute arising between the buyer and the seller). In some cases, we may also require our customers to provide additional guarantees so that we have better protection against our credit risk. For example, we may require the provision of additional guarantees when the customer is unable to open a designated bank account that we have control over and that we cannot receive the payment from the underlying debtor directly but only from the customer when the accounts receivable are settled, or when our internal credit assessment report shows that a customer may have higher credit risk than our other customers. These additional guarantees include personal or joint and several guarantees from the customer's legal representative, major shareholders and related-party companies.

The following table sets forth a breakdown of our factoring assets with or without such guarantees, respectively as at 31 December 2015 and 2016:

	As at 31 December 2015	As at 31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
With guarantees	110,939	354,511
Without guarantees	<u>547,040</u>	<u>969,804</u>
Total	<u><u>657,979</u></u>	<u><u>1,324,315</u></u>

BUSINESS

The following tables set out the breakdowns of our factoring assets derived from our Group's five largest underlying debtors to show our Group's credit exposure to the five largest underlying debtors respectively as at 31 December 2015 and 2016, together with the background information of the five largest underlying debtors and our relevant customers:

As at 31 December 2015

Underlying debtor	Nature of underlying debtor ⁽¹⁾	Size of operation of underlying debtor ⁽²⁾ <i>RMB'000</i>	Principal business of underlying debtor	Customers ⁽³⁾	Amount of factoring assets <i>RMB'000</i>
Underlying debtor A	Private company	92,350	Trading of petroleum	Customer G	98,242
Underlying debtor B	SOE	200,000	Supply management in metals and construction materials	Underlying debtor G ⁽⁴⁾	96,769
Underlying debtor C	SOE	1,132,430	Trading of petroleum	Customer H	84,033
Underlying debtor D	SOE	3,494,340	Construction services	Various private company customers in the construction and energy industry	67,726
Underlying debtor E	SOE	100,000	Manufacturer of power equipment accessories	Customer E	50,542

⁽¹⁾ SOEs include the subsidiaries of the SOEs.

⁽²⁾ Except for Underlying debtor E, the size of operation of which is set out in terms of its paid-up registered capital in 2014, the size of operation of each of the other underlying debtors is set out in terms of its paid-up registered capital in 2015.

⁽³⁾ For details on Customer E, Customer G and Customer H, see "Business — Our Customers".

⁽⁴⁾ Underlying debtor G is a wholly owned subsidiary of Underlying debtor B.

BUSINESS

As at 31 December 2016

Underlying debtor	Nature of underlying debtor ⁽¹⁾	Size of operation of underlying debtor ⁽²⁾ <i>RMB'000</i>	Principal business of underlying debtor	Customers	Amount of factoring assets <i>RMB'000</i>
Underlying debtor F ⁽³⁾	Private company	500,000	Property development and management	Customer F ⁽³⁾	594,651
Underlying debtor D	SOE	3,494,340	Construction services	Various private company customers in the construction industry	164,003
Underlying debtor C	SOE	1,132,430	Trading of petroleum	Customer H ⁽⁴⁾	133,018
Underlying debtor G	SOE	50,000	Trading of pulp	A private company customer engaging in construction and trading business	98,100
Underlying debtor H	Private company	100,000	Property development and investment	Underlying debtor D	95,250

Notes:

⁽¹⁾ SOEs include the subsidiaries of the SOEs.

⁽²⁾ The size of operation of each of the underlying debtors is set out in terms of its paid-up registered capital in 2015.

⁽³⁾ Underlying debtor F is a property development and management company. It has engaged a SOE construction contractor for its construction services. During the year ended 31 December 2016, this SOE contractor transferred the relevant accounts receivables from Underlying debtor F to our Group for financing. Contrary to our typical factoring transactions, Underlying debtor F entered into an agreement with us to confirm that it shall undertake to pay us the accounts receivables transferred to us by the SOE contractor and the relevant interest and costs arising from the factoring transaction. Accordingly, Underlying debtor F is also the same Customer F as disclosed in “Business — Our Customers” of this prospectus.

⁽⁴⁾ For details on Customer H, see “Business — Our Customers”.

Our five largest underlying debtors accounted for 60.4% and 81.9% of our total factoring assets as at 31 December 2015 and 2016 respectively. On the other hand, our five largest factoring assets contributed by the five major customers accounted for 64% and 77% of our total factoring assets as at 31 December 2015 and 2016 respectively.

BUSINESS

(B) Sales of Factoring Assets

With the intention of improving our cash flow and management of our factoring assets portfolio, we may sell our factoring assets to various financial institutions in the PRC. We record a gain that is equal to the excess of the consideration received and receivable over the book value of the factoring assets as recorded by our Group prior to the transfer. Under the factoring agreements with our customers, we are conferred with the right to transfer any of our rights under the factoring agreements including the factoring assets without prior consent of the underlying debtors of the relevant accounts receivable. In September 2016, we have entered into one framework factoring asset sale agreement with a purchaser that is majority-owned by a SOE. Pursuant to this sale agreement, we have agreed to sell part of our present and future factoring assets to the purchaser during the term of the agreement. For each transfer, the amount and composition of the factoring assets are to be mutually agreed between the purchaser and us. The term of the agreement is for two years, which will expire in September 2018. During the term of the agreement, we are not committed to sell a minimum amount of factoring assets but we may transfer our factoring assets at a carrying amount of up to RMB2,000 million to the purchaser as may be mutually agreed between the purchaser and us from time to time. All of our rights and obligations to the relevant factoring assets have been (or, in the case of future transfer(s), will be) transferred to the purchaser. The transfers were (and, in the case of future transfers, will be) without recourse against us. This means that even if the obligors (including the underlying debtor and our customer-seller) defaulted on their payment obligations under the relevant factoring assets, we will neither be required to compensate the purchaser nor to buyback the assets.

Pursuant to this sale agreement, when we apply to the purchaser for transfer of our factoring assets to it, we shall produce the underlying documents relating to the factoring assets such as the invoices and contracts of the underlying transactions forming the accounts receivable for the review by the purchaser. If the documents relating to the factoring assets are to the satisfaction of the purchaser, the purchaser shall issue a financial product to raise funds. On the date when the purchaser receives the funds raised under the financial product, the purchaser shall effect payment of the agreed part of transfer price to us. The agreed part of transfer price shall generally be equal to the book value of the factoring assets as recorded by our Group prior to the transfer. After the full payment of the agreed part of the transfer price, the purchaser and we shall execute the transfer documents relating to the factoring assets. The payment of the balance of the transfer price shall be paid by the purchaser to us on the date when the underlying debtors should settle the accounts receivable relating to the factoring assets. Under the sale agreement, the obligations of the purchaser include the payment of the transfer price of the factoring assets and registration of the transfer of the accounts receivable with the PBOC. The purchaser, as an asset management company which shall raise funds by issuing financial products to purchase our factoring assets, warrants to us under the sale agreement that it shall have the legal capacity to purchase the factoring assets and to issue financial products.

BUSINESS

We transfer a factoring asset to the purchaser at a price equal to the total sum of (i) the financing amount we advanced to our customer in respect of that factoring asset, and (ii) the future receivable generated from the date of transfer to the date of payment by the underlying debtor related to that factoring asset. In consideration for the purchaser purchasing the factoring assets from us, for each transfer, we will grant a discount of the transfer price of the factoring assets to the purchaser and pay a handling fee to the purchaser. The discount rate and the handling fee rate are proportional to the number of days between the date of transfer and the date of payment of the accounts receivable by the underlying debtor. The discount rate and handling fee rate to the transfer price of the factoring assets are negotiated on a case by case basis by the parties. During the Track Record Period, the discount rate applied to all transfers of factoring assets is 6% per annum and the handling fee rate applied to all transfers of factoring asset is 0.5% per annum. The consideration for the transfer of factoring assets is determined on arm's length negotiations between the parties with reference to, among others, (i) the book value of the factoring assets as recorded by our Group prior to the transfer; (ii) the length of period between the date of transfer and the date of payment by the underlying debtors in respect of the accounts receivable; (iii) the prevailing interest rate in the market for the same period; and (iv) the interest rate we charged on the financing amount in respect of the factoring transaction involving that factoring asset.

To the best knowledge and belief of our Directors: (i) the purchaser is an Independent Third Party and a limited liability company that is majority-owned by an SOE and incorporated in the PRC with a registered share capital of RMB100.0 million; (ii) its registered scope of business includes asset management and investment management; (iii) the execution and performance of the sale agreement is not prohibited by the registered scope of business of the purchaser; and (iv) the same asset management company to which we entered into a transfer and repurchase agreement of factoring assets in December 2016, details of which are set out in the section headed "Financial Information — Indebtedness — Financial Assets Sold under Repurchase Agreement".

For each of the two years ended 31 December 2015 and 2016, we have sold factoring assets of approximately nil and RMB395.1 million to the purchaser, respectively. Our income from factoring business through such sales amounted to nil and RMB5.9 million, representing nil and 5.0% of our total income from factoring business for the respective year. Provided the terms of the transfer are commercially acceptable to us, we intend to continue undertaking such sales in the future.

(C) Other Services

Apart from the services under our factoring services segment and sales of factoring assets segment, we also provide various services relating to our customers' accounts receivable which do not involve the provision of financing to our customers. Such services principally include accounts receivable management services without financing in return for a fee income. The scope of services and the amount of fees is negotiated with our customers on a case-by-case basis. Our accounts receivable management services typically include review and verification of documentation relating to the accounts receivable, collection of the accounts receivable on behalf of our customers, sending payment reminders to the buyers before and after the accounts receivable becoming payable, and preparing regular reports to our customers regarding the accounts receivable. Although we do not provide financing to our customers who require us to provide accounts receivable management services, when the scope of services includes collection of the accounts receivable on behalf of our customers, our customers will typically transfer their accounts receivable to us so that we can collect

BUSINESS

the accounts receivable as a rightful owner on behalf of our customers. After the buyers settle the accounts receivable, we will pay to our customers the settled sum of accounts receivable. Other than collecting regular payments from the buyers on behalf of our customers, we typically provide quarterly reports to our customers on matters relating to our customers or their accounts receivable. The reports will address areas such as analysis of market information, accounts receivable payment reconciliation, and delinquency rates of the underlying debtor(s). We believe that by outsourcing their accounts receivable management function to us, our customers (in particular SMEs) benefit by being able to dedicate more of their internal resources on their core business operations, whilst we assist with their cash flow and credit management.

Our Group's factoring services provided under our factoring services segment are not bundled with the services provided under our Group's other services segment and our customers may choose to receive from us services provided under our factoring services segment or under our other services segment at their own needs. In addition, if our customers need our services under both segments, the conditions and service terms of the agreements under the different segment will be negotiated separately. During the Track Record Period, the two business segments have three common customers, which contributed a total of RMB5.9 million of revenue to our factoring services segment and RMB0.8 million of revenue to our other services segment. During the Track Record Period, customers who engage us to provide accounts receivable management services without financing include companies in industries such as logistics, IT, energy and construction.

As confirmed by our PRC Legal Advisers, our services relating to the collection of accounts receivable of our customers were within the scope of business as registered and approved in the business licenses of the relevant PRC subsidiaries. During the Track Record Period, our services relating to our customers' accounts receivables comply with the relevant PRC regulations.

Notifiable transactions

Pursuant to Rule 19.04(1) of the GEM Listing Rules, the entering into acquisition or disposal of assets where the financial effects of such transactions have an impact on the balance sheet of a GEM listed issuer or where the transactions include provision of financial assistance by a listed issuer constitute transactions under Chapter 19 of the GEM Listing Rules. In this regard, upon Listing, our factoring activities may constitute notifiable transactions under Chapter 19 of the GEM Listing Rules, which will be subject to the relevant notification, announcement and shareholders' approval requirements. When our Group enters into factoring transactions after Listing, we will ensure compliance with the requirements under Chapter 19 of the GEM Listing Rules, if applicable, and will seek advice from external legal advisers where necessary for ensuring full compliance with the GEM Listing Rules.

BUSINESS

As advised by our PRC Legal Advisers, there are currently no specific PRC laws and regulations which regulate the provision of our accounts receivable management services, and such business is not prohibited by the current PRC laws and regulations. Further, there is currently no restriction on the maximum or minimum services fees charged by us to our customers under the current PRC laws and regulations.

ASSET QUALITY / POLICY FOR PROVISION OF IMPAIRMENT

We measure and monitor the asset quality of our factoring assets portfolio throughout the term of the transaction. For further details of our asset quality management, see “Risk Management and Operations — Credit Risk Management — Portfolio Management and Monitoring” in this prospectus. We classify our factoring receivables using a four-category classification system, which is modelled with reference to (i) the statutory requirements relating to asset quality classification promulgated by the MOFCOM for financial institutions subject to its regulation, and (ii) the asset quality classification system used by comparable factoring companies in our industry. While there are no accounting standards that directly relate to our factoring receivables classification system, our provisioning policies for financial assets are governed by relevant accounting standards and guidelines. For further details, see “Financial Information — Principal Factors Affecting Our Results of Operations — Asset quality and provisioning policy” in this prospectus.

Classification criteria

In determining the classification of our factoring assets portfolio, we apply a series of criteria that are derived from our own internal policies regarding the management of factoring assets. For factoring with recourse transactions, such criteria include (i) the buyer’s and customer’s ability to make payments; (ii) the buyer’s and customer’s payment history; (iii) the buyer’s and customer’s willingness to make payments; and (iv) the value of the security provided (if any). For factoring without recourse transactions, we will consider the same criteria in respect of the buyer. These criteria are designed to assess the likelihood of timely repayment by the buyer and/or customer of principal and interest on our factoring receivables.

Our four categories of classification comprise:

Normal. Payment of the accounts receivable is not overdue. There is no reason to doubt that the principal and interest will not be paid in full and on a timely basis.

Special Mention. Even though the buyer and/or customer is currently able to make payments in a timely manner, the ability of the buyer and/or customer to pay is in question as it may not be able to make its payments in full based on solely its operating revenue, and we may incur losses notwithstanding the enforcement of any underlying security. If payment of the accounts receivable is overdue for not more than 90 days, the factoring receivables for this factoring contract should be classified as special mention or lower.

BUSINESS

Substandard. The ability of the buyer and/or customer to pay is in question as it will not be able to make its payments in full based on solely its operating revenue, and we are likely to incur losses notwithstanding the enforcement of any underlying security. If payment of the accounts receivable is overdue for more than 90 but not more than 180 days, the factoring receivables for this factoring contract should be classified as substandard or lower.

Loss. After adopting all possible steps or necessary legal procedures, we are able to recover only a very limited portion of the accounts receivable. If payment of the accounts receivable is overdue for more than 180 days, the factoring receivables for this factoring contract should be classified as a loss.

Distribution of factoring assets by classification

The following tables set forth the asset quality of our factoring assets as at the dates indicated:

	As at 31 December			
	2015	% of	2016	% of
	Amount	factoring	Amount	factoring
		assets		assets
	<i>(in thousands of RMB, except for percentages)</i>			
Normal	657,979	100.0	1,324,315	100.0
Special Mention	—	—	—	—
Substandard	—	—	—	—
Loss	—	—	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
Factoring assets	657,979	<u>100.0%</u>	1,324,315	<u>100.0%</u>
Non-performing assets⁽¹⁾	—		—	
Non-performing asset ratio⁽²⁾	—%		—%	

Notes:

- (1) Non-performing assets are defined as those factoring receivables having objective evidence of impairment as a result of one or more events that occur after initial recognition and these event(s) have a reliably measured impact on the estimated future cash flows of the factoring receivables. These factoring receivables fall under the “Substandard” or “Loss” categories.
- (2) The non-performing assets ratio is the percentage of non-performing assets over the carrying amount of factoring assets as at the respective year-end.

BUSINESS

For our provisioning policy for bad and doubtful receivables, see “Financial Information — Principal Factors Affecting Our Results of Operations — Asset quality and provisioning policy” and “Financial Information — Description of Certain Items From Our Combined Statements of Financial Position — Factoring assets — Provision policy for our factoring assets”. During the year ended 31 December 2015, our Group had a litigation proceeding against Customer C (for details on Customer C, see “Business — Our Customers”) and its guarantors for the recovery of factoring assets, penalty for late payment, legal fees, guarantee fees and costs and expenses for enforcing the debt, amounting to a total of approximately RMB10.6 million. In December 2015, our Group recovered a total sum of RMB10.5 million, which included the total outstanding amount of factoring assets. Taking into account that the outstanding amount of factoring assets was fully recovered during the year ended 31 December 2015, we did not recognise any provisions on non-performing assets nor impairment loss on our factoring assets. Our Directors confirmed that we did not experience any problems with the recovery of our factoring assets during the Track Record Period, other than the above-mentioned litigation proceeding. In addition, the Directors confirm that during the Track Record Period, the factoring assets that were past due were all repaid by our customers or the buyers within the one-month grace period that we granted to our customers for debt repayment and there were no factoring assets that rolled over upon original maturity. As at 31 December 2015 and 2016, our factoring assets that were past due but not impaired were approximately nil and RMB45.2 million, respectively. The past due balance was related to an independent customer that has a good trading record with us, and was still within the one-month grace period that we granted to the customer for debt repayment. As at 31 January 2017, the past due balance had been fully settled by this customer. As a result of our stringent risk management systems, we did not experience any non-performing assets as at 31 December 2015 and 2016.

PRICING POLICY

Our factoring services include two types of income, namely interest income and fee income. From an accounting standpoint, both interest income and fee income for our factoring services segment are combined in our financial statements as our accounts receivable management services are not separated from our provision of financing to the same factoring customer. The following tables set out the average and range of (i) contractual annualised interest rates, and (ii) the contractual service fee rates for different types of factoring during the Track Record Period:

	Year ended 31 December 2015		Year ended 31 December 2016	
	Range of interest rate	Average range of interest rate	Range of interest rate	Average range of interest rate
With recourse ^{Note}	6.0% - 22.3%	10.20%	5.0% - 18.0%	10.50%
Without recourse	18.0% - 18.0%	18.00%	16.0% - 18.0%	17.00%
With notification	6.0% - 18.0%	9.70%	6.7% - 18.0%	10.40%
Without notification	9.0% - 22.3%	12.70%	5.0% - 18.0%	11.60%
Overall	6.0% - 22.3%	10.30%	5.0% - 18.0%	10.60%

BUSINESS

	Year ended 31 December 2015		Year ended 31 December 2016	
	Range of service fee rate	Average service fee rate	Range of service fee rate	Average service fee rate
With recourse <i>Note</i>	0.02% - 1.2%	0.33%	0.05% - 3.0%	0.80%
Without recourse	—	—	1.80% - 1.8%	1.80%
With notification	0.05% - 1.2%	0.29%	0.08% - 3.0%	0.81%
Without notification	0.02% - 1.1%	0.58%	0.05% - 1.8%	0.87%
Overall	0.02% - 1.2%	0.33%	0.05% - 3.0%	0.82%

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

We determine the price for our factoring services based on a number of factors, including the credit ratings of the customer and the buyer (including whether the buyer is an SOE), whether other forms of security (including personal guarantees from our customer's legal representative, major shareholder and related-party companies) are provided, the credit period, whether the factoring is with or without notification and whether the factoring is with or without recourse. For the two years ended 31 December 2015 and 2016, interest income yield on our factoring assets was 13.7% and 11.3%, respectively.

For our accounts receivable management services, we take into account a number of factors when determining our fees, such as: (i) the amount of the accounts receivable to be transferred; (ii) the number of invoices that we have to handle; and (iii) the nature and estimated scope of services. Therefore, we do not have a fixed fee rate for charging our customers for our accounts receivable management services, and the price is negotiated with our customers on a case-by-case basis.

SALES AND MARKETING

In addition to leveraging on our relationships with SOEs and large scale enterprises in our strategic industries, we conduct sales and marketing principally by leveraging the industry expertise and contacts of our Corporate Finance Department. We organise our internal sales team by geographical regions and industry divisions, focusing on a number of strategic industries. Our sales team would contact existing and potential customers in their respective industries to understand their financing needs. As at 31 December 2016, our Corporate Finance Department has a total of 11 employees, who are deployed in our Shenzhen and Shanghai offices in the PRC.

BUSINESS

The following table illustrates the geographical spread in terms of the number of our customers in the following regions in the PRC as at 31 December 2016:

Region	Energy	Construction	Medical	Others ⁽¹⁾
Central China ⁽²⁾	—	7	2	—
East China ⁽³⁾	3	14	5	3
North China ⁽⁴⁾	2	1	—	1
Northwest China ⁽⁵⁾	—	—	—	1
South China ⁽⁶⁾	6	11	4	2
Southwest China ⁽⁷⁾	—	2	1	—
Total	<u>11</u>	<u>35</u>	<u>12</u>	<u>7</u>

Notes:

- (1) Other industries include IT, finance, mining, and logistics supply chain.
- (2) Central China comprises Hubei and Jiangxi.
- (3) East China comprises Shandong, Jiangsu, Anhui, Zhejiang, Fujian and Shanghai.
- (4) North China comprises Beijing and Tianjin.
- (5) Northwest China comprises Shaanxi.
- (6) South China comprises Guangdong.
- (7) Southwest China comprises Sichuan.

BUSINESS

The following table illustrates the revenue contribution from our factoring services and other services of customers by provinces in the PRC for each of the two years ended 31 December 2016:

	Year ended 31 December			
	2015		2016	
	<i>RMB'000, except percentages</i>			
Guangdong Province	17,518	30.5%	51,811	45.9%
Shanghai Municipality	6,685	11.6%	31,175	27.6%
Tianjin Municipality	16,663	29.0%	14,886	13.2%
Zhejiang Province	15,487	27.0%	11,160	10.0%
Jiangxi Province	272	0.5%	1,594	1.4%
Shandong Province	381	0.7%	846	0.8%
Sichuan Province	—	—	643	0.6%
Anhui Province	—	—	615	0.5%
Hubei Province	157	0.2%	22	—
Jiangsu Province	174	0.3%	17	—
Beijing Municipality	125	0.2%	9	—
Shaanxi Province	—	—	8	—
Fujian Province	—	—	5	—
	<u>57,462</u>	<u>100%</u>	<u>112,791</u>	<u>100%</u>

In addition to participating in industry exhibitions involving various industries, we are a member to various industry associations such as the Shenzhen Commercial Factoring Association (深圳市商業保理協會), the Tianjin Commercial Factoring Association* (天津市商業保理協會) and the Commercial Factoring Expertise Committee of China Association of Trade in Services (CATIS) (中國服務貿易協會商業保理專業委員會), which bolster our sales and marketing efforts.

BUSINESS

CUSTOMER INDUSTRY ANALYSIS

During the Track Record Period, our strategic industries in respect of our factoring business comprised the energy, construction and medical industries. The following table sets out a breakdown of our revenue by industry during the Track Record Period:

	Year ended 31 December			
	2015		2016	
	<i>RMB'000, except percentages</i>			
Energy	32,026	55.7%	52,041	46.1%
Construction	20,558	35.8%	57,693	51.2%
Medical	—	—	2,027	1.8%
Others ⁽¹⁾	4,878	8.5%	1,030	0.9%
Total	57,462	100%	112,791	100%

Note:

(1) Other industries include IT, finance, mining, and logistics supply chain.

Energy

The energy industry was the first strategic industry that we entered in 2014, and it remains one of our largest strategic industries in which we are primarily involved. During the Track Record Period, the majority of our major customers in the energy industry were involved in the petrochemical sector in the PRC. According to the Frost & Sullivan Report, the PRC is the world's largest energy consumer, and the PRC's total energy consumption increased significantly at a CAGR of 2.7% from 3.87 billion tons of standard coal equivalent in 2011 to 4.30 billion tons of standard coal equivalent in 2015. Among various types of energies being consumed, demand for petrochemical products in the PRC has been growing exponentially, and it is expected that the petrochemical sector will maintain its robust growth. The fixed asset investments of the energy industry is projected to increase to RMB4,326.5 billion in 2020, representing a CAGR of 7.5% from 2015 to 2020. The rise in investments in clean and sustainable energy in the PRC is expected to continue to drive the demand for financing, including commercial factoring.

Our revenue from the energy industry increased from RMB32.0 million for the year ended 31 December 2015 to RMB52.0 million for the year ended 31 December 2016. As at 31 December 2016, we had 11 customers in the energy industry for our factoring business.

BUSINESS

Construction

We extended our factoring business to the construction industry in the fourth quarter of 2014. According to the Frost & Sullivan Report, revenue of the construction industry in the PRC is expected to grow from RMB18.1 trillion in 2015 to RMB29.2 trillion in 2020, representing a CAGR of 10.1% from 2015 to 2020. We intend to continue providing factoring services to construction companies because (i) the PRC government is expected to continue emphasising on infrastructure investments in the PRC; (ii) financing amounts in this industry are relatively larger than other industries; and (iii) there is a lower risk of default because the underlying debtors (including developers) generally possess significant fixed asset investments.

Our revenue from the construction industry increased from RMB20.6 million for the year ended 31 December 2015 to RMB57.7 million for the year ended 31 December 2016. As at 31 December 2016, we had 35 customers in the construction industry for our factoring business.

Medical

We began to provide our factoring service to the medical industry in 2016. According to the Frost & Sullivan Report, revenue of the medical industry is expected to grow from RMB2,573.0 billion in 2015 to RMB3,916.2 billion in 2020, representing a CAGR of 8.8% from 2015 to 2020. The PRC's aging population and the increasing expenditure on medicines and treatments in the PRC has driven the revenue of the medical industry from RMB1,448.4 billion in 2011 to RMB2,573.0 billion in 2015. We intend to develop our factoring business with distributors of medical products because (i) we consider that the default risk of accounts payable by hospitals is relatively low; and (ii) distributors of medical products are generally asset light companies with difficulties in obtaining bank loans.

Our revenue from the medical industry increased from nil for the year ended 31 December 2015 to RMB2.0 million for the year ended 31 December 2016. As at 31 December 2016, we had 12 customers in the medical industry for our factoring business.

While during the Track Record Period, our Group had entered into a number of factoring transactions where the SOEs or their suppliers were our customers, and in the course of assessing and entering into these factoring transactions, our Group has received information relating to the SOEs and/or their suppliers (such as the financial statements of the SOEs and their suppliers and the underlying contracts and invoices evidencing the accounts receivable), to the best information and belief of our Directors after making all reasonable enquiries, no information whatsoever falling within the ambit of "State secrets" under the State Secret Protection Law has ever been provided or disclosed to our Group. In this connection, (i) with regard to most of the SOEs engaged in the businesses of construction, energy and medical industries with whom our Group has interacted, these businesses are not prone to confidential information which would possibly be classified as State secrets (i.e. in rare situation would the nature of such information be likely to give rise to any concern or issues relating

BUSINESS

to the national defence, diplomatic activities, national economic and social development and other significant decisions of the State, or the divulgence of which may cause harm to the national security and interests), (ii) our Directors notice that all SOEs our Group works with or intends to work with, irrespective of which industry they are engaged in, are well-familiar with the requirements under the State Secret Protection Law and have adopted stringent confidentiality systems to manage the State secrets and implement various secrecy protection measures based on the confidential levels of the State secrets; and (iii) taken into account the business activities of our Group and the industries of the SOEs and their suppliers are engaged in, our Group is not required to obtain State Secret information and is not exposed to State secrets when assessing the credit risks of our Group's customers and the underlying debtors or entering into transactions with our Group's customers.

After seeking the advice from the PRC Legal Advisers, our Directors confirm that during the Track Record Period, no information provided by any of our Group's customers or underlying debtors was classified as State secrets. Further, our Group has never been informed and notified by any of their customers (mainly as the SOE suppliers) and the relevant SOEs (mainly as the underlying debtors) that any information provided to our Group falls into the category as State secrets, nor was requested to take any relevant security measures to protect such information, and no information which was labelled as State Secrets has ever been received by our Group

As indicated in the section headed "Appendix I - Accountants' Report" of this prospectus, the reporting accountants of our Company reported on the historical financial information of our Group in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants and the reporting accountants of our Company believe that the evidence they have obtained is sufficient and appropriate to provide a basis for their opinion.

OUR CUSTOMERS

Our customer base comprises mainly SMEs in a number of strategic industries. See the paragraph headed "Customer Industry Analysis" in this section for details on our strategic industries. As at 31 December 2015 and 2016, our total number of customers was 42 and 65, respectively.

For the two years ended 31 December 2015 and 2016, our five largest customers accounted for 83.2% and 54.8%, respectively, of our total revenue, and our largest customer accounted for 50.0%, and 14.9% of our total revenue for the same years.

BUSINESS

The following table sets out information related to our five largest customers during the Track Record Period:

For the year ended 31 December 2015

Customer	Nature	Principal business	Size of operation (in terms of revenue for the year ended 31 December 2015)	Services procured from us	Business relationship started since	Amount advanced by us during the year ended 31 December 2015	Revenue	
			RMB'000			RMB'000	RMB'000	% (compared to our total revenue)
Customer A ⁽¹⁾	Private company	Trading of petroleum and chemical products	18,066,000	Factoring services	April 2014	959,959	28,722	50.0%
Zhejiang Chuangye Construction Limited Company* ("Customer B") ⁽²⁾	Private company	Building construction	2,389,000	Factoring services	October 2014	120,000	9,937	17.3%
Customer C ⁽³⁾	Private company	Interior and outdoor decoration	1,800	Factoring services	December 2014	20,000	3,332	5.8%
Shanghai Sunray Electronics Technology Co Ltd ("Customer D")	Listed company	Development, design, manufacturing and sales of electronic products and communication equipment	83,300	Factoring services	March 2015	58,337	3,298	5.7%
Shanghai Hydraulic Machinery Parts Co ("Customer E")	Private company wholly-owned by SOE	Maintenance and processing of ballast conveying equipment, mechanical and electrical products	168,700	Factoring services	April 2015	60,000	2,545	4.4%

Notes:

- (1) Customer A is a group of companies comprised of an ultimate holding company incorporated in the BVI, two immediate holding companies incorporated in Hong Kong and two operating subsidiaries in the PRC (Tianjin Shengye Tianshan International Trading Co Ltd* and SY Resource International Limited*) respectively engaged in the trading of petroleum and the trading of chemical products in the PRC (collectively, "**Customer A Group**"). Prior to the Track Record Period, Mr. Tung and the companies wholly owned by him, including but not limited to SY Financial, had been the sole shareholder and sole director of the ultimate holding company of Customer A in the BVI and Mr. Tung had been the sole director of the two immediate holding companies in Hong Kong from time to time. In September 2014, Mr. Tung disposed of all his interest in the ultimate holding company of Customer A Group to a third party and resigned from the directorship thereof. In March 2016, Mr. Tung's cousin acquired 50% of the issued share capital of this ultimate holding company and became one of two directors of the companies within the Customer A Group. Mr. Tung's cousin was also a supervisor of SYF before October 2016 and our other PRC subsidiaries (except SPF) before September 2016. As at the Latest Practicable Date, Customer A was beneficially owned as to 50% by Mr. Tung's cousin and 50% by an independent third party. For the year ended 31 December 2015, our revenue derived from Customer A amounted to approximately RMB28.7 million. Our factoring transactions with Customer A were with recourse and with notification. The contractual interest rate we charged Customer A range from 7% to 12%. The repayment period range from 5 days to 328 days and the average repayment period was 119 days. The accounts receivables transferred to us for the aforesaid transactions during the year ended 31 December 2015 was RMB1,259 million. We charged Customer A at an average contractual interest rate and service fee rate of 9.5% and 0.22% respectively for the year ended 31 December 2015, which was comparable to that offered to other independent third party customers. Our Directors confirm that we had ceased to enter into any business transaction with Customer A including its two subsidiaries respectively engaged in the trading of petroleum and chemical products in the PRC in August and October 2016, respectively. Pursuant to Rule 17.15 of the GEM Listing Rules, the relevant advance to Customer A exceeded 8% under the assets ratio defined under Rule 19.07(1) of the GEM Listing Rules.

BUSINESS

- (2) Customer B is a building construction company. During the year ended 31 December 2015, we provided factoring services to Customer B and entered into one factoring transaction with Customer B and advanced an aggregate amount of RMB120,000,000 to Customer B at an interest rate of 14.3% per annum. The repayment period for the aforesaid factoring transaction was 209 days. The aforesaid transaction was with recourse against Customer B and was guaranteed. The account receivable transferred to us for the aforesaid transaction during the year ended 31 December 2015 was RMB150,000,000. Pursuant to Rule 17.15 of the GEM Listing Rules the relevant advance to Customer B exceeded 8% under the assets ratio defined under Rule 19.07(1) of the GEM Listing Rules.
- (3) Customer C is a service provider for interior and outdoor decoration works. During the year ended 31 December 2015, Customer C factored to us its accounts receivable, which were related to the decoration works it rendered for a five-star hotel in Zhejiang Province and the underlying debtor of which was the five-star hotel company. The face value of the accounts receivable was approximately RMB33.7 million. In the factoring transaction we had with Customer C, the five-star hotel company, the legal representative of the five-star hotel company and an investment advisory company in Shanghai together act as guarantors in the factoring transaction, guaranteeing all the obligations (including all the principal amount of the financing, interest, penalties, damages and costs) Customer C had with us under the factoring transaction. Having taken into account of the default risk of the five-star hotel company and the guarantees made by the guarantors, we provided financing to Customer C of an amount not exceeding 80% of the face value of the accounts receivable although the financing amount significantly exceeded the reported revenue of Customer C. During the Track Record Period, we had a litigation proceeding against Customer C and its guarantors for the recovery of factoring assets and other costs and expenses. For details on this litigation proceeding, see “Business — Legal Proceedings”.

* for identification purpose only

For the year ended 31 December 2016

Customer	Nature	Principal business	Size of operation (in terms of revenue for the year ended 31 December 2015)	Services procured from us	Business relationship started since	Amount advanced by us during the year ended 31 December 2016	Revenue	% (compared to our total revenue)
			<i>RMB'000</i>			<i>RMB'000</i>	<i>RMB'000</i>	
Guiyang Hongyi Real Estate Development Co Ltd* (“Customer F”) ⁽¹⁾	Private company	Property development and management	25,619,000	Factoring services	July 2016	600,000	16,821	14.9%
Customer A ⁽²⁾	Private company	Trading of petroleum and chemical products	18,066,000	Factoring services	April 2014	341,380	15,558	13.8%
Guangdong Kunteng Industrial Co Ltd* (“Customer G”) ⁽³⁾	Private company	Trading of non-ferrous metal and oil	2,546,000	Factoring services	December 2015	588,629	13,764	12.2%
Customer H	Private company	Petroleum transportation and storage and logistics	147,500	Factoring services	October 2015	92,000	8,763	7.8%
Customer I	Private company	Coal business operation, international and domestic trade	773,800	Factoring services	March 2016	100,000	6,871	6.1%

Notes:

- (1) Customer F is a property development and management company with reported total assets as at 31 December 2015 of over RMB80,000 million and revenue for the year ended 31 December 2015 of RMB25,619 million. The factoring transaction we had with Customer F is a reverse factoring transaction. Contrary to our typical factoring transactions where the sellers or service providers are our customers, Customer F was a buyer or service recipient receiving service rendered by a SOE construction contractor (the “**SOE contractor**”) to perform construction work for a property development project. During the year ended 31 December 2016, we advanced financing to the SOE contractor after (i) Customer F entered into an agreement with us to confirm that it shall undertake to pay to us (1) the accounts receivable, of which the underlying debtor was Customer F and which the SOE contractor transferred to us, on the dates the accounts receivable were due, (2) quarterly interest at 6.9% per annum of the principal amount of the financing from the date of transfer of accounts receivable to the date the accounts receivable was settled, and (3) other cost related to the financing; and (ii) the SOE contractor transferred to us its accounts receivable relating to the service the SOE contractor rendered to Customer F. The SOE contractor further provided a guarantee that it will pay to us the difference of the financing amount we expect to receive from Customer F and the actual financing amount which we have received from Customer

BUSINESS

F in case Customer F defaults in payment. The repayment period range from 364 days to 546 days and the average repayment period was 456 days. The accounts receivables transferred to us for the aforesaid transaction during the year ended 31 December 2016 was RMB600 million. Having taken into account of the default risk of Customer F and the SOE contractor, we provided financing to Customer F of an amount exceeding 80% of the face value of the accounts receivable. Pursuant to Rule 17.15 of the GEM Listing Rules, the relevant advance to Customer F exceeded 8% under the assets ratio defined under Rule 19.07(1) of the GEM Listing Rules.

- (2) Customer A is a group of companies comprised of an ultimate holding company incorporated in the BVI, two immediate holding companies incorporated in Hong Kong and two operating subsidiaries (Tianjin Shengye Tianshan International Trading Co. Ltd* and SY Resource International Limited*) in the PRC respectively engaged in the trading of petroleum and the trading of chemical products in the PRC (collectively, “**Customer A Group**”). Prior to the Track Record Period, Mr. Tung or the companies wholly owned by him, including but not limited to SY Financial, had been the sole shareholder and sole director of the ultimate holding company of Customer A in the BVI. Mr. Tung had been the sole director of the two immediate holding companies in Hong Kong from time to time. In September 2014, Mr. Tung disposed of all his interest in the ultimate holding company of Customer A Group to a third party and resigned from the directorship thereof. In March 2016, Mr. Tung’s cousin acquired 50% of the issued share capital of this ultimate holding company and became one of two directors of the companies within the Customer A Group. Mr. Tung’s cousin was also a supervisor of SYF before October 2016 and our other PRC subsidiaries (except SPF) before September 2016. As at the Latest Practicable Date, Customer A was beneficially owned as to 50% by Mr. Tung’s cousin and 50% by an independent third party. For the year ended 31 December 2016, our revenue derived from Customer A amounted to approximately RMB15.6 million. Our factoring transactions with Customer A were with recourse and with notification. The contractual interest rate we charged Customer A ranged from 9% to 12%. The repayment period ranged from 1 day to 361 days and the average repayment period was 112 days. The accounts receivables transferred to us for the aforesaid transactions during the year ended 31 December 2016 was RMB429.9 million. We charged Customer A at an average contractual interest rate and service fee rate of 11.8% and 0.35% respectively for the year ended 31 December 2016, which was comparable to that offered to other independent third party customers. Our Directors confirm that we had ceased to enter into any business transaction with Customer A including its two subsidiaries respectively engaged in the trading of petroleum and chemical products in the PRC in August and October 2016, respectively. Pursuant to Rule 17.15 of the GEM Listing Rules, the relevant advance to Customer A exceeded 8% under the assets ratio defined under Rule 19.07(1) of the GEM Listing Rules.
- (3) Customer G is a company engaging in trading of non-ferrous metal and oil. During the year ended 31 December 2016, we provided factoring services to Customer G and entered into factoring transactions with Customer G and advanced an aggregate amount of RMB588,629,000 to Customer G at an interest ranged from 8.8% to 13.5% per annum and an average interest rate of 13.5% per annum. The repayment period for the aforesaid factoring transactions ranged from 13 to 293 days and the average repayment period was 151 days. The aforesaid transactions were with recourse against Customer G. The aggregate accounts receivable transferred to us for the aforesaid transactions during the year ended 31 December 2016 was approximately RMB1,067,623,000. Pursuant to Rule 17.15 of the GEM Listing Rules, the relevant advance to Customer G exceeded 8% under the assets ratio defined under Rule 19.07(1) of the GEM Listing Rules.

For the two years ended 31 December 2015 and 2016, our revenue derived from Customer A amounted to approximately RMB28.7 million and RMB15.6 million, respectively. Our factoring transactions with Customer A were with recourse and with notification. We charged Customer A at an average contractual interest rate and service fee rate of 9.5% and 0.22% respectively for the year ended 31 December 2015, and at an average contractual interest rate and service fee rate of 11.8% and 0.35% respectively for the year ended 31 December 2016, which was comparable to that offered to other independent third party customers.

As at 31 December 2016 and the Latest Practicable Date, we had no outstanding advances to Customer A. Correspondingly, as at 31 December 2016 and the Latest Practicable Date, we had no outstanding accounts receivable that were transferred from Customer A.

We had ceased to enter into any business transaction with Customer A because we intended to diversify our customer base by reducing our reliance on any single customer and developing new customers.

None of our Directors, their close associates or any Shareholders (which to the knowledge of our Directors owned more than 5.0% of the Shares as at the Latest Practicable Date) had any interest in any of our five largest customers during the Track Record Period.

BUSINESS

OUR LENDERS AND FUNDING CAPABILITIES

We conduct regular capital planning, reporting and forecasting through our capital budgeting system, and thereafter formulate appropriate funding plans which seek to mitigate our exposure to liquidity and interest rate risk. We have established a prudent risk management system to manage our credit risk, liquidity risk and interest rate risk. See “Risk Management and Operations” for details. We have been able to secure sufficient equity and debt financing to match the growth of our business operations.

During the Track Record Period, we funded our factoring business mainly by shareholders’ equity, bank and other borrowings, loans from our related parties, and cash flow from our operations. As at 31 December 2015 and 2016, our factoring assets amounted to RMB658.0 million and RMB1,324.3 million, whereas our interest-bearing liabilities (comprising bank loans and other borrowings, financial assets sold under repurchase agreements, and loans from our related parties), amounted to RMB37.0 million and RMB704.9 million, respectively.

As a result of our funding strategies, we have maintained diversified funding channels, such as loans, entrusted loans, and financial instruments such as asset backed securitization, through various types of banks and non-bank financial institutions.

Bank and other borrowings

During the Track Record Period, we have established strong relationships with various financial institutions in the PRC. These financial institutions included banks, asset management companies, trust companies and non-bank financial institutions in the PRC. As at 31 December 2015 and 2016, our outstanding bank borrowings were RMB37.0 million and nil, respectively. As at 31 January 2017, we had nil available banking facilities.

In May 2016, we obtained from a PRC non-bank financial institution, an entrusted loan of RMB100.0 million with a fixed interest rate of 6.7% and a maturity date in May 2017. Pursuant to the agreement for the entrusted loan, the loan proceeds could be utilised only for the provision of factoring services to the suppliers specified in the agreement. As at 31 December 2015 and 2016, our outstanding entrusted loan was nil and RMB100.1 million, respectively.

In November 2016, we obtained RMB42.0 million in financing from a PRC asset management company which manages a specialised asset management scheme with investment objectives, among others, to invest in accounts receivable. As at 31 December 2016, we have transferred our accounts receivable with carrying amounts of RMB55.8 million to this asset management company as collateral. We also provide the ancillary accounts receivable management service for the accounts receivable which we transferred. Pursuant to the agreement we entered into with this asset management company, we are required to repurchase the transferred accounts receivable of the underlying debt if the buyers default in payments. As at 31 December 2015 and 2016, our outstanding loan from this asset management company amounted to nil and RMB42.4 million, respectively.

For further details on our bank and other borrowings, see “Financial Information — Indebtedness — Bank and other borrowings”.

BUSINESS

Financial assets sold under repurchase agreements

In December 2016, we obtained RMB83.5 million from another PRC asset management company to which we transferred our accounts receivable with carrying amounts of RMB138.5 million. We then repurchased the accounts receivable at a premium of 6.5% per annum of the transfer price at the date of repurchase as agreed between the asset management company and us. Such loan was fully repaid in January 2017.

Our financing agreements with our lenders contain a number of covenants, undertakings, restrictions and default provisions. Our lenders do not impose any specific financial covenants on our business. As at the Latest Practicable Date, none of our lenders have claimed default against us under any of the provisions in the financing agreements, and we have not breached any of the provisions that could result in any event of default under such financing agreements.

Loan from related parties

In July 2016, our Group entered into a loan agreement with our Controlling Shareholder. The loan principal was RMB400 million, unsecured, subject to fixed interest rate of 4.5% per annum and repayable in or before August 2017. In February and July 2016, our Group entered into loan agreements with companies beneficially owned by our Controlling Shareholder. The principal of the first loan was RMB13 million and subject to fixed interest rate of 6.0% per annum, whereas the principal of the second loan was RMB58 million and subject to fixed interest rate of 5.0%. Both loans were unsecured and repayable within one year. The aforesaid loans were used to finance our factoring business. As at 31 December 2016, their aggregate outstanding amount was RMB478.9 million. For further details on our loans from related parties, see “Financial Information — Indebtedness — Loan from related parties” of this prospectus.

Amount due to a director

During the Track Record Period, we had borrowed from Mr. Tung, the chairman and executive Director of the Company and a Controlling Shareholder. As at 31 December 2015 and 2016, the outstanding amount due to Mr. Tung was nil and RMB4.5 million, respectively and the outstanding amount was fully settled in February 2017. For further details on our loans from related parties, see “Financial Information — Indebtedness — Amount due to a director” of this prospectus.

We intend to utilise our funding sources from other financial institutions to fully repay the loans from related parties on or before the Listing Date.

COMPETITION

In October 2012, the MOFCOM launched the commercial factoring pilot program in Tianjin and Shanghai, and subsequently extended to Shenzhen, Chongqing, Nanjing and Suzhou. Since then, there has been a significant growth in the number of commercial factoring companies. According to the Frost & Sullivan Report, more than 2,300 companies had obtained the licences to carry out commercial factoring business as at 31 December 2015, of which approximately 20% were active. Among the active commercial factoring companies, most of them had small business scale, and only approximately 50 companies recorded annual factoring assets of above RMB1.0 billion.

BUSINESS

We face competition from similar or larger scale commercial factoring companies as well as providers of other lending sources. If we offer less attractive and flexible terms to customers as compared with our competitors, our business and financial performance will be affected. At the same time, the commercial factoring industry in the PRC has high barriers to entry, which include high capital requirements and the need for strong and sustainable capital funding capabilities, professional and industry-specific talents, and a sound and comprehensive financial system and risk control system.

INFORMATION TECHNOLOGY

Our IT systems are integral to many aspects of our business operations, including transaction processing, risk management, and financial management. We have adopted a number of IT systems to improve the efficiency and quality of our services as well as to strengthen our risk and financial management capabilities.

We have developed and launched our online factoring platform in November 2016. During the year ended 31 December 2016, we incurred capital expenditure of RMB2.0 million on the development of our online platform and the purchase of software. Our online factoring platform involves the use of electronic signatures that have been authenticated by certified vendors in the PRC. We believe that the use of electronic signatures will reduce the risk of our customers submitting fraudulent transactions for our factoring services. As at the Latest Practicable Date, we have had five customers who have used our online platform to apply for our factoring services. We intend to continue to develop our online platform to attract more users.

We face IT risks arising from the improper performance or malfunction of our IT systems on which our operations significantly rely. Our IT Department is primarily responsible for managing and controlling our IT risks. As at 31 December 2016, our IT Department comprised 10 employees with IT knowledge and experience, to design our IT systems and to supervise implementation of IT-related rules and measures. We manage our IT risks in terms of information technology governance, information system formulation, system maintenance and information security. We have also formulated and implemented a series of internal rules to regulate information system governance measures, information safety strategies, anti-virus protection, and internet controls.

INSURANCE

As at 31 December 2016, we did not maintain any credit insurance, business interruption insurance, third-party liability insurance or any other insurance policies, except for employee accident insurance and the mandatory social security insurance for our employees as required by the social security laws and regulations in the PRC. To the best knowledge and belief of our Directors, there is currently no insurance company in the PRC that can provide effective credit insurance for factoring assets. If effective credit insurance products become available in the market in the future, we may consider purchasing such insurance policies provided that the terms are commercially acceptable to us.

BUSINESS

During the Track Record Period, we have not experienced any business interruptions which had a material adverse effect on our business, and we did not submit any material insurance claims. Based on industry practices in the PRC, the availability of insurance products in the PRC, and our experience in running our businesses, our Directors believe that we have sufficient insurance coverage for our current operations.

EMPLOYEES

As at 31 December 2016, we had a total of 53 employees, all of whom were full-time employees. The following table sets forth the breakdown of our full-time employees by departments as at 31 December 2016:

Departments

Directors and senior management	6
Corporate Finance Department	11
Risk Management Department and Legal Department	5
Operations Department	6
Finance Cooperation Department	2
Finance Department	7
Administration, human resources and IT department	<u>16</u>
TOTAL	<u><u>53</u></u>

Employee Training

To ensure the quality of our employees at all levels, we emphasise the training and development of our employees. We have developed in-house training programs based on our accumulated industry experience. We require our new employees to attend our induction training courses to ensure that they are equipped with the necessary knowledge and expertise to perform their duties. We also plan to provide training for our employees to better enhance their knowledge in areas such as our three strategic industries, assets securitization, as well as legal and regulatory knowledge of factoring business in the PRC.

Employee Relations and Benefits

During the Track Record Period, we did not experience any strikes or significant labour disputes which materially affected our operations, and we believe we have maintained good relationship with our employees.

For the two years ended 31 December 2015 and 2016, we incurred employment benefit expenses of RMB8.7 million and RMB15.4 million, respectively, representing 15.1% and 13.7% of our revenue during those respective periods.

BUSINESS

In accordance with the applicable laws and regulations in the PRC, we have made contributions to social insurance funds (including pension, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance plans) and housing funds for our employees. As at the Latest Practicable Date, we had complied in all material aspects with all statutory social insurance and housing fund obligations applicable to us under the PRC laws.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we have registered, or have applied for the registration of, a number of intellectual property rights which, in the opinion of our Directors, are material in relation to our business. For further details on our intellectual property rights, see the paragraph headed “B. Further Information About The Business of Our Group — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

We do not license any intellectual property rights from, or to, any third parties.

Our Directors confirm that we are not involved in any proceedings in respect of, and we have not received notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which we may be involved whether as claimant or respondent.

PROPERTIES

Leased Properties

As at the Latest Practicable Date, we did not own any properties, and we have leased five properties in Shenzhen, Tianjin, Shanghai, and Hong Kong, with an aggregate gross floor area of approximately 1,254.6 sq.m for our office use.

Our headquarters for our factoring business is located in Shenzhen, the PRC. On 1 July 2014, SYF, as tenant, entered into a tenancy agreement with the lessor which is an Independent Third Party to lease an office with an aggregate gross floor area of 393.9 sq.m for a term commencing on 16 July 2014 and expiring on 31 March 2017 at a monthly rental of RMB99,255.00. On 30 December 2016, SYF, as tenant, entered into another tenancy agreement with the same lessor to lease an office with an aggregate gross floor area of 262.2 sq.m for a term commencing on 16 March 2017 and expiring on 15 March 2020 at a monthly rental of RMB87,578.14. We intend to relocate to this second office in Shenzhen after the lease agreement for the first office in Shenzhen expires on 31 March 2017. In addition to the above, we also leased the following properties as at the Latest Practicable Date:

No.	Lessee	Is lessor an Independent Third Party?	Use of property	Location of Property	Date of tenancy agreement	Term of tenancy	Gross floor area (sq.m)	Monthly rental
1.	SYF	Yes	Office	Shanghai	30 March 2016	25 April 2016 to 24 April 2019	205.2	RMB53,052.75

BUSINESS

No.	Lessee	Is lessor an Independent Third Party?	Use of property	Location of Property	Date of tenancy agreement	Term of tenancy	Gross floor area (sq.m)	Monthly rental
2.	SYF	Yes	Office	Tianjin	20 July 2016	15 September 2016 to 14 September 2019	220.3	RMB25,936.77
3.	SYIF	Yes	Office	Hong Kong	6 July 2016	1 July 2016 to 30 June 2019	173.0	HK\$106,134.00

As at the Latest Practicable Date, the lessors of our leased properties have obtained valid building ownership certificates and have provided us with the same evidence that they have the requisite title or right to lease these properties to us. We are currently in the process of registering the lease agreement of the office in Tianjin with the relevant real estate administration authority in accordance with the relevant PRC laws and regulations. Our PRC Legal Advisers are of the view that there is no impediment to such registration, and the failure to register this lease will not affect the legality, validity or enforceability of such lease. Save for the lease agreement for the office in Tianjin, we have registered the lease agreements in respect of all of our other leased properties.

According to Chapter 8 of the GEM Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, we are exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report in respect of all our interests in lands or buildings, because as at the Latest Practicable Date, the carrying amount of our property interests was less than 15% of our total assets.

APPROVALS AND NON-COMPLIANCE

Approvals, Licences and Permits

We conducted our factoring business in the PRC and are subject to the regulatory requirements of the PRC. Our Directors and our PRC Legal Advisers have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we have complied with the relevant PRC regulatory requirements in all material aspects and obtained all approvals, licences and permits required for our operations in accordance with PRC laws and regulations. The approvals, licences and permits required for our operations in the PRC primarily include factoring business company establishment approval, enterprise business licence, and social insurance registration certificate, issued by the local branches of MOFCOM, local branches of SAIC, and other government agencies. Neither our licences and permits themselves indicate any expiry dates, nor have the issuance authorities issued further instructions regarding expiry dates.

BUSINESS

Non-Compliance

During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance with the applicable laws, rules and regulations in China which, in the opinion of our Directors, is likely to have a material adverse impact on our business, financial condition or results of operations.

LEGAL PROCEEDINGS

During the Track Record Period, our Group had one litigation. In October 2015, our Group commenced legal proceedings in the PRC against Customer C (for details on Customer C, see “Business — Our Customers”), together with its guarantors, for the recovery of factoring assets, penalty for late repayment, legal fees, guarantee fees and such other costs and expenses for enforcing the debt, amounting to a total of approximately RMB10.6 million. The legal proceedings were concluded in November 2015 with the court endorsement of a settlement agreement entered into by the parties, pursuant to which our Group recovered from the aforementioned client and the guarantors a total sum of approximately RMB10.5 million.

Having considered that the result of the proceedings, the duration of the proceedings, the amount recovered and the costs incurred, our Directors consider that the aforementioned legal proceedings had no significant financial and operational impact on our Group.

As at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of any material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us that would have a material adverse effect on our financial condition or results of operations.

RISK MANAGEMENT AND OPERATIONS

OVERVIEW

As a specialised enterprise financial services provider offering accounts receivable financing and other related solutions, we face a variety of risks in our daily business operations, including credit risk, liquidity risk, interest rate risk, operational risk, and legal and compliance risk. We recognise the importance of an effective risk management system for identifying and mitigating these risks. We have developed a risk management system tailored to the characteristics of our business operations, with a focus on managing the risks through comprehensive due diligence on our customer and the underlying debtor, independent information review and multi-level approval process. We seek to maintain a diversified portfolio with a primary focus on various strategic industries for our factoring businesses. For details on our strategic industries, see “Business — Customer Industry Analysis”. We believe this enhances our risk management capability in that our overall portfolio risk would be less vulnerable to the cyclical and market conditions of a single industry. We also strategically develop our customer base by targeting SME suppliers of SOEs and large scale enterprises that have a good credit rating, in order to minimise our risk of non-performing assets. We continue to monitor and review the operation and performance of our risk management system, and to improve the system from time to time to adapt to the changes in market conditions and regulatory environment. As a result of our stringent risk management procedures and our strategic selection of customers, we did not experience any non-performing assets as at 31 December 2015 and 2016.

RISK MANAGEMENT SYSTEM FRAMEWORK

The following bodies are principally responsible for our risk management system: (i) Board; (ii) Risk Management Committee; (iii) Risk Management Department; (iv) Corporate Finance Department; (v) Operations Department; (vi) Legal Department; (vii) Finance Department; and (viii) Finance Cooperation Department.

Board of Directors

Our Board is responsible for our overall risk management. For example, our Board approves the appointment of the members of our Risk Management Committee. Their experience and expertise in the finance services industry have helped us build up an effective risk control and management system. For details on the relevant qualifications and experience of our Board members, see “Directors and Senior Management — Directors”.

Risk Management Committee

Our Risk Management Committee was established on 6 September 2014 and is the highest level authority overseeing risk management within our Group. According to our internal policy, our Risk Management Committee comprises the chairman of our Board, the general manager, the deputy general manager, the chief risk management officer and the chief financial officer. The chairman of our Board acts as the chairman of our Risk Management Committee. The chief risk management officer acts as the vice-chairman of our Risk Management Committee. The general manager, the deputy general manager, and the chief financial officer act as the executive members of our Risk Management Committee.

RISK MANAGEMENT AND OPERATIONS

Our Risk Management Committee is primarily responsible for (i) formulating and determining the internal policy relating to classification of our factoring assets of the Group; (ii) reviewing and formulating credit assessment mechanisms and procedures and other policies relating to risk management and legal compliance; (iii) identifying and managing material risks of our Group's financing, business and operations; and (iv) approving a single potential factoring transaction that involves either a credit limit to a customer that exceeds RMB50 million or an internal credit limit for a buyer that exceeds RMB50 million, or special situations specified in our internal credit management manual, such as where the customer or the underlying debtor was established for less than three years or where the potential customer and the underlying debtor are connected parties. See the paragraph headed "Credit Risk Management — Transaction Assessment and Preparation" in this section for further details on our assessment of new transactions.

Our Risk Management Committee requires a quorum of at least 50% of all the members of the committee. Each committee member has one vote. Resolutions of our Risk Management Committee shall be passed by at least 50% of affirmative votes of all attending members. As the chairman of our Risk Management Committee, Mr. Tung has a veto right.

As at the Latest Practicable Date, as the chief risk management officer has not been appointed, our Risk Management Committee had the following three members:

Name	Title	Experience
Mr. Tung	Chairman of Risk Management Committee, chairman of our Board, executive Director and general manager	Founder of our Group in December 2013
Mr. Chen Jen-Tse	Executive Director and deputy general manager	Over 18 years of experience in the factoring industry
Mr. Lo Wai Hung	Chief financial officer	Over 15 years of experience in accounting and financial management

Risk Management Department

Our Risk Management Department is central to our risk management capabilities. In addition to conducting its independent due diligence, credit assessment for potential transactions and regularly reviewing and adjusting the credit limit granted to customers, our Risk Management Department is responsible for formulating and implementing our risk management and internal control rules and policies. Our Risk Management Department is also involved in our portfolio management as well as enforcement measures. As at 31 December 2016, our Risk Management Department had three employees.

All of the employees in our Risk Management Department obtained experience of risk management in other financial institutions before joining our Group and one of them has financial or accounting related qualification. The employees of our Risk Management Department are therefore familiar with the risk management procedures and process.

RISK MANAGEMENT AND OPERATIONS

Corporate Finance Department

Our Corporate Finance Department is responsible for preliminary assessment and selection of potential customers that are primarily from our strategic industries. In addition, it conducts preliminary due diligence on such customers and underlying debtors. Furthermore, our Corporate Finance Department is involved in assisting our Risk Management Department and Operations Department in our portfolio management as well as enforcement measures. As at 31 December 2016, our Corporate Finance Department had 11 employees.

Operations Department

Our Operations Department is responsible for pre-financing check of our customer and completing the registration of the accounts receivable transferred to us. Our Operations Department also oversees our portfolio management by monitoring payment of our receivables and sending payment reminders. In the event of non-payment, our Operations Department also undertakes enforcement measures such as conducting site-visits to our customers or underlying debtors to collect principal and interest with the assistance of our Corporate Finance Department. Separately, it manages the legal and operational risks relating to the drafting of our business contracts. As at 31 December 2016, our Operations Department had six employees.

Legal Department

Our Legal Department is responsible for formulating standard templates for our factoring agreements and related legal documentation, reviewing the factoring agreements prepared by our Operations Department before execution by the parties, and advising on legal and compliance issues encountered by other departments. In addition, an Legal Department would undertake enforcement proceedings and measures against our customer and underlying debtor when they default on payment. Our Legal Department will also seek external legal advice to enhance the legal compliance of our business operations. As at 31 December 2016, our Legal Department had two employees.

Finance Department

Our Finance Department is responsible for managing risks that we face in relation to liquidity and interest rates. Furthermore, our Finance Department works closely with our Operations Department to monitor payments of our receivables so as to mitigate credit and liquidity risks. In addition, our Finance Department is responsible for making provisions for non-performing assets in accordance with our internal policy relating to classification of our factoring assets. Our Finance Department is also responsible for monitoring the performance of structured deposits with the licensed banks. As at 31 December 2016, our Finance Department had seven employees.

RISK MANAGEMENT AND OPERATIONS

Finance Cooperation Department

Our Finance Cooperation Department is responsible for seeking external financing opportunities (including bank loans, asset securitisation and asset sales) for our Group, collecting and researching on marketing materials and information of structured deposits with licensed banks in the PRC to assist our Group to raise and maximise the use of funds. As at 31 December 2016, our Finance Cooperation Department had two employees.

CREDIT RISK MANAGEMENT

Credit risk is the primary risk that we face in our factoring businesses. Credit risk arises from the inability or unwillingness of our customers, or the underlying debtors to make timely payments to us and/or to perform their contractual obligations. Our credit risk management measures were implemented in September 2014 and further enhanced in January 2015 and June 2016.

The following table illustrates the key processes of our credit risk management system:

Credit Risk Management Process

Risk management measures for different stages of a transaction

	Responsible department	Functions
Initiation and Internal Review	<ul style="list-style-type: none">• Corporate Finance Department• Risk Management Department• Operations Department	<ul style="list-style-type: none">• Collect basic information from potential customer and underlying debtor• Conduct preliminary assessment of potential customer and underlying debtor• Prepare and review factoring proposal
Due Diligence	<ul style="list-style-type: none">• Corporate Finance Department• Risk Management Committee• Risk Management Department	<ul style="list-style-type: none">• Conduct due diligence into background and creditworthiness of our customer, underlying debtor, guarantor and the accounts receivable• Prepare and review credit assessment report

RISK MANAGEMENT AND OPERATIONS

Risk management measures for different stages of a transaction

Risk management measures for different stages of a transaction	Responsible department	Functions
Transaction Assessment and Preparation	<ul style="list-style-type: none"> • Risk Management Committee • Risk Management Department 	<p>Risk Management Committee principally reviews and approves credit limit to a customer or internal credit limit for a buyer which exceeds:</p> <ul style="list-style-type: none"> — in respect of an individual corporate customer or buyer, 14% but not exceeds 20% of our total assets; — in respect of customers or buyers that belong to the same group, 24% but not exceeds 36% of our total assets; — 80% of the value of the underlying accounts receivable; or — RMB50 million for a single factoring transaction of a customer, or for an internal credit limit for a buyer
Signing and Closing	<ul style="list-style-type: none"> • Corporate Finance Department • Operations Department • Legal Department 	<p>Risk Management Department principally reviews and approves credit limit to a customer or internal credit limit for a buyer which falls below the above threshold</p> <ul style="list-style-type: none"> • Negotiate, draft, review and execute factoring agreements • Complete registration of factoring assets

RISK MANAGEMENT AND OPERATIONS

Risk management measures for different stages of a transaction

Responsible department	Functions	
Portfolio Management and Monitoring	<ul style="list-style-type: none">• Corporate Finance Department• Risk Management Department• Operations Department• Finance Department• Legal Department	<ul style="list-style-type: none">• Monitor payments, financial condition and operations of the customer and underlying debtor after financing• Monitor factoring assets portfolio regularly
Risk Management and Enforcement Measures	<ul style="list-style-type: none">• Corporate Finance Department• Risk Management Department• Operations Department• Finance Department• Legal Department	<ul style="list-style-type: none">• Enforce factoring assets and guarantees• Freeze or adjust credit limit of our customer• Legal proceedings

Initiation and Internal Review

Our business manager in Corporate Finance Department will establish the initial relationship with potential customers and their buyers (i.e. the underlying debtors of the accounts receivable). In conducting our preliminary assessment of customers, we take into account of a number of factors, such as the customer's and the underlying debtor's industry, operational history, financial position and credit history. We generally require potential customers and underlying debtors to fulfill the following preliminary requirements:

- at least three years' track record of operations and financial records;
- valid business licence and permits for business operations;
- no negative credit history or material litigation involving the customer or its controlling shareholders; and
- the accounts receivable of the customer have not been factored or registered as a security.

We will also conduct public searches on the potential customer and the underlying debtor if we consider that the information provided to us is not sufficient for our preliminary assessment. We also consider whether the underlying debtor has a track record of timely payment towards the potential customer.

RISK MANAGEMENT AND OPERATIONS

Once we have preliminarily approved the underlying debtor and identified a potential customer who meet our preliminary requirements, our Corporate Finance Department will prepare a factoring proposal with the assistance from our Risk Management Department and our Operations Department to discuss with the potential customer.

Due Diligence

After the potential customer and the underlying debtor have been preliminarily approved, our Corporate Finance Department will follow up with such customer and the underlying debtor to request for information and documents relating to the underlying contracts evidencing the accounts receivable and the customer's and the underlying debtor's corporate records, business operations, financial position, management, purpose for the financing, credit history, repayment abilities and future growth prospects. During the due diligence process, we will check if our potential customer which intends to transfer accounts receivable of a buyer to us will apply for a credit limit that exceeds the internal credit limit we approve for that buyer before. If we have factoring receivables from that buyer before, we will also check our internal record for the payment history of that buyer. Our Operations Department will check all the documentary records evidencing the accounts receivable, such as sales contracts and invoices, against our detailed internal document checklist, to verify the authenticity of the accounts receivable that will be transferred to us. We may also conduct on-site inspections and sampling, public searches, credit rating reports and searches from the PBOC if necessary. Our Risk Management Department will then analyse the credit risk of the customer and the underlying debtor by checking the results of due diligence investigations against our detailed checklists and risk indicators on the due diligence procedures.

Based on the results of the due diligence and credit assessment, our Risk Management Department will submit a detailed credit assessment report in respect of the potential customer, which includes the key commercial terms of the factoring, corporate information, financial condition, operation and credit history of the potential customer, analysis of risk factors of the transaction and the opinion by our investigation officer of Risk Management Department to our director of risk management for review and approval. As we focus on doing business with buyers which are SOEs or large scale enterprises, we will receive more factoring receivables relating to them. To assist us to approve an internal credit limit for SOE or large scale enterprises buyers, our Risk Management Department will prepare detailed credit assessment reports in respect of the SOE or large scale enterprises buyers, which includes the corporate information, financial condition, operation, credit history of that buyer and the analysis of the risk factors of approving the internal credit limit for that buyer to our director of risk management for review and approval. If any high risk factors have been identified or the credit limit to a customer or the internal credit limit of a buyer exceeds the threshold which can be approved by our director of risk management, the credit assessment report must be submitted to our Risk Management Committee for review and approval. We may require potential customer's legal representative, major shareholders and/or related-party companies to provide additional guarantee. Review of these guarantors' creditworthiness is included in our due diligence.

RISK MANAGEMENT AND OPERATIONS

Transaction Assessment and Preparation

If a transaction involves a financing amount that exceeds a certain threshold or when we identify certain material risks as set out in our internal policies through the due diligence of the potential customer or the underlying debtor, the credit assessment report and the credit limit will need to be reviewed and approved by our Risk Management Committee in addition to the approval by our Risk Management Department.

To minimise our credit risk and our counterparty risk, we will first assess the creditworthiness of an underlying debtor, and approve an internal credit limit in respect of such underlying debtor. The aggregate credit limit for all factoring transactions involving accounts receivable from each potential customer shall not exceed our internal credit limit for that underlying debtor. The internal credit limit which we set for each buyer enables us to detect any concentration of credit risk of a buyer at an early stage of a transaction. We will then also assess the creditworthiness of each potential customer of such underlying debtor. In addition, the availability period of credit limit for each customer will usually not exceed one year. After the expiry of the availability period of credit limit, such credit limit and the creditworthiness of the customer will be reviewed and re-assessed by our Group.

Our Risk Management Committee principally reviews and approves credit limit to a customer or the internal credit limit of a core buyer which exceeds:

- in respect of an individual corporate customer or buyer, 14% of our total assets;
- in respect of customers or buyers belonging to the same group, 24% of our total assets;
- 80% of value of the underlying accounts receivable that will be transferred to us under the factoring agreements; or
- RMB50 million for a single factoring transaction of a customer, or for an internal credit limit for a buyer.

For transactions which involve credit limit not exceeding the above threshold, our Risk Management Department together with our general manager or director of risk management (as the case may be) can approve such credit limit and credit assessment report.

Our Risk Management Committee and our Risk Management Department will discuss the issues and risks identified during the due diligence stage, and will assess whether the proposed business terms (including financing amount, revolving or fixed credit, credit period, interest rates, with or without notification etc.) are acceptable. For example, the potential customer may be required to provide additional guarantees if there are concerns over his or its creditworthiness.

Based on the results of the review, we may: (i) approve the transaction (with or without modifications to the business terms); or (ii) decline the transaction.

RISK MANAGEMENT AND OPERATIONS

Signing and Closing

Upon receipt of approval from our Risk Management Department and/or our Risk Management Committee (as the case may be), our Operations Department will adopt the relevant factoring agreements templates (prepared by our Legal Department) and insert the terms that have been approved. These factoring agreements include (i) factoring service agreement setting out our standard factoring terms and conditions; (ii) credit limit consent letter setting out the credit limit, whether such credit is revolving or fixed, credit period, interest rate, service fees and whether the factoring is with or without notification; (iii) if financing is required by the customer, a separate factoring financing agreement, which sets out, among others, the repayment terms, whether the financing is with or without recourse and the guarantees (if any) in our favour; (iv) accounts receivable transfer agreement, transferring the title of the accounts receivable from the customer to us; and (v) notification letter to be signed by the customer to the underlying debtor, instructing the underlying debtor to pay into the customer's designated bank account which we have control over. After our Legal Department has reviewed such factoring agreements, our Corporate Finance Department will execute the factoring agreements with the relevant parties (including the customer as well as the guarantor and/or underlying debtor).

Before advancement of the financing (if applicable) to the customer, our Operations Department will ensure we have received all the documentary records in support of the accounts receivable and the signed factoring agreements, and our Finance Department will normally open a designated bank account which we have control over with our customer for the receipt of the accounts receivable. If the factoring is with notification, we will send a notice executed by the customer to the underlying debtor. Our Operations Department will carry out a pre-financing check and register the factoring of the accounts receivable with the credit reference centre operated online by the PBOC. The advancement of the financing will also be reviewed by our Finance Department and is subject to the approval of our deputy general manager and general manager. Once approval is received, our Finance Department will then advance the financing to our customer accordingly. We will report our factoring transactions to MOFCOM for their records regularly on a monthly basis.

We generally require the above steps to be completed before the customer will be allowed to drawdown the financing provided by us.

Portfolio Management and Monitoring

Our Corporate Finance Department, Risk Management Department, Operations Department, Finance Department and Legal Department are collectively responsible for portfolio management. Our Operations Department also closely monitors our factoring assets portfolio on a daily basis and regularly checks the due date of each accounts receivables and issues to our customer or the underlying debtor due date reminders and expiry notice. Our Operations Department, Corporate Finance Department and Finance Department will be responsible for the collection of payments from our customers and the underlying debtors. If the accounts receivable expire for over 45 days, our Corporate Finance Department is required to conduct on-site visit to the premises of our customer and/or the underlying debtor to collect the outstanding accounts receivable. In addition, our Operations Department will continue to issue overdue payment notifications to the customer and its

RISK MANAGEMENT AND OPERATIONS

buyer, and will submit fortnightly reports to our Corporate Finance Department and Risk Management Department in respect of these overdue payments. Our Operations Department, Corporate Finance Department and Finance Department will report to our Legal Department if there is anything unusual during the collection of accounts receivable.

To monitor the financial condition and operations of our customers and the underlying debtors after financing, our Corporate Finance Department will obtain quarterly financial reports from our customers and the underlying debtors to analyze if there is any material change in their financial position and operations. Our business manager of our Corporate Finance Department will conduct site visit to our customer every three months while our risk management officer of our Risk Management Department will conduct post-financing inspection every six months. Such inspections will cover the following key aspects:

- whether there is any material change in the customer or the underlying debtor's shareholders or employees;
- whether there is any material change in the customer or the underlying debtor's operational conditions, such as change of core business; and
- whether there is any material change in the customer or the underlying debtor's financial conditions, such as deteriorating accounts receivable and inventory turnover rate, material decrease in profits or increase in liabilities.

Post-financing inspection reports will be prepared after site visits and inspection.

In addition, our Finance Department will conduct assessments of the factoring assets and make provisions for the factoring assets. See "Business — Asset Quality/Policy for Provision of Impairment" for details on the four-tier classification of our assets.

Risk Management and Enforcement Measures

Based on the above reports, we will develop and implement certain risk management procedures in order to mitigate our losses. Our Corporate Finance Department, Operations Department, Risk Management Department and Legal Department are primarily responsible for implementing these procedures. Such procedures include conducting on-site inspections, sending letters of demand for payment after the scheduled repayment date, freezing or reducing the credit limit granted to the customer and taking enforcement actions, including:

- claims against the customer (for with recourse transactions), the guarantor(s) and the underlying debtor;
- acceleration of repayment; and
- application for court orders to seize the assets (including real property, personal property, and securities) of the customer and guarantor(s), and to block their bank accounts.

RISK MANAGEMENT AND OPERATIONS

For customers having past due payments due to short term working capital or cash flow difficulties, we may agree to grant an extension or adjustment of repayment schedule after conducting stringent due diligence to determine whether credit extension is optimal risk mitigating option in light of the customer's credit record and financial position.

As a result of our stringent risk management system, we did not experience any non-performing assets as at 31 December 2015 and 2016 and the Latest Practicable Date.

LIQUIDITY RISK MANAGEMENT

Liquidity risk refers to the risk of us not having sufficient funds to meet our liabilities as they fall due. This may arise from mismatch in amount or duration in respect of the maturity of our financial assets and liabilities. The duration of most of our factoring transactions are less than a year.

Our Finance Department and Finance Cooperation Department are primarily responsible for managing liquidity risk. To address liquidity risk, we have undertaken the following measures:

- striving to match the duration of each of factoring transactions (generally not more than one year) with borrowings from financial institution that are on similar one year term;
- preparing daily, weekly and monthly financial statements for our daily, weekly and monthly operations;
- managing our cash flow through annual operating budget that is monitored and adjusted on a monthly basis. Towards the end of each month, every department is required to submit to our Finance Department a capital expenditure forecast for the next month. This allows us to identify and address any potential shortfall in future cash flow;
- analysing whether we will be able to obtain borrowings at a cost that matches our factoring transactions; and
- monitoring financial indicators relevant to the assessment of our liquidity risk, as part of the monthly income statement, balance sheet, and statement of cash flows prepared by our Finance Department.

INTEREST RATE RISK MANAGEMENT

The interest rate risk that we face is relatively limited because our assets and liabilities are generally based on fixed interest rates. The limited interest rate risk arises from the difference in the duration of our assets and liabilities. Our exposure to the risk of changes in market interest rates relates primarily to our interest-bearing bank and other borrowings, structured deposits with licensed banks and accounts receivable.

RISK MANAGEMENT AND OPERATIONS

Our Finance Department and our Finance Cooperation Department are primarily responsible for managing interest rate risk. To better manage our interest rate risk, we have undertaken the following measures:

- tracking and reporting interest rate fluctuations regularly;
- monitoring the sensitivity of projected net interest income under varying interest rate scenarios;
- assessment of potential changes in interest rates using gap analysis;
- assessment of scope, investment strategy and redemption period of structured deposits and monitoring the daily performance of our structured deposits; and

During the Track Record Period, we from time to time purchased structured deposit products from licensed banks to better manage our surplus funding. For the two years ended 31 December 2016, our Group placed structured deposits of RMB117 million and RMB1,454 million respectively with licensed banks in the PRC. Although the structured deposits that we placed with licensed banks during the Track Record Period were not principal guaranteed and that we could be exposed to the maximum risk of loss in the principal amount of the structured deposits we invested, they generally bore relatively low level of risk rating provided by the licensed banks in the PRC. The underlying investment portfolio of these structured deposits was mainly investments in assets including but not limited to treasury bonds, central bank bills, financial bonds, money-market funds and inter-bank lending and debentures. As at 31 December 2015 and 2016, the structured deposits yet to be redeemed amounted to nil and RMB10 million, respectively. These structured deposits have no maturity date and we can redeem the principal together with the corresponding interest anytime. We have established capital and investment policies to monitor and control the risks relating to our investments in structured deposits, which provide among other things:

- we may only invest in structured deposit products when we have surplus cash exceeding certain amount;
- generally, only investments in structured deposit products of relatively low level of risk is allowed. We consider the structured deposit products as low-risk if the following criteria are satisfied, including (i) the products are issued by state-owned licensed banks, (ii) the products bear low risk ratings provided by the licensed banks, (iii) the underlying investment portfolio comprises mainly low-risk investments such as treasury bonds, central bank bills, financial bonds, money-market funds, inter-bank lending and debentures, and (iv) the products have high liquidity features, allowing for redemption of the principal and corresponding interest anytime, or have capital preservation and principal guaranteed features;

RISK MANAGEMENT AND OPERATIONS

- criteria for making investment decisions in structured deposit products include, among others, investment amount, investment period, credibility of the licensed banks, risk exposure, expected yield and liquidity of the structured deposit products; and
- we shall reasonably make investments in products provided by multiple issuers to mitigate concentration risk.

In addition, we have implemented the following risk management measures and procedures:

- we have a research committee in structured deposit products to research and analyse the marketing materials of the structured deposit products, identify suitable structured deposit products issued by licensed banks for our Group, and prepare purchase proposals of structured deposits for our Group's reference; the research committee is composed of our senior accounting manager of our Finance Department as chairman of the committee and our business manager responsible for our bank relations from our Finance Department, our treasurer and our business manager from our Finance Cooperation Department as members of the committee;
- we have established a multi-tier authorisation mechanism and set authorisation limits for making investment decisions for structured deposit products. For example, if the investment amount of a redeemable structured deposit product exceeds RMB50 million but is less than RMB100 million, such investment decision must be made by our chief financial officer; if the investment amount exceeds RMB100 million but is less than RMB200 million, such investment decision must be made by our general manager; and if the investment amount exceeds RMB200 million or more, such investment decision must be made by our Risk Management Committee; and
- our Finance Department monitors the performance and balance of our structured deposits every day and will include such information in preparing daily financial statements for our Group to enable us to keep track of the performance and balance of the structured deposits.

Our Directors confirm that upon Listing and going forward, we shall only invest in principal-guaranteed structured deposit products.

OPERATIONAL RISK MANAGEMENT

Operational risk arises primarily from inadequate or failed internal controls and systems, human errors, information technology system failures or external events. We consider operational risk to be one of the risks in our business and believe that this inherent risk can be controlled or mitigated through adequate operational policies and procedures.

We have adopted the following measures to monitor and control our operational risk and to strengthen our operational risk management:

- maintaining a comprehensive corporate governance structure with clearly defined duties of our Board, senior management, as well as the various committees and departments;

RISK MANAGEMENT AND OPERATIONS

- maintaining a risk management system to ensure the independence of different departments and committees in performing their risk management duties;
- formulating and adopting standard commercial contracts for our business operations;
- maintaining an Operations Department responsible for developing, examining and supervising the workflow of various business operations and providing necessary training to business development personnel;
- maintaining a Risk Management Department responsible for monitoring and evaluating the other departments' compliance with the management policies and internal control procedures, thereby improving our corporate governance;
- maintaining and continuously improving our operational procedures and internal control system, and utilizing our information technology system to monitor and control the performance of each procedure;
- providing training and ethical education to our employees in order to enhance their awareness and ethics against fraud and other crimes; and
- reviewing, assessing and adjusting our established internal control procedures and risk management systems on an annual basis in response to the development of our business process as well as the regulatory requirement.

LEGAL AND COMPLIANCE RISK MANAGEMENT

Our business is subject to regulation and supervision by national, provincial and local government authorities with regard to our factoring operations, capital structure, pricing and provisioning policy, which may be subject to changes. See "Regulatory Overview" for further details on the applicable laws and regulations in relation to our business operations. If we fail to comply with these laws and regulations, we may be required to rectify and may incur penalties and losses.

During the Track Record Period, we have not been challenged for any material non-compliance incidents by any governmental authorities. In addition, we have strengthened our legal and compliance risk management by:

- reviewing our management accounts on a monthly basis to monitor the key financial indicators of our operations;
- establishing risk-monitoring thresholds in our system in accordance with the relevant legal and regulatory requirements, to monitor and identify the irregularities and non-compliance incidents in our operations;
- employing two legal personnel within our Legal Department of our Company, who perform an in-house legal advisory role;

RISK MANAGEMENT AND OPERATIONS

- monitoring legal updates, including updates on the interpretation of applicable laws and regulations by relevant regulatory authorities;
- reiterating the importance of adherence to our operational protocols and procedures to our employees and, in particular, new employees, to ensure effective implementation of our operational protocols and procedures; and
- engaging external legal adviser to provide us with professional legal advice to enhance compliance of our business operations.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

THE CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and no share is issued pursuant to the exercise of options which may be granted under the Share Option Scheme), Mr. Tung, TMF Trust, Eander and Wisdom Cosmos will be interested in 75% of the issued share capital of our Company and hence will be our Controlling Shareholders after the Listing.

Mr. Tung is the Chairman of our Board and executive Director and for further information about him, please refer to the section headed “Directors and Senior Management” of this prospectus.

TMF Trust is the trustee of the PJ Trust and Eander is the holding vehicle of TMF Trust in relation to the PJ Trust. Wisdom Cosmos is a holding company formed by Mr. Tung to hold our Group. For further information about TMF Trust, Eander and Wisdom Cosmos, please refer to the section History, Reorganisation and Development” in this prospectus.

Save as disclosed above, there is no other person who will, immediately following the completion of the Global Offering and the Capitalisation Issue, be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

THE EXCLUDED BUSINESS

In addition to our factoring business, our Controlling Shareholders are also involved in the Excluded Business.

The history of the Financial Leasing Group can be traced back to 2014 when the two operating subsidiaries of the Financial Leasing Group, namely, Tianjin SY Financial Leasing Limited (天津盛業融資租賃有限公司) and SY Financial Leasing Limited* (盛業融資租賃有限公司) were established in the PRC. As a result of the Reorganisation, the Financial Leasing Group and its business, i.e. the Excluded Business, were excluded from our Group. For details of the history and development of the Financial Leasing Group and the reasons for the exclusion of the Financial Leasing Group from our Group, please see the section headed “History, Reorganisation and Development” in this prospectus.

The Financial Leasing Group mainly engage in the financial leasing of machineries, medical equipment and high-end office furniture and provides financial solutions to its customers, including direct leasing and operating leasing.

The business of the Financial Leasing Group had a relatively low annual turnover since its commencement of business. Based on the audited accounts and unaudited management accounts of Tianjin SY Financial Leasing Limited (天津盛業融資租賃有限公司) for the years ended 31 December 2015 and 31 December 2016 respectively, its revenue amounted to approximately RMB1.2 million and RMB3.9 million, respectively and its profit/(loss) after tax was approximately RMB0.7 million and RMB(0.4 million), respectively. As SY Financial Leasing Limited* (盛業融資租賃有限公司) started operation only in 2016, based on its unaudited management accounts for the year ended 31 December 2016, its revenue amounted to approximately RMB0.7 million and its profits after tax amounted to approximately RMB 0.6 million.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Based on the information set out above, our Directors are of the view, and the Sole Sponsor concurs that, our Group would be able to meet the minimum cash flow requirement under Rule 11.12A of the GEM Listing Rules even if the financial results of the Financial Leasing Group are taken into account during the Track Record Period.

BUSINESS DELINEATION

Our Directors believe that there is a clear delineation in the business activities of our Group and that of the Financial Leasing Group in terms of their business nature, customers and management as detailed below:-

	Our Group	Financial Leasing Group
<i>Major financial services</i>	Provision of factoring services and sales of rights of factoring assets	Financial leasing services of machineries, medical equipment and high-end office furniture and provides financial solutions to its customers, including direct leasing and operating leasing
<i>Major source of income</i>	<ul style="list-style-type: none"> • Interests and fee income • Transfer of legal title of accounts receivables from our customers to us 	<ul style="list-style-type: none"> • Interest income • Rental income
<i>Customers</i>	<ul style="list-style-type: none"> • SMEs engaged in a number of strategic industries including energy, construction, medical etc. • For the years ended 31 December 2015 and 2016, we had 42 and 65 customers respectively, which did not overlap with the customers of the Financial Leasing Group save and except a PRC financial leasing company (“Company A”) which contributed approximately RMB0.13 million revenue to our Group in 2015 (2016: nil) 	<ul style="list-style-type: none"> • Enterprises which need financial leasing services without strategic focus on any industry • For the years ended 31 December 2015 and 2016, the Financial Leasing Group had 2 and 6 customers respectively, which did not overlap with the customers of our Group save and except Company A which contributed approximately RMB1.07 million revenue to the Financial Leasing Group in 2015 (2016: nil)

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

	Our Group	Financial Leasing Group
<i>Management</i>	Our existing executive Directors and senior management continue to hold directorship and/or senior management positions in our Company and our subsidiaries.	Mr. Tung holds directorship in the Financial Leasing Group but is not involved in the daily operation of it. Each of the operating subsidiaries of the Financial Leasing Group has its own management team residing in Shenzhen to handle the day-to-day operation. Save for Mr. Tung, none of our Directors nor our senior management team hold any executive or non-executive position in the Financial Leasing Group.
<i>Employees as at 31 December 2016</i>	53, who did not and would not work for the Financial Leasing Group.	15, who did not and would not work for our Group.
<i>Office premises</i>	Our Group's headquarter is situated in Shenzhen. We also set up offices in Tianjin and Shanghai.	The Financial Leasing Group had been using part of our office in Shenzhen. The Financial Leasing Group has moved to a separate office in Shenzhen by the end of March 2017.
<i>Strategy, growth and expansion plan</i>	Our Group will expand and develop our internet financial services with an aim to become a Fintech service provider for enterprises; expand the size of our factoring portfolio, increase our capital turnover; enhance our specialized and professional workforce, expand our sales network across the PRC and continue to increase our risk management capabilities.	The Financial Leasing Group will focus on providing financial leasing services of high-end office furniture and medical equipment to enterprises in the PRC.

Reasons for the exclusion

As set out above, the operations of our Group are independent of and separate from the Excluded Business. Our Directors are of the view that there is a clear delineation between the Financial Leasing Group and our Group. The Financial Leasing Group was not included in our Group as our Directors are of the view that Excluded Business did not form part of our core business and is not in line with our overall strategy to maintain and strengthen our market position as a leading factoring services provider in the PRC.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Given the different nature of business between our Group and the Financial Leasing Group, after the Listing, our Directors do not expect there will be any overlap nor competition between the business of the Financial Leasing Group and our Group.

HISTORICAL TRANSACTIONS WITH THE CONTROLLING SHAREHOLDERS

Our Group has entered into the following transactions, which were discontinued or subsisting during the Track Record Period but are expected to be discontinued before Listing, with the Controlling Shareholders or companies associated with the Controlling Shareholders. The Directors and the Sponsor confirmed that these transactions were conducted in the ordinary course of business and on normal commercial terms that are fair and reasonable.

A. The shareholder's loan agreement and shareholder's loans

On 27 July 2016, SYIC entered into a shareholder's loan agreement with Mr. Tung (the "**Shareholder's Loan Agreement**"), pursuant to which Mr. Tung agreed to grant unsecured loan of RMB400,000,000 to SYIC at an interest rate of 4.5% per annum. The loan was granted for the purpose of developing the business of our Group. According to the terms and conditions of the Shareholder's Loan Agreement, the loan is repayable by 15 August 2017.

The interest rate under the Shareholder's Loan Agreement was determined after arm's length negotiations between the parties with reference to the then prevailing market rates. In addition to the loan granted under the Shareholder's Loan Agreement, our Group had an amount due to Mr. Tung as to RMB4,527,000 as at 31 December 2016. Such amount was unsecured, interest-free and repayable on demand. No written agreement was entered into in respect of such amount due between our Group and Mr. Tung. The balance was fully settled in February 2017.

As confirmed by Mr. Tung and our Company, all outstanding amount owed by our Group to Mr. Tung has been repaid or will be repaid by our Group before Listing by cash. Mr. Tung and our Company further confirmed that the Shareholder's Loan Agreement will be terminated upon Listing.

B. The related parties' loan agreements

During the Track Record Period, our Group entered into three loan agreements (collectively "**Related Parties' Loan Agreements**") with Tianjin SY Financial Leasing Limited (天津盛業融資租賃有限公司) and SY Financial Leasing Limited* (盛業融資租賃有限公司), which are ultimately wholly owned by the PJ Trust, our Controlling Shareholder. Details of the Related Parties' Loan Agreements are set out as follows:

- (a) on 29 January 2016, SYF as borrower and Tianjin SY Financial Leasing Limited (天津盛業融資租賃有限公司) as the lender entered into a loan agreement pursuant to which Tianjin SY Financial Leasing Limited (天津盛業融資租賃有限公司) granted a loan of RMB62,000,000 to SYF for the development of the factoring business. The loan was subject to a fixed rate interest of 6% per annum. The loan was unsecured and repayable within six months;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) on 15 February 2016, SYF as borrower and SY Financial Leasing Limited* (盛業融資租賃有限公司) as the lender entered into a loan agreement pursuant to which SY Financial Leasing Limited* (盛業融資租賃有限公司) granted a loan of RMB13,000,000 to SYF for the development of the factoring business. The loan was subject to a fixed rate interest of 6% per annum. The loan was unsecured and repayable within twelve months; and
- (c) on 28 July 2016, SYF as borrower and Tianjin SY Financial Leasing Limited (天津盛業融資租賃有限公司) as the lender entered into a loan agreement pursuant to which Tianjin SY Financial Leasing Limited (天津盛業融資租賃有限公司) granted a loan of RMB58,000,000 to SYF for the development of the factoring business after the repayment of the loan under the loan agreement dated 29 January 2016. The loan was subject to a fixed rate interest of 5% per annum. The loan was unsecured and repayable within twelve months.

The interest rates under the Related Parties' Loan Agreements were determined after arm's length negotiations between the parties with reference to the then prevailing market rates.

As confirmed by our Company, all outstanding amounts (including principal and interest) under the Related Parties' Loan Agreements owed by our Group to Tianjin SY Financial Leasing Limited (天津盛業融資租賃有限公司) and SY Financial Leasing Limited* (盛業融資租賃有限公司) have been repaid or will be repaid by our Group before Listing by cash. Our Company further confirmed that the Related Parties' Loan Agreements has been or will be terminated upon Listing.

C. The office licences

During the Track Record Period and up to 8 March 2017, SYIF granted a licence (the "**HK Office Licence**") to Sheng Ye International Leasing Limited and SY Financial to use Room 4210, 42/F, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong (replaced by Unit 6, 42th Floor, Tower 1, Lippo Centre, No.89 Queensway, Hong Kong with effect from 6 July 2016) as the registered office of Sheng Ye International Leasing Limited and SY Financial.

Further, during the Track Record Period and up to 31 March 2017, SYF granted a licence (the "**PRC Office Licence**", together with the HK Office Licence the "**Office Licences**") to Tianjin SY Financial Leasing Limited (天津盛業融資租賃有限公司) and SY Financial Leasing Limited* (盛業融資租賃有限公司) to use approximately 86 sq.m of our headquarter in the PRC at Room 1801, 18/F, Kerry Plaza Tower 3, 1-1 Zhong Xin No 4 Road, Futian, Shenzhen 518048, PRC as their business address.

The Office Licences were granted on revocable and non-exclusive basis without consideration of the purpose of resources sharing amongst the companies owned by the PJ Trust. No written agreement was entered into by the parties relating to the Office Licences.

The HK Office Licence and the PRC Office Licence were terminated and discontinued with effect from 8 March 2017 and 1 April 2017 respectively.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

RULE 11.04 OF THE GEM LISTING RULES

Each of our Controlling Shareholders, our Directors, our substantial Shareholder and their respective close associates do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on our business independent of and without undue reliance on our Controlling Shareholders and their respective close associates after the Listing based on the following reasons:

Management independence

Our Company aims to establish and maintain a competent and independent Board to supervise our Group's business. The main functions of our Board include (i) approving our overall business plans and strategies; (ii) monitoring the implementation of the aforesaid policies and strategies; and (iii) managing our Group. We have an independent management team, which is led by a team of experienced senior management with expertise in our business, to implement our Group's policies and strategies.

Our Board consists of five Directors, comprised of two executive Directors and three independent non-executive Directors. Each of our Directors is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transaction and shall not be counted in the quorum.

Operational independence

Our Group has established our own organisational structure comprising of individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, sales and marketing and general administration resources, with our Controlling Shareholders and/or their respective close associates.

Financial independence

Our Group has our own financial management and accounting systems, accountant and administration department and independent treasury functions, and we make financial decision according to our own business needs. Prior to and during the Track Record Period, for the purpose of developing our Group's factoring business, SY Financial had made capital contributions to our Group which were all capitalised. Further, our Group has borrowed money from Mr. Tung and Mr. Tung's other related companies, namely Tianjin SY Financial Leasing Limited (天津盛業融資租賃有限公司)

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

and SY Financial Leasing Limited* (盛業融資租賃有限公司) for business development. All amounts due to Mr. Tung and his related companies by our Group during the Track Record Period, which are set out in note 28 to the Accountants' Report in Appendix I to this prospectus, have been fully repaid or will be fully repaid before the Listing.

In respect of future financial resource requirements, our Group's business will primarily be financed through our retained earnings and share capital, the net proceeds from the Global Offering and the borrowings from our lenders including banks and will not be dependent on funding from our Controlling Shareholders.

Having considered the above factors, our Directors consider that we have no financial dependence on our Controlling Shareholders.

Independence of major customers

Our Directors confirmed that none of our Controlling Shareholders, our Directors and their respective close associates, have any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

NON-COMPETITION UNDERTAKINGS

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

In accordance with the Deed of Non-Competition, the Covenantors irrevocably and unconditionally undertake to our Company, for itself and as trustee for and on behalf of our subsidiaries, that, from the Listing Date and ending on the occurrence of the earliest of (i) the date on which the Shares cease to be listed on GEM; or (ii) the date on which the Covenantors cease to be a Controlling Shareholder:

1. Non-competition

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 our Group) to conduct any business which, directly or indirectly, competes or is likely to compete with the business of our Company or any of our subsidiaries in Hong Kong, the PRC and such other places as our Company or any of our 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**").

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Deed of Non-Competition does not apply if the Controlled Persons and Controlled Company in aggregate own any interest not exceeding five per cent of the issued shares in any company conducting any Restricted Business (the “**Relevant Company**”), and the Relevant Company is listed in any recognised stock exchange (as defined under the SFO), notwithstanding that the business conducted by the Relevant Company constitutes or might constitute competition with the business of our Company or any of our subsidiaries, provided that (i) the shareholding of any one holder (and his close associate, if applicable) in the Relevant Company is more than that of the Controlled Persons and the Controlled Company in aggregate at any time; and (ii) the total number of the relevant Covenantors’ representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to his shareholding in the Relevant Company. Further, TMF Trust, acting as a trustee of a trust (other than the PJ Trust), may render services to, be involved or interested in any Restricted Business.

2. New business opportunity

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 our Company of such New Business Opportunity in writing and refer the same to our Company for consideration, and shall provide the relevant information to our 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 our 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 our Company.

A Covenantor may only engage in the New Business Opportunity if (i) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the “**Non-acceptance Notice**”); or (ii) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by our Company.

Any Director who has an actual or potential material interest in the New Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not count towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity.

Our independent non-executive Directors will be responsible for reviewing and considering whether or not to take up a New Business Opportunity referred by a Covenantor or Controlled Company or whether or not the New Business Opportunity constitutes competition with the Restricted Business and such decisions will be made by our independent non-executive Directors. The factors that will be taken into consideration in making the decision include whether it is in line with the overall interests of our Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

3. Corporate governance measures

In order to ensure the performance of the above non-competition undertakings, the Covenantors will:

- (a) as required by our Company, provide all information necessary for our independent non-executive Directors to conduct annual examinations with regards to the compliance of the terms of the Deed of Non-competition and the enforcement of it;
- (b) provide all information requested by our Company which is necessary for the annual examination by the independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (c) procure our Company to disclose to the public either in the annual report of our Company or issue a public announcement in relation to any decisions made by our independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-competition and the enforcement of it;
- (d) where our independent non-executive Directors shall deem fit, make a declaration in relation to the compliance of the terms of the Deed of Non-competition in the annual report of our Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-competition and the enforcement of it are in accordance with the requirements of the GEM Listing Rules; and
- (e) that during the period when the Deed of Non-competition is in force, fully and effectually indemnify our Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Covenantor of any statement, warrant or undertaking made under the Deed of Non-competition.

The Deed of Non-Competition and the rights and obligations thereunder are conditional upon (a) the Listing Division granting the listing of, and the permission to deal in, the Shares, as described in this prospectus, and (b) the Listing and dealings in the Shares on GEM taking place.

As the Covenantors have given non-Competition undertakings in favour of our Company, and they do not have interests in other businesses that compete or are likely to compete with the business of our Group, our Directors are of the view that they are capable of carrying on our Group's business independently of the Covenantors following the Listing.

CONNECTED TRANSACTIONS

EXEMPTED CONTINUING CONNECTED TRANSACTION

Our Directors confirm that the following transactions have been entered into by our Group with Bondlink Investment Limited (“**Bondlink**”) which is our connected person and which will continue following the Listing, thereby constituting continuing connected transactions of our Group under Chapter 20 of the GEM Listing Rules:

Tenancy Agreement

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

Before the Tenancy Agreement, Bondlink let Room 4210, 42/F, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong (“**Room 4210**”) to SYIF in consideration of a monthly rental of HK\$25,000 since 1 January 2015 and such tenancy was mutually terminated by the parties with effect from 30 June 2016.

The rent under the old tenancy agreement was much lower because Room 4210, being a portion of one unit in Tower 1 of Lippo Centre, only has a gross floor area of 40 sq.m whereas Unit 4206 has a gross floor area of 173 sq.m. According to an independent property valuer engaged by our Group, the rent of Unit 4206 was comparable to prevailing market rent as at the contract date of the Tenancy Agreement.

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

CONNECTED TRANSACTIONS

Historical figures and annual caps

The following table sets out (i) the historical transaction amounts paid under the Tenancy Agreement over the Track Record Period; and (ii) the proposed annual caps under the Tenancy Agreement:

	Historical figures (in HK\$)		Annual caps under the Tenancy Agreement (in HK\$)		
	FY2015	FY2016	For the financial year ending 31 December 2017	For the financial year ending 31 December 2018	For the financial year ending 31 December 2019
Transaction amounts/ expected transaction amounts	—	636,804	1,500,000	1,500,000	1,700,000

Our Directors have arrived at the above annual caps after taking into consideration (i) the rents payable under the Tenancy Agreement; (ii) the management fee, government rates and government rents payable under the Tenancy Agreement; (iii) the possible increase in management fee, government rates and government rents in the coming years; and (iv) the possible increase in rent in 2019 when our Group renews the tenancy.

LISTING RULES IMPLICATIONS

Bondlink is indirectly wholly owned by the T&T settlement trust of which Mr. Tung (the Chairman of our Board and executive Director), Tung Ching Ching (sister of Mr. Tung) and Tung Chi Kong (brother of Mr. Tung) are the beneficiaries. Therefore Bondlink is a connected person of the Company under Chapter 20 of the GEM Listing Rules. As such, the transactions under the Tenancy Agreement constitute continuing connected transactions of our Company under the GEM Listing Rules following the Listing.

As the applicable percentage ratios under Chapter 20 of the GEM Listing Rules (other than the profit ratio) for the Tenancy Agreement on an annual basis exceed 0.1% but are less than 5% and the annual amount payable by our Group under the Tenancy Agreement will be less than HK\$3 million, the continuing connected transactions contemplated thereunder are fully exempt from all annual review, reporting, announcement and independent shareholders' approval (including independent financial advisor) requirements under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

CONFIRMATION FROM THE DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that (i) the continuing connected transactions mentioned above were entered into in the ordinary and usual course of our business, on normal commercial terms or better that are fair and reasonable and in the interests of our Shareholders as a whole; and (ii) the terms of the continuing connected transactions thereunder are fair and reasonable and in the interests of our Shareholders as a whole.

CONFIRMATION FROM THE SPONSOR

The Sponsor has reviewed the relevant documents, information and historical figures provided by the Company and participated in due diligence and discussions with the Company and its legal advisers. Based on the above, the Sponsor is of the view that the continuing connected transactions mentioned above (i) were entered into in the ordinary and usual course of business of the Group; (ii) were on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the terms and the proposed annual caps for the continuing connected transactions thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of five Directors, comprising two executive Directors and three independent non-executive Directors. Our Board is responsible and has general powers for management and conduct of our Group's business. The following table sets forth certain information concerning our Directors:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and senior management
Mr. Tung Chi Fung	30	Chairman and executive Director	Responsible for the overall strategic planning, business development and operational management of our Group; serving as the authorised representative, the Chairman of the Nomination Committee and a member of the Remuneration Committee	December 2013	29 December 2016	N/A
Mr. Chen, Jen-Tse (陳仁澤)	46	Executive Director	Responsible for providing advice on formulating overall corporate and business strategies of our Group	July 2014	4 March 2017	N/A
Mr. Hung Ka Hai Clement (洪嘉禧)	62	Independent non-executive Director	Performing the role as independent non-executive Director; serving as the Chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee; advising on corporate governance matters	June 2017	19 June 2017	N/A
Mr. Loo Yau Soon	44	Independent non-executive Director	Performing the role as independent non-executive Director; serving as the Chairman of the Remuneration Committee and a member of the Audit Committee; advising on corporate governance matters	June 2017	19 June 2017	N/A
Mr. Tsoon Wai Mun, Benjamin (段偉文)	29	Independent non-executive Director	Performing the role as independent non-executive Director; serving as a member of each of the Audit Committee and the Nomination Committee; advising on corporate governance matters	June 2017	19 June 2017	N/A

DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth certain information concerning our other senior management members:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Relationship with other Directors and senior management
Mr. Lo Wai Hung (盧偉雄)	57	Chief financial officer and company secretary	In charge of our Group's overall financial accounting and reporting, corporate finance and company secretarial matters; serving as the authorised representative	January 2016	N/A
Mr. He Zhigang (何志剛)	41	Financial controller	Overseeing our Group's overall financial accounting and reporting as well as corporate finance matters	September 2015	N/A
Ms. Li Ting Fan (李汀帆)	43	Human resources director	Overseeing our Group's overall human resources policies	June 2015	N/A
Mr. Feng Chaowu (馮超武)	34	Risk management director	Overseeing our Group's risk management policies and evaluation of investments	April 2016	N/A

DIRECTORS

Executive Directors

Mr. Tung Chi Fung, aged 30, was appointed as our Director on 29 December 2016 and was redesignated as an executive Director and appointed as the chairman of our Board on 4 March 2017. His appointment as the chairman of the Nomination Committee and a member of the Remuneration Committee will take effect on the Listing Date. He obtained his bachelor degree in business administration with merit from the Singapore Management University in May 2013. Mr. Tung is the founder of our Group and the director of all the subsidiaries of our Group. He is also our Group's compliance officer and authorised representative. Further, Mr. Tung is one of the three members of the risk management committee of SYF and is responsible for reviewing and approving certain high risk factoring transactions. Mr. Tung is responsible for overall strategic planning, business development and operational management of our Group.

Mr. Tung served the national army of Singapore from December 2006 to August 2009. Mr. Tung has over 6 years of experience in management and business administrations. Prior to founding SYF, Mr. Tung co-founded and worked in Thatgreenman LLP, a green social enterprise in Singapore, from May 2010 to May 2012 where he was responsible for the overall management and organisation of conferences. Mr. Tung also founded Colors Diner LLP and worked as the partner of the company from June 2010 to July 2012 where his duties included procurement of business opportunities. From July 2011 to August 2011 Mr. Tung was employed as assistant trading manager in Winson Oil Trading PTE

DIRECTORS AND SENIOR MANAGEMENT

LTD, a Singaporean company owned by his family, in which he was involved in securing oil supply contracts and the development of new markets. Mr. Tung was the sole director of Kunlun Resources International Limited from May to September 2013 and from March to September 2014; and the sole director of SY (Sheng Ye) International Trading Ltd from January to September 2014; and the director of the holding company of these two companies. These companies are the holding companies of the Customer A as referred to in the “Business” section of this prospectus. In December 2013, Mr. Tung founded SYF, the principal operating subsidiary of our Group. He has been the director and general manager of SYF since its date of establishment. He is responsible for the overall operational planning and management of SYF which includes, among other things, developing operational plans, formulating strategies for further expansion of business and overseeing day-to-day operations of SYF. Mr. Tung’s duties also include procurement of business opportunities, maintaining relations with customers, overseeing the daily operations of various departments in SYF and monitoring the implementation of human resources policies. Moreover, Mr. Tung takes charge of financial planning of SYF which involves seeking funding sources, implementing fund raising plans and administering the use of funds of SYF. Apart from the above, Mr. Tung is also responsible for SYF’s risk management which involves identification and evaluation of risks faced by SYF and development of risk management plans.

Mr. Tung is the honorary committee member of Raleigh China, a non-profit making organisation focusing on youth development in China.

Mr. Chen Jen-Tse, aged 46, is our executive Director and has been the deputy general manager of SYF since July 2014. Mr. Chen is one of the three members of the risk management committee of SYF and is responsible for reviewing and approving certain high risk factoring transactions. He obtained his Bachelor of Management degree majoring in Industrial Management in June 1993 and went on to obtain his Master of Management degree majoring in Industrial Management in June 1995, both from National Cheng Kung University, Taiwan.

Mr. Chen has over 18 years of experience in the factoring industry. Prior to joining our Group, Mr. Chen worked in various positions in financial institutions. From January 1998 to May 2007, he served in the accounts receivable operations department* (帳款處理作業科) in Chailease Finance Co., Ltd. (中租迪和股份有限公司) (previously known as CITC Company (迪和股份有限公司)). From May 2007 to June 2008, he worked as an assistant vice president (receivable finance) of the commercial banking department in Hongkong and Shanghai Banking Corporation Limited Taipei branch. From June 2008 to June 2014, he worked as a manager of trade finance department (SBU) in China Minsheng Banking Group.

Independent non-executive Directors

Mr. Hung Ka Hai Clement, aged 62, is our independent non-executive Director. His appointment as the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee will take effect on the Listing Date. Mr. Hung obtained the bachelor of arts degree from the Huddersfield University, England in 1980.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Hung had served Deloitte China for 31 years where he had assumed various leadership roles before he took up the chairman role of Deloitte China from 2014 to 2016. He retired from the chairman role of Deloitte China with effect from June 2016. When Mr. Hung was working with Deloitte China, he had assumed various leadership roles, including, the office managing partner of Deloitte Shenzhen Office and Guangzhou Office. He was also a member of the China Management Team of Deloitte China. Later on, Mr. Hung assumed the role of the southern audit leader and the deputy managing partner of the southern region (including the regions of Hong Kong, Macau, Shenzhen, Guangzhou and Xiamen). Since May 2017, he has been the director of Titan Global Financial Limited.

Mr. Hung has become an honorary member of the Shenzhen Institute of Certified Public Accountants in 2004. He has served as the Guangzhou Institute of Chartered Accountants consultant from 2009. During the period between 2006 to 2012, he also served as a member of the Political Consultative Committee of Luohu District, Shenzhen. After his retirement from the chairman role of Deloitte, the Ministry of Finance of People's Republic of China appointed him as an expert consultant.

Mr. Hung has been appointed as an independent non-executive director of Sino Credit Holdings Limited (stock code: 0628) since 31 October 2016, SMI Holdings Group Limited (stock code: 198) since 16 January 2017 and LT Commercial Real Estate Limited (stock code: 112) since 24 February 2017 and re-designated as non-executive director thereof with effect from 3 March 2017.

Mr. Loo Yau Soon, aged 44, is our independent non-executive Director. His appointment as the chairman of the Remuneration Committee and a member of the Audit Committee will take effect on the Listing Date. He obtained a bachelor of science in computer science with first class honours from University of British Columbia, Canada in May 1994. He later went on to obtain a Master in Business Administration from Harvard Business School, USA in June 1999.

Mr. Loo has over 18 years of working experience in various industries and as an entrepreneur. From June 1999 to December 2001, he was the co-founder and senior vice president of Nextdoor Networks Inc. (previously known as eFrenzy Inc.) in U.S.A. From February 2002 to December 2004, he was the principal in management advisory and consulting in Soon Loo & Company in Brunei. From November 2007 to August 2014, he had been an independent director and chairman of the audit committee for Indiabulls Property Investment Trust, a company listed on Singapore Exchange in Singapore. Since February 2014, he has been a director of Seri Venture Capital Management Sdn Bhd in Brunei. Since March 2016, he has been the chief executive officer and managing director of Darussalam Enterprise in Brunei.

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

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tsoon Wai Mun, Benjamin, aged 29, is our independent non-executive Director. His appointment as a member of each of the Audit Committee and the Nomination Committee will take effect on the Listing Date. He obtained a bachelor in business management degree in Singapore Management University in June 2013. He also achieved distinctions in a programme of study Affiliate Management Studies in University College London, UK, in 2011.

From July 2013 to September 2014, Mr. Tsoon was employed as a management associate, with the rank of assistant manager in Citibank N.A. in Singapore, where he was responsible for assessment of the productivity metrics of branches in various countries and implementation of plans to improve productivity. From September 2014 to April 2015, Mr. Tsoon worked as a business development executive in Pavilion Energy Management Pte Ltd., in Singapore, where he was responsible for evaluation of business opportunities in the oil and gas industry in various countries, formulating investment strategies and identifying potential business partners. Mr. Tsoon is a co-founder of an Indonesian company called PT Armada Mulia Karya and a co-founder and chief operation officer of regional Fintech platform, Fundnel Pte Limited, since July 2015 and he is responsible for project management, development of business strategies and marketing plans and overseeing the finance of the company. Mr. Tsoon is also a director of Anthill Capital Pte Ltd since May 2016, where he is responsible for evaluation of investments and syndication efforts across technology-related opportunities across Asia, overseeing the risk management, operation and finance control of the company. In May 2017, Mr. Tsoon was appointed as a director of Y Ventures Group Pte Ltd (subsequently renamed as Y Ventures Group Ltd) and he is responsible for the development of business strategies and frameworks for corporate governance.

Other disclosure pursuant to Rule 17.50(2) of the GEM Listing Rules

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the date of this prospectus. Immediately following completion of the Capitalisation Issue and the Global Offering, save as the interests in the Shares which are disclosed in the section headed “Substantial Shareholders” in this prospectus, each of our Directors will not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 17.50(2)(h) to (v) of the GEM Listing Rules as at the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Lo Wai Hung, aged 57, is our company secretary and the chief financial officer of our Group in charge of our Group's overall financial accounting and reporting corporate finance and company secretarial matters. Mr. Lo is one of the three members of the risk management committee of SYF responsible for reviewing and approving certain high risk factoring transactions. Mr. Lo joined our Group since January 2016. He obtained a bachelor of commerce degree from James Cook University of North Queensland in Australia in 1984. He became an associate member of Institute of Chartered Accountants in Australia in April 1991 and went on to become a member and a fellow member of Hong Kong Institute of Certified Public Accountants in February 1992 and November 1999, respectively.

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

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

Name of company	Principal business activities	Last held title	Period
C Cheng Holdings Limited (HKEx stock code: 1486)	Provision of comprehensive architectural service	Independent non-executive director	December 2013 - present
Shandong Weigao Group Medical Polymer Company Limited (HKEx stock code: 1066)	Research and development, production and sale of single-use medical devices, orthopaedic products and blood purification products	Independent non-executive director	August 2009 - present
Talent Property Group Limited (HKEx stock code: 760)	Property development, investment and management in the PRC	Independent non-executive director	February 2011 - present
LT Commercial Real Estate Limited (HKEx stock code: 112)	Commercial real estate in the PRC and the US. It is also in retail, agricultural product logistics parks, culture and tourism, high-end hospitality	Independent non-executive director	March 2017 - present
China Merchants Property Development Co Ltd (previous SSE stock code: 24)	Development and sales of properties	Independent director	December 2011 - December 2015

DIRECTORS AND SENIOR MANAGEMENT

Mr. He Zhigang, aged 41 is the financial controller of our Company and joined our Group as the financial director of SYF since September 2015. He is responsible for overseeing our Group's overall financial accounting and reporting as well as corporate finance matters. He obtained a graduation certificate in finance accountancy in Jinling Institute of Technology (previously known as Nanjing Agricultural College) in July 1996. He later went on to obtain a master of business administration degree in Wuhan University in June 2014. He obtained the certificate of accounting profession issued by Department of Finance of Jiangsu Province (江蘇省財政廳) in October 1996 and became an associate member of Certified Public Accountants Australia in December 2016.

Mr. He has over 10 years of experience in accounting and finance. Prior to joining our Group, Mr. He had been working in Shenzhen Sunray Electronics Limited since November 2003 before he joined Modern Media Holdings Limited, a company listed on the Main Board (Stock Code: 0072) as the financial director. Mr. He worked for Modern Media Holdings Limited from November 2005 to October 2013. He was then employed as the assistant financial controller and was subsequently promoted to be the head of commercial department of China Merchants Loscam (Greater China) from August 2014 to August 2015. Since September 2015, Mr. He has been employed and worked as the financial director of SYF.

Ms. Li Ting Fan, aged 43, is the human resources director of our Company and has been the human resources director of SYF since June 2015. She is responsible for overseeing our Group's overall human resources policies. She obtained a graduation certificate, majoring in English language and literature in Xiangtan University in March 1995 and later completed postgraduate courses in applied psychology in Beijing University in December 2009.

Ms. Li has over 15 years of experience in accounting and human resources. Prior to joining our Group, from August 1996 to December 1998, she was employed as an assistant economist in the Bank of China Changsha branch. From October 1999 to October 2000, Ms. Li worked as an assistant in Fu Jin Precision Industry (Shenzhen) Co., Ltd. From December 2003 to December 2004, Ms. Li was the secretary to the general manager in P&O Nedlloyd (China) Ltd. Shenzhen branch. In July 2005, she was promoted to act as the supervisor of the HR&D department of the company. For the period from September 2006 to end 2010, Ms. Li worked in various positions in Maersk Group in the PRC with her last position as an assistant general manager (organisational capacity) of Maersk Global Service Centre (Shenzhen) Ltd. From February 2011 to May 2011, she was the senior manager of human resources department in Walmart in the PRC. From September 2011 to May 2014, she was the head of human resources department in Shenzhen Home Credit Financial Services Co., Ltd..

Mr. Feng Chaowu, aged 34, is the risk management director of our Company and has been the director of risk control of SYF since June 2014. He is responsible for overseeing our Group's risk management policies and evaluation of investments. He obtained a distance-learning diploma in computational finance from Beijing Institute of Technology, in July 2004, and went on to obtain a undergraduate certificate in International Economy and Trade in Peking University distance-learning in January 2008. Mr. Feng has over 6 years of experience in banking and finance. Prior to joining our Group, he was employed as a senior account manager of Bank of East Asia Shenzhen Nanshan branch from May 2007 to January 2010. From January 2010 to March 2012, he worked as a manager of CITIC Bank Shenzhen Henggang branch. From March 2012 to April 2013, he worked as a senior sales manager of Kuaiqian Payment and Settlement Service Company Limited Shenzhen branch.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. Lo Wai Hung have been appointed as the company secretary of our Company on 4 March 2017. For his biographical information, please refer to the paragraph headed “Senior Management” in this section.

AUTHORISED REPRESENTATIVES

Mr. Tung and Mr. Lo Wai Hung have been appointed as the authorised representatives of our Company under Rule 5.24 of the GEM Listing Rules. For their biographical information, please refer to the paragraphs headed “Executive Directors” and “Senior Management” in this section.

COMPLIANCE OFFICER

Mr. Tung has been appointed as the compliance officer of our Company. For his biographical information, please refer to the paragraph headed “Executive Directors” in this section.

CORPORATE GOVERNANCE

Our Directors are committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, our Group will comply with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules and the associated GEM Listing Rules.

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee on 19 June 2017 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are mainly to make recommendations to our Board on the appointment and removal of external auditors; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company. The Audit Committee currently consists of three members, namely Mr. Hung Ka Hai Clement, Mr. Tsoon Wai Mun, Benjamin, and Mr. Loo Yau Soon. The Chairman of our Audit Committee is Mr. Hung Ka Hai Clement.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

Our Company established the Remuneration Committee on 19 June 2017 with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules and paragraph B.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. The Remuneration Committee currently consists of three members, namely Mr. Loo Yau Soon, Mr. Tung and Mr. Hung Ka Hai Clement. The chairman of the Remuneration Committee is Mr. Loo Yau Soon.

Nomination Committee

Our Company established the Nomination Committee on 19 June 2017 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of our Board on a regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee currently consists of three members, namely Mr. Tung, Mr. Tsoon Wai Mun, Benjamin and Mr. Hung Ka Hai Clement. The chairman of the Nomination Committee is Mr. Tung.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of compensation paid by us for each of the financial year ended 31 December 2015 and 2016 to our Directors was approximately RMB1.6 million and RMB1.5 million respectively, whereas the aggregate amount of compensation paid by us for each of the financial year ended 31 December 2015 and 2016 to our senior management was approximately RMB0.8 million and RMB4.5 million respectively.

Save as disclosed above, no other fees, salaries, housing allowances, discretionary bonuses, other allowances and benefits in kind and contributions to pension schemes were paid by our Group to our Directors and senior management during the Track Record Period. Our Directors and senior management had not waived any emoluments during the Track Record Period.

DIRECTORS AND SENIOR MANAGEMENT

One of our Directors were our Group's five highest paid individuals for the years ended 31 December 2015 and 2016. The emoluments paid by us to the five highest paid individuals of our Group excluding our Directors during the Track Record Period are as follows:

	FY2015	FY2016
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and other benefits	2,309	4,599
Staffs' retirement benefit scheme contributions	85	109

During the Track Record Period, no remuneration has been paid to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as compensation for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

The expected annual Directors' fees and other emoluments to be paid by our Group for the financial year ending 31 December 2017 will be approximately RMB2 million.

REMUNERATION POLICY

The Director's fee for each of our Directors is subject to our Board's review from time to time in its discretion after taking into account the recommendation of our Remuneration Committee. The remuneration package of each of our Directors is determined by reference to market terms, seniority, experiences, duties and responsibilities of that Director within our Group. Our Directors are entitled to statutory benefits as required by law from time to time such as pension.

Prior to the Listing, the remuneration policy of our Group to reward its employees and executives is based on their performance, qualifications, competence displayed and market comparable. Remuneration package typically comprises salary, contribution to pension schemes and discretionary bonuses relating to the profit of the relevant company. Upon and after the Listing, the remuneration package of our Directors and the senior management will, in addition to the above factors, be linked to the return to the Shareholders. The Remuneration Committee will review annually the remuneration of all our Directors to ensure that it is attractive enough to attract and retain a competent team of executive members.

DIRECTORS' COMPETING INTERESTS

None of our Directors and their respective close associates are interested in any business which competes or is likely to compete with that of our Group.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

Our Company has appointed Dakin Capital Limited as the compliance adviser of our Company pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Group must consult with, and if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction under the GEM Listing Rules, is contemplated by our Group, including share issues and share repurchases;
- (iii) where our Group proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 17.11 of the GEM Listing Rules.

The terms of appointment shall commence on the Listing Date and end on the date on which our Group complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year after the Listing, or until the agreement is terminated, whichever is the earlier.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors aware, immediately after completion of the Global Offering and Capitalisation Issue (without taking account of the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), each of the following persons have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature of Interest	Number of Shares held immediately after completion of the Global Offering and the Capitalisation Issue	Approximate percentage of interests in our Company immediately after completion of the Global Offering and the Capitalisation Issue
Mr. Tung (<i>Note 2</i>)	Beneficiary of a trust and settlor of discretionary trust	555,000,000(L)	75%
TMF Trust (<i>Note 2</i>)	Trustee	555,000,000(L)	75%
Eander (<i>Note 2</i>)	Interest in a controlled corporation	555,000,000(L)	75%
Wisdom Cosmos (<i>Note 2</i>)	Beneficial owner	555,000,000(L)	75%

Note:

- (1) The letter "L" denotes long position of the Shares.
- (2) Wisdom Cosmos will be the beneficial owner of 555,000,000 Shares, representing 75% shareholding interests in the Company immediately after the Global Offering and the Capitalisation issue (without taking into account of the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme). The entire issued share capital of Wisdom Cosmos is owned by Eander, which is in turn wholly owned by the TMF Trust, trustee of the PJ Trust, a trust set up by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, the TMF Trust, Eander are deemed to be interested in all the Shares registered in the name of Wisdom Cosmos.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and Capitalisation Issue (without taking account of the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

SHARE CAPITAL

SHARE CAPITAL OF OUR COMPANY

The following is a description of the share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the Capitalisation Issue and the Global Offering, without taking into account any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme and assuming the Over-allotment Option is not exercised:

<i>Authorised share capital</i>		<i>HK\$</i>
<u>5,000,000,000</u>	Shares of HK\$0.01 each	<u>50,000,000.00</u>
<i>Issued and to be issued, fully paid or credited as fully paid</i>		
2	Shares in issue as at the date of this prospectus	0.02
554,999,998	Shares to be issued pursuant to the Capitalisation Issue	5,549,999.98
<u>185,000,000</u>	Shares to be issued pursuant to the Global Offering	<u>1,850,000.00</u>
<u>740,000,000</u>	Total Shares issued and to be issued upon completion of the Capitalisation Issue and the Global Offering	<u>7,400,000.00</u>

ASSUMPTIONS

The above table assumes that the Capitalisation Issue and the Global Offering will become unconditional and does not take into account the Shares to be allotted and issued upon the exercise of the Over-allotment Option, the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company pursuant the general mandates granted to our Directors to allot and issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the total issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

RANKING

The Offer Shares are ordinary shares and will carry the same rights in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus (and for the avoidance of doubt other than the entitlements under the Capitalisation Issue).

SHARE CAPITAL

CAPITALISATION ISSUE

Pursuant to the written resolutions of our sole Shareholder passed on 19 June 2017, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of allotment and issue of the new Shares pursuant to the Global Offering, our Directors were authorised to allot and issue a total of 554,999,998 Shares credited as fully paid at par to the holder of Shares on the register of members or principal share register of our Company at the close of business on 19 June 2017, i.e. Wisdom Cosmos (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$5,549,999.98 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall carry the same rights in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure and Conditions of the Global Offering — Conditions of the Global Offering” of this prospectus, our Directors have been granted a general mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Share to be allotted and issued or dealt with subject to the requirement that the aggregate number of the Shares so allotted and issued or agreed conditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangement, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the number of Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which have been or may be granted under the Share Option Scheme); and
- (b) the number of Shares repurchased by our Company, if any, under the general mandate to repurchase Shares referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

This general mandate to issue Shares does not cover Shares to be allotted, issued or dealt with under a rights issue or pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any other share option scheme of the Company or in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles.

This general mandate to issue Shares will expire at the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;

SHARE CAPITAL

- (b) the expiration of the period within which our Company is required by the Companies Law or the Articles or other applicable laws to hold its next annual general meeting; or
- (c) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of this general mandate to issue Shares, please refer to the paragraph headed “Statutory and General Information — A. Further Information about our Company and Our Subsidiaries — 3. Written Resolutions of the Sole Shareholder” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure and Conditions of the Global Offering — Conditions of the Global Offering” of this prospectus, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares not more than 10% of the number of Shares in issue following completion of the Capitalisation Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

This general mandate to repurchase Shares only relates to repurchases made on the Stock Exchange, or any other exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), which are made in accordance with all applicable laws and requirements of the GEM Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the section headed “Statutory and General Information — A. Further Information about our Company and our subsidiaries — 6. Repurchase by our Company of its own Securities” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which our Company is required by the Companies Law or the Articles or other applicable laws to hold its next annual general meeting; and
- (c) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of this general mandate to repurchase Shares, please refer to the paragraph headed “Statutory and general information — A. Further information about our Company and our subsidiaries — 6. Repurchase of Shares by our Company” in Appendix IV to this prospectus.

SHARE CAPITAL

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The method and procedures for holding of general meeting or class meeting of a Cayman Islands exempted company and the circumstances under which such meetings are required are prescribed under and set out in the articles of association of such company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in “Summary of the constitution of the Company and Cayman Islands Company Law” set out in Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our combined financial information including the notes thereto, as set forth in the Accountants' Report. The Accountants' Report has been prepared on the basis set out in Appendix I to this prospectus and in accordance with our accounting policies that are in conformity with HKFRS.

This section contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and our analysis made in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth in the section headed "Risk factors" in this prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are a specialised enterprise financial services provider offering accounts receivable financing and other related solutions, mainly in the energy, construction and medical sectors in the PRC. Our headquarters are based in Shenzhen, the PRC. According to the Frost & Sullivan Report, we were ranked fourth in terms of factoring revenue for the year ended 31 December 2015 among all third party commercial factoring companies registered in the PRC, with an approximately 5.4% market share. We have a strong capital base with our principal operating subsidiary in the PRC having a registered capital of US\$100 million.

We mainly provide factoring service to our customers. Our factoring services primarily involve providing (a) financing to our factoring customers, which financing is secured by, amongst others, the accounts receivable of these customers, and (b) accounts receivable management services, which include review and verification of documents relating to the accounts receivable, collection of the accounts receivable on behalf of our customers, and regular reports to our customers regarding the accounts receivable. In return, we receive both interest income and fee income. We also derive income from sales of rights of factoring assets.

For details on our business operations, please refer to the section headed "Business" in this prospectus.

Our factoring business has been gradually expanding since the commencement of our operations in 2014. For each of the two years ended 31 December 2016, we recorded revenue of approximately RMB57.5 million and RMB112.8 million, respectively and profit attributable to our Company's shareholders of approximately RMB37.0 million and RMB48.0 million, respectively.

FINANCIAL INFORMATION

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are subject to the influence of numerous factors, the principal of which are set out below:

Economic conditions of China

Our financial performance is directly correlated to the economic conditions of China. Since the market reform launched in 1978, China gradually shifted from a centrally-planned economy to a market-based economy and experienced a remarkable economic growth over the past decades. The outbreak of global financial crisis in 2008 and European sovereign debt crisis in late 2009 brought significant adverse impact on global economy. Despite that, China's economy still maintained a solid growth from 2011 to 2015 driven by effective implementation of stimulus policies by the PRC government. Its nominal GDP increased from RMB48.4 trillion in 2011 to RMB74.4 trillion in 2016, representing a CAGR of 9.0%. According to the World Bank, China is now the world's second largest economy.

Along with the rapid economic growth of China, the level of corporate activities and investments also increased significantly, which in turn benefited the factoring business. SMEs have been a major driver of the economic growth in China. According to the Frost & Sullivan Report, China will maintain a stable GDP growth from 2016 to 2020 and the number of SMEs will continue to rise, which will support the future growth of factoring business.

SMEs have been facing difficulties in obtaining loans from banks and financial institutions. SMEs would approach financial services companies if they have finance needs or wish to expand their business. This in turn creates growth opportunities for the financial services companies, including companies like ours. Conditions in the PRC economic environment also impact rates of payment delinquency, default rates and the values of assets underlying leases.

Notwithstanding the continued overall growth of China's economy, there was a slowdown in the overall growth rates in 2013 which has continued through 2014. As a result of this extended period of depressed economic growth, many SMEs (including our customers) have been significantly affected due to tightened policies associated with bank financing alongside their own challenges arising from a decrease in revenues and overall profitability as well as a general lack of liquidity to repay debts and other obligations.

Funding capabilities

Our ability to sustain and strengthen our funding capacities is critical to our business expansion. As our services depend upon financing and access to cash, any business expansion requires additional funding from various sources. During the Track Record Period, we funded our factoring business mainly by shareholders' equity, bank and other borrowings, loans from our related parties and cash flows from our operations. As at 31 December 2015 and 2016, our factoring receivables amounted to RMB658.0 million and RMB1,324.3 million, whereas our interest-bearing liabilities (mainly comprising bank loans and other borrowings, financial assets sold under repurchase agreements and loans from our related parties), amounted to RMB37.0 million and RMB704.9 million, respectively.

FINANCIAL INFORMATION

Along with our business expansion, we intend to diversify our sources of funding and lower our funding costs. We expect that we will have better access to the capital markets and therefore enhance our funding capabilities after successful Listing. Further, we will leverage on the opening up of the PRC financial markets to explore alternative financing options under appropriate market conditions where the suitable opportunities arise. Our ability to continue to access additional funding may be influenced by factors affecting the global credit environment over which we have no control, including the cyclical nature of the credit supply and any changes in policies or regulations or new policies and regulations that impact these funding sources. Any developments such as these that impact our ability to sustain our funding or to expand our business would impact our business and profitability.

Interest rate environment

During the Track Record Period, our revenue derived from factoring services amounted to RMB57.1 million and RMB111.8 million, representing 99.4% and 99.1% of our total revenue, respectively. Our revenue from factoring services is directly affected by (i) the interest rate we charge our customers; and (ii) our finance costs. The interest rate we charge our customers is mainly determined by the risk profile of our customers and the characteristics of their industry. On the other hand, our finance costs are mainly determined by the interest rate on our bank borrowings, which are sensitive to many factors out of our control, including the regulatory framework of the banking and financial sectors in the PRC and domestic and international economic and political conditions. In recent years, as part of the overall reform of the banking system, the PBOC has implemented a series of initiatives designed to gradually liberalise interest rates and move towards a more market-based interest rate regime. Currently, RMB-denominated loans from commercial banks are subject to minimum rates based on the PBOC benchmark interest rates, but generally are not subject to any maximum rates. Adjustments to PBOC benchmark interest rates have impacted the average market interest rates for loans. Our outstanding bank and other borrowings as at 31 December 2015 and 2016 were subject to fixed interest rates ranging from 5.00% to 7.50%. If our future debt financing is subject to floating interest rates and we are unable to transfer our interest rate risk to our customers, our profitability may be affected.

Government regulations and policies

Most of the PRC financial services are principally regulated by MOFCOM, and/or the China Banking Regulatory Commission, depending on various factors, including but not limited to the business scope of an entity and whether the entity is foreign-invested. We are principally regulated by MOFCOM as we were approved by MOFCOM as a “foreign-invested commercial factoring company”. Our business and results of operations could be materially affected by changes in the policies, laws and regulations relating to the PRC financial services industry, including the extent and scope to which we can engage in certain businesses or activities. We carry out our commercial factoring business under a series of normative documents implemented by the MOFCOM and its local branches. For further details on the regulations related to commercial factoring, please refer to the section headed “Regulatory Overview” in this prospectus.

FINANCIAL INFORMATION

Any changes in such policies or new policies related to commercial factoring business which may be implemented by the PRC government may cause us to adjust or change our business practices or our business model. This may impact our business and results of operations. In addition, changes in policies or any new policies that are particular to any of the target industries we serve may also impact the economic or operating environment of our customers, and as a result affect our business and results of operations.

Asset quality and provisioning policy

The quality of our factoring receivables is affected by our target industries and customers. We currently focus our factoring business on the energy, construction and medical sectors. Before we decide to do business with our potential customers, we carefully evaluate their background information and perform credit analysis. We believe that our focus on the aforesaid three business sectors together with our prudent credit policy enable us to minimise our credit risks and ensure our asset quality. We closely monitor our factoring receivables and provide for impairment if we have doubts on our customers' ability to repay their debts. For each of the two years ended 31 December 2016, we recognised impairment provisions of RMB5.9 million and RMB8.7 million on our factoring receivables, respectively.

We assess the provisions on our factoring receivables on a collective basis and determine the amount of provisions based on our internal provisioning guidelines, and after taking into consideration various factors, including but not limited to the nature and characteristics of our industry-specific customers, credit record, economic conditions and trends. We measure and monitor the asset quality of our factoring receivables by using the four-category classification system, according to the guidelines set out in the discussion draft of Measures for the Administration of Commercial Factoring Enterprises (Trial Implementation) (商業保理企業管理辦法(試行)(徵求意見稿)) released by the MOFCOM relating to asset quality for commercial factoring companies under its regulation. Pursuant to such guidelines, factoring receivables that are not yet overdue and there are no events that cast doubt on their recoverability fall within the "Normal" category, those outstanding for less than 90 days or there are events that cast doubt on their recoverability fall within the "Special Mention" category; those outstanding for more than 90 days but less than 180 days with events suggesting that they may not be recoverable and we have initiated litigations against our customers and/or their underlying debtors fall within the "Substandard" category; and those outstanding for more than 180 days with a very low possibility to recover the receivables after we have adopted every possible steps or necessary legal procedures fall within the "Loss" category. Factoring receivables that fall within the last two categories are considered as non-performing assets. We make provisions ranging from 1% to 1.5% on our "Normal" factoring receivables, and factoring receivables that are classified as "Special Mention", "Substandard" and "Loss" categories are subject to provisions at 3%, 30% and 100%, respectively.

The amount of our non-performing assets and impairment provisions may fluctuate in the future when we expand our business. Certain factors, such as macroeconomic factors are out of control, but may affect our customers' business operations and their ability to repay their debts. If these factors occur, our provisions may be inadequate and we may need to make additional provisions for our factoring receivables, which could significantly affect our business, results of operations and financial condition. For further details of our policies that assist us in maintaining the quality of our factoring receivables, please refer to the section headed "Risk Management and Operations" in this prospectus.

FINANCIAL INFORMATION

Competitive landscape in the PRC factoring industry

In 2012, MOFCOM launched the commercial factoring pilot program in Tianjin Binhai New Area and Pudong New Area, and subsequently extended to Shenzhen, Chongqing, Nanjing and Suzhou. Since then, there has been a significant growth in the number of commercial factoring companies. According to the FS Report, approximately 2,300 companies had obtained the licenses to carry out commercial factoring business as at 31 December 2015, of which approximately 20% were active. Among the active commercial factoring companies, most of them had small business scale and only approximately 50 companies recorded annual factoring income above RMB1.0 billion.

We face competitions from similar or larger scale commercial factoring companies as well as providers of other lending sources. If we offer less attractive and flexible terms to customers as compared with our competitors, our business and financial performance will be affected. At the same time, the commercial factoring industry has high barriers to entry, which include high initial start-up capital and costs and the need for strong and sustainable capital funding capabilities, professional and industry-specific risk management expertise and sales and marketing expertise.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The discussion and analysis of our financial position and results of operations as included in this prospectus is based on the combined financial statements prepared in accordance with the significant accounting policies set out in note 4 of the Accountants' Report, which conform with the HKFRS.

In the application of our Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ under different assumptions or conditions.

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

Set forth below are the most critical accounting policies, judgments and estimates used in the preparation of our financial statements:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of sales related taxes. Revenue is recognised when it is probable that the economic benefits will flow to our Group and the amount of revenue can be measured reliably.

FINANCIAL INFORMATION

Interest income

Our factoring income mainly consists of interest income, which is recognised on a time basis over the period of contracts with our customers, by reference to the principal outstanding and at an applicable effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Other services income

Other services income is recognised when services are rendered.

Commission fee income

Commission fee income is recognised as income in accordance with the terms of the agreements when the relevant significant acts have been completed.

Government grants

Government grants are not recognised until there is reasonable assurance that our Group will comply with the attached conditions and 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 our Group with no future related costs are recognised in profit or loss in which become receivable.

Financial instruments

Financial assets and financial liabilities are recognised in the combined financial statements when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Based on the nature and purpose of our financial assets at initial recognition, we classify our financial assets as financial assets at fair value through profit or loss ("FVTPL"), available-for-sale financial assets or loans and receivables.

Financial assets at FVTPL

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

FINANCIAL INFORMATION

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in other gains and income line item in the combined statement of comprehensive income.

Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale financial assets or they do not fall within the definitions of other types of financial assets, including (a) loans and receivables, (b) held-to-maturity investments and (c) financial assets at fair value through profit or loss. Our Group designated certain financial assets as available-for-sale financial assets on initial recognition. Available-for-sale financial assets with trading in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income (expense) and accumulated under the heading of investment revaluation reserves. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserves is reclassified to profit or loss (see the accounting policy on impairment of financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Our factoring assets, other receivables, amounts due from related parties as well as bank balances and cash are classified as loans and receivables. They are initially measured at fair value plus direct transaction costs that are directly attributable to the acquisition of these financial assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Effective interest method

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

FINANCIAL INFORMATION

Impairment of financial assets

Financial assets, mainly factoring assets, are assessed for impairment at the end of each reporting period. When we perform the impairment assessment, we consider whether there is any objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

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

Where there is objective evidence of impairment loss, we will estimate the future cash flows of the relevant financial asset. The amount of impairment loss is measured as the difference between the carrying amount and the present value of the estimated future cash flows (discounted at the effective interest rate upon the initial recognition of the financial asset) of such financial asset. If the actual future cash flows are less than expected, a material impairment loss may arise.

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Our Group's financial liabilities include amount due to related companies, amount due to a director, other payables, bank borrowings and loan from a director. These are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

FINANCIAL INFORMATION

Derecognition

We derecognise a financial asset only when the contractual rights to the cash flows from the asset expire. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

We derecognise financial liabilities when, and only when, our Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

MANAGEMENT DISCUSSION AND ANALYSIS

Summary of results of operations

The following table summarises our Group's combined revenue and results for the Track Record Period, details of which are set out in the Accountants' Report. The financial information contained herein and in the Accountants' Report is prepared in accordance with HKFRS and is presented as if our current group structure had been in existence throughout the periods presented.

	Year ended 31 December	
	2015	2016
	RMB'000	RMB'000
Revenue	57,462	112,791
Gain on sales of factoring assets	—	5,876
	<u>57,462</u>	<u>118,667</u>
Income from factoring business	57,462	118,667
Other income	15,558	11,316
Other gains (losses), net	2,456	(681)
Operating expenses	(17,152)	(24,823)
Listing expenses	—	(5,827)
Impairment allowances on factoring assets	(5,859)	(8,671)
Finance costs	(519)	(21,809)
	<u>51,946</u>	<u>68,172</u>
Profit before taxation	51,946	68,172
Taxation	(14,952)	(20,164)
	<u>36,994</u>	<u>48,008</u>
Profit and total comprehensive income for the year	<u>36,994</u>	<u>48,008</u>
Attributable to owners of our Company	<u>36,994</u>	<u>48,008</u>

FINANCIAL INFORMATION

Revenue

We derive a majority of our revenue from the provision of factoring services to customers in the PRC. For each of the two years ended 31 December 2016, our total revenue amounted to approximately RMB57.5 million and RMB112.8 million, respectively. The table below sets forth our revenue (net of sales related taxes) by service type and the percentage of total revenue for each service type represented for the periods indicated:

	Year ended 31 December			
	2015		2016	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Factoring services	57,100	99.4	111,809	99.1
Other services (<i>Note</i>)	<u>362</u>	<u>0.6</u>	<u>982</u>	<u>0.9</u>
 Total	 <u><u>57,462</u></u>	 <u><u>100.0</u></u>	 <u><u>112,791</u></u>	 <u><u>100.0</u></u>

Note: This primarily includes fee income from providing accounts receivable management services without financing.

Factoring services

Our factoring services primarily involve providing (a) financing to our factoring customers, which financing is secured by the accounts receivable of these customers, and (b) accounts receivable management services, which include review and verification of documents relating to the accounts receivable, collection of the accounts receivable on behalf of our customers, and regular reports to our customers regarding the accounts receivable. Our factoring income amounted to RMB57.1 million and RMB111.8 million, representing 99.4% and 99.1% of our total revenue for each of the two years ended 31 December 2016, respectively. The increase of our factoring income was primarily due to our continuous business expansion and the increase in factoring amounts during the Track Record Period.

FINANCIAL INFORMATION

To minimise our credit risk, we generally enter into factoring transactions with recourse and with notifications. For details of the types of our factoring transactions, please refer to the section headed “Business — Our Business Model — (A) Factoring Services” in this prospectus. The table below sets forth our revenue from factoring transactions (i) with recourse and non-recourse; and (ii) with notifications and without notifications and the percentage of total revenue each type of factoring transaction represented for the periods indicated:

	Year ended 31 December					
	2015			2016		
	<i>Number of transactions</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>Number of transactions</i>	<i>RMB'000</i>	<i>% of total revenue</i>
With recourse	103	56,964	99.8	230	109,632	98.1
Non-recourse	<u>2</u>	<u>136</u>	<u>0.2</u>	<u>1</u>	<u>2,177</u>	<u>1.9</u>
Total	<u>105</u>	<u>57,100</u>	<u>100.0</u>	<u>231</u>	<u>111,809</u>	<u>100.0</u>
With notifications	77	48,928	85.7	185	96,503	86.3
Without notifications	<u>28</u>	<u>8,172</u>	<u>14.3</u>	<u>46</u>	<u>15,306</u>	<u>13.7</u>
Total	<u>105</u>	<u>57,100</u>	<u>100.0</u>	<u>231</u>	<u>111,809</u>	<u>100.0</u>

Other services

Revenue from other services amounted to RMB0.4 million and RMB1.0 million, representing 0.6% and 0.9% of our total revenue for each of the two years ended 31 December 2016, respectively.

FINANCIAL INFORMATION

During the Track Record Period, our strategic industries in respect of our factoring business comprise the energy, construction and medical industries. The table below sets forth our revenue by industry and the percentage of total revenue for each industry represented for the periods indicated:

	Year ended 31 December			
	2015		2016	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Energy	32,026	55.7	52,041	46.1
Construction	20,558	35.8	57,693	51.2
Medical	—	—	2,027	1.8
Others (<i>Note</i>)	4,878	8.5	1,030	0.9
Total	<u>57,462</u>	<u>100.0</u>	<u>112,791</u>	<u>100.0</u>

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

Gain on sales of factoring assets

We may enter into transactions for the sales of rights of factoring assets with a view towards improving our cash flow and management of our factoring receivables portfolio. Gain from this business line is equal to the excess of the consideration received and receivable over the carrying amount of the factoring assets. For each of the two years ended 31 December 2016, we transferred factoring receivables of approximately nil and RMB395.1 million to an Independent Third Party, respectively. Gain on such transfers amounted to nil and RMB5.9 million, representing nil and 5.0% of our total income from factoring business for the respective year. During the Track Record Period, none of the factoring assets sold to the Independent Third Party involves non-performing assets. In addition, none of the factoring assets sold to the Independent Third Party involves any factoring assets that rolled over upon original maturity.

FINANCIAL INFORMATION

Net interest margin

	Year ended 31 December	
	2015	2016
	<i>RMB'000, except percentages</i>	<i>RMB'000, except percentages</i>
Interest income (<i>Note 1</i>)	57,100	111,809
Interest expense (<i>Note 2</i>)	519	21,809
Net interest income	56,581	90,000
Interest income yield (<i>Note 3</i>)	13.7%	11.3%
Interest expense yield (<i>Note 4</i>)	2.4%	5.9%
Net interest spread (<i>Note 5</i>)	11.3%	5.4%
Net interest margin (<i>Note 6</i>)	13.6%	9.1%

Notes:

1. Interest income is revenue from our commercial factoring business.
2. Interest expense is the finance cost of our commercial factoring business.
3. Interest income yield is calculated by dividing interest income by the average balance of factoring assets (net of impairment allowances).
4. Interest expense yield is calculated by dividing interest expense by the average balance of interest-bearing liabilities (including bank and other borrowings, financial assets sold under repurchase agreements and loans from related parties).
5. Net interest spread is calculated as the difference between the interest income yield and the interest expense yield.
6. Net interest margin is calculated by dividing the net interest income by the average balance of factoring assets (net of impairment allowances).

For each of the two years ended 31 December 2015 and 2016, our net interest spread was 11.3% and 5.4%, whereas our net interest margin was 13.6% and 9.1%, respectively. We recorded a lower net interest spread for the year ended 31 December 2016, primarily due to the combined effect of the increase in our interest expense yield and decrease in our net interest margin. During the year ended 31 December 2015, our Group principally financed our operations through capital contributions from our Controlling Shareholder. We had minimal debt financing in the second half of 2015 and accordingly, our finance costs for the year amounted to RMB0.5 million and our interest expense yield was only 2.4%. During the year ended 31 December 2016, our Group utilised debt financing for the full year and the proportion of debt financing was also higher than that for the year ended 31 December 2015, which increased our finance costs to RMB21.8 million and our interest expense yield to 5.9%. The decrease in our net interest margin for the year ended 31 December 2016 was mainly attributed to the increase in our debt financing, which significantly increased our interest expenses.

FINANCIAL INFORMATION

Other income

Other income mainly comprised government subsidies, commission income, investment income from structured deposits and bank interest income. Our other income for each of the two years ended 31 December 2016 amounted to RMB15.6 million and RMB11.3 million, respectively. The table below shows the breakdown of our other income for the periods indicated:

	Year ended 31 December	
	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Government subsidies	1,713	10,806
Commission income	13,787	—
Investment income from structured deposits	38	460
Bank interest income	19	49
Others	<u>1</u>	<u>1</u>
 Total	 <u><u>15,558</u></u>	 <u><u>11,316</u></u>

Government subsidies

To promote the development of the PRC economy and commercial factoring industry, Tianjin municipal government entered into a cooperation agreement with our Group in 2013. Pursuant to this agreement, Tianjin municipal government would grant unconditional government subsidies to us from 2014 to 2023. The government subsidies would be calculated at 100% of the sales related taxes and PRC enterprise income tax paid/payable by us to the local tax authority each year from 2014 to 2018, and 50% of the aforesaid taxes payable by us each year from 2019 to 2023.

The government subsidies received by us in each financial year represented the amounts of sales related taxes and PRC enterprise income tax paid by us in the preceding year. In April 2014, we commenced our business and our business operations were still at an early development stage in the same year. Our tax paid and net profits for the year ended 31 December 2014 were significantly less than those of the subsequent years, as our business operations have been rapidly expanding during the Track Record Period. This was reflected in the government subsidies recognised by us for the year ended 31 December 2016, which significantly increased to RMB10.8 million from RMB1.7 million for the year ended 31 December 2015.

FINANCIAL INFORMATION

Commission income

Leveraging on our expertise in the PRC commercial factoring industry, an Independent Third Party customer engaged us in 2015 for the provision of financing solutions and account receivable management services in respect of the trade receivables it acquired from a distributor of pharmaceutical products. Pursuant to the agreements we entered into with this customer, we were required to provide accounts receivable management services to this customer, which included (i) performing due diligence procedures to verify the existence of the trade receivables; (ii) managing the accounts receivable on its behalf, including collection of the accounts receivable and regular reports regarding the accounts receivables. In addition, we were also required to introduce to this customer to obtain financing from other lenders who accept the transfer of accounts receivables as collateral and as part payment of the financing. We managed to identify a PRC non-bank financial institution which accepted our proposal to provide funding of RMB520 million to this customer, secured by its accounts receivables and fixed assets as collateral. In return, we received a one-off commission income of approximately RMB13.8 million (approximately 2.7% of the funding amount), which was determined after arm length's negotiations between us and this customer with reference to the then prevailing market conditions.

Investment income from structured deposits

To maximise the use of funds, our Group would place idle funds in structured deposits with licensed banks in the PRC, which offer annualised return of the one-year deposit interest rate announced by the PBOC plus 1.3%. These structured deposits have no maturity date and we can redeem the principal together with the corresponding interest to finance our operations anytime. Although the structured deposits that we placed with licensed banks during the Track Record Period were not principal guaranteed and that we could be exposed to the maximum risk of loss in the principal amount of the structured deposits we invested, they generally bore relatively low level of risk rating provided by the licensed banks in the PRC. The underlying investment portfolio of these structured deposits was mainly investments in assets including but not limited to treasury bonds, central bank bills, financial bonds, money-market funds an inter-bank lending and debentures. As at 31 December 2015 and 2016, the structured deposits yet to be redeemed amounted to nil and RMB10 million, respectively. As these structured deposits are not principal guaranteed, we have implemented relevant risk management policies to monitor the investment risks associated with these deposits. For details of our risk management policies, please refer to the section headed "Risk Management and Operation" in this prospectus. For each of the two years ended 31 December 2016, our investment income from these structured deposits amounted to RMB38,000 and RMB0.5 million, respectively.

Other gains and losses

Other gains and losses mainly comprised exchange differences and loss on written off of our intangible assts. We recorded other gains of RMB2.5 million and other losses of RMB0.7 million for each of the two years ended 31 December 2016, respectively. During the year ended 31 December 2015, we replaced our software system in order to cope with our business expansion and recorded a loss of RMB1.0 million on the write-off of our intangible assets. We also recorded an exchange gain of RMB3.5 million arising from the capital contributions from our Controlling Shareholders, which were denominated in US dollars.

FINANCIAL INFORMATION

The table below shows the breakdown of our other gains and losses for the periods indicated:

	Year ended 31 December	
	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Exchange gain (loss), net	3,481	(682)
Loss on the write-off of intangible assets	(1,025)	—
Gain on disposal of equipment	<u>—</u>	<u>1</u>
 Total	 <u><u>2,456</u></u>	 <u><u>(681)</u></u>

Operating expenses

Operating expenses mainly represented the salaries and benefits, rental expenses, legal and professional fees, depreciation of plant and equipment and other miscellaneous expenses. Our operating expenses for each of the two years ended 31 December 2016 were RMB17.2 million and RMB24.8 million, respectively.

The table below shows the breakdown of operating expenses incurred by us for the periods indicated:

	Year ended 31 December	
	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs	8,654	15,359
Depreciation of plant and equipment	1,339	1,841
Legal and professional fees	1,072	758
Travelling and entertainment expenses	2,372	1,803
Rental expenses and building management fees	1,520	2,760
Others	<u>2,195</u>	<u>2,302</u>
 Total	 <u><u>17,152</u></u>	 <u><u>24,823</u></u>

Finance costs

Finance costs represent the interest expenses on our bank borrowings. Our finance costs for each of the two years ended 31 December 2016 were RMB0.5 million and RMB21.8 million, respectively. The significant increase in our finance costs was in line with the increase in our bank and other borrowings, loans from related parties as well as financial assets sold under repurchase agreements to finance the expansion of our business operations.

FINANCIAL INFORMATION

Income tax expenses

Income tax expenses represent the tax expense arising from the assessable profit generated by our Group in the PRC and deferred tax. PRC enterprise income tax is calculated at 25% of the estimated assessable profits for the Track Record Period.

For each of the two years ended 31 December 2016, our income tax expenses amounted to approximately RMB15.0 million and RMB20.2 million, respectively. Our effective income tax rate was approximately 28.8% and 29.6% for the same year, respectively. We had a higher effective income tax rate than the statutory tax rate as certain expenses, mainly the impairment provisions on our factoring assets were not deductible for tax purpose.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2016 compared with year ended 31 December 2015

Revenue

Our revenue increased by 96.2% from RMB57.5 million for the year ended 31 December 2015 to RMB112.8 million for the year ended 31 December 2016. The revenue increment was mainly due to the increase in our factoring receivables, which increased by 101.3% from RMB658.0 million as at 31 December 2015 to RMB1,324.3 million as at 31 December 2016.

Gain on sales of factoring assets

For the year ended 31 December 2016, we recorded gain of RMB5.9 million from the transfer of factoring receivables of approximately RMB395.1 million to an Independent Third Party. We had no such transfers for the year ended 31 December 2015.

Other income

Excluding the receipt of a non-recurring commission income of RMB13.8 million in 2015, our other income would have increased by 527.8% from RMB1.8 million for the year ended 31 December 2015 to RMB11.3 million for the year ended 31 December 2016. This was mainly because government subsidies received by us significantly increased from RMB1.7 million for the year ended 31 December 2015 to RMB10.8 million for the year ended 31 December 2016. Such increase reflected our remarkable business growth and the increasing amounts of sales related taxes and PRC enterprise income tax paid to the PRC tax authorities.

FINANCIAL INFORMATION

Other gains and losses

We recorded other loss of RMB0.7 million for the year ended 31 December 2016, whereas we had other income of RMB2.5 million for the year ended 31 December 2015. The other income for the year ended 31 December 2015 was related to an exchange gain arising from the US dollar-denominated capital contributions from our Controlling Shareholder, but partially offset by a loss on the write-off of our software system.

Impairment allowances on factoring assets

Impairment losses on factoring assets increased by 47.5% from RMB5.9 million for the year ended 31 December 2015 to RMB8.7 million for the year ended 31 December 2016. The increase was in line with the increase in our factoring receivables.

Operating expenses

Operating expenses increased by 44.2% from RMB17.2 million for the year ended 31 December 2015 to RMB24.8 million for the year ended 31 December 2016. The increase was mainly due to the increase in staff costs, resulting from the increase in headcount and commission paid to our sales personnel, which was in line with our business growth.

Listing expenses

We recorded listing expenses of RMB5.8 million for the year ended 31 December 2016 (2015: nil).

Finance costs

Finance costs increased by more than forty times from RMB0.5 million for the year ended 31 December 2015 to RMB21.8 million for the year ended 31 December 2016. The increase was mainly due to the increase of our interest-bearing liabilities (including bank and other borrowings, financial assets sold under repurchase agreements as well as loans from related parties) to finance our factoring business. Our factoring receivables as at 31 December 2016 amounted to RMB1,324.3 million, representing an increase of 101.3% from RMB658.0 million as at 31 December 2015.

Income tax expenses

Income tax expenses increased by approximately 34.7% from RMB15.0 million for the year ended 31 December 2015 to RMB20.2 million for the year ended 31 December 2016. The increase was mainly attributed to increase in assessable profits.

Our effective income tax rate for each of the two years ended 31 December 2016 remained relatively stable at 28.8% and 29.6%, respectively.

FINANCIAL INFORMATION

Profit for the year

As a result of the above factors, our profit for the year increased by 29.7% from RMB37.0 million for the year ended 31 December 2015 to RMB48.0 million for the year ended 31 December 2016. Net profit margin decreased from 64.4% for the year ended 31 December 2015 to 42.6% for the year ended 31 December 2016.

Dividends

We did not declare and pay any dividend during the two years ended 31 December 2016.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We historically financed our working capital requirements through capital contributions from our Controlling Shareholder, bank and other borrowings, loans from related parties as well as cash flows from our operations. Our working capital requirements mainly consist of the funds advanced to the customers of our factoring business and other expenses incurred in our daily operations. Upon completion of the Global Offering, our Directors expect that the net proceeds from the Global Offering will also become one of our funding sources. As at the Latest Practicable Date, we had not experienced any difficulty in raising funds by bank and other borrowings and we had not experienced any liquidity problems in settling our liabilities when they fall due.

Cash flows

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

	Year ended 31 December	
	2015	2016
	RMB'000	RMB'000
Net cash flows used in operating activities	(428,066)	(582,579)
Net cash flows used in investing activities	(1,180)	(14,057)
Net cash flows from financing activities	470,481	650,740
Effect of foreign exchange rate changes	3,481	(682)
Cash and cash equivalents as at the beginning of the year	6,173	50,889
Cash and cash equivalents as at the end of the year	50,889	104,311

Operating activities

Net cash flows from operating activities primarily consist of our profit before taxation adjusted by non-cash adjustments, such as impairment allowances on factoring assets, exchange differences, depreciation and amortisation and the effect of changes in working capital.

FINANCIAL INFORMATION

Our Group derives cash inflow from operating activities principally from the receipts of payments for our factoring services. Our Group's cash outflow from operating activities mainly consists of advances provided to our customers, payments for finance costs, expenses incurred in our daily operations and taxes.

Net cash flows used in operating activities for the year ended 31 December 2016 was RMB582.6 million while our Group's profit before taxation for the same period was RMB68.2 million. The difference of RMB650.8 million was primarily due to the increase in factoring assets of RMB675.0 million, but partially offset by the increase in other payables and accrued charges of RMB14.3 million.

Net cash flows used in operating activities for the year ended 31 December 2015 was RMB428.1 million while our Group's profit before taxation for the same period was RMB51.9 million. The difference of RMB480.0 million was primarily due to the increase in factoring assets of RMB482.4 million.

Investing activities

Net cash flows used in investing activities for the year ended 31 December 2016 was RMB14.1 million, which was primarily attributed to the net increase in structured deposits of RMB10.0 million, the purchase of intangible assets of RMB2.0 million and the investment in available-for-sale financial asset of RMB1.0 million.

Net cash flows used in investing activities for the year ended 31 December 2015 was RMB1.2 million, which was primarily attributed to the purchase of equipment.

Financing activities

Net cash flows from financing activities for the year ended 31 December 2016 was RMB650.7 million, which was primarily attributed to net increase in bank and other borrowings of RMB105.0 million, cash receipts from financial assets sold under repurchase agreements of RMB83.5 million and net increase in loans from related parties of RMB469.2 million.

Net cash flows from financing activities for the year ended 31 December 2015 was RMB470.5 million which was primarily attributed to capital contributions from our Controlling Shareholder of RMB440.4 million and the net increase in bank and other borrowings of approximately RMB37.0 million.

FINANCIAL INFORMATION

Capital management

Our capital management objectives are to ensure that we have sufficient financial resources to settle our liabilities when due, and also to capture potential business opportunities to provide adequate return to our Shareholders.

Our management regularly reviews and adjusts our capital structure in light of changes in economic conditions. No changes were made in the objectives, policies and procedures during the Track Record Period. We use the equity-to-overall financing ratio as a major indicator to optimise our debt and equity balance. The table below shows our equity-to-overall financing ratio as at the dates indicated:

	As at 31 December	
	2015	2016
	<i>RMB'000, except percentage</i>	<i>RMB'000, except percentage</i>
Total equity	661,188	709,197
Overall financing		
Interest-bearing bank and other borrowings	37,030	142,498
Financial assets sold under repurchase agreements	—	83,509
Loans from related parties	—	478,908
	<u>37,030</u>	<u>704,915</u>
Equity-to-overall financing ratio (Note)	17.86	1.01

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

Our equity-to-overall financing ratio decreased from 17.86 times as at 31 December 2015 to 1.01 times as at 31 December 2016, resulting from the increase in bank and other borrowings, financial assets sold under repurchase agreements as well as loans from related parties to finance our factoring business. The factoring receivables remained outstanding as at 31 December 2016 amounted to RMB1,324.3 million, representing an increase of 101.3% from RMB658.0 million as at 31 December 2015. Our total equity will be enlarged upon completion of the Global Offering and the net proceeds from the Global Offering will be applied to finance our continuous business expansion, and if necessary, we may consider to increase the use of debt-financing in the future depending on various factors, including not limited to the interest rates and our operation needs.

FINANCIAL INFORMATION

Liquidity and net current assets

The following table sets out the breakdown of our Group's current assets, current liabilities and net current assets as at the dates indicated:

	As at 31 December		As at
	2015	2016	30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(Unaudited)</i>
CURRENT ASSETS			
Amounts due from related parties	137	1	213
Available-for-sale investment	—	1,000	1,000
Factoring assets	657,979	1,255,085	1,484,882
Other receivables and prepayments	529	1,369	10,996
Structured deposit	—	10,000	—
Bank balances and cash	<u>50,889</u>	<u>104,311</u>	<u>17,985</u>
Total current assets	<u>709,534</u>	<u>1,371,766</u>	<u>1,515,076</u>
CURRENT LIABILITIES			
Loan from related parties	—	478,908	475,918
Amounts due to related parties	—	4,527	31
Other payables and accrued charges	3,902	18,219	18,606
Taxation	12,985	10,803	11,356
Financial assets sold under repurchase agreements	—	83,509	—
Bank and other borrowings	<u>37,030</u>	<u>142,498</u>	<u>299,090</u>
Total current liabilities	<u>53,917</u>	<u>738,464</u>	<u>805,001</u>
Net current assets	<u><u>655,617</u></u>	<u><u>633,302</u></u>	<u><u>710,075</u></u>

Our Group recorded net current assets of RMB655.6 million, RMB633.3 million and RMB710.1 million as at 31 December 2015 and 2016 and 30 April 2017, respectively.

Our net current assets remained stable at RMB633.3 million as at 31 December 2016, as compared with RMB655.6 million as at 31 December 2015. Our net current assets increased to RMB710.1 million as at 30 April 2017, primarily due to the redemption of financial assets sold under repurchase agreements. As at 30 April 2017, the current portion of our factoring assets increased by 18.3% to RMB1,484.9 million from RMB1,255.1 million as at 31 December 2016. The increment of our factoring assets was funded by our bank balances and cash together with additional bank and other borrowings.

FINANCIAL INFORMATION

We fund our factoring business principally through capital contributions from our Controlling Shareholder, loans from related parties and bank and other borrowings. We manage liquidity primarily by monitoring the maturities of our assets and liabilities in an effort to ensure that we have sufficient funds to meet obligations as they become due. We have been focusing on maintaining stable sources of funding. We have also sought to increase the proportion of our non-current liabilities to improve our stable funding sources.

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from amounts or maturity mismatches of assets and liabilities. We manage our liquidity risk through daily monitoring. We aim to optimise the structure of assets and liabilities, maintain the stability of our factoring business, project cash flows and evaluate the level of current assets and terms of our liquidity and maintain an efficient internal funds transfer mechanism.

As at 31 December 2015

	On demand or within 1 month RMB'000	1 to 3 months RMB'000	4 months to 1 year RMB'000	More than 1 year RMB'000	Total undiscounted cash flow RMB'000
Total financial assets	118,357	229,830	393,403	—	741,590
Total financial liabilities	<u>50</u>	<u>472</u>	<u>37,158</u>	<u>—</u>	<u>37,680</u>
Net liquidity gap	<u><u>118,307</u></u>	<u><u>229,358</u></u>	<u><u>356,245</u></u>	<u><u>—</u></u>	<u><u>703,910</u></u>

As at 31 December 2016

	On demand or within 1 month RMB'000	1 to 3 months RMB'000	4 months to 1 year RMB'000	More than 1 year RMB'000	Total undiscounted cash flow RMB'000
Total financial assets	262,833	161,532	1,088,223	70,349	1,582,937
Total financial liabilities	<u>88,354</u>	<u>13,803</u>	<u>630,040</u>	<u>—</u>	<u>732,197</u>
Net liquidity gap	<u><u>174,479</u></u>	<u><u>147,729</u></u>	<u><u>458,183</u></u>	<u><u>70,349</u></u>	<u><u>850,740</u></u>

During the Track Record Period, we closely monitor the expiry of our financial assets and the maturity of our financial liabilities. We do not expect any net liquidity shortfall that would have material impact on our liquidity in the foreseeable future.

FINANCIAL INFORMATION

Capital expenditures

For each of the two years ended 31 December 2016, we incurred capital expenditure of approximately RMB1.2 million and RMB1.6 million on the leasehold improvement of our office premises and the purchase of furniture and other equipment for our operations, respectively. We also incurred capital expenditure of nil and RMB2.0 million on the development of our online platform and the purchase of software in the respective year. These capital expenditures were funded by the cash flows from our operating activities.

Working capital

Our Directors are of the opinion that our internally generated cash flows, together with cash and cash equivalents, the estimated net proceeds of the Global Offering and the credit facilities maintained with financial institutions, will be sufficient to meet our present requirements, that is, for at least in the next 12 months commencing from the date of this prospectus.

DESCRIPTION OF CERTAIN ITEMS FROM OUR COMBINED STATEMENTS OF FINANCIAL POSITION

Factoring assets

The following table sets out our factoring assets as at the dates indicated:

	As at 31 December	
	2015	2016
	RMB'000	RMB'000
Factoring assets	664,756	1,339,763
Less: accumulated impairment allowances	<u>(6,777)</u>	<u>(15,448)</u>
	<u>657,979</u>	<u>1,324,315</u>
Classified as:		
Current assets	657,979	1,255,085
Non-current assets	<u>—</u>	<u>69,230</u>
	<u>657,979</u>	<u>1,324,315</u>

Our factoring assets, net of impairment allowances amounted to RMB658.0 million and RMB1,324.3 million, representing 91.8% and 91.2% of our total assets as at 31 December 2015 and 2016, respectively. The increase in our factoring assets was directly correlated to our continuous business expansion.

FINANCIAL INFORMATION

Our factoring assets are generally due within one year. The following table is an ageing analysis of our factoring assets (net of impairment allowances), based on due dates as at the dates indicated:

	As at 31 December	
	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Less than one month	65,915	101,115
More than one month but less than three months	222,749	126,165
More than three months but less than one year	369,315	1,027,805
More than one year	<u>—</u>	<u>69,230</u>
	<u>657,979</u>	<u>1,324,315</u>

The effective interest rates of our factoring assets ranged from 5.00% to 16.93% as at 31 December 2016 (2015: 7.20% to 27.82%).

The following table is a credit quality analysis of our factoring assets as at the dates indicated:

	As at 31 December	
	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	664,756	1,294,598
Past due but not impaired	<u>—</u>	<u>45,165</u>
	664,756	1,339,763
Less: accumulated impairment allowances	<u>(6,777)</u>	<u>(15,448)</u>
Total	<u>657,979</u>	<u>1,324,315</u>

As at 31 December 2015 and 2016, our factoring assets that were past due but not impaired were approximately nil and RMB45.2 million, respectively. The past due balance was related to an independent customer that has a good trading record with us and it was still within the one-month grace period we granted to the customer for debt repayment. Based on past experience, our management believe that this balance will be fully recoverable, and hence no additional provision for impairment is necessary. As at 30 April 2017, the past due balance had been fully settled by this customer and 31.5% of our factoring assets as at 31 December 2016 were settled. The unsettled factoring assets were not yet past due.

FINANCIAL INFORMATION

The following table sets out our factoring assets by industry as at the dates indicated:

	As at 31 December	
	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Energy	359,526	347,312
Construction	290,963	962,767
Medical	—	29,685
Others	<u>14,267</u>	<u>—</u>
	664,756	1,339,764
Less: accumulated impairment allowances	<u>(6,777)</u>	<u>(15,449)</u>
	<u><u>657,979</u></u>	<u><u>1,324,315</u></u>

Provision policy for our factoring assets

Our management closely monitors the recoverability of our factoring assets throughout the loan period. We make provision on our factoring assets based on our internal provisioning policy and their respective asset quality. With reference to the guidelines released by MOFCOM relating to asset quality for commercial factoring companies under its regulation, we have adopted a four-category asset quality classification system. While there are no accounting standards that directly relate to such classification system, our provision policy is governed by relevant accounting standards and guidelines. For further details of our provisioning policy and asset quality classification system, please refer to the paragraph headed “Principal Factors Affecting Our Results of Operations — Asset Quality and Provisioning Policy” in this section.

FINANCIAL INFORMATION

The following table sets out our factoring assets by asset quality as at the dates indicated:

	As at 31 December	
	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Normal	657,979	1,324,315
Special Mention	—	—
Substandard	—	—
Loss	—	—
	<u>657,979</u>	<u>1,324,315</u>
Total	<u><u>657,979</u></u>	<u><u>1,324,315</u></u>
Non-performing assets (<i>Note 1</i>)	—	—
Non-performing assets ratio (<i>Note 2</i>)	—	—

Notes:

1. Non-performing assets are the factoring receivables that fall under the “Substandard” and “Loss” categories. Objective evidence shows that these assets are subject to impairment resulting from one or more events occurring after their initial recognition and these events have a reliably measured impact on the estimated future cash flows of the factoring receivables.
2. The non-performing assets ratio is the percentage of non-performing assets over the carrying amount of the factoring assets as at the respective year-end.

As a result of our stringent quality control, we did not have any non-performing assets as at 31 December 2015 and 2016.

FINANCIAL INFORMATION

Other payables and accruals

Other payables and accruals mainly represent the accrued charges for our daily operations and other tax payables. As at 31 December 2015 and 2016, our other payables and accruals amounted to RMB3.9 million and RMB18.2 million, respectively. The increase was primarily attributed to the accrued staff costs of RMB5.0 million and accrued listing expenses of RMB2.1 million, the receipts in advance from our customers of RMB3.1 million in relation to the transfer of accounts receivables and trade deposits of RMB4.0 million. The following table is a summary of our other payables and accruals as at the dates indicated:

	As at 31 December	
	2015	2016
	RMB'000	RMB'000
Accrued charges	2,950	7,199
Other tax payables	902	3,797
Advances from customers	—	3,124
Deposits from customers	—	3,955
Other payables	50	144
	<u>3,902</u>	<u>18,219</u>
Total	<u>3,902</u>	<u>18,219</u>

INDEBTEDNESS

Loan from related parties

In July 2016, our Group entered into a loan agreement with our Controlling Shareholder. The loan principal was RMB400 million, unsecured, subject to fixed interest rate of 4.5% per annum and repayable in or before August 2017. In February and July 2016, our Group entered into loan agreements with companies beneficially owned by our Controlling Shareholder. The principal of the first loan was RMB13 million and subject to fixed interest rate of 6.0% per annum, whereas the principal of the second loan was RMB58 million and subject to fixed interest rate of 5.0%. Both loans were unsecured, unguaranteed and repayable within one year. The aforesaid loans were used to finance our factoring business. As at 31 December 2016 and 30 April 2017, their aggregate outstanding amount was RMB478.9 million and RMB475.9 million, respectively. Our Directors have confirmed that these loans will be repaid before Listing. To repay the aforementioned loans from related parties, our Group commenced negotiations with various financial institutions for funding. In May 2017, a financial institution agreed to grant a loan to our Group amounting to RMB500 million. Such loan will be unsecured, subject to fixed interest rate of 5.2% per annum and repayable within one year of drawdown.

FINANCIAL INFORMATION

Amount due to a director

The amount due to a Director was unsecured, interest-free and repayable on demand. The amount due to a director amounted to nil and RMB4.5 million as at 31 December 2015 and 2016, respectively, and was fully settled in February 2017.

Bank and other borrowings

The following table sets out our bank and other borrowings as at the dates indicated:

	As at 31 December		As at
	2015	2016	30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(Unaudited)</i>
Carrying amount of secured/guaranteed bank and other borrowings with fixed interest rates and repayable within one year:			
- Secured and unguaranteed bank borrowings	37,030	—	—
- Unsecured and guaranteed entrusted loan	—	100,101	100,915
- Secured and unguaranteed entrusted loan	—	—	61,668
- Secured and guaranteed entrusted loan	—	—	10,995
- Secured and unguaranteed loans from an asset management company	—	42,397	43,373
	37,030	142,498	216,951
Carrying amount of unsecured and unguaranteed other borrowings with fixed interest rates and repayable within one year	—	—	82,139
	37,030	142,498	299,090

Bank borrowings

As at 31 December 2015 and 2016, our outstanding bank borrowings were RMB37.0 million and nil, respectively. Our bank borrowings as at respective year-end were secured by the accounts receivables of our customers, denominated in RMB and subject to finance costs at fixed interest rates ranging from 5.00% to 5.29%.

FINANCIAL INFORMATION

Entrusted loan

In May 2016, we entered into an agreement with a PRC non-bank financial institution for an entrusted loan of RMB100.0 million. Pursuant to this agreement, this loan was subject to fixed interest rate of 6.7% and maturity in May 2017 and it can only be applied to the provision of factoring services to the sellers specified in the agreement (the “**Specified Sellers**”). Such loan was guaranteed by the parent company of a PRC company that acquires construction materials from the Specified Sellers. As at 31 December 2015 and 2016, our outstanding entrusted loan was nil and RMB100.1 million, respectively.

Loan from an asset management company

In November 2016, we obtained RMB42.0 million in financing from a PRC asset management company which manages a specialised asset management scheme with investment objectives, among others, to invest in accounts receivable. The loan was subject to a fixed interest rate of 7.50%. As at 31 December 2016, we have transferred accounts receivables with carrying amounts of RMB55.8 million to this asset management company. Pursuant to the agreement entered into between our Group and this asset management company, we are required to buy back the transferred accounts receivables if the buyers default in payments.

As at 31 December 2015 and 2016, our outstanding loans from this asset management company amounted to nil and RMB42.4 million, respectively.

Financial assets sold under repurchase agreements

In December 2016, we obtained RMB83.5 million from another asset management company, to which we transferred our accounts receivable with carrying amounts of RMB138.5 million. We then repurchased the accounts receivable at a premium of 6.5% of the transfer price at the date of repurchase as agreed between the asset management company and us. Such loan was fully repaid in January 2017.

The agreements under our bank and other borrowings and financial assets sold under repurchase agreements do not contain any material covenants that will have a material adverse impact on our ability to make additional borrowings or issue debt or equity securities in the future.

Our Directors confirm that there had been no defaults by our Group in payment of its bank and other borrowings during the Track Record Period.

As at 30 April 2017, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this prospectus, we had total bank and other borrowings of approximately RMB299.1 million and we did not have any available banking facilities.

FINANCIAL INFORMATION

Contingent liabilities

As at 31 December 2015 and 2016 and 30 April 2017, we did not have any material contingent liabilities.

Except as described above and apart from intra-group liabilities and normal trade payables, as at 30 April 2017, being the latest practicable date for determining our indebtedness, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors confirm that there is no material change to our Group's indebtedness and contingent liabilities after 30 April 2017 and up to the Latest Practicable Date.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we did not have any material off-balance sheet arrangements or contingencies.

OPERATING LEASE COMMITMENTS

Our Group has office premises in Hong Kong and certain PRC cities. They are under operating lease arrangement for lease term ranging from two to five years.

As at 31 December 2015 and 2016, our Group had total future minimum lease payments under non-cancellable operating leases falling due at follows:

	As at 31 December	
	2015	2016
	RMB'000	RMB'000
Within one year	1,433	2,180
In the second to fifth years, inclusive	<u>48</u>	<u>3,065</u>
	<u>1,481</u>	<u>5,245</u>

RELATED PARTY TRANSACTIONS

With respect to the related parties disclosed in note 28 to the Accountants' Report, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favorable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of the Shareholders as a whole.

FINANCIAL INFORMATION

MAJOR FINANCIAL RATIOS

The table below sets forth our major financial ratios as at the dates indicated:

	Year ended 31 December	
	2015	2016
Current ratio (<i>Note 1</i>)	13.2	1.9
Gearing ratio (<i>Note 2</i>)	5.6	100.0
Return on assets (<i>Note 3</i>)	5.2%	3.3%
Return on equity (<i>Note 4</i>)	5.6%	6.8%

Notes:

1. Current ratio is calculated by dividing current assets by current liabilities.
2. Gearing ratio is calculated by dividing total debt by total equity. Total debt is defined to include payables incurred not in the ordinary course of business.
3. Return on assets is calculated by dividing net profit for the year by the closing balance of total assets.
4. Return on equity is calculated by dividing net profit for the year by the closing balance of total equity.

Current ratio

Our current ratio decreased from 13.2 as at 31 December 2015 to 1.9 as at 31 December 2016, primarily attributed to the increase in our bank and other borrowings, financial assets sold under repurchase agreements and loans from related parties.

Gearing ratio

Our gearing ratio increased from 5.6 as at 31 December 2015 to 100.0 as at 31 December 2016, primarily attributed to increase in our bank and other borrowings, financial assets sold under repurchase agreements and loans from related parties.

Return on assets

Return on assets decreased 5.2% for the year ended 31 December 2015 to 3.3% for the year ended 31 December 2016. This was because our net profit increased at a smaller extent than our factoring receivables, as a result of the recognition of listing expenses and the increase in our staff costs.

Return on equity

Return on equity was 5.6% and 6.8% for each of the two years ended 31 December 2016, respectively. The increase in our return on equity for the year ended 31 December 2016 was primarily due to the increase in our net profit and debt financing.

FINANCIAL INFORMATION

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to credit risk, liquidity risk, interest rate risk, currency risk and fair value risk in the ordinary course of our business. For further details of our financial risk management, please refer to note 30 to the Accountants' Report.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation, save for investment holding and the transactions related to the Reorganisation. Accordingly, our Company has no reserve available for distribution to the Shareholders as at the Latest Practicable Date.

LISTING EXPENSES

The total listing expenses in connection with the Global Offering (including underwriting commission) were currently estimated to be approximately RMB31.3 million, assuming the Over-allotment Option is not exercised and based on the mid-point of the indicative Offer Price range.

For the year ended 31 December 2016, our Group incurred listing expenses of approximately RMB5.8 million which was charged to the combined statement of profit and loss and other comprehensive income. For the year ending 31 December 2017, we estimate that the listing expenses to be incurred will amount to approximately RMB20.8 million, of which approximately RMB8.4 million will be charged to profit and loss in the year and the remaining approximately RMB17.1 million will be charged against equity upon successful Listing under relevant accounting standards.

DIVIDEND

Dividends may be paid out by ways of cash or by other means we consider appropriate. For each of the two years ended 31 December 2016, our Group did not declare and pay any dividends. Payment of any future dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors consider relevant.

The declaration, payment and amount of any future dividends will be subject to our constitutional documents comprising the memorandum and articles of association including, where necessary, the approval of our Shareholders. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

PROPERTY INTERESTS

We did not own any properties during the Track Record Period and up to the Latest Practicable Date. For details of our leased property, please refer to the section headed "Business — Properties" in this prospectus.

FINANCIAL INFORMATION

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors have confirmed that, save as the factoring transactions as disclosed in the section headed “Business — Our Customers” with our five largest customers during the Track Record Period, there are no circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules during the Track Record Period and up to the Latest Practicable Date.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 31 December 2016, the end of period reported in the Accountants’ Report, and there has been no event since 31 December 2016 which would materially affect the information shown in the Accountants’ Report.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Global Offering on the audited combined net tangible assets of our Group as if the Global Offering had taken place on 31 December 2016.

The unaudited pro forma statement of adjusted combined net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group as at 31 December 2016 or at any future dates following the Global Offering.

The following unaudited pro forma statement of adjusted combined net tangible assets of our Group as at 31 December 2016 is prepared based on the audited combined net assets of our Group as at 31 December 2016 as shown in the Accountants’ Report as set out in Appendix I to this prospectus and adjusted as described below.

	Audited combined net tangible assets of our Group as at 31 December 2016	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets of our Group	Unaudited pro forma adjusted combined net tangible assets of our Group per Share	
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB</i>	<i>HK\$</i>
	<i>(note 1)</i>	<i>(note 2)</i>		<i>(note 3)</i>	
Based on an Offer Price of HK\$1.80 per Offer Share	707,126	270,520	977,646	1.32	1.49
Based on an Offer Price of HK\$2.20 per Offer Share	707,126	333,388	1,040,514	1.41	1.59

FINANCIAL INFORMATION

Notes:

- (1) The audited combined net tangible assets of our Group as at 31 December 2016 has been extracted from the audited combined financial information in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 185,000,000 Shares to be issued under the Global Offering and the Offer Price of HK\$1.80 and HK\$2.20 per Offer Share, being the low-end and high-end of the indicated Offer Price range, after deducting underwriting commissions and other estimated expenses incurred or to be incurred by our Group.
- (3) The unaudited pro forma adjusted combined net tangible assets of our Group per Share is calculated based on 740,000,000 Shares expected to be in issue assuming that the Reorganisation and the Global Offering had been completed on 31 December 2016, but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, as applicable.
- (4) No adjustment has been made to the unaudited combined net tangible assets of our Group attributable to the owners of our Company as at 31 December 2016 to reflect any trading result or other transaction of our Group entered into subsequent to 31 December 2016.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see “Business — Our Strategies” for a detailed description of our future plans.

REASONS FOR THE GLOBAL OFFERING

Our Directors believe that the Global Offering will enhance our profile, strengthen our financial position and competitiveness, and provide us with additional capital to implement our future plans set out in the paragraph headed “Implementation Plans” below.

USE OF PROCEEDS

The estimated net proceeds of the Global Offering which we will receive, assuming an Offer Price is fixed at low-end, mid-point and high-end of the Offer Price range stated in this prospectus with and without exercising the Over-allotment Option after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering are set out in the table below.

	Estimated net proceeds of the Global Offering		
	Offer Price of HK\$1.80 per Offer Share (low-end of Offer Price) (HK\$ million)	Offer Price of HK\$2.00 per Offer Share (mid-point of Offer Price) (HK\$ million)	Offer Price of HK\$2.20 per Offer Share (high-end of Offer Price) (HK\$ million)
Over-allotment Option exercised in full	347.1	387.9	428.8
Over-allotment Option not exercised	299.1	334.6	370.1

Assuming an Offer Price of HK\$2.00 per Offer Share (being the mid-point of the indicative Offer Price range) and the Over-allotment Option is not exercised, subject to prevailing market conditions, we intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 89%, or HK\$297.8 million, for expanding our factoring operations;
- approximately 10%, or HK\$33.5 million, to repay a portion of outstanding loan with interest from a financial institution. Such loan is unsecured, subject to fixed interest rate of 5.2% per annum, and repayable within one year of drawdown. We primarily used the proceeds of this loan to settle the loans from our Controlling Shareholder. For details of this loan, see “Financial Information — Indebtedness — Loan from related parties” in this prospectus; and
- approximately 1%, or HK\$3.3 million, to develop our online factoring platform (HK\$2.6 million) to support our factoring services, and to upgrade our financial reporting system (HK\$0.7 million).

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

IMPLEMENTATION PLANS

The implementation plans for each of the six-month periods until 31 December 2019 for carrying out our business strategies are set out below. The following implementation plans are formulated on the bases and assumptions set out in the sub-paragraph headed “Bases and key assumptions” below in this paragraph and are subject to uncertainties, variables and unexpected factors. There is no assurance that the implementation plans will materialise in accordance with the timetable below or that our business objectives will be accomplished at all.

a) Expanding our factoring operations

Upon Latest Practicable Date to 30 June 2017	For the six months ending 31 December 2017	For the six months ending 30 June 2018	For the six months ending 31 December 2018	For the six months ending 30 June 2019	For the six months ending 31 December 2019	Total	Approximate % of net proceeds
<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
—	297.8	—	—	—	—	297.8	89.0

b) Repaying loan from a financial institution

Upon Latest Practicable Date to 30 June 2017	For the six months ended 31 December 2017	For the six months ended 30 June 2018	For the six months ended 31 December 2018	For the six months ended 30 June 2019	For the six months ended 31 December 2019	Total	Approximate % of net proceeds
<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
—	33.5	—	—	—	—	33.5	10.0

c) Developing our online factoring platform and upgrading our financial reporting system

Upon Latest Practicable Date to 30 June 2017	For the six months ended 31 December 2017	For the six months ended 30 June 2018	For the six months ended 31 December 2018	For the six months ended 30 June 2019	For the six months ended 31 December 2019	Total	Approximate % of net proceeds
<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
—	1.1	1.6	0.6	—	—	3.3	1.0

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds of the Global Offering are not immediately applied for the above purposes, it is our present intention that such net proceeds will be deposited into interest bearing bank accounts with licensed financial institutions in Hong Kong.

Bases and key assumptions:

The implementation plans are based on the following bases and key assumptions:

- there will be no material changes in the existing applicable laws, policies or industry or regulatory treatment or in the political, fiscal, foreign trade or economic conditions in Hong Kong, the PRC and other places in which our Group operates or intends to operate;
- there will be no significant changes in the interest rates or the currency exchange rates from those currently prevailing;
- there will be no material changes in the bases or rates of taxation applicable to our Group;
- the Global Offering will be completed in accordance with and as described in the section headed “Structure and Conditions of the Global Offering”;
- our Group will not be materially affected by the risk factors as set out under the section headed “Risk Factors”; and
- our Group will be able to continue our operation in substantially the same way as it has been operating and there will be no disasters, natural, political or otherwise, which would materially disrupt our business or the implementation of our development plans.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Global Offering, which is sponsored by the Sole Sponsor and managed by the Joint Global Coordinators and to be fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement). Further information about the Underwriters and the underwriting arrangements is contained in the section headed “Underwriting” in this prospectus.

CORNERSTONE INVESTORS

CORNERSTONE PLACING

As part of the International Placing, we have entered into cornerstone investment agreements (the “**Cornerstone Investment Agreements**”) with three cornerstone investors, namely, Mason Strategic Investments (Asia) Limited (“**Mason**”), Renowned Idea Investments Limited (“**Renowned**”) and Mr. Yeung Chi Hang (“**Mr. Yeung**”) (the “**Cornerstone Investors**” and each a “**Cornerstone Investor**”), pursuant to which the Cornerstone Investors have agreed to subscribe for, at the Offer Price, 29,600,000, 7,400,000 and 7,400,000 Offer Shares respectively (the “**Cornerstone Placing**”), representing:

- (i) approximately 4%, 1% and 1% of our enlarged issued share capital respectively immediately after completion of the Capitalisation Issue and the Global Offering, assuming the Over-allotment Option is not exercised;
- (ii) approximately 3.86%, 0.96% and 0.96% of our enlarged issued share capital respectively immediately after completion of the Capitalisation Issue and the Global Offering, assuming the Over-allotment Option is exercised;
- (iii) approximately 17.78%, 4.44% and 4.44% of the total number of International Offer Shares issued under the International Placing respectively, assuming that the Over-allotment Option is not exercised; and
- (iv) approximately 15.24%, 3.81% and 3.81% of the total number of International Offer Shares issued under the International Placing respectively, assuming that the Over-allotment Option is exercised.

It is expected that, assuming an Offer Price of HK\$2.00 (being the mid-point of the Offer Price range), Mason, Renowned and Mr. Yeung will pay an aggregate amount of HK\$59,200,000, HK\$14,800,000 and HK\$14,800,000 respectively.

Assuming an Offer Price of HK\$1.80 (being the low-end of the Offer Price range), Mason, Renowned and Mr. Yeung will pay an aggregate amount of HK\$53,280,000, HK\$13,320,000 and HK\$13,320,000 respectively.

Assuming an Offer Price of HK\$2.20 (being the high-end of the Offer Price range), Mason, Renowned and Mr. Yeung will pay an aggregate amount of HK\$65,120,000, HK\$16,280,000 and HK\$16,280,000 respectively.

The Cornerstone Placing forms part of the International Placing. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares then in issue and to be listed on the Stock Exchange and will be counted towards the public float of our Company. The Cornerstone Investors are not existing shareholders of any member of our Group and are independent of each other. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than and pursuant to the Cornerstone Investment Agreements) and undertake that they will not become a Substantial Shareholder during the period of twelve months following the Listing Date. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any board representation in our Company, and to the best of its

CORNERSTONE INVESTORS

knowledge, will be independent of our Company, our connected persons and their respective associates. The Cornerstone Investors do not have any preferential rights compared with other public Shareholders in the Cornerstone Investment Agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering described in the section headed “Structure and Conditions of the Global Offering”.

CORNERSTONE INVESTORS

Mason Strategic Investments (Asia) Limited

Mason Strategic Investments (Asia) Limited is an investment holding company incorporated in the British Virgin Islands and an indirect wholly owned subsidiary of Mason Financial Holdings Limited (“**MFHL**”), shares of which are listed on the Stock Exchange (stock code: 273). MFHL is a financial and healthcare solution provider with its headquarter in Hong Kong. MFHL currently operates its financial services platform via a number of subsidiaries to conduct regulated activities including dealing in securities, futures contracts, advising on securities, leveraged and acquisition finance, corporate finance and asset management. Through multiple acquisitions and investments since September 2016, MFHL has created a large mother-infant-children ecosystem in China and Hong Kong. Mason is an independent third party, is not our connected person (as defined in the GEM Listing Rules) or existing Shareholders and is not a close associate of any of our connected persons or existing Shareholders. In addition, it is independent of other Cornerstone Investors, and makes independent investment decision.

Renowned Idea Investments Limited

Renowned Idea Investments Limited is an investment holding company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Chan Cheuk Yin (“**Mr. Chan**”). Mr. Chan is a non-executive director and the vice chairperson of the board of directors of Agile Group Holdings Limited (“**Agile Group**”), shares of which are listed on the Stock Exchange (stock code: 3383). Renowned Idea Investments Limited and Mr. Chan are independent third parties, are not our connected persons (as defined in the GEM Listing Rules) or existing Shareholders and are not close associates of any of our connected persons or existing Shareholders. In addition, they are independent of other Cornerstone Investors, and make independent investment decision.

Mr. Yeung Chi Hang

Mr. Yeung is an executive director, the chairman of the board of directors, the chief executive officer and a substantial shareholder of China Environmental Resources Group Limited (“**CER Group**”), shares of which are listed on the Stock Exchange (stock code: 1130). Mr. Yeung has over 10 years of experience in investment, hotel management and in operating entertainment businesses.

Mr. Yeung is an independent third party, is not our connected person (as defined in the GEM Listing Rules) or existing Shareholders and is not a close associate of any of our connected persons or existing Shareholders. In addition, he is independent of other Cornerstone Investors, and makes independent investment decision.

CORNERSTONE INVESTORS

CONDITIONS PRECEDENT

The subscription obligation of each of the Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified or as subsequently waived or varied by agreement of the parties thereto;
- (2) the Underwriting Agreements not having been terminated;
- (3) our Company having obtained the approval for the listing of, and permission to deal in, the Shares from the Listing Division of the Stock Exchange and such approval or permission not having been revoked;
- (4) no laws shall have been enacted or promulgated to prohibit the consummation of the transactions contemplated in the Global Offering or under the Cornerstone Investment Agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions contemplated under the Global Offering or under the Cornerstone Investment Agreements;
- (5) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investors and our Company in the relevant Cornerstone Investment Agreements are accurate and true in all material respects and that there is no material breach of the relevant Cornerstone Investment Agreements on the part of the Cornerstone Investors or our Company (as the case maybe); and
- (6) the Offer Price having been agreed upon by our Company and the Joint Global Coordinators.

RESTRICTIONS ON DISPOSAL BY THE CORNERSTONE INVESTOR

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company and the Joint Global Coordinators, it will not, whether directly or indirectly, at any time during a period of six months starting from and inclusive of the Listing Date, offer, pledge, charge, sell, mortgage, lend, create, transfer, assign or otherwise dispose of any of the shares subscribed by it under the Cornerstone Investment Agreement and any shares or securities of our Company derived therefrom (the “**Relevant Shares**”) or any interest in any company or entity holding (directly or indirectly) any of the Relevant Shares.

CORNERSTONE INVESTORS

The Cornerstone Investors may transfer the Relevant Shares in certain limited circumstances as set out in the Cornerstone Investment Agreements, such as transfer to a wholly-owned subsidiary of the Cornerstone Investor, provided that prior to such transfer, such wholly owned subsidiary undertakes in writing (in favour of our Company and the Joint Global Coordinators) agreeing to, and each of the Cornerstone Investors undertakes in writing (in favour of our Company and the Joint Global Coordinators) to procure that such wholly-owned subsidiary will, be bound by the obligations of the Cornerstone Investors under the relevant Cornerstone Investment Agreements including the restrictions on disposal imposed on the Cornerstone Investors, as if such wholly-owned subsidiary were subject to such obligations and restrictions.

UNDERWRITING

HONG KONG UNDERWRITERS

Dakin Securities Limited
Head & Shoulders Securities Limited
ChaoShang Securities Limited

INTERNATIONAL UNDERWRITERS

Dakin Securities Limited
Head & Shoulders Securities Limited
ChaoShang Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering 18,500,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the Application Forms.

Subject to:

- (a) the Listing Division of the Stock Exchange granting or agreeing to grant the listing of and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on GEM and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and
- (b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Joint Global Coordinators),

the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer, on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators, the Global Offering will not proceed and will lapse.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

UNDERWRITING

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares will be subject to termination by notice in writing to our Company from the Joint Global Coordinators at their joint and absolute discretion, with immediate effect if any of the following events occur at or prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Joint Global Coordinators:
 - (i) that any statement contained in any of this prospectus and the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendments thereto) (collectively, the “**Relevant Documents**”), was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the joint and absolute opinion of the Joint Global Coordinators, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute an omission therefrom; or
 - (iii) any breach of any of the obligations imposed or to be imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, our executive Directors and the Controlling Shareholders (the “**Warrantors**”), pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement or under the International Underwriting Agreement; or
 - (v) any change or development involving a prospective adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders’ equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group (“**Group Company**”); or
 - (vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings to be given by the Warrantors respectively in terms set out in the Hong Kong Underwriting Agreement; or

UNDERWRITING

- (vii) the approval by the Listing Division of the Stock Exchange of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws any of the Relevant Documents or the Global Offering; or
- (ix) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or
- (x) that a petition or an order is presented for the winding-up or liquidation of any Group Company or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or
- (xi) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of the Directors and senior management member of the Group as set out in the “Directors and Senior Management” section of this prospectus; or
- (xii) a portion of the orders in the bookbuilding process, which is considered by the Joint Global Coordinators in their absolute opinion to be material, at the time the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Joint Global Coordinators, in their joint and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or
- (xiii) any loss or damage has been sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Joint Global Coordinators in their joint absolute opinion to be material; or

UNDERWRITING

- (b) there shall develop, occur, exist or come into effect:
- (i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms) or interruption or delay in transportation); or
 - (ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or
 - (iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange; or
 - (iv) any new law(s), rule(s), statute(s), ordinance(s), regulation(s), guideline(s), opinion(s), notice(s), circular(s), order(s), judgment(s), decree(s) or ruling(s) of any governmental authority (“**Law(s)**”), or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, the PRC, the United States, the Cayman Islands, the European Union (or any member thereof) or any other jurisdictions relevant to any Group Company or the Global Offering (the “**Specific Jurisdictions**”); or
 - (v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or
 - (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or

UNDERWRITING

- (vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or
- (viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (ix) any litigation or claim of any third party being threatened or instigated against any Group Company or any of the Warrantors as defined in the Hong Kong Underwriting Agreement; or
- (x) any of the Directors and senior management members of our Company as set out in the “Directors and Senior Management” section of this prospectus being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairman or chief executive officer of our Company vacating his or her office; or
- (xii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (xiii) a contravention by any Group Company or any Director of the GEM Listing Rules, the Companies Ordinance or any other Laws applicable to the Global Offering; or
- (xiv) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the Shares from the exercise of the Over-allotment Option pursuant to the terms of the Global Offering; or
- (xv) non-compliance of this prospectus and the other Relevant Documents or any aspect of the Global Offering with the GEM Listing Rules or any other Laws applicable to the Global Offering; or
- (xvi) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Global Offering pursuant to the Companies (WUMP) Ordinance, the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company prior to its stated maturity or in respect of which any Group Company is liable prior to its stated maturity,

UNDERWRITING

which in each case individually or in aggregate in the joint and absolute opinion of the Joint Global Coordinators:

- (a) has or is or will or may or could be expected to have an adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or position or prospects or risks of our Company or our Group or any Group Company or on any present or prospective Shareholder of the Company in his, her or its capacity as such; or
- (b) has or will or may have or could be expected to have an adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or
- (c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented or proceeded with as envisaged or to market the Global Offering or shall otherwise result in an interruption to or delay thereof; or
- (d) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

International Placing

In connection with the International Placing, we expect to enter into the International Underwriting Agreement on or about the Price Determination Date with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares initially being offered pursuant to the International Placing. Please refer to the section headed "Structure and Conditions of the Global Offering — The International Placing" in this prospectus.

Under the International Underwriting Agreement, we intend to grant to the Stabilising Manager the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Stabilising Manager from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offer to require us to issue and allot up to an aggregate of 27,750,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering and at the Offer Price, to cover, among other things (i.e. effecting the permitted stabilising actions as set out in the section headed "Structure and Conditions of the Global Offering — Stabilisation" of this prospectus), any over-allocations in the International Placing, if any.

UNDERWRITING

UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE GEM LISTING RULES

Undertaking by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company has undertaken to the Stock Exchange that save as pursuant to the Global Offering (including the issue and allot of Shares pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of the options under the Share Option Scheme) it will not issue any further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for those permitted in accordance with Rule 17.29 subsections (1) to (5) of the GEM Listing Rules.

Undertaking by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of the Controlling Shareholders has, jointly and severally, undertaken to and covenanted with each of our Company, the Stock Exchange, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters that, except for circumstances permitted pursuant to Rule 13.18 of the GEM Listing Rules, it/he shall not, and shall procure none of its/his associates or companies controlled by him or any nominee or trustee holding in trust for it/him to:

- (i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date on which is six months from the Listing Date (“**First Six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares or securities of our Company in respect of which it/he is shown by this prospectus to be the beneficial owner (whether directly or indirectly) (the “**Relevant Shares**”); and
- (ii) at any time during the period of six months commencing on the date on which the First Six-month Period expires (“**Second Six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he will cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

and in the event that he enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it/he will take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the Shares.

UNDERWRITING

Pursuant to Rule 13.19 of the GEM Listing Rules, each of the Controlling Shareholders has further undertaken to and covenanted with our Company, the Sole Sponsor, the Joint Global Coordinators, the Hong Kong Underwriters and the Stock Exchange that he/it shall, and shall procure that the relevant registered holder(s) shall:

- (i) in the event that it/he pledges or charges any of his direct or indirect interest in the Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date on which the Second Six-month Period expires, it/he must inform our Company, the Joint Global Coordinators and the Hong Kong Underwriters immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any of its/his interests in the Shares or other securities of our Company under sub-paragraph (i) above, it/he must inform our Company, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters immediately in the event that it/he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of our Company affected.

Our Company will also inform the Stock Exchange as soon as our Company has been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of announcement in accordance with Rule 17.43 of the GEM Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

UNDERTAKINGS PURSUANT TO THE UNDERWRITING AGREEMENTS

Undertaking by our Company

We have undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers that, except pursuant to the Global Offering (including the Over-allotment Option) and the exercise of any options granted or to be granted under the Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), our Company will not, and will procure each other Group Company not to, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators and unless in compliance with the requirements of the Listing Rules

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind

UNDERWRITING

or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect (an “**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of such other Group Company, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, with a depository in connection with the issue of depository receipts; or repurchase any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicables, or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable); or
- (c) enter into any transaction with the same economic effect as any transactions specified in (a)-(b) above or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b), (c) above;

and in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other Group Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

Our Company has also undertaken that it will not, and will procure each other Group Company not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”).

UNDERWRITING

In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

Undertaking by the Controlling Shareholders

Each of the Controlling Shareholders, pursuant to the Hong Kong Underwriting Agreement, has jointly and severally undertaken to each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers that, except pursuant to the Stock Borrowing Agreement and in compliance with the requirements under Rule 13.15(5)(a) of the GEM Listing Rules, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators,

- (a) at any time during the First Six-Month Period it/he/she shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him/her and the companies controlled by it/he/she (together, the “**Controlled Entities**”) shall not:
 - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/him/her directly or indirectly through its Controlled Entities (the “**Relevant Securities**”), or deposit any Relevant Securities with a depository in connection with the issue of depository receipts; or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or
 - (iii) enter into or effect any transaction with the same economic effect as any of the transactions referred to in (i) or (ii) above; or
 - (iv) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to (i), (ii) or (iii) above;

which any of the foregoing transactions referred to in (i), (ii), (iii) or (iv) is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period).

UNDERWRITING

- (b) at any time in the six month period commencing from the expiry of the First Six-month Period (“**Second Six-month Period**”), it/he/she shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in a(i), (ii), (iii) and (iv) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it/he/she would cease to be a “controlling shareholder” (as defined in the GEM Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be “controlling shareholders” (as defined in the GEM Listing Rules) of our Company;
- (c) in the event that it/he/she enters into any of the transactions specified in (a) and (b) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, it/he/she shall take all reasonable steps to ensure that it/he/she will not create a disorderly or false market for any Shares or other securities of our Company;
- (d) it/he/she shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the GEM Listing Rules on the sale, transfer or disposal by it/he/she or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company; and
- (e) at any time during the First Six-Month Period or the Second Six-Month Period (where applicable), (i) the Controlling Shareholders will, when it/he/she pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform our Company and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and (ii) the Controlling Shareholders will, when it/he/she receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Sponsor in writing of such indications.

COMMISSION AND EXPENSES

The Underwriter will receive an underwriting commission of 4.0% of the aggregate Offer Price payable for the Offer Shares (including the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option). We will bear the underwriting commissions, SFC transaction levy and Stock Exchange trading fee payable by us in connection with the issue of the new Shares together with any applicable fees relating to the Global Offering. In addition, we may, at each of our sole discretion, pay the Joint Global Coordinators an additional incentive fee for all the Shares offered and sold in the Global Offering.

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately RMB26.6 million in total (assuming the Over-allotment Option is not exercised and based on the mid-point of our indicative price range for the Global Offering, being HK\$2.00 per Offer Share).

UNDERWRITING

SOLE SPONSOR'S, JOINT GLOBAL COORDINATORS' AND UNDERWRITERS' INTERESTS IN OUR COMPANY

The Sole Sponsor will receive a sponsorship fee. The Joint Global Coordinators will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the sub-paragraph headed "Commission and Expenses" of this section.

Our Company will appoint the Sole Sponsor as its compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, or until the compliance adviser agreement is otherwise terminated in accordance with its terms and conditions.

Save for the obligations and the interests under the Underwriting Agreements and save as otherwise disclosed in this prospectus, as at the Latest Practicable Date, none of the Sole Sponsor, the Joint Global Coordinators nor the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

STAMP TAXES

Buyers of Offer Shares sold by the Underwriter may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offer Price.

INDEMNITY

Our Company and the Controlling Shareholders have agreed to severally indemnify the Underwriter against certain losses which they may suffer, including losses arising from their performance of their obligations under the Underwriting Agreement and any breach by us or the Controlling Shareholders of the Underwriting Agreement as the case may be.

SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to Sponsor set out in Rule 6A.07 of the GEM Listing Rules.

UNDERWRITING

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offer of initially 18,500,000 Offer Shares (subject to adjustments as mentioned below) in Hong Kong as described below in the paragraph headed “The Hong Kong Public Offer”; and
- the International Placing of initially 166,500,000 Offer Shares (subject to adjustments and the Over-allotment Option as described below) outside the United States (including to professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong) in offshore transactions in reliance on Regulation S, as described below in the paragraph headed “The International Placing”.

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offer; or
- apply for or indicate an interest for the International Offer Shares under the International Placing,

but may not do both.

The 185,000,000 Offer Shares in the Global Offering will represent 25% of our enlarged share capital immediately after the completion of the Global Offering and the Capitalisation Issue, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of our enlarged share capital immediately following the completion of the Global Offering and the Capitalisation Issue.

References to applications, application forms, application monies or procedure for applications relate solely to the Hong Kong Public Offer.

THE HONG KONG PUBLIC OFFER

Number of Offer Shares initially offered

We are initially offering for subscription by the public in Hong Kong 18,500,000 Offer Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, the number of Offer Shares offered under the Hong Kong Public Offer will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue, assuming the Over-allotment Option is not exercised.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offer is subject to the conditions as set forth below in “Conditions of the Global Offering”.

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offer is to be divided equally into two pools:

- **Pool A:** The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million or less (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable); and
- **Pool B:** The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million and up to the value of pool B (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offer and any application for more than 9,250,000 Hong Kong Offer Shares (being 50% of the Hong Kong Offer Shares initially available under the Hong Kong Public Offer) will be rejected.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offer and the International Placing is subject to reallocation. In accordance with the clawback mechanism, if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offer, the Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing. As a result of such reallocation, the total number of Hong Kong Offer Shares will be increased to 55,500,000 Offer Shares (in the case of (i)), 74,000,000 Offer Shares (in the case of (ii)) and 92,500,000 Offer Shares (in the case of (iii)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), respectively.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators shall have the discretion to reallocate Offer Shares from the International Placing to the Hong Kong Public Offer to satisfy valid applications under the Hong Kong Public Offer, regardless of whether any reallocation is triggered.

If the Hong Kong Public Offer is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Placing.

Applicants under the Hong Kong Public Offer are required to pay, on application, maximum price of HK\$2.20 per Offer Share in addition to brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% on each Offer Share, amounting to a total of HK\$4,444.34 for one board lot of 2,000 Shares. If the Offer Price, as finally determined on the Price Determination Date in the manner as described below in the paragraph headed "Pricing and Allocation", is less than the maximum price of HK\$2.20 per Offer Share, appropriate refund payments (including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For further details, see "How to Apply for Hong Kong Offer Shares" in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE INTERNATIONAL PLACING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Placing 166,500,000 Offer Shares, representing 90% of the Offer Shares under the Global Offering. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, the number of Offer Shares offered under the International Placing will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue, assuming the Over-allotment Option is not exercised.

Allocation

The International Offer Shares will conditionally be offered to selected professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the International Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to the Price Determination Date.

Allocation of the International Offer Shares pursuant to the International Placing will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its Shares, after the listing of the Shares on GEM. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offer to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offer and to ensure that they are excluded from any applications of Hong Kong Offer Shares under the Hong Kong Public Offer.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Placing may change as a result of the clawback arrangement as described above in the paragraph headed “The Hong Kong Public Offer — Reallocation” or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offer.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the Stabilising Manager.

Pursuant to the Over-allotment Option, the Stabilising Manager will have the right, exercisable at any time within 30 days from the last date for lodging applications under the Hong Kong Public Offer, to require the Company to issue up to 27,750,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price under the International Placing to, among other things (i.e. effecting the permitted stabilising actions as set out in the section headed “Stabilisation” below), cover over-allocations in the International Placing, if any.

If the Over-allotment Option is exercised in full, the additional Shares to be issued pursuant thereto will represent approximately 3.61% of our enlarged issued share capital immediately following the completion of the Global Offering and the Capitalisation Issue. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it may over-allocate or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager or any persons acting for it, to conduct any such stabilising action. Such stabilising action, if taken, will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offer.

Stabilisation action permitted in Hong Kong under the Securities and Futures (Price Stabilising) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares, (iii) purchasing, or agreeing to purchase, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Specifically, prospective applicants for and investors in Shares should note that:

- the Stabilising Manager (or any person acting for it) may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager (or any person acting for it) will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager (or any person acting for it) and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire on the date, being the 30th day after the last day for lodging applications under the Hong Kong Public Offer. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price, which means that stabilising bids or transactions effected may be made at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

OVER-ALLOCATION

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, using Shares purchased by the Stabilising Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to enter into an agreement with Wisdom Cosmos, our Controlling Shareholder, to borrow, whether on its own or through its affiliates, up to 27,750,000 Shares, representing 15% of the total number of the Offer Shares initially available for the Global Offering. The stock borrowing arrangement under such an agreement, if entered into, will not be subject to the restrictions of Rule 13.16A of the GEM Listing Rules, provided that the requirements set forth in Rule 13.15(5)(a) of the GEM Listing Rules are complied with as follows:

- such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Wisdom Cosmos by the Stabilising Manager (or any person acting for it) is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option; and
- the same number of Shares so borrowed must be returned to Wisdom Cosmos or its nominee(s) within three business days following the earlier of (a) the last day on which the Over-allotment Option may be exercised, and (b) the day on which the Over-allotment Option is exercised in full.

The stock borrowing arrangement will be effected in compliance with all applicable GEM Listing Rules, laws and other regulatory requirements. No payment will be made to Wisdom Cosmos by the Stabilising Manager (or any person acting for it) in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

Our Company and the Joint Global Coordinators will determine the Offer Price and sign an agreement on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around 30 June 2017, and in any event, not later than 4 July 2017.

The Offer Price will not be more than HK\$2.20 per Offer Share and is expected to be not less than HK\$1.80 per Offer Share, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offer as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offer, you must pay the maximum price of HK\$2.20 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

If the Offer Price, as finally determined in the manner described below, is lower than HK\$2.20, we will refund the respective difference, including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see “How to Apply for Hong Kong Offer Shares” in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offer.

The Joint Global Coordinators may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the Offer Price range below that stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer publish a notice on our website at www.shengyecapital.com and the website of the Stock Exchange at www.hkexnews.hk (the contents of the website do not form a part of this prospectus). Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised Offer Price range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in “Summary” in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with the Company and the Joint Global Coordinators will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offer, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offer and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offer shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The final Offer Price, the level of indication of interest in the International Placing, the basis of allotment of Offer Shares available under the Hong Kong Public Offer and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer are expected to be made available in a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares — 11. Publication of Results” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on:

- the Listing Division granting approval for the listing of, and permission to deal in, our Shares in issue and to be issued as described in this prospectus (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option);
- the Offer Price having been agreed between us and the Joint Global Coordinators;
- the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators on or before Tuesday, 4 July 2017, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offer will be published by the Company on our website at www.shengyecapital.com and on the website of the Stock Exchange at www.hkexnews.hk on the next day following such lapse. In such an event, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares — 13. Refund of Application Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

UNDERWRITING AGREEMENTS

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other conditions, us and the Joint Global Coordinators agreeing on the Offer Price on the Price Determination Date.

We expect to enter into the International Underwriting Agreement relating to the International Placing on or about the Price Determination Date.

Certain terms of the underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarised in the section headed “Underwriting” in this prospectus.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 6 July 2017, it is expected that dealings in our Shares on GEM will commence at 9:00 a.m. on 6 July 2017.

The Shares will be traded in board lots of 2,000 Shares each and the stock code of the Company is 8469.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the US Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a connected person (as defined in the GEM Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;
- an associate (as defined in the GEM Listing Rules) of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 26 June 2017 and to 12:00 noon on Thursday, 29 June 2017 from:

- (i) any of the following offices of the Joint Bookrunners:

Dakin Securities Limited	Room 2701, 27/F, Tower 1 Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
Head & Shoulders Securities Limited	Room 2511, 25/F Cosco Tower 183 Queen's Road Central Hong Kong
ChaoShang Securities Limited	Rooms 4001-4002, 40/F China Resources Building 26 Harbour Road Wanchai Hong Kong

- (ii) any of the following branches of the receiving bank:

District	Branch name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road, Hong Kong
	Johnston Road Branch	152-158 Johnston Road, Wan Chai
Kowloon	Tsim Sha Tsui East Branch	Shop 3, LG/F, Hilton Towers, 96 Granville Road, Tsim Sha Tsui East, Kowloon
	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
New Territories	East Point City Branch	Shop 101, East Point City, Tseung Kwan O
	Fo Tan Branch	No 2, 1/F Shatin Galleria, 18-24 Shan Mei Street, Fo Tan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 26 June 2017 until 12:00 noon on Thursday, 29 June 2017 from the Depository Counter of **HKSCC** at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — SHENG YE CAPITAL PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- 9:00 a.m. to 5:00 p.m., Monday, 26 June 2017
- 9:00 a.m. to 5:00 p.m., Tuesday, 27 June 2017
- 9:00 a.m. to 5:00 p.m., Wednesday, 28 June 2017
- 9:00 a.m. to 12:00 noon, Thursday, 29 June 2017

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 29 June 2017, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists".

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (WUMP) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Sole Sponsor the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the US Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC.

Additional Terms and Conditions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE HK EIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Submitting Applications under the HK eIPO White Form service

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 26 June 2017 until 11:30 a.m. on Thursday, 29 June 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 29 June 2017 or such later time under the “Effect of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that the Company, the Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers and the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers and the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with the Company, for themselves and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for themselves and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (WUMP) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- 9:00 a.m. to 8:30 p.m.⁽¹⁾, Monday, 26 June 2017
- 8:00 a.m. to 8:30 p.m.⁽¹⁾, Tuesday, 27 June 2017
- 8:00 a.m. to 8:30 p.m.⁽¹⁾, Wednesday, 28 June 2017
- 8:00 a.m.⁽¹⁾ to 12:00 noon, Thursday, 29 June 2017

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Monday, 26 June 2017 until 12:00 noon on Thursday, 29 June 2017 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, 29 June 2017, the last application day or such later time as described in “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Sole Sponsor, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon, Thursday, 29 June 2017.

HOW TO APPLY FOR HONG KONG OFFER SHARES

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Global Offering — Pricing and Allocation”.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 29 June 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 29 June 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Wednesday, 5 July 2017 (a) in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese); (b) on the Company’s website at www.shengyecapital.com and (c) the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at www.shengyecapital.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, 5 July 2017;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, 5 July 2017 to 12:00 midnight on Tuesday, 11 July 2017;
- by telephone enquiry line by calling 852-3691-8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 5 July 2017 to Monday, 10 July 2017 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 5 July 2017 to Friday, 7 July 2017 at all the receiving banks’ designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Division does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Division notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer.

HOW TO APPLY FOR HONG KONG OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$2.20 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with “Structure and Conditions of the Global Offering — Conditions of the Global Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on 5 July 2017.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by giving electronic application instructions to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around 5 July 2017. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Wednesday, 5 July 2017 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 5 July 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 5 July 2017, by ordinary post and at your own risk.

If you apply by using a YELLOW Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant’s stock account as stated in your Application Form on Wednesday, 5 July 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 5 July 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Wednesday, 5 July 2017, or such other date as notified by the Company as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, 5 July 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 5 July 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in "Publication of Results" above on Wednesday, 5 July 2017. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 5 July 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 5 July 2017. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 5 July 2017.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-52, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.**德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHENG YE CAPITAL LIMITED AND DAKIN CAPITAL LIMITED****Introduction**

We report on the historical financial information of Sheng Ye Capital Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-52, which comprises the combined statements of financial position as at 31 December 2015 and 2016 and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the year then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-52 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 26 June 2017 (the "Prospectus") in connection with the initial listing of shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's financial position as at 31 December 2016, of the Group's financial position as at 31 December 2015 and 2016 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

The Historical Financial Information is stated after making such adjustments to the Underlying Financial Statements as defined on page I-3 as were considered necessary.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividend has been paid by the entities comprising the Group in respect of the Track Record Period.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 June 2017

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on the consolidated financial statements of Sheng Ye International Capital Limited and the consolidated financial statements of Nice Day Corporation Limited (collectively referred to as the "Consolidated Financial Statements"), and the consolidated management accounts of the Company for the Track Record Period which are prepared in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. The Consolidated Financial Statements was audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

HISTORICAL FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>
Revenue	6	57,462	112,791
Gain on sales of factoring assets		<u>—</u>	<u>5,876</u>
Income from factoring business		<u>57,462</u>	<u>118,667</u>
Other income	7	15,558	11,316
Other gains (losses), net	8	2,456	(681)
Operating expenses		(17,152)	(24,823)
Listing expenses		—	(5,827)
Impairment allowances on factoring assets		(5,859)	(8,671)
Finance costs	9	<u>(519)</u>	<u>(21,809)</u>
Profit before taxation		51,946	68,172
Taxation	10	<u>(14,952)</u>	<u>(20,164)</u>
Profit and total comprehensive income for the year	11	<u><u>36,994</u></u>	<u><u>48,008</u></u>

COMBINED STATEMENTS OF FINANCIAL POSITION

	NOTES	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>
NON-CURRENT ASSETS			
Equipment	15	2,162	1,873
Intangible assets	16	102	2,071
Factoring assets	19	—	69,230
Deferred tax assets	17	4,942	6,397
		<u>7,206</u>	<u>79,571</u>
CURRENT ASSETS			
Amounts due from related parties	28(a)	137	1
Available-for-sale investment	18	—	1,000
Factoring assets	19	657,979	1,255,085
Other receivables, prepayments and others		529	1,369
Structured deposit	20	—	10,000
Bank balances and cash	21	50,889	104,311
		<u>709,534</u>	<u>1,371,766</u>
CURRENT LIABILITIES			
Loans from related parties	28(a)	—	478,908
Amounts due to related parties	28(a)	—	4,527
Other payables and accrued charges	22	3,902	18,219
Income tax payable		12,985	10,803
Financial assets sold under repurchase agreements	23(a)	—	83,509
Bank and other borrowings	23(b)	37,030	142,498
		<u>53,917</u>	<u>738,464</u>
NET CURRENT ASSETS		<u>655,617</u>	<u>633,302</u>
NON-CURRENT LIABILITY			
Deferred tax liabilities	17	1,635	3,676
NET ASSETS		<u>661,188</u>	<u>709,197</u>
CAPITAL AND RESERVES			
Share capital	24	306	618,841
Reserves		660,882	90,356
TOTAL EQUITY		<u>661,188</u>	<u>709,197</u>

STATEMENT OF FINANCIAL POSITION

	NOTES	2016 <i>RMB'000</i>
NON-CURRENT ASSET		
Investment in subsidiaries	31	<u>1</u>
CURRENT ASSET		
Amount due from related party		<u>1</u>
CURRENT LIABILITY		
Amounts due to related parties		<u>58</u>
NET CURRENT LIABILITY		
		<u>(57)</u>
NET LIABILITIES		
		<u>(56)</u>
CAPITAL AND RESERVES		
Share capital		1
Reserves	32	<u>(57)</u>
TOTAL EQUITY		
		<u>(56)</u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>RMB'000</i>	Capital reserves <i>RMB'000</i> <i>(note i)</i>	Statutory reserves <i>RMB'000</i> <i>(note ii)</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2015	306	—	—	5,354	5,660
Profit and total comprehensive income for the year	—	—	—	36,994	36,994
Transfer	—	—	4,431	(4,431)	—
Capital contribution from shareholder (note i)	—	440,363	—	—	440,363
Deemed contribution from shareholder arising from waiver of a debt (note i)	—	178,171	—	—	178,171
At 31 December 2015	<u>306</u>	<u>618,534</u>	<u>4,431</u>	<u>37,917</u>	<u>661,188</u>
Profit and total comprehensive income for the year	—	—	—	48,008	48,008
Transfer	—	—	5,682	(5,682)	—
Issue of shares by a subsidiary of the Company (note i)	618,534	(618,534)	—	—	—
Issue of new shares	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1</u>
At 31 December 2016	<u><u>618,841</u></u>	<u><u>—</u></u>	<u><u>10,113</u></u>	<u><u>80,243</u></u>	<u><u>709,197</u></u>

Notes:

- (i) During the year ended 31 December 2015, RMB440,363,000 was contributed by Sheng Ye Financial Group Limited, an immediate holding company of Sheng Ye International Capital Limited before the Reorganisation (as defined in note 2), which is wholly owned by Mr. Tung Chi Fung, the controlling shareholder of the Company, to Sheng Ye International Capital Limited where no share of Sheng Ye International Capital Limited was issued thereto, and is accounted for as a capital contribution from shareholder.

During the year ended 31 December 2015, a waiver amounted to RMB178,171,000 of the amount due to Sheng Ye Financial Group Limited, an immediate holding company of Sheng Ye International Capital Limited before the Reorganisation (as defined in note 2), is accounted for as deemed capital contribution from the shareholder.

Sheng Ye International Capital Limited issued 99,950,000 shares to Sheng Ye Financial Group Limited by capitalisation of the capital contribution and deemed contribution from shareholder of RMB618,534,000 during the year ended 31 December 2016. As set out in note 2, the Reorganisation has not been completed as at 31 December 2016 and the entire amount of RMB618,534,000 has been transferred to share capital in the combined statements of changes in equity.

- (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% or an amount to be determined by their directors of their profit after taxation in accordance with the relevant accounting rules and financial regulations of the PRC before any distribution of dividends to owners each year to the statutory reserves until the balance reaches 50% of their registered capital.

COMBINED STATEMENTS OF CASH FLOWS

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
OPERATING ACTIVITIES		
Profit for the year	36,994	48,008
Adjustment for:		
Taxation	14,952	20,164
Depreciation of equipment	1,339	1,841
Amortisation of intangible assets	128	46
Impairment allowances on factoring assets	5,859	8,671
Loss on written-off intangible assets	1,025	—
Gain on disposal of equipment	—	(1)
Finance costs	519	21,809
Bank interest income	(19)	(49)
Investment income of structured deposits	(38)	(460)
Exchange (gain) loss, net	<u>(3,481)</u>	<u>682</u>
Operating cash flows before movements in working capital	57,278	100,711
Increase in factoring assets	(482,375)	(675,007)
Decrease (increase) in other receivables	221	(840)
Increase in other payables and accrued charges	<u>2,531</u>	<u>14,317</u>
Cash used in operations	(422,345)	(560,819)
Enterprise Income Tax paid	<u>(5,721)</u>	<u>(21,760)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(428,066)</u>	<u>(582,579)</u>
INVESTING ACTIVITIES		
Redemption of structure deposits	116,760	1,444,427
Investment income received from structured deposits	38	460
Interest received	19	49
Proceeds from disposal of equipment	—	12
Placement of structure deposits	(116,760)	(1,454,427)
Purchase of equipment	(1,237)	(1,567)
Payment for development costs and purchase of other intangible assets	—	(2,011)
Investment in available-for-sale investment	<u>—</u>	<u>(1,000)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,180)</u>	<u>(14,057)</u>

APPENDIX I**ACCOUNTANTS' REPORT**

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
FINANCING ACTIVITIES		
Capital contribution from shareholder	440,363	—
Cash receipts from financial assets sold under repurchase agreements	—	83,450
New bank and other borrowings raised	55,400	537,860
Loans from related parties raised	—	566,156
Advance from related parties	—	4,664
Repayment of bank and other borrowings	(18,400)	(432,860)
Repayment to related parties	(6,393)	—
Repayment of loans from related parties	—	(96,956)
Interest paid for bank and other borrowings	(489)	(8,927)
Interest paid for loans from related parties	—	(2,647)
	<u>470,481</u>	<u>650,740</u>
NET CASH FROM FINANCING ACTIVITIES		
	<u>470,481</u>	<u>650,740</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Effect of foreign exchange rate changes	41,235	54,104
	3,481	(682)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>6,173</u>	<u>50,889</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR,		
represented by bank balances and cash	<u>50,889</u>	<u>104,311</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL**

The Company is a private limited company incorporated in the Cayman Islands on 29 December 2016. The Company's immediate holding company is Wisdom Cosmos Limited and its ultimate shareholder is Mr. Tung Chi Fung. The addresses of the registered office and principal place of business are stated in the "Corporate Information" section of the prospectus of the Company dated 26 June 2017 (the "Prospectus").

The Company is an investment holding company. The principal activities of the Group are provision of factoring service in the PRC. The principal activities of the subsidiaries are set out in note 31.

The Historical Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

In preparation for the initial listing of the Company's shares on the Growth Enterprise Market (GEM) of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing"), the Group underwent the group reorganisation (the "Reorganisation") to rationalise the group structure, which mainly involved (a) setting up shell entities as holding companies, (b) transferring the equity interest in Sheng Ye International Capital Limited and its subsidiaries from Sheng Ye Financial Group Limited to the Company, and (c) transferring the equity interest in Nice Day Corporation Limited and its subsidiaries to a shell entity newly set up by the Company.

Major steps of the Reorganisation are as follows.

- i) During the Track Record Period and prior to the Reorganisation, the factoring business of the Group was conducted by Sheng Ye International Capital Limited and its subsidiaries, which are wholly owned by Sheng Ye Financial Group Limited, and the ultimate controlling shareholder of the Sheng Ye Financial Group Limited is Mr. Tung Chi Fung.
- ii) Wisdom Cosmos Limited was incorporated with limited liabilities in the British Virgin Islands ("BVI") on 15 April 2015. Wisdom Cosmos Limited was 100% held by Eander Limited, which is in turn wholly owned by TMF Trust, trustee of the Pak Jeff Trust, a trust set up by Mr. Tung Chi Fung. Mr. Tung Chi Fung and his family members are the beneficiaries of the Pak Jeff Trust. Wisdom Cosmos Limited was established for the purpose of holding the equity interest in the Company. On 18 November 2015, Mr. Tung Chi Fung transferred the entire issued share capital of Sheng Ye Financial Group Limited to Wisdom Cosmos Limited.

- iii) On 29 December 2016, the Company was incorporated, which was wholly owned by Wisdom Cosmos Limited, for the purpose of being the investment holding entity of the companies comprising the Group.

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

- iv) On 20 January 2016, Ever Giant Global Limited was incorporated with limited liabilities in the BVI by Mr. Tung Chi Fung. On 30 December 2016, Mr. Tung Chi Fung transferred the entire issued share capital of Ever Giant Global Limited to the Company.
- v) On 1 December 2015, Nice Day Corporation Limited was incorporated and registered as exempted company with limited liabilities in Hong Kong. On 11 January 2016, Mr. Tung Chi Fung acquired one share of Nice Day Corporation Limited at a consideration of HK\$1 from the initial subscriber. On 11 March 2016, Sheng Ye Information Technology Service (Shenzhen) Co., Limited was established in the PRC by Nice Day Corporation Limited.

On 1 November 2016, Talent Group Global Limited was incorporated and registered as exempted company with limited liabilities in the BVI. On 29 December 2016, one subscriber share was allotted and issued as fully paid to the Company.

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

Further details of the Reorganisation are more fully explained in the section headed “History, Reorganisation and Development” of the Prospectus.

The Company and its subsidiaries have been under the common control of Mr. Tung Chi Fung, the controlling shareholder, throughout the Track Record Period (or since their respective date of incorporation) prior to and after the Reorganisation.

The combined statements of profit or loss and other comprehensive income, combined statements of financial position and combined statements of cash flows for the Track Record Period have been prepared to present the results, financial position and cash flows of the companies now comprising the Group, as if the Company had always been holding company of the companies comprising the Group and the current group structure had been in existence throughout the Track Record Period, or since the respective date of establishment/incorporation of the relevant entity, where is a shorter period.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Application of new and revised HKFRSs

For the purpose of preparing and presenting the Historical Financial Information of the Group for the Track Record Period, the Group has applied the HKFRSs which are effective for the Group’s accounting period beginning on 1 January 2016, consistently throughout the Track Record Period.

New and revised HKFRSs issued but not yet effective

At the date of this report, the HKICPA has issued the following new HKFRS, which are not yet effective. The Group has not early applied these new standards, amendments and interpretation.

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ²
HKFRS 16	Leases ³
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKAS 40	Transfers of Investment Property ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ Effective for annual periods beginning on or after a date to be determined

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

Except as described below, the directors of the Company consider that the application of new and revised HKFRSs issued but not yet effective will not have a material impact on the financial statements of the Group in the future.

HKFRS 9 Financial Instruments

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

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

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

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

Based on analysis of the Group's financial assets and financial liabilities as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investment, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

The factoring assets and other financial assets measured at amortised cost will be subject to the impairment provisions of HKFRS 9. The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its factoring assets. In relation to factoring assets, whether lifetime or 12-month expected credit losses should be recognised would depend on whether there has been a significant increase in credit risk of these items from initial recognition to the date of initial application of HKFRS 9. The directors are currently assessing the extent of this impact. In relation to other financial assets and financial liabilities, the directors of the Company anticipate no material impact to these items.

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

HKFRS 16 Leases

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

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

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows.

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB5,245,000 as disclosed in note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

The directors of the Company do not anticipate that the application of the other new standards and amendments to standards will have significant impact on the financial statements of the Group in the future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the accounting policies set out below which are in conformity with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of Track Record 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 the Historical Financial Information is determined on such a basis.

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.

The principal accounting policies are as follows:

Basis of combination

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

Combination 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 combined statements of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

Where 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 combination.

Investment in subsidiaries

Investment in subsidiaries is included in the Company's statement of financial position at cost less any identified impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Revenue recognition

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

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

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

Other services income is recognised when services are rendered.

Commission fee income is recognised as income in accordance with the terms of the agreements when the relevant significant acts have been completed.

Government grants

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its respective functional currency at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Borrowing costs

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

Retirement benefit costs

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

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period that related services are rendered at the undiscounted amount of the benefits expected to be paid in exchange of that service.

Leasing

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

The Group as lessee

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

Taxation

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

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

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

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

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

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

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

Current and deferred tax is recognised in profit or loss.

Equipment

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

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

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

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. Technical innovations will affect the estimated useful lives and the estimation of the recoverable amounts.

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

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

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

Impairment on equipment and intangible assets

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

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

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Financial assets at FVTPL

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in other gains line item in the combined statements of comprehensive income.

AFS financial assets

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

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

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

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

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

Financial assets sold under repurchase agreements

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, 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.

Estimate impairment loss on factoring assets

When there is objective evidence of impairment loss, the Group takes into consideration an estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of factoring assets at 31 December 2015 and 2016 is RMB657,979,000 and RMB1,324,315,000 respectively. Details of the impairment loss of factoring assets are disclosed in note 19.

Recognition of deferred taxation

As at 31 December 2015 and 2016, a deferred tax asset of RMB4,942,000 and RMB6,397,000 respectively in relation to the deferred income and impairment allowances have been recognised in the Group's combined statements of financial position. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than or more than expected, a material reversal or recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or recognition takes place. Details of the deferred tax are disclosed in note 17.

6. REVENUE AND SEGMENT INFORMATION

Revenue for the Track Record Period represents income received and receivable from the provision of factoring service in the PRC.

The director of the Company has determined that the Group has only one operating and reportable segment throughout the reporting period, as the Group is principally engaged in providing factoring service in the PRC, and the executive directors of the Company, being the chief operating decision maker of the Group, review the combined financial position and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group.

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. All the Group's revenue and non-current assets are principally attributable to the PRC.

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

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	N/A ¹	16,821
Customer B	28,722	15,559
Customer C	N/A ¹	13,764
Customer D	9,937	N/A ¹

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

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

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Factoring service	57,100	111,809
Other services	<u>362</u>	<u>982</u>
	<u>57,462</u>	<u>112,791</u>

7. OTHER INCOME

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Government subsidies (note i)	1,713	10,806
Commission fee income (note ii)	13,787	—
Investment income of structured deposits	38	460
Bank interest income	19	49
Others	<u>1</u>	<u>1</u>
	<u>15,558</u>	<u>11,316</u>

Notes:

- (i) The government subsidies were received unconditionally by the Company's subsidiary in the PRC from local government in relation to the incentive policy for investment in factoring and other financial business in Dongjiang Port Zone of Tianjin City.
- (ii) The amount represented commission fee received from a customer for obtaining borrowings from other institution.

8. OTHER GAINS (LOSSES), NET

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Exchange gain (loss), net	3,481	(682)
Loss on written-off intangible assets	(1,025)	—
Gain on disposal of equipment	—	1
	<u>2,456</u>	<u>(681)</u>

9. FINANCE COSTS

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank and other borrowings		
- wholly repayable within five years	519	9,395
Interest on financial assets sold under repurchase agreements	—	59
Interest on loans from related parties (note 28 (b))	—	12,355
	<u>519</u>	<u>21,809</u>

10. TAXATION

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
The charge (credit) comprises:		
Current tax		
- EIT in the PRC	18,010	18,576
- Withholding tax levied on dividend declared	40	400
- Withholding tax levied on provided services	14	602
	<u>18,064</u>	<u>19,578</u>
Deferred tax (note 17)	(3,112)	586
	<u>14,952</u>	<u>20,164</u>

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

Under the Enterprise Income Tax Law of PRC (the "EIT Law") and the Implementation Regulation of the EIT Law, the subsidiaries in the PRC are subject to the tax rate of 25% during the Track Record Period. A PRC subsidiary obtained a qualification of being a high technology enterprise and is approved to enjoy the preferential tax rate of 15% from the year 2016.

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

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	<u>51,946</u>	<u>68,172</u>
Tax at the domestic EIT rate in the PRC of 25%	12,987	17,043
Tax effect of income not taxable for tax purposes (note)	(279)	(2,970)
Tax effect of expenses not deductible for tax purposes	915	3,118
Effect of different tax rates of the subsidiaries	—	(105)
Tax effect of tax loss not recognised	—	35
Withholding tax on distributable earnings of the PRC subsidiaries	1,315	2,441
Withholding tax levied on interest income of a Hong Kong subsidiary	<u>14</u>	<u>602</u>
Tax charge for the year	<u><u>14,952</u></u>	<u><u>20,164</u></u>

Note: The tax effect of income not taxable for tax purpose during the year ended 31 December 2016 mainly arose from interest income amounting to approximately RMB8,611,000 (2015: RMB139,000) from short term loans lent by a Hong Kong subsidiary to a PRC subsidiary, and the income is subject to withholding tax in PRC at the tax rate of 7%.

11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Directors' emoluments	1,556	1,457
Other staffs' salaries, allowances and other staff benefits	6,722	14,304
Other staffs' retirement benefit scheme contributions	<u>376</u>	<u>805</u>
Total staff costs	8,654	16,566
Less: amount capitalised in development costs	<u>—</u>	<u>(1,207)</u>
Staff cost recognised in profit or loss	<u>8,654</u>	<u>15,359</u>
Total depreciation of equipment	1,339	1,845
Less : amount capitalised in development costs	<u>—</u>	<u>(4)</u>
Depreciation of equipment recognised in profit or loss	<u>1,339</u>	<u>1,841</u>
Amortisation of intangible assets	128	46
Auditor's remuneration	300	300
Operating lease rentals in respect of properties	<u>1,442</u>	<u>2,404</u>

12. DIRECTORS' EMOLUMENTS, AND TOP FIVE HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

Details of emoluments paid by the entities comprising the Group to the directors of the Company for the service provided in connection with the management of the affairs of the Group during the Track Record Period are as follows:

Name of director	Director's fee <i>RMB'000</i>	Retirement benefit scheme contributions <i>RMB'000</i>	Other emoluments mainly salaries and other benefits <i>RMB'000</i>	Total <i>RMB'000</i>
<i>For the year ended</i>				
<i>31 December 2015</i>				
Executive directors				
Mr. Tung Chi Fung (note i)	—	—	70	70
Mr. Chen Jen-Tse (note ii)	—	—	1,486	1,486
Independent non-executive directors				
Mr. Hung Ka Hai Clement (note iii)	—	—	—	—
Mr. Loo Yau Soon (note iii)	—	—	—	—
Mr. Tsoon Wai Mun Benjamin (note iii)	—	—	—	—
	<u>—</u>	<u>—</u>	<u>1,556</u>	<u>1,556</u>
<i>For the year ended</i>				
<i>31 December 2016</i>				
Executive directors				
Mr. Tung Chi Fung (note i)	—	—	—	—
Mr. Chen Jen-Tse (note ii)	—	11	1,446	1,457
Independent non-executive directors				
Mr. Hung Ka Hai Clement (note iii)	—	—	—	—
Mr. Loo Yau Soon (note iii)	—	—	—	—
Mr. Tsoon Wai Mun Benjamin (note iii)	—	—	—	—
	<u>—</u>	<u>11</u>	<u>1,446</u>	<u>1,457</u>

Notes:

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

(b) Top five highest paid employees

Top five highest paid employees of the Group during each of the two years ended 31 December 2015 and 2016 included one director, details of whose remuneration are set out in note 12(a) above. Details of the remuneration for the year of the remaining four highest paid employees who are not a director of the Company are as follows:

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and other benefits	2,309	4,599
Staffs' retirement benefit scheme contributions	<u>85</u>	<u>109</u>
	<u><u>2,394</u></u>	<u><u>4,708</u></u>

The number of the highest paid individuals whose remuneration fell within the following bands is as follows:

	2015	2016
	<i>No. of</i>	<i>No. of</i>
	<i>employees</i>	<i>employees</i>
Within HK\$1,000,000	3	1
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	<u>1</u>	<u>3</u>
	<u><u>5</u></u>	<u><u>5</u></u>

During the Track Record Period, the Group has not established any share option scheme.

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the Track Record Period, nor has any dividend been proposed since the end of the Track Record Period.

14. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for each of the two years ended 31 December 2015 and 2016 on a combined basis as disclosed in note 2 above.

15. EQUIPMENT

	Leasehold improvement <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Furniture and office equipment <i>RMB'000</i>	Total <i>RMB'000</i>
COST				
At 1 January 2015	1,617	899	554	3,070
Additions	<u>1,122</u>	<u>114</u>	<u>1</u>	<u>1,237</u>
At 31 December 2015	2,739	1,013	555	4,307
Additions	451	866	250	1,567
Disposals	<u>—</u>	<u>(47)</u>	<u>—</u>	<u>(47)</u>
At 31 December 2016	<u>3,190</u>	<u>1,832</u>	<u>805</u>	<u>5,827</u>
DEPRECIATION				
At 1 January 2015	527	201	78	806
Additions	<u>936</u>	<u>298</u>	<u>105</u>	<u>1,339</u>
At 31 December 2015	1,463	499	183	2,145
Additions	1,267	453	125	1,845
Disposals	<u>—</u>	<u>(36)</u>	<u>—</u>	<u>(36)</u>
At 31 December 2016	<u>2,730</u>	<u>916</u>	<u>308</u>	<u>3,954</u>
CARRYING VALUES				
At 31 December 2015	<u>1,276</u>	<u>514</u>	<u>372</u>	<u>2,162</u>
At 31 December 2016	<u>460</u>	<u>916</u>	<u>497</u>	<u>1,873</u>

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

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

16. INTANGIBLE ASSETS

	Development costs	Software system	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST			
At 1 January 2015	—	1,380	1,380
Written-off	—	(1,255)	(1,255)
At 31 December 2015	—	125	125
Additions	1,403	612	2,015
At 31 December 2016	1,403	737	2,140
AMORTISATION			
At 1 January 2015	—	125	125
Additions	—	128	128
Written-off	—	(230)	(230)
At 31 December 2015	—	23	23
Additions	13	33	46
At 31 December 2016	13	56	69
CARRYING VALUES			
At 31 December 2015	—	102	102
At 31 December 2016	1,390	681	2,071

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

17. DEFERRED TAXATION

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

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets	4,942	6,397
Deferred tax liabilities	<u>(1,635)</u>	<u>(3,676)</u>
	<u>3,307</u>	<u>2,721</u>

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

	Undistributed earnings of PRC subsidiaries	Deferred Impairment income allowances		Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2015	(360)	326	229	195
Credit to profit or loss	<u>(1,275)</u>	<u>2,922</u>	<u>1,465</u>	<u>3,112</u>
At 31 December 2015	(1,635)	3,248	1,694	3,307
Credit to profit or loss	<u>(2,041)</u>	<u>(713)</u>	<u>2,168</u>	<u>(586)</u>
At 31 December 2016	<u>(3,676)</u>	<u>2,535</u>	<u>3,862</u>	<u>2,721</u>

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 entity. 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 subsidiary. The Hong Kong subsidiaries of the Group enjoyed the preferential tax rate aforementioned. Accordingly, deferred tax liability has been provided for in the Historical Financial Information in respect of the expected dividend stream from the PRC subsidiary with the applicable tax rate of 5%.

18. AVAILABLE-FOR-SALE INVESTMENT

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Measured at fair value:		
Asset management scheme	<u>—</u>	<u>1,000</u>
Analysed for reporting purposes as:		
Current asset	<u>—</u>	<u>1,000</u>

As at 31 December 2016, the available-for-sale investment represented investment in an asset management scheme named 新華富時盛業保理1號專項資產管理計劃 and managed by a PRC asset management company. Details of the asset management scheme are set out in note 23(b).

19. FACTORING ASSETS

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Factoring assets	664,756	1,339,763
Less: impairment allowances	<u>(6,777)</u>	<u>(15,448)</u>
	<u>657,979</u>	<u>1,324,315</u>
Analysed for reporting purposes as:		
Current assets	657,979	1,255,085
Non-current assets	<u>—</u>	<u>69,230</u>
	<u>657,979</u>	<u>1,324,315</u>

The effective interest rates of the factoring assets range mainly from 7.20% to 27.82% and 5.00% to 16.93% per annum as at 31 December 2015 and 2016 respectively. The management reviews and assesses for impairment on a collective basis and continues to monitor any significant changes.

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

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	664,756	1,294,598
Past due but not individually impaired	<u>—</u>	<u>45,165</u>
Subtotal	<u>664,756</u>	<u>1,339,763</u>
Less: impairment allowances	<u>(6,777)</u>	<u>(15,448)</u>
	<u><u>657,979</u></u>	<u><u>1,324,315</u></u>

Movement in the impairment allowances is as follows:

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	918	6,777
Impairment losses provided	<u>5,859</u>	<u>8,671</u>
At 31 December	<u><u>6,777</u></u>	<u><u>15,448</u></u>

20. STRUCTURED DEPOSIT

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

21. BANK BALANCES AND CASH

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

	2015	2016
	%	%
Range of interest rates (per annum)	<u>0.01~0.35</u>	<u>0.01~0.35</u>

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

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Hong Kong Dollars ("HK\$")	127	6,410
US Dollars ("US\$")	<u>7</u>	<u>12</u>
	<u>134</u>	<u>6,422</u>

22. OTHER PAYABLES AND ACCRUALS

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Accrued charges	2,950	7,199
Other tax payables	902	3,797
Advance receipt from customers	—	3,124
Deposits from customers	—	3,955
Other payables	<u>50</u>	<u>144</u>
	<u>3,902</u>	<u>18,219</u>

23. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS/BANK AND OTHER BORROWINGS

(a) Financial assets sold under repurchase agreements

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Factoring assets (note)	<u>—</u>	<u>83,509</u>

Note: The contract terms of the financial assets sold under repurchase agreements are within one year. Further details are set out in note 30(d).

(b) Bank and other borrowings

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount repayable within one year:		
– Secured bank loans	37,030	—
– Secured entrusted loan (note i)	—	100,101
– Loans from an asset management scheme (note ii)	<u>—</u>	<u>42,397</u>
Amounts shown under current liabilities	<u>37,030</u>	<u>142,498</u>

Notes:

- (i) The entrusted loan is a fixed-rate borrowing from a PRC non-bank financial institution carrying a fixed-rate at 6.70% per annum and repayable within one year, guaranteed by a parent company of a debtor.
- (ii) The scheme was set up for investment in the factoring assets transferred from SY Factoring Limited, a PRC subsidiary of the Company, with principal amount of RMB42,000,000. The effective interest rate of the above loans was 7.5% per annum as at 31 December 2016. The cash received from the asset management scheme by SY Factoring Limited is accounted for loan from an asset management scheme and the remaining balance of the loan as at 31 December 2016 is RMB42,397,000. Details of the transfer of financial assets are set out in note 30(d).

The Group's borrowings are all fixed-rate borrowings and repayable within one year during the Track Record Period. The ranges of effective interest rates, which are also equal to contracted interest rates, on the Group's borrowings are as follows:

	2015	2016
	%	%
Range of fixed-rate borrowings interest rates (per annum)	<u>5.00~5.29</u>	<u>6.70~7.50</u>

24. SHARE CAPITAL

The share capital presented as at 31 December 2015 represented the share capital of Sheng Ye International Capital Limited and the share capital presented as at 31 December 2016 represented the aggregate of share capital of Sheng Ye International Capital Limited, Nice Day Corporation Limited and the Company in issue as at those dates.

(a) The Company

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

(b) Nice Day Corporation Limited

On 1 December 2015, Nice Day Corporation Limited was incorporated in Hong Kong with 1 authorised ordinary share of HK\$1 and the share was allotted and issued as fully paid to an initial subscriber on the date of incorporation and outstanding as at 31 December 2015 and 2016. On 11 January 2016, Mr. Tung Chi Fung acquired one share of Nice Day Corporation Limited at a consideration of HK\$1 from the initial subscriber.

(c) Sheng Ye International Capital Limited

On 24 September 2013, Sheng Ye International Capital Limited incorporated in the BVI with 50,000 authorised ordinary share of US\$1 each. On 27 May 2016, the authorised share capital of Sheng Ye International Capital Limited was increased from US\$50,000 to US\$100,000,000 divided into 100,000,000 ordinary shares of US\$1 each. The issued and fully paid share capital are US\$50,000 and US\$100,000,000 as at 31 December 2015 and 2016 respectively.

25. OPERATING LEASE COMMITMENTS

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

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

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,433	2,180
After one year but within five years	<u>48</u>	<u>3,065</u>
	<u><u>1,481</u></u>	<u><u>5,245</u></u>

26. CAPITAL COMMITMENTS

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for:		
Capital expenditure for acquisition of equipment	<u>—</u>	<u>6</u>

27. RETIREMENT BENEFIT SCHEME

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

The Group participates in a state-managed defined contribution retirement scheme organised by the relevant local government authority in the PRC. PRC employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The Group is required to make monthly contributions to the retirement scheme of the eligible employees at specified percentage, ranging from 13% to 20% for both years ended 31 December 2015 and 2016, 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 in respect of contributions paid or payable to the schemes by the Group for the year ended 31 December 2015 and 2016 is RMB376,000 and RMB816,000 respectively.

28. RELATED PARTY TRANSACTIONS**(a) Related party balances***(i) Amounts due from related parties*

Name of Related Party	Relationship	At		Maximum outstanding during the year ended 31 December		
		1 January	At 31 December	2015	2015	2016
		2015	2015	2016	2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sheng Ye Financial Leasing Company Limited	Fellow subsidiary	—	5	—	5	25
Sheng Ye International Leasing Limited	Fellow subsidiary	66	96	—	96	1,330
Sheng Ye Financial Group Limited	Fellow subsidiary	14	36	—	36	56
Wisdom Cosmos Limited	Immediate holding company	—	—	1	—	1
		<u>80</u>	<u>137</u>	<u>1</u>	<u>137</u>	<u>1,412</u>

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

(ii) Amounts due to related parties

Name of Related Party	Relationship	At 31 December	
		2015	2016
		RMB'000	RMB'000
Mr. Tung Chi Fung	Controlling shareholder	<u>—</u>	<u>4,527</u>

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

(iii) Loans from related parties

	Relationship	At 31 December	
		2015 RMB'000	2016 RMB'000
Tianjin Sheng Ye Financial Leasing Company Limited(note i)	Fellow subsidiary	—	59,265
Sheng Ye Financial Leasing Company Limited (note i)	Fellow subsidiary	—	11,851
Mr. Tung Chi Fung (note ii)	Controlling shareholder	—	407,792
		<u>—</u>	<u>478,908</u>

Notes:

- (i) The amounts represent two loans, due within one year, from fellow subsidiaries and carry interest at 5.00% and 6.00% per annum, respectively. As at 31 December 2016, the aggregate remaining loan principal is RMB69,200,000 with a total carrying amount of RMB71,116,000.
- (ii) The amount represents a loan, due within one year, from the controlling shareholder of the Company carrying interest at 4.50% per annum. As at 31 December 2016, the remaining loan principal is RMB400,000,000 with a total carrying amount of RMB407,792,000.

The Directors confirm that the above amounts due from (to) related parties and loans from related parties will be settled before the Listing.

(b) Related party transactions*(i) Interest on loans from related parties*

Name of Related Party	Relationship	2015	2016
		RMB'000	RMB'000
Tianjin Sheng Ye Financial Leasing Company Limited	Fellow subsidiary	—	3,117
Sheng Ye Financial Leasing Company Limited	Fellow subsidiary	—	651
Mr. Tung Chi Fung	Controlling shareholder	—	8,587
		<u>—</u>	<u>12,355</u>

(ii) Purchase of intangible assets

Name of Related Party	Relationship	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>
Tianjin Sheng Ye Financial Leasing Company Limited	Fellow subsidiary	—	182

(iii) Purchase of equipment

Name of Related Party	Relationship	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>
Sheng Ye Supply Chain Management Service (Shenzhen) Company Limited	Fellow subsidiary	—	13

(c) Compensation of key management personnel

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

	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>
Salaries, allowances and other benefits	2,330	5,845
Retirement benefit scheme contributions	25	113
	<u>2,355</u>	<u>5,958</u>

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.

29. 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 Track Record Period.

The capital structure of the Group consists of loans from related parties as set out in note 28, financial assets sold under repurchase agreements and bank and other borrowings as set out in note 23, 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 loan borrowings.

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Financial asset		
Designated at FVTPL - structured deposit	—	10,000
Available-for-sale investment	—	1,000
Loans and receivables — factoring assets	657,979	1,324,315
Loans and receivables — others (including bank balances and cash)	<u>51,396</u>	<u>105,395</u>
	<u>709,375</u>	<u>1,440,710</u>
Financial liabilities		
Amortised cost	<u>37,080</u>	<u>713,541</u>

(b) Financial risk management objectives and policies

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

Market risk*(i) Currency risk*

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

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

	Assets		Liabilities	
	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000
HK\$	301	6,621	8	4,527
US\$	7	12	—	—

The following table details the Group's sensitivity to a 5% appreciation and depreciation in RMB against HK\$ and US\$, 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.

	2015 RMB'000	2016 RMB'000
HK\$ impact:		
5% appreciation of RMB against HK\$		
Decrease in profit for the year	(15)	(105)
5% depreciation of RMB against HK\$		
Increase in profit for the year	15	105
US\$ impact:		
5% appreciation of RMB against US\$		
Decrease in profit for the year	(1)	(1)
5% depreciation of RMB against US\$		
Increase in profit for the year	1	1

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 Track Record Period.

(ii) Interest rate risk

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

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

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

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

Credit risk

As at 31 December 2015 and 2016, 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 combined statements of financial position.

In order to minimise the credit risk in relation to factoring assets, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. As at 31 December 2015 and 2016, the total past due amount is nil and RMB45,000,000 respectively.

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

The Group's concentration of credit risk on factoring assets as at 31 December 2015 and 2016 included five major customers accounting for 64% and 77% respectively, of the aggregate outstanding balance at the respective year end date.

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

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group, and mitigate the effects of fluctuations in cash flows. The Group relies on loans from related parties as a significant source of liquidity.

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.

	Weighted average effective interest rate %	On demand/ less than 1 month RMB'000	1 month to 3 months RMB'000	4 months to 1 year RMB'000	over 1 year RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2015							
<i>Non-derivative financial assets</i>							
Amounts due from related parties		137	—	—	—	137	137
Factoring assets	12.40	66,961	229,830	393,403	—	690,194	657,979
Other receivables		370	—	—	—	370	370
Bank balances and cash	0.35	50,889	—	—	—	50,889	50,889
		<u>118,357</u>	<u>229,830</u>	<u>393,403</u>	<u>—</u>	<u>741,590</u>	<u>709,375</u>
<i>Non-derivative financial liabilities</i>							
Other payables		50	—	—	—	50	50
Bank and other borrowings	5.12	—	472	37,158	—	37,630	37,030
		<u>50</u>	<u>472</u>	<u>37,158</u>	<u>—</u>	<u>37,680</u>	<u>37,080</u>
As at 31 December 2016							
<i>Non-derivative financial assets</i>							
Designated at FVTPL - structured deposits	2.80	10,000	—	—	—	10,000	10,000
Available-for-sale investment	6.95	—	—	1,052	—	1,052	1,000
Amounts due from related parties		1	—	—	—	1	1
Factoring assets	8.92	147,438	161,532	1,087,171	70,349	1,466,490	1,324,315
Other receivables		1,083	—	—	—	1,083	1,083
Bank balances and cash	0.34	104,311	—	—	—	104,311	104,311
		<u>262,833</u>	<u>161,532</u>	<u>1,088,223</u>	<u>70,349</u>	<u>1,582,937</u>	<u>1,440,710</u>
<i>Non-derivative financial liabilities</i>							
Loans from related parties	4.60	—	11,881	480,132	—	492,013	478,908
Amounts due to related parties		4,527	—	—	—	4,527	4,527
Other payables		144	—	3,955	—	4,099	4,099
Financial assets sold under repurchase agreements	6.50	83,683	—	—	—	83,683	83,509
Bank and other borrowings	6.94	—	1,922	145,953	—	147,875	142,498
		<u>88,354</u>	<u>13,803</u>	<u>630,040</u>	<u>—</u>	<u>732,197</u>	<u>713,541</u>

(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 Track Record Period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable. Set out below is the information about how the fair values of the Group's financial instruments that are measured at fair value are determined, including the valuation techniques and inputs used:

Financial assets	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Sensitivity on unobservable input(s)
	2015	2016			
	RMB'000	RMB'000			
Structured deposit classified as financial assets	—	Assets- 10,000	Level 2	Discounted cash flow. return rate and cash flow are key inputs	N/A
Available-for-sale investment classified as financial assets (note)	—	Assets- 1,000	Level 3	Discounted cash flow. Risk-adjusted discount rate and cash flow are key inputs	The higher discount rate, the lower fair value (note)

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

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

(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 Historical Financial Information approximate their fair values.

(d) Transfers of financial assets

The following were the Group's factoring assets as at 31 December 2016 that were transferred to an asset management company or a financial trading centre platform by discounting those factoring assets on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these factoring assets, it continues to recognise the full carrying amount of the factoring assets and has recognised the cash received on the transfer as a financial assets sold under repurchase agreements and loan from an asset management scheme (note 23) respectively.

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

	Factoring assets <i>RMB'000</i>
Carrying amount of transferred assets	114,617
Carrying amount of associated liabilities	<u>125,906</u>
Net position	<u>(11,289)</u>

31. PARTICULAR OF SUBSIDIARIES

As at the date of this report, the Company has direct and indirect shareholders/equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Particulars of issued and paid up capital	Shareholding/equity interest attributable to the Company as at			Principal activity	Notes
			31 December 2015	2016	date of report		
<i>Directly owned</i>							
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%	100%	Investment holding	
Ever Giant Global Limited (永巨環球有限公司)	BVI 20 January 2016	US\$50,000	N/A	100%	100%	Investment holding	a
Talent Group Global Limited (智連環球有限公司)	BVI 1 November 2016	US\$1	N/A	100%	100%	Investment holding	a

Name of subsidiary	Place and date of incorporation/ establishment	Particulars of issued and paid up capital	Shareholding/equity interest attributable to the Company as at		Principal activity	Notes
			31 December 2015	31 December 2016		
<i>Indirectly owned</i>						
Sheng Ye International Finance Limited (盛業國際金融有限公司)	Hong Kong 9 October 2013	HK\$1	100%	100%	100%	Investment holding c
Nice Day Corporation Limited (麗日有限公司)	Hong Kong 1 December 2015	HK\$1	—	100%	100%	Investment holding c
SY Factoring Limited (盛業商業保理有限公司)	PRC 26 December 2013	US\$100,000,000	100%	100%	100%	Provision of factoring service b
Sheng Ye (Shenzhen) Factoring Limited (盛業(深圳)商業保理有限公司#)	PRC 21 March 2016	RMB50,000,000	N/A	100%	100%	Provision of factoring service a
Sheng Nuo Factoring Limited (盛諾商業保理有限公司#)	PRC 18 September 2016	RMB50,000,000	N/A	100%	100%	Provision of factoring service a
Sheng Peng Factoring Limited (盛鵬商業保理有限公司#)	PRC 19 January 2017	RMB50,000,000	N/A	N/A	100%	Provision of factoring service a
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	N/A	100%	100%	Provision of IT service a

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.

Notes:

- (a) No audited financial statements have been prepared by these subsidiaries since their respective dates of incorporation as they are incorporated/established in the jurisdiction where there are no statutory audit requirements.
- (b) The financial statements of this subsidiary for the years ended 31 December 2015 and 2016 were prepared in accordance with China Accounting Standards for Business Enterprises and were audited by Deloitte Touche Tohmatsu CPA LLP.
- (c) The financial statements of these subsidiaries for the years ended 31 December 2015 and 2016 or from the date of establishment to 31 December 2016 were prepared in accordance with HKFRSs and were audited by Deloitte Touche Tohmatsu.

32. MOVEMENT IN RESERVES OF THE COMPANY

	Share premium <i>RMB'000</i>	Accumulated loss <i>RMB'000</i>	Total <i>RMB'000</i>
At 29 December 2016 (date of incorporation)	—	—	—
Loss and total comprehensive expense for the period	<u>—</u>	<u>(57)</u>	<u>(57)</u>
At 31 December 2016	<u>—</u>	<u>(57)</u>	<u>(57)</u>

33. EVENT AFTER THE REPORTING PERIOD

The following events and transactions took place subsequent to 31 December 2016:

As part of the Group Reorganisation, on 19 June 2017, a reorganisation agreement was entered into among the Company and Sheng Ye Financial Group Limited, pursuant to which the Company acquired the entire interest in Sheng Ye International Capital Limited from Sheng Ye Financial Group Limited. Details of the Group Reorganisation are disclosed in section headed “History, Reorganisation and Development” in this Prospectus.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2016 and up to the date of this report.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the accountants' report on the historical financial information of the Group (the "Accountants' Report") for the two years ended 31 December 2016 issued by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus (the "Accountants' Report"), and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountants' Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Global Offering on the audited combined net tangible assets of the Group as if the Global Offering had taken place on 31 December 2016.

The unaudited pro forma statement of adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 31 December 2016 or at any future dates following the Global Offering.

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group as at 31 December 2016 is prepared based on the audited combined net assets of the Group as at 31 December 2016 as derived from the Accountants' Report the text of which is set out in Appendix I to this prospectus and adjusted as described below.

	Audited combined net tangible assets of the Group as at 31 December 2016 RMB'000 (note 1)	Estimated net proceeds from Global Offering RMB'000 (note 2)	Unaudited pro forma adjusted combined net tangible assets of the Group as at 31 December 2016 RMB'000	Unaudited pro forma adjusted combined net tangible assets of the Group per Share as at 31 December 2016	
				<i>RMB</i>	<i>HK\$</i>
				<i>(note 3)</i>	<i>(note 4)</i>
Based on an Offer					
Price of HK\$1.80 per Share	707,126	270,520	977,646	1.32	1.49
Based on an Offer					
Price of HK\$2.20 per Share	707,126	333,388	1,040,514	1.41	1.59

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited combined net tangible assets of the Group as at 31 December 2016 has been derived from the audited combined financial information in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, which is based on the audited combined total equity of the Group as at 31 December 2016 of approximately RMB709,197,000 less the intangible assets of the Group as at 31 December 2016 of approximately RMB2,071,000.
- (2) The estimated net proceeds from the Global Offering are based on 185,000,000 Shares to be issued under the Global Offering and the Offer Price of HK\$1.80 and HK\$2.20 per Share, being the lower-end and higher-end of the indicated Offer Price range respectively, after deducting underwriting commissions and other estimated expenses incurred or to be incurred by the Group (excluding listing expenses which has been charged to profit or loss up to 31 December 2016 by the Group). The calculation of such estimated net proceeds does not take into account the Shares to be allotted and issued upon the exercise of the Over-allotment Option, the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by the Company pursuant the general mandates granted to the directors of the Company to allot and issue or repurchase Shares. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of RMB0.885 to HK\$1.00, which was the PBOC rate prevailing on 31 December 2016. No representation is made that Hong Kong dollars amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at all.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group per Share is calculated after the adjustments referred to in note (2) above and based on 740,000,000 Shares expected to be in issue assuming that the Capitalisation Issue and the Global Offering had been completed on 31 December 2016, but without taking into account the Shares to be allotted and issued upon the exercise of the Over-allotment Option, the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by the Company pursuant the general mandates granted to our Directors to allot and issue or repurchase Shares.
- (4) The unaudited pro forma adjusted combined net tangible assets of the Group per Share is converted from Renminbi into Hong Kong dollars at the rate of RMB0.885 to HK\$1.00, which was the PBOC rate prevailing on 31 December 2016. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.
- (5) No adjustment has been made to the unaudited combined net tangible assets of the Group as at 31 December 2016 to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2016.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in relation to the Group's unaudited pro forma financial information.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Sheng Ye Capital Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sheng Ye Capital Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at 31 December 2016 and related notes as set out on pages 1 to 2 of Appendix II to the prospectus issued by the Company dated 26 June 2017 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 1 to 2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited by way of global offering (the "Global Offering") on the Group's financial position as at 31 December 2016 as if the Global Offering had taken place at 31 December 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for the two years ended 31 December 2016, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2016 would have been as presented.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 June 2017

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 December 2016 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

- 1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- 1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 19 June 2017 and will become effective on the Listing Date. A summary of certain provisions of the Articles is set out below.

2.1 Shares

2.1.1 *Classes of shares*

The share capital of the Company consists of ordinary shares.

2.1.2 *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.1.3 Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

2.1.4 Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

2.1.5 Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

2.1.6 Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

2.1.7 Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

2.2 Directors

2.2.1 Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (a) resign;
- (b) dies;
- (c) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (d) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (e) he is prohibited from being or ceases to be a director by operation of law;
- (f) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (g) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (h) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

2.2.2 Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

2.2.3 Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

2.2.4 Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

2.2.5 Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

2.2.6 Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

2.2.7 Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

2.2.8 Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (a) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (d) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

- (e) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.2.9 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.4 Meetings of member

2.4.1 Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

2.4.2 Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (a) at least two members;
- (b) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (c) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

2.4.3 Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

2.4.4 Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

2.4.5 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

2.4.6 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

2.5 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.6 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- 2.6.1 all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

2.6.2 all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

2.6.3 the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.7 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.8 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3.6 of this Appendix.

2.9 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

2.9.1 if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

2.9.2 if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.10 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3 CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 29 December 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

3.2 Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- 3.2.1 paying distributions or dividends to members;
- 3.2.2 paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- 3.2.3 any manner provided in section 37 of the Cayman Companies Law;
- 3.2.4 writing-off the preliminary expenses of the company; and
- 3.2.5 writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company’s or a subsidiary’s shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm’s-length basis.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- 3.10.1 no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- 3.10.2 no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (a) on or in respect of the shares, debentures or other obligations of the Company; or
 - (b) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 31 January 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

3.15 Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 29 December 2016. Our Company has established a place of business in Hong Kong at Room 4206, 42/F, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 14 February 2017. In connection with such registration, Mr. Tung has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Companies Law and its constitution, which comprises its Memorandum of Association and Articles of Association. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in authorised and issued share capital of our Company

- (a) Our Company was incorporated in the Cayman Islands on 29 December 2016 with an authorised share capital of our Company of HK\$10,000 divided into 1,000,000 Shares of HK\$0.01 each. On the date of incorporation, one subscriber Share, credited as fully paid, was transferred to Wisdom Cosmos from Reid Services Limited at a nominal consideration of HK\$0.01.
- (b) On 19 June 2017, pursuant to the reorganisation agreement dated 19 June 2017, our Company acquired the entire issued share capital of SYIC from SY Financial, and in consideration thereof, our Company issued and allotted one Share, credited as fully paid, to Wisdom Cosmos.
- (c) Pursuant to the written resolutions of the sole Shareholder passed on 19 June 2017, the authorised share capital of the Company was increased from HK\$10,000 to HK\$50,000,000 by the creation of an additional 4,999,000,000 Shares.
- (d) Immediately following the completion of the Global Offering and the Capitalisation Issue, without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK\$50,000,000 divided into 5,000,000,000 Shares, of which 740,000,000 Shares will be allotted and issued, fully paid or credited as fully paid and 4,260,000,000 Shares will remain unissued. Other than the Shares issuable pursuant to the exercise of the Over-allotment Option or any options which may fall to be granted under the Share Option Scheme, or the exercise of the general mandate referred to in “A. Further information about our Company and our subsidiaries — 3. Written resolutions of the sole Shareholder” in this Appendix, our Directors have no present intention to issue any part of the authorised but unissued capital of our Company, and without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

- (e) Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of the sole Shareholder

Pursuant to the written resolutions passed by the sole Shareholder on 19 June 2017, inter alia:

- (a) the authorised share capital of our Company was increased from HK\$10,000 divided into 1,000,000 Shares of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 Shares of HK\$0.01 each by the creation of an additional 4,999,000,000 Shares of HK\$0.01 each;
- (b) conditional on the conditions as set out in “Structure and Conditions of the Global Offering” of this prospectus:
- (i) the Global Offering and the Over-allotment Option were approved and our Directors were authorised to (aa) allot and issue the Offer Shares and Shares which may be required to be allotted and issued upon the exercise of the Over-allotment Option pursuant to the Global Offering to rank pari passu with the then existing Shares in all respects; (bb) implement the Global Offering and the listing of Shares on GEM; and (cc) do all things and execute all documents in connection with or incidental to the Global Offering and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
- (ii) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise HK\$5,549,999.98 standing to the credit of the share premium account of our Company towards paying up in full at par of a total 554,999,998 Shares for allotment and issue of 554,999,998 Shares to Wisdom Cosmos;
- (iii) the rules of the Share Option Scheme, the principal terms of which are set out in “D. Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options that may be granted under the Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Share Option Scheme;
- (iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issues or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of our subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of our Company in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific

authority granted by our Shareholders in general meeting, Shares not exceeding the aggregate of (1) 20% of the number of the Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme); and (2) the number of shares repurchased under the Repurchase Mandate as defined in paragraph (v) below. Such mandate shall remain in effect until whichever is the earliest of:

- (1) the conclusion of the next annual general meeting of our Company;
 - (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or
 - (3) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;
- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the number of the Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), such mandate shall remain in effect until whichever is the earliest of:
- (1) the conclusion of the next annual general meeting of our Company;
 - (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or
 - (3) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;

- (vi) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the aggregate number of the Share which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the aggregate number of the Share repurchased by our Company pursuant to the Repurchase Mandate referred to in paragraph (v) above provided that such extended amount shall not exceed 10% of the number of the Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue excluding any Shares which may be issued upon exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme; and
- (vii) our Company approved and adopted the Memorandum of Association and Articles of Association, the terms of which are summarised in Appendix III to this prospectus.

4. Reorganisation

The companies comprising our Group underwent a Reorganisation in preparation for the Listing, details of which are set out in the section “History, Reorganisation and Development — Reorganisation” of this prospectus. Following the Reorganisation, our Company became the holding company of our Group.

Diagrams showing our Group structure after the Reorganisation and immediately upon completion of the Capitalisation Issue and the Global Offering (assuming that no Share has been allotted and issued pursuant to the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme) are set out in the section “History, Reorganisation and Development — Reorganisation” of this prospectus.

5. Changes in share capital of subsidiaries

Our Company’s subsidiaries are referred to in the accountant’s report, the text of which is set out in Appendix I to this prospectus.

Save as mentioned in the section “History, Reorganisation and Development — Corporate History”, there was no change in the share capital of the major subsidiaries of our Company during the two years preceding the date of this prospectus.

Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

6. Repurchase by our Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the resolutions passed by the sole Shareholder on 19 June 2017, a general mandate was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the number of the Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering. The general mandate will remain in effect until whichever is the earliest of: (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable Cayman Islands law; or (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking, varying or renewing such mandate.

(ii) Source of funds

Any repurchases must be financed out of funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association and any applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands law, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of share made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium accounts of our Company, or if authorised by the Articles of Association and subject to the Companies Law, out of capital.

(iii) Trading restrictions

A company is authorised to repurchase on the GEM or on any other stock exchange recognised by the SFC in Hong Kong and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the number of issued shares of that company or warrants to subscribe for shares in that company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on the GEM if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on the GEM if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the GEM.

(iv) Status of repurchased securities

The listing of all repurchased securities (whether on the GEM or otherwise) is automatically cancelled and the relevant certificates must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate number of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

Any securities repurchase programme is required to be suspended after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of a company's interim report, a company may not purchase its securities on the GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the GEM if a company has breached the GEM Listing Rules.

(vi) Reporting requirements

Repurchases of securities on the GEM or otherwise must be reported to the Stock Exchange not later than 9:00 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on the GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) Connected parties

Under the GEM Listing Rules, a company shall not knowingly repurchase shares from a core connected person (as defined in the GEM Listing Rules) and a core connected person shall not knowingly sell his shares to the company.

(b) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 740,000,000 Shares in issue immediately after Listing, could accordingly result in up to 74,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(c) Reasons for repurchases

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share.

(d) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with our Memorandum of Association and Articles of Association and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) General

None of our Directors, to the best of their knowledge having made all reasonable enquiries, nor any of their close associates currently intend to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, our Memorandum and Articles and the applicable laws of the Cayman Islands.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event that the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code due to any repurchase made pursuant to the Repurchase Mandate immediately after the Listing.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts










The following contracts (not being contracts entered into the ordinary course of business of our Group) had been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) a reorganisation agreement dated 19 June 2017 made between our Company as purchaser, SY Financial as vendor and Mr. Tung as warrantor in relation to our Company's acquisition of the entire issued share capital of SYIC from SY Financial, and in consideration of which our Company issued and allotted one Share, credited as fully paid, to Wisdom Cosmos;
- (b) a sale and purchase agreement dated 14 March 2017 made between our Company, TGG as purchaser and Mr. Tung as vendor in relation to TGG's acquisition of the entire issued share capital of Nice Day from Mr. Tung, and in consideration of which TGG issued and allotted 1 share in TGG, credited as fully paid, to our Company;
- (c) the Deed of Indemnity;
- (d) the Deed of Non-Competition;
- (e) the Hong Kong Underwriting Agreement;
- (f) a cornerstone investment agreement dated 22 June 2017 made between our Company and Mason Strategic Investments (Asia) Limited pursuant to which Mason Strategic Investments (Asia) Limited has agreed to subscribe for, at the Offer Price, 29,600,000 Offer Shares;
- (g) a cornerstone investment agreement dated 22 June 2017 made between our Company and Renowned Idea Investments Limited pursuant to which Renowned Idea Investments Limited has agreed to subscribe for, at the Offer Price, 7,400,000 Offer Shares; and
- (h) a cornerstone investment agreement dated 22 June 2017 made between our Company and Mr. Yeung Chi Hang pursuant to which Mr. Yeung Chi Hang has agreed to subscribe for, at the Offer Price, 7,400,000 Offer Shares.

2. Intellectual property rights of our Group

(a) Trademarks

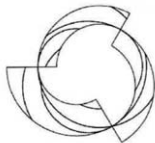

As at the Latest Practicable Date, our Group is in the process of registering the following trademarks which are material to our Group's business:

Trademark	Place of registration	Application number(s)	Registrant	Class (Note)	Date of application
	Hong Kong	304036761	Ever Giant	36	2 February 2017
					
	Hong Kong	304036752	Ever Giant	36	2 February 2017
					
	Hong Kong	304121559	Ever Giant	36	26 April 2017
					
	Hong Kong	304121568	Ever Giant	36	26 April 2017
					
					

Note:

Class 36: Financial affairs; monetary affairs; financial analysis; capital investment; financial evaluation; financial services; financial management and consultancy services; transacting and trading of financial instruments; providing trading service of financial instruments via an electronic marketplace; providing financial information including information in the fields of factoring; lease-purchase financing; finance lease of other kinds of assets.

As at the Latest Practicable Date, our Group had applied for registration of the following trademark in the PRC:

Trademark	Place of registration	Application number(s)	Name of applicant	Class (Note)	Date of application
	PRC	21932718	Ever Giant	36	17 November 2016
	PRC	21932719	Ever Giant	36	17 November 2016

Note:

Class 36: Insurance information; funds investment; capital investment; financial services; financing leases; immovable assets agency; agency; guarantee; trust; pledge

(b) Domain names

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain name	Registrant	Date of registration	Expiry date
shengyecapital.com (Note)	SYIT	21 September 2013	21 September 2019
shengyefinance.com (Note)	SYIT	21 September 2013	21 September 2019
syfactoring.com	SYIT	21 September 2013	21 September 2019

Information contained in the above websites does not form part of this prospectus.

Note:

The Group ceased to use the domain name shengyefinance.com and has switched to using the domain name shengyecapital.com since April 2017.

(c) Software copyright

As at the Latest Practicable Date, our Group is the registered owner of the following computer software copyright:

Name of software	Place of registration	Registration number	Registrant	First publication date
SY Factoring Software V.10* (盛業企業商業保理軟件V.10)	PRC	2016SR318429	SYIT	5 July 2016

Save as disclosed herein and in the section “Business — Intellectual property” of this prospectus, there are no other trade or service marks, patents, copyrights, other intellectual or industrial property rights which are material to the business of our Group.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF**1. Directors***(a) Disclosure of interests of Directors*

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme, the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 and 5.67 of the GEM Listing Rules, will be as follows:

Long position in the Shares

Name of Directors	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Tung (<i>Note 2</i>)	Beneficiary of a trust and settlor of discretionary trust	555,000,000 (L)	75%

Note:

(1) The letter “L” denotes long position of the Shares.

- (2) Wisdom Cosmos will be the beneficial owner of 555,000,000 Shares, representing 75% shareholding interests in the Company immediately after the Global Offering and the Capitalisation issue (without taking into account of the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme). The entire issued share capital of Wisdom Cosmos is owned by Eander, which is in turn wholly owned by TMF Trust, trustee of the PJ Trust, a trust set up by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, the TMF Trust and Eander are deemed to be interested in all the Shares registered in the name of Wisdom Cosmos.

(b) Particulars of service contracts

Each of our executive Directors has entered into a service contract with our Company for an initial fixed term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party. Commencing from the Listing Date, each of our executive Directors is entitled to an annual salary set out below, such salary to be reviewed annually by our Board and the remuneration committee of our Company.

In addition, each of our executive Directors is entitled to such discretionary bonus by reference to our Group's audited net profit after taxation but before extraordinary items of our Group for the relevant year as our Board and the Remuneration Committee may approve, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, discretionary bonus and other benefits payable to him/her. The basic annual salary of our executive Directors are as follows:

Name	Amount <i>(HK\$)</i>
Mr. Tung	1,200,000
Chen Jen-Tse	1,695,000

Each of Tsoon Wai Mun, Benjamin, Loo Yau Soon and Hung Ka Hai Clement, being our independent non-executive Directors, has entered into a letter of appointment with our Company for an initial term commencing from the Listing Date and shall continue thereafter subject to a maximum of three years unless terminated by either party giving not less than one month's notice in writing. Commencing from the Listing Date, Tsoon Wai Mun, Benjamin, Loo Yau Soon and Hung Ka Hai Clement will be entitled to an annual director's fee of HK\$120,000, HK\$180,000 and HK\$360,000 respectively.

Save as disclosed above, none of our Directors has or is proposed to enter into a service contract/letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' remuneration

Our Company's policies concerning remuneration of executive Directors are:

- (i) the amount of remuneration payable to our executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to our Group by the relevant Director;
- (ii) non-cash benefits may be provided to our Directors under their remuneration package; and
- (iii) our executive Directors may be granted, at the discretion of our Board, share options of our Company, as part of the remuneration package.

An aggregate sum of approximately RMB1.6 million and RMB1.5 million was paid to our Directors as remuneration and benefits in kind by our Group for the two years ended 31 December 2015 and 2016, respectively. Further information in respect of our Directors' remuneration is set out in note 12 to the accountant's report in Appendix I to this prospectus.

An aggregate sum of approximately RMB2 million will be paid to our Directors as remuneration and benefits in kind by our Group for the year ending 31 December 2017 under the arrangements in force at the date of this prospectus excluding management bonus.

2. Substantial shareholders

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Global Offering and taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme, the following persons/entities (not being our Directors or chief executive of our Company) will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO,

or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Long positions in Shares, underlying Shares and debentures

Name	Capacity/ Nature of Interest	Number of Shares held immediately after completion of the Global Offering and the Capitalisation Issue	Approximate percentage of interests in our Company immediately after completion of the Global Offering and the Capitalisation Issue
TMF Trust (<i>Note 2</i>)	Trustee	555,000,000 (L)	75%
Eander (<i>Note 2</i>)	Interest in a controlled corporation	555,000,000 (L)	75%
Wisdom Cosmos (<i>Note 2</i>)	Beneficial owner	555,000,000 (L)	75%

Note:

- (1) The letter “L” denotes long position of the Shares.
- (2) Wisdom Cosmos will be the beneficial owner of 555,000,000 Shares, representing 75% shareholding interests in the Company immediately after the Global Offering and the Capitalisation issue (without taking into account of the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme). The entire issued share capital of Wisdom Cosmos is owned by Eander, which is in turn wholly owned by the TMF Trust, trustee of the PJ Trust, a trust set up by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, the TMF Trust and Eander are deemed to be interested in all the Shares registered in the name of Wisdom Cosmos.

3. Related party transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in note 28 of the accountant’s report set out in Appendix I to this prospectus.

4. Disclaimers

Save as disclosed in this Appendix and the section headed “Substantial Shareholders” of this prospectus:

- (a) and taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Capitalisation Issue and the Global Offering will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group;
- (b) none of our Directors and chief executive of our Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;
- (c) none of our Directors nor the experts named in “E. Other information — 7. Qualifications of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group; and
- (e) none of the experts named in “E. Other information — 7. Qualifications of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. SHARE OPTION SCHEME**1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by the sole Shareholder on 19 June 2017.

For the purpose of this section, unless the context otherwise requires:

“Board”	means our board of Directors from time to time or a duly authorised committee thereof;
“Eligible Person”	means any full-time or part-time employee of our Company or any member of our Group, including any executive, non-executive directors and independent non-executive directors, advisors, consultants, professionals, customers, suppliers, agents or partners of our Company or any of our subsidiaries;
“Option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme;
“Option Period”	means in respect of any particular Option, the period to be determined and notified by our Board to each Participant;
“Other Schemes”	means any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted;
“Participant”	means any 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;
“Shareholders”	means shareholders of our Company from time to time;
“Subsidiary”	means a company which is for the time being and from time to time a subsidiary (within the meaning of the GEM Listing Rules) of our Company, whether incorporated in Hong Kong or elsewhere; and
“Trading Day”	means a day on which trading of Shares take place on the Stock Exchange.

(a) Purpose of the Share Option Scheme

The Share Option Scheme enables our Company to grant Options to Eligible Persons as incentives or rewards for their contributions to our Group.

(b) Who may join and basis of eligibility

Our 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 our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of not less than 5 business 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, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(c) Grant of Option

Any grant of Options must not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules), and (b) the deadline for our Company to publish an announcement of its results for any year, half-year, quarter-year period or any interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, 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 announcement. Our Directors may not grant any Option to an Eligible Person during the periods or times in which directors of the listed issuer are prohibited from dealing in shares pursuant to Rules 5.48 to 5.67 prescribed by the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and 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, our 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, our Company must send a circular to our Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the GEM Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders' meeting and the date of meeting of our 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 our 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 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, our Company has been listed for less than five Trading Days, the Offer Price shall be used as the closing price for any Trading Day falling within the period before the Listing Date.

(e) Maximum number of Shares

- (i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") provided that Options lapsed in accordance with the terms of the Shares Option Scheme or Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 740,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 74,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.
- (ii) Subject to the approval of Shareholders in general meeting, our 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), our Company shall send a circular to our Shareholders containing the information required by the GEM Listing Rules.
- (iii) Subject to the approval of Shareholders in general meeting, our 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 our Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), our Company shall send a circular to our Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the GEM Listing Rules.

- (iv) Notwithstanding the foregoing, our 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 our 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 our Board to each Participant, which our Board may in its absolute discretion determine.

(g) Rights are personal to grantee

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Participant shall entitle our Company to cancel any Option or any part thereof granted to such Participant (to the extent not already exercised) without incurring any liability on our Company.

(h) Rights on death

If a Participant dies before exercising the Options in full, his or her personal representative(s) may exercise the Options in full (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death, failing which such Options will lapse.

(i) Changes in capital structure

In the event of any alteration in the capital structure of our Company while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of capital of our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to the Options so far as unexercised, and/or the exercise price, and/or the method of the Options, and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must give a Participant the same proportion of the equity capital as that to which that Participant was previously entitled and shall be made on the basis that the aggregate exercise price payable by a Participant on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value and, unless with the prior approval of the Shareholders in general meeting, no such adjustments may be made to the advantage of the Participant. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect

of any such adjustments, other than any made on a capitalisation issue, an independent financial adviser of our Company or the auditors of our Company must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules and the supplementary guidance set out in the letter issued by the Stock Exchange dated 5 September 2005 and any further guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

(j) *Rights on take-over*

If a general offer has been made to all our Shareholders (other than the offeror and/or any persons acting in concert with the offeror), to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her outstanding Option in full or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, “acting in concert” shall have the meaning ascribed to it under the Takeovers Code as amended from time to time.

(k) *Rights on a compromise or arrangement*

- (i) In the event of a notice is given by our Company to our Shareholders to convene a Shareholders’ meeting for the purpose of considering and approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the Participants and the Participants may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Options (such notice to be received by our Company not later than two business days prior to the proposed meeting) exercise the outstanding Option either in full or in part and our Company shall, as soon as possible and in any event no later than the business day immediately prior to the date of the proposed Shareholders’ meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise.
- (ii) In the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in Rule 10.18(3) of the GEM Listing Rules), our Company shall give notice thereof to all Participants on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme of arrangement, and thereupon the Participants may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Options (such notice to be received by our Company not later than two business days prior to the proposed meeting) exercise the outstanding Option either in full or in part and our Company shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our Company’s share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise credited as fully paid and registered the Participants as holders thereof.

(l) Lapse of Option

An Option shall lapse forthwith and not exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the Option as may be determined by the Board and under the Share Option Scheme;
- (ii) subject to paragraphs (f) and (p), the expiry of the Option Period of the Option;
- (iii) subject to paragraph (k)(i), the date of commencement of the winding-up of our Company;
- (iv) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph (k)(ii);
- (v) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date on which such member of our Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of our Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph shall be conclusive;
- (vi) the happening of any of the following events, unless otherwise waived by our Board:
 - (1) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the Participant (being a corporation); or
 - (2) the Participant (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts or otherwise become insolvent; or
 - (3) there is unsatisfied judgment, order or award outstanding against the Participant or our Company has reason to believe that the Participant is unable to pay or has no reasonable prospect of being able to pay his/her/its debts; or
 - (4) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of type mentioned in sub-paragraphs (1), (2) and (3) above; or
 - (5) a bankruptcy order has been made against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or

- (6) a petition for bankruptcy has been presented against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or
- (vii) the date the Participant commits any breach of any terms or conditions attached to the grant of the Option, unless otherwise resolved to the contrary by our Board; or
- (viii) the date on which our Board resolves that the Participant has failed or otherwise is or has been unable to meet the continuing eligibility criteria.

(m) Ranking of Shares

Shares allotted and issued upon the exercise of an Option will be subject to our Articles of Association as amended from time to time and will rank *pari passu* in all respects with the fully paid or credited as fully paid Shares in issue on the date of such allotment or issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment or issue.

(n) Cancellation of Options granted

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the grantee concerned in writing.

In the event that our Board elects to cancel any Options and issue new ones to the same grantee, the issue of such new Options may only be made with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

(o) Period of Share Option Scheme

The Share Option Scheme will be valid and effective for a period of ten years commencing on the Listing Date, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(p) Alteration to and termination of Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board, except that the provisions of the Share Option Scheme relating to matters contained in Chapter 23 of the GEM Listing Rules shall not be altered to the advantage of the Participant or the prospective Participants without the prior approval of our Shareholders in general meeting (with the Eligible Persons, the Participants and their respective close associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Participants as would be required by our Shareholders under our Articles of Association (as amended from time to time) for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Share Option Scheme, which are of a material nature shall first be approved by the Stock Exchange, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Our Company may, by ordinary resolution in general meeting, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to our Shareholders seeking approval for the first new scheme to be established after such termination.

(q) Granting of Options to a director, chief executive or substantial shareholder of our Company or any of their respective associates

Where Options are proposed to be granted to a director, chief executive or substantial shareholder of our Company or any of their respective associates, the proposed grant must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to a substantial shareholder of our Company or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Share Option Scheme or Other Schemes in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue from time to time, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK\$5 million, then the proposed grant of Options must be approved by our Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting at such general meeting, except that any connected person may vote against the resolution provided that his or her intention to do so has been stated in the circular. The circular must contain the information required under the GEM Listing Rules.

In addition, Shareholders' approval as described above will also be required for any change in terms of the Options granted to an Eligible Person who is a substantial shareholder of our Company, an independent non-executive Director or their respective associates.

The circular must contain the following:

- (i) details of the number and terms of the Options (including the subscription price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the subscription price;
- (ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the Options in question) to independent Shareholders, as to voting; and
- (iii) all other information as required by the GEM Listing Rules.

For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the GEM Listing Rules) of our Company set out in this paragraph (q) do not apply where the Eligible Person is only a proposed Director or proposed chief executive of our Company.

(r) Conditions of Share Option Scheme

The Share Option Scheme is conditional on (i) the passing of a resolution to adopt the Share Option Scheme by our Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of Options.

Application has been made to the Listing Division for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options that may be granted under Share Option Scheme.

(s) Present status of the Share Option Scheme

As at the Latest Practicable Date, no options had been granted or agreed to be granted by our Company under the Share Option Scheme.

The terms of the Share Option Scheme are in compliance with Chapter 23 of the GEM Listing Rules.

E. OTHER INFORMATION**1. Tax and other indemnities**

Each of our Controlling Shareholders (collectively, the “**Indemnifiers**”) has entered into the Deed of Indemnity (being the material contract referred to in “B. Further information about the business of our Group — 1. Summary of material contracts — (c) the Deed of Indemnity” in this Appendix) with and in favour of our Company (for itself and as trustee for each of our present subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters:

- (a) any tax liabilities which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received, or of any transactions entered into, or the occurrence of any matters or things on or up to the date on which the Global Offering becomes unconditional (the “**Effective Date**”), save for any taxation the extent that:
 - (i) full provision has been made for such taxation in the audited accounts of our Group for the two years ended 31 December 2016 (the “**Accounts**”) as set out in Appendix I to this prospectus;
 - (ii) falling on any member of our Group on or after 1 January 2017, unless the liability for taxation would not have arisen but for any act or omission of, or delay by, or transactions voluntarily effected by any member of our Group (whether alone or in conjunction with some other act, omission, delay or transaction, whenever occurring) without the prior written consent or agreement of any of the Indemnifiers, but excluding such act, omission, delay or transaction caused by the Group in the ordinary course of its business;
 - (iii) such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority (whether in Hong Kong or any other part of the world) coming into force after the Effective Date or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect; and
 - (iv) any provisions or reserve made for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied pursuant to the deed of indemnity to reduce the Indemnifiers’ liability in respect of taxation shall not be available in respect of any such liability arising thereafter; and
- (b) any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by any member of our Group in respect of any liability which might be payable by any member of our Group arising from any possible or alleged violation or non-compliance with the applicable laws, rules or regulations of the relevant jurisdictions on all matters, including but not limited to the Companies Ordinance and any non-compliance disclosed in this prospectus by any member of the Group before the Listing Date.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands or the BVI or Hong Kong, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

2. Litigation

Save as disclosed in “Business — Legal Proceedings” of this prospectus, neither our Company nor any of our subsidiaries is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

3. Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to the Capitalisation Issue and the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

4. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Dakin Capital Limited as compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

5. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$33,540 and are payable by our Company.

6. Promoter

Our Company has no promoter.

7. Qualifications of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

Name	Qualification
Dakin Capital Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
DeHeng Law Offices (Shenzhen)	Legal advisers to our Company as to PRC law
Appleby	Legal advisers to our Company as to Cayman Islands law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent market research firm

8. Consents of experts

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or summaries thereof (as the case may be) and the references to its name included in this prospectus in the form and context in which it respectively appears.

9. Sponsor's fees

The Sole Sponsor will be paid by our Company a total fee of HK\$4.0 million to act as sponsor to our Company in connection with the Listing.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Miscellaneous

- (a) Save as disclosed in this Appendix and the sections "History, Reorganisation and Development" and "Underwriting" of this prospectus, within the two years preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

- (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
- (iii) no commission has been paid or payable (excluding commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company.
- (b) No share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (c) No founder, management or deferred shares of our Company or any of our subsidiaries has been issued or agreed to be issued.
- (d) Our Directors confirm that, up to the date of this prospectus, save as disclosed in “Summary — Recent Development and No Material Adverse Change”, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2016 (being the date to which the latest audited combined financial statements of our Group were made up), and there had been no event since 31 December 2016 which would materially affect the information as shown in the accountant’s report.
- (e) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this prospectus.
- (f) None of the experts referred to above:
 - (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.
- (g) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (h) Our Company has no outstanding convertible debt securities.
- (i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (j) There are no arrangements under which future dividends are waived or agreed to be waived.

12. Bilingual prospectus

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

13. Taxation of holders of Shares**(a) Hong Kong**

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the Global Offering accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, the written consents referred to in the paragraph headed “E. Other Information — 8. Consents of experts” in Appendix IV to this prospectus, the statement of adjustments to the accountants’ report set forth in Appendix I to this prospectus and copies of the material contracts referred to in the paragraph headed “B. Further Information about the Business of Our Group — 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of TC & Co. of Units 2201-2203, 22nd Floor, Tai Tung Building, 8 Fleming Road, Wan Chai, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles of Association;
2. the audited combined financial statements of our Company for the Track Record Period included in the accountant’s report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
3. the report prepared by Deloitte Touche Tohmatsu on the unaudited pro forma financial information of our Group, the text of which are set out in Appendix II to this prospectus;
4. the report prepared by Deloitte Touche Tohmatsu on the statement of adjustments for the entities comprising our Group for the year ended 31 December 2016;
5. the legal opinion prepared by DeHeng Law Offices (Shenzhen), the legal adviser to our Company as to PRC law, in respect of certain aspects of our Group;
6. the letter of advice prepared by Appleby summarising certain aspects of the Companies Law referred to in Appendix III to this prospectus;
7. the Companies Law;
8. copies of material contracts referred to in the paragraph headed “B. Further Information about the Business of Our Group — 1. Summary of material contracts” in Appendix IV to this prospectus;
9. the service agreements and letters of appointment referred to in the paragraph “C. Further Information about Directors, Management and Staff — Directors” in Appendix IV to this prospectus;

10. the written consents referred to the paragraph headed “E. Other Information — 8. Consents of experts” in Appendix IV to this prospectus;
11. the Share Option Scheme; and
12. the Frost & Sullivan Report.

盛業資本有限公司
Sheng Ye Capital Limited