盛業資本
SHENG YE CAPITAL

SHENG YE CAPITAL LIMITED
盛業資本有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8469

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

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

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Directors**") of Sheng Ye Capital Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2018

- The unaudited income from factoring business of the Group for the six months ended 30 June 2018 was RMB182.7 million representing an increase of approximately RMB117.8 million, or 181.5%, as compared to the six months ended 30 June 2017.
- The unaudited profit after tax for the six months ended 30 June 2018 was RMB74.8 million representing an increase of approximately 392.1%, as compared to the profit after tax of approximately RMB15.2 million for the six months ended 30 June 2017.
- Unaudited basic and diluted earnings per share for six months ended 30 June 2018 was RMB10 cents and RMB10 cents respectively (six months ended 30 June 2017: basic earnings per share of RMB3 cents).
- The Board does not recommend the payment of a dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

The Board announces the unaudited interim consolidated results of the Group for the six months ended 30 June 2018 (the "**Interim Period**") together with comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Three months ended 30 June		**Six months ended 30 June**	
		2018	2017	**2018**	2017
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Revenue					
Factoring service	3	**72,068**	34,260	**109,387**	61,942
Other services	3	**16,487**	12	**23,016**	164
Total Revenue	3	**88,555**	34,272	**132,403**	62,106
Gain on sales of factoring assets	4	**50,326**	1,649	**50,326**	2,814
		138,881	35,921	**182,729**	64,920
Other income	5	**14,972**	30	**15,913**	182
Gain on disposal of a subsidiary	6(a)	**—**	—	**514**	—
Other losses, net		**(32)**	(207)	**(103)**	(181)
Staff costs	9	**(7,676)**	(3,001)	**(14,889)**	(6,095)
Other operating expenses		**(15,029)**	(4,051)	**(19,944)**	(7,020)
Listing expenses		**—**	(5,581)	**—**	(6,893)
Other expenses		**(1,800)**	(406)	**(1,800)**	(406)
Impairment allowances		**(20,517)**	(2,221)	**(22,845)**	(2,743)
Share of profit of a joint venture		**706**	—	**1,162**	—
Share of profit of associates		**354**	—	**486**	—
Finance costs	7	**(22,910)**	(10,452)	**(32,082)**	(18,915)
Profit before taxation		**86,949**	10,032	**109,141**	22,849
Taxation	8	**(27,133)**	(3,417)	**(34,366)**	(7,617)
Profit for the period	9	**59,816**	6,615	**74,775**	15,232

	Notes	Three months ended 30 June 2018 RMB'000 (Unaudited)	Three months ended 30 June 2017 RMB'000 (Unaudited)	Six months ended 30 June 2018 RMB'000 (Unaudited)	Six months ended 30 June 2017 RMB'000 (Unaudited)
Other comprehensive expense:					
Items that may be reclassified subsequently to profit or loss:					
Fair value loss, net of expected credit losses ("**ECL**") on: factoring assets at fair value through other comprehensive income ("**FVTOCI**")	12	**(3,113)**	—	**(4,573)**	—
Income tax relating to items that may be reclassified to profit or loss		**778**	—	**1,144**	—
Share of other comprehensive expense of an associate		**(408)**	—	**(408)**	—
Other comprehensive expense for the period		**(2,743)**	—	**(3,837)**	—
Profit and total comprehensive income for the period		**57,073**	6,615	**70,938**	15,232
Profit for the period attributable to:					
– Owners of the Company		**59,848**	6,615	**74,383**	15,232
– Non-controlling interests		**(32)**	—	**392**	—
		59,816	6,615	**74,775**	15,232
Total comprehensive income for the period attributable to:					
– Owners of the Company		**56,752**	6,615	**70,193**	15,232
– Non-controlling interests		**321**	—	**745**	—
		57,073	6,615	**70,938**	15,232
Earnings per share					
– Basic (RMB cents)	11	**8**	1	**10**	3
– Diluted (RMB cents)	11	**8**	N/A	**10**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**30 June 2018** *RMB'000* *(Unaudited)*	**31 December 2017** *RMB'000* *(Audited)*
NON-CURRENT ASSETS			
Equipment		**1,987**	2,138
Intangible assets		**13,129**	7,940
Investment in a joint venture	6(b)	**26,496**	25,334
Investment in associates	6(c)	**7,078**	—
Deferred tax assets		**11,069**	6,654
		59,759	42,066
CURRENT ASSETS			
Factoring assets	12	**—**	1,339,682
Factoring assets at FVTOCI	12	**2,951,031**	—
Receivables from sales of factoring assets	4	**45,628**	56,168
Receivables from guarantee services		**473**	—
Security deposits for guarantee		**—**	104,354
Amounts due from related parties		**90**	91
Other receivables, prepayments and others		**3,158**	2,183
Bank balances and cash		**82,805**	174,277
		3,083,185	1,676,755
CURRENT LIABILITIES			
Other payables and accrued charges	14	**25,202**	24,547
Contract liabilities		**7,348**	—
Income tax payable		**43,481**	26,502
Deposits from counter guarantors		**—**	61,477
Provision for guarantee contracts		**2,558**	—
Financial assets sold under repurchase agreements	15(a)	**—**	10,248
Borrowings	15(b)	**1,731,365**	482,320
Loan from a non-controlling shareholder		**50,311**	—
		1,860,265	605,094

	Notes	30 June 2018 *RMB'000* *(Unaudited)*	31 December 2017 *RMB'000* *(Audited)*
NET CURRENT ASSETS		**1,222,920**	1,071,661
NON-CURRENT LIABILITY			
Deferred tax liabilities		**12,310**	8,449
NET ASSETS		**1,270,369**	1,105,278
CAPITAL AND RESERVES			
Share capital	16	**6,442**	6,442
Reserves		**1,171,229**	1,098,836
Equity attributable to owners of the Company		**1,177,671**	1,105,278
Non-controlling interests		**92,698**	—
Total equity		**1,270,369**	1,105,278

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserves	FVTOCI reserves	Share Options reserves	Statutory reserves	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017 (audited)	**6,442**	**917,312**	**–**	**–**	**2,361**	**21,018**	**158,145**	**1,105,278**	**–**	**1,105,278**
Adjustments of application of accounting policy changes (note 2)	**–**	**–**	**–**	**(2,604)**	**–**	**–**	**–**	**(2,604)**	**–**	**(2,604)**
At 1 January 2018 (restated and unaudited)	**6,442**	**917,312**	**–**	**(2,604)**	**2,361**	**21,018**	**158,145**	**1,102,674**	**–**	**1,102,674**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**74,383**	**74,383**	**392**	**74,775**
Other comprehensive income (expenses) for the period	**–**	**–**	**–**	**(4,190)**	**–**	**–**	**–**	**(4,190)**	**353**	**(3,837)**
Total comprehensive income for the period	**–**	**–**	**–**	**(4,190)**	**–**	**–**	**74,383**	**70,193**	**745**	**70,938**
Capital contribution by non-controlling interests	**–**	**–**	**1,547**	**–**	**–**	**–**	**–**	**1,547**	**91,953**	**93,500**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**3,257**	**–**	**–**	**3,257**	**–**	**3,257**
At 30 June 2018 (unaudited)	**6,442**	**917,312**	**1,547**	**(6,794)**	**5,618**	**21,018**	**232,528**	**1,177,671**	**92,698**	**1,270,369**
At 1 January 2017 (audited)	618,841	–	–	–	–	10,113	80,243	709,197	–	709,197
Profit and total comprehensive income for the period	–	–	–	–	–	–	15,232	15,232	–	15,232
Transfers on reorganisation	(618,840)	–	618,840	–	–	–	–	–	–	–
Arising from reorganisation	–	618,840	(618,840)	–	–	–	–	–	–	–
At 30 June 2017 (unaudited)	1	618,840	–	–	–	10,113	95,475	724,429	–	724,429

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
NET CASH USED IN OPERATING ACTIVITIES	**(1,472,774)**	(211,609)
INVESTING ACTIVITIES		
Repayments from loans to an associate	**70,500**	—
Net cash inflow arising from disposal of a subsidiary	**19,656**	—
Interest received from loans to an associate	**791**	—
Bank interest income received	**276**	61
Proceeds from disposal of equipment	**10**	1
Redemption of structure deposits	**—**	206,000
Redemption of available-for-sale investment	**—**	1,000
Investment income received from structured deposits	**—**	94
Investment income received from available-for-sale investment	**—**	27
Loans to an associate	**(53,500)**	—
Investment in an associate	**(1,000)**	—
Payment for development costs and purchase of other intangible assets	**(5,387)**	(1,202)
Purchase of equipment	**(523)**	(890)
Placement of structure deposits	**—**	(196,000)
NET CASH FROM INVESTING ACTIVITIES	**30,823**	9,091
FINANCING ACTIVITIES		
New borrowings raised	**2,647,172**	1,290,992
Capital contribution from non-controlling shareholders	**93,500**	—
Loan raised from a non-controlling shareholder	**50,000**	—
Repayment from a related party	**1**	—
Loans raised from related parties	**—**	45,500
Cash receipts from financial assets sold under repurchase agreements	**—**	119,236
Repayment of bank and other borrowings	**(1,413,065)**	(701,651)
Repayment of financial assets sold under repurchase agreements	**(10,000)**	(83,450)
Interest paid for bank and other borrowings	**(16,796)**	(8,222)
Interest paid for financial assets sold under repurchase agreements	**(285)**	(964)
Repayment to a related party	**—**	(4,527)
Repayment of loans from related parties	**—**	(514,700)
Interest paid for loans from related parties	**—**	(19,474)

	Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
NET CASH FROM FINANCING ACTIVITIES	**1,350,527**	122,740
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(91,424)**	(79,778)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**174,277**	104,311
Effect of foreign exchange rate changes	**(48)**	(85)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**82,805**	24,448

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**GEM Rules**").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of the reporting periods, as appropriate.

Other than changes in accounting policies resulting from the application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

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

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

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets and financial liabilities

Receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39 except for the impact of ECL.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The Group's financial assets and financial liabilities include factoring assets, receivables from sales of factoring assets/guarantee services, security deposits for guarantee, amounts due from related parties, other receivables, bank balances and cash, other payables, deposits from counter guarantors, financial assets sold under repurchase agreements, borrowings and loan from a non-controlling shareholder.

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

All other financial assets and financial liabilities will continue to be measured on the same basis as are currently measured under HKAS 39 except for the impact of ECL.

Factoring assets classified as at FVTOCI

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

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.1.2.

Impairment under ECL model

In relation to the impairment of financial assets, HKFRS 9 requires an ECL model, as opposed to an incurred credit loss model under HKAS 39. The ECL model requires an entity to account for ECL and changes in those ECL 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.

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

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

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

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

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

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default ("**PD**"), loss given default ("**LGD**") (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the PD and LGD is based on historical data adjusted by forward-looking information.

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

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

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

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

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

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.1.2.

2.1.2 Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assets

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

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

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

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

Impairment under ECL model

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

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

As at 1 January 2018, the loss allowance for the factoring assets which is measured at FVTOCI, is recognised against the FVTOCI reserves. All of the Group's factoring assets at FVTOCI are not past due. Therefore, these factoring assets are considered to be no significant increase in credit risk since initial recognition and the loss allowance is measured on 12m ECL basis.

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

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

2.2 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

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

The Group recognises revenue from guarantee service, consulting service, information technology service and other services.

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

2.2.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2.2.2 Summary of effects arising from initial application of HKFRS 15

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

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

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The chief operating decision maker ("**CODM**"), being the executive Directors, have determined that the Group has only one operating and reportable segment throughout the reporting period, as the Group is principally engaged in providing factoring services in the PRC, and the CODM, reviews the condensed consolidated financial position and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group.

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

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

	Three months ended 30 June		**Six months ended 30 June**	
	2018	**2017**	**2018**	**2017**
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Factoring service	**72,068**	34,260	**109,387**	61,942
Other services:				
Guarantee service	**11,992**	—	**11,997**	—
Consulting service	**3,245**	—	**9,769**	—
Information technology service	**835**	—	**835**	—
Other services	**415**	12	**415**	164
	16,487	12	**23,016**	164
	88,555	34,272	**132,403**	62,106

4. SALES OF FACTORING ASSETS

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

	Three months ended		**Six months ended**	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Gain on sales of factoring assets	**50,326**	1,649	**50,326**	2,814

As at 30 June 2018 and 31 December 2017, the outstanding balance of receivables arising from sales of factoring assets is as follow:

	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Receivables from sales of factoring assets	**45,628**	56,168

5. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Government subsidies	**14,844**	—	**14,844**	—
Interest income from loans to an associate	**—**	—	**791**	—
Bank interest income	**128**	20	**276**	61
Investment income of available-for-sale investment	**—**	10	**—**	27
Investment income of structured deposits	**—**	—	**—**	94
Others	**—**	—	**2**	—
	14,972	30	**15,913**	182

6. DISPOSAL OF A SUBSIDIARY/INVESTMENT(S) IN A JOINT VENTURE/ASSOCIATES

(a) Disposal of a subsidiary

On 2 January 2018, the Group entered into an agreement and disposed of its 80% investment in Shenzhen Sheng Ye Non-Financing Guarantee Limited ("SYNFGL"), a directly wholly-owned subsidiary of the Group, to independent third parties at consideration of RMB24,000,000.

The profit from the discontinued operations for the current and preceding interim periods is analysed as follows:

	Three months ended		Six months ended	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Gain on disposal of SYNFGL	**—**	—	**514**	—

There were no profit or loss and cash flows of SYNFGL for the current and preceding interim periods.

(b) Investment in a joint venture

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

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Cost of investment in a joint venture, unlisted	**25,500**	25,500
Share of post-acquisition profit (loss) and other comprehensive income	**996**	(166)
	26,496	25,334

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

Name of entity	**Place of Incorporation/ establishment**	**Particulars of authorised and paid up capital**	**Proportion of ownership interest/voting rights held by the Group as at 30.6.2018**	**31.12.2017**	**Principal activity**
Zhu Guang Sheng Ye Factoring Limited #(珠光盛業商業保理有限公司) ("**ZGSY**")	PRC	RMB50,000,000 RMB50,000,000	**51%**	51%	Provision of factoring service

\# English translated name is for identification purpose only.

(c) Investments in associates

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

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Cost of investment in associates, unlisted	**7,000**	—
Share of post-acquisition profit and other comprehensive income	**78**	—
	7,078	—

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

Name of entity	Place of incorporation/ establishment	Particulars of authorised and paid up capital	Proportion of ownership interest/voting rights held by the Group as at 30.6.2018	31.12.2017	Principal activity
SYNFGL# (深圳市盛業非融資性擔保有限責任公司)	PRC	RMB30,000,000 RMB30,000,000	**20%**	100%	Provision of non-financing guarantee service
Shenzhen Sheng Ye Dun Hao Gold Chain Factoring Co., Ltd. #(深圳盛業敦豪金鏈商業保理股份有限公司)	PRC	RMB100,000,000 RMB5,000,000	**20%**	N/A	Provision of factoring service
Shenzhen Sheng Peng Non-Financing Guarantee Limited (深圳市盛鵬非融資性擔保有限責任公司) ("**SPNFGL**")	PRC	RMB30,000,000 —	**20%**	N/A	Provision of non-financing guarantee service
Lixin Factoring (Shenzhen) Limited#(利信商業保理(深圳)有限公司)	PRC	RMB50,000,000 —	**20%**	N/A	Provision of factoring service
Hong Ji Factoring (Shenzhen) Limited#(弘基商業保理(深圳)有限公司) ("**HJ**")	PRC	RMB50,000,000 —	**10%**	N/A	Provision of factoring service

\# English translated name is for identification purpose only.

7. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2018	**2017**	**2018**	**2017**
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Interest on borrowings				
– Wholly repayable within five years	**22,599**	4,898	**31,734**	7,894
Interest on loans form related parties	**311**	4,457	**311**	9,766
Interest on financial assets sold under repurchase agreements	**—**	1,097	**37**	1,255
	22,910	10,452	**32,082**	18,915

8. TAXATION

	Three months ended 30 June		Six months ended 30 June	
	2018	**2017**	**2018**	**2017**
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
The charge (credit) comprises:				
Current tax				
– Enterprise Income Tax in the PRC	**26,255**	3,010	**32,563**	6,421
– Withholding tax levied on dividend declared of a PRC subsidiary	**300**	700	**300**	700
– Withholding tax levied on interest income of a Hong Kong subsidiary	**167**	279	**342**	610
	26,722	3,989	**33,205**	7,731
Deferred tax	**411**	(572)	**1,161**	(114)
	27,133	3,417	**34,366**	7,617

9. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Three months ended 30 June		Six months ended 30 June	
	2018	**2017**	**2018**	**2017**
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Directors' emoluments	**774**	325	**1,452**	652
Directors' share based payment	**306**	—	**605**	—
Other staff costs				
– Salaries, allowances and other staff benefits, including share option expenses	**9,323**	3,228	**17,078**	5,961
– Staff's retirement benefit scheme contributions	**383**	280	**772**	566
Total staff costs	**10,786**	3,833	**19,907**	7,179
Less: amount capitalised in development costs	**(3,110)**	(832)	**(5,018)**	(1,084)
Staff costs recognised in profit or loss	**7,676**	3,001	**14,889**	6,095
Total depreciation of equipment	**339**	195	**609**	470
Less: amount capitalised in development costs	**(12)**	(2)	**(21)**	(4)
Depreciation of equipment recognised in profit or loss	**327**	193	**588**	466
Amortisation of intangible assets	**112**	85	**219**	138
Minimum lease payment paid under operating lease	**921**	730	**1,676**	1,519
Loss on disposal of equipment	**55**	96	**55**	96

10. DIVIDENDS

No dividends were paid, declared or proposed during the current and prior reporting periods. The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

11. EARNINGS PER SHARE

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

	Three months ended 30 June		**Six months ended 30 June**	
	2018	**2017**	**2018**	**2017**
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Unaudited)*
Earnings:				
Profit for the period attributable to owners of the Company or the purpose of basic and diluted earnings per share	**59,848**	6,615	**74,383**	15,232
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**740,000**	555,000	**740,000**	555,000
Effect of dilutive potential ordinary shares:				
Share options	**4,369**	N/A	**4,212**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**744,369**	N/A	**744,212**	N/A

12. FACTORING ASSETS/FACTORING ASSETS AT FVTOCI

	30 June 2018 *RMB'000* *(Unaudited)*	31 December 2017 *RMB'000* *(Audited)*
Factoring assets/factoring assets at FVTOCI	**2,996,214**	1,356,532
Less: impairment allowances	**N/A**	(16,850)
Changes in fair value	**(45,183)**	N/A
	2,951,031	1,339,682
Analysed for reporting purposes as:		
Current assets	**2,951,031**	1,339,682

As at 30 June 2018, the effective interest rates of the factoring assets at FVTOCI range mainly from 7.00% to 16.97% (31 December 2017: 6.90% to 18.72%) per annum.

13. IMPAIRMENT ASSESSMENT ON FACTORING ASSETS AT FVTOCI SUBJECT TO ECL MODEL

The Group applies the HKFRS 9 to measure ECL which uses a 12m ECL for factoring assets at FVTOCI. To measure the ECL, factoring assets at FVTOCI have been grouped based on shared credit risk characteristics. The internal credit risk ratings are based on qualitative (such as debtors' operating conditions, financial positions, external rating of factoring customers, etc.) and quantitative factors (mainly includes past due information of the factoring assets FVTOCI).

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

As at 30 June 2018, the Group provided RMB37,137,000 impairment allowance of factoring assets at FVTOCI, which was recognised in OCI.

The following table provides information about the exposure to credit risk and ECL for factoring assets at FVTOCI which are assessed collectively based on internal credit rating as at 30 June 2018.

Internal credit rating	Average loss rate	Gross carrying amount	Impairment loss allowance
		RMB'000	*RMB'000*
Grade 1 (note)	1.19%	2,974,837	35,316
Grade 2 (note)	8.52%	21,377	1,821
Grade 3 (note)	N/A	—	—
		2,996,214	37,137

Note: Included in grade 1 are factoring assets determined to have low credit risk, and are not past due as at the end of the reporting period.

Included in grade 2 are factoring assets of which the customers have significant changes in internal indicators of credit risk as a result of a change in credit risk since inception, such as an external rating downgrade, an actual or expected internal credit rating downgrade for the customers or decrease in behavioral scoring used to assess credit risk internally, existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the customer's ability to meet its debt obligations, or the factoring assets already past due but not more than 90 days, etc.

As at 30 June 2018, none of the factoring assets was assessed in grade 3 which represented that the customers are in financial difficulties and the factoring assets are past due over 90 days.

Allowance for impairment

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

	Grade 1	**Grade 2**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Balance at 1 January 2018* (unaudited)	16,850	—	16,850
Impairment losses provided	18,466	1,821	20,287
Balance at 30 June 2018 (unaudited)	35,316	1,821	37,137

* The Group initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

14. OTHER PAYABLES AND ACCRUED CHARGES

	30 June	**31 December**
	2018	**2017**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Other tax payables	**17,073**	11,371
Accrued charges	**7,501**	6,140
Advance receipt from customers	**—**	4,623
Deposits from customers	**—**	1,757
Other payables	**628**	656
	25,202	24,547

15. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS/BORROWINGS

(a) Financial assets sold under repurchase agreements

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Factoring assets sold under repurchase agreements (note)	**—**	10,248

Note: the contract terms of the financial assets sold under repurchase agreements are within one year.

(b) Borrowings

	30 June 2018	**31 December 2017**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Carrying amount repayable within one year*:		
– Unsecured and unguaranteed private placement loans	**1,685,441**	—
– Secured and unguaranteed trust loan	**45,924**	—
– Unsecured entrusted loans	**—**	482,320
Amounts shown under current liabilities	**1,731,365**	482,320

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

	30 June 2018	**31 December 2017**
	%	*%*
	(Unaudited)	*(Audited)*
Range of fixed-rate borrowings interest rates (per annum)	**6.05~7.21**	5.20

16. SHARE CAPITAL

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

	Number of shares	Share capital
		HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2017	1,000,000	10,000
Increase in authorised capital	4,999,000,000	49,990,000
At 30 June 2017, 1 January 2018 and 30 June 2018	5,000,000,000	50,000,000

	Number of shares	Share capital
		HK$
Issued:		
At 1 January 2017	1	0.01
Issued on date of reorganisation	1	0.01
At 30 June 2017	2	0.02
Issue of shares upon listing of the Company's shares on the Stock Exchange on 6 July 2017		
– Issue of new shares pursuant to the offering	185,000,000	1,850,000.00
– Capitalisation issue of shares	554,999,998	5,549,999.98
At 1 January 2018 and 30 June 2018	740,000,000	7,400,000.00

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

17. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

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

The Placing and the Subscription were completed on 4 July 2018 and 11 July 2018 respectively. An aggregate of 138,484,000 subscription shares (equals to the number of the placing shares successfully placed under the Placing) were subscribed by Wisdom Cosmos at the subscription price of HK$6.00 for each subscription share. The subscription shares represent approximately 15.76% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription shares. The Company received total net proceeds of approximately HK$819.5 million (equivalent to approximately RMB697.5 million) from the Placing and the Subscription. Details are set out in the Company's announcements dated 28 June 2018 and 11 July 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

FINANCIAL REVIEW

Revenue

The Group earns its revenue from the provision of factoring services, guarantee services, consulting services and other services to customers in the PRC. For the six months ended 30 June 2018, the Group achieved revenue of approximately RMB132.4 million, representing an increase of approximately 113.2% (For the six months ended 30 June 2017: RMB62.1 million). The increase in revenue was mainly attributable to an expanded factoring business supported by major portion of the proceeds from the listing of the Company in July 2017 and borrowings.

Gain on sales of factoring assets

The Group may sell the rights of factoring assets as a way to improve cash flow and manage its factoring receivables portfolio. Gain from this business segment is equal to the excess of the consideration received and receivable over the carrying amount of the factoring assets. The increase in gain on sales of factoring assets was up by approximately 1,696.4%, from RMB2.8 million for the six months ended 30 June 2017 to RMB50.3 million for the six months ended 30 June 2018. The increase was attributable mainly to the climb in market demand for factoring assets and expanded sales channel. None of the factoring assets previously sold to independent third parties involved non-performing assets.

Other income

Other income mainly comprises government subsidies, interest income from loans to a related party and bank interest income. For the six months ended 30 June 2018 and 2017, the Group's other income was approximately RMB15.9 million and RMB0.2 million respectively. The increase for the six months ended 30 June 2018 was mainly attributable to the receipt of government subsidies of approximately RMB14.8 million whereas the government subsidies for 2017 were received in early August.

Gain on disposal of a subsidiary

The Group disposed of its 80% investment in Shenzhen Sheng Ye Non-Financing Guarantee Limited at consideration of RMB24,000,000 and recorded a gain of RMB0.5 million.

Other losses, net

Net other losses mainly represent net exchange losses incurred. For the six months ended 30 June 2018, net other losses of approximately RMB0.1 million were recorded (For the six months ended 30 June 2017: RMB0.2 million).

Staff cost and other operating expenses

Operating expenses mainly comprise staff salaries and benefits, rental expenses, legal and professional fees, depreciation of equipment and other miscellaneous items. Staff cost for the six months ended 30 June 2018 were RMB14.9 million (six month ended 30 June 2017: RMB6.1 million), representing an increase of 144.3%, which was mainly attributable to the increase in head count. Other operating expenses for the six months ended 30 June 2018 and 2017 were RMB19.9 million and RMB7.0 million respectively. The increase is mainly driven by increase in rental expenses, marketing expenses and professional fees incurred as a result of business expansion.

Listing expenses

The Group did not incur any listing expenses for the six months ended 30 June 2018. For the six months ended 30 June 2017, the Group recorded one-off listing expenses of approximately RMB6.9 million.

Impairment allowances

The expenses of impairment allowances for the six months ended 30 June 2018 amounted to RMB22.8 million (six month ended 30 June 2017: RMB2.7 million). The increase was mainly attributable to increase in the Group's factoring assets a result of business growth.

Share of profit of a joint venture and associates

The Group shared the profits of a joint venture and associates were RMB1.2 million (for the six months ended 30 June 2017: Nil) and RMB0.5 million for the six months ended 30 June 2018 respectively (for the six months ended 30 June 2017: Nil).

Finance costs

Finance cost is mainly the interest expense of borrowings from financial institutions. For the six months ended 30 June 2018, finance cost was RMB32.1 million, representing a 69.8% increase (for the six months ended 30 June 2017: RMB18.9 million). The increase in finance cost was resulted from the increase in borrowings made by the Group to finance expansion of business operations.

Profit before taxation

As a result of the foregoing, the Group's profit before taxation increased by 378.5% from approximately RMB22.8 million for the six months ended 30 June 2017 to approximately RMB109.1 million for the six months ended 30 June 2018. Profit before taxation accounted for approximately 59.7% and 35.1% of the Group's income from the factoring business in 2018 and 2017, respectively.

Income tax expenses

Income tax expenses represent the tax expense arising from the assessable profit generated by the Group in the PRC and deferred tax. PRC enterprise income tax is calculated at 25% of the estimated assessable profits for both six months ended 30 June 2018 and 2017.

For the six months ended 30 June 2018, income tax expenses amounted to approximately RMB34.4 million (For the six months ended 30 June 2017: RMB7.6 million).

Dividend

The Board does not recommend the payment of a dividend for the six months ended 30 June 2018.

BUSINESS OUTLOOK AND PROSPECTS

The Company was listed on the GEM of the Stock Exchange of Hong Kong on 6 July 2017. The listing has subsequently enhanced the Group's profile and with the listing proceeds received last year and the completion of placing exercise in July 2018, the Group is in a stronger financial position and enjoys enhanced competitiveness. The Group will continue to focus on construction, energy and medical sectors, and work hard to expand its clientele and factoring assets. The management also expects the listing to help raise investor awareness and acceptance of the "Sheng Ye" brand, which will provide access to more efficient financing channels, both at home and overseas, to support the business growth. The Group will also explore new and relatively low-cost financing channels to raise funds for growing the business more cost-effectively.

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

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

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

During the six months ended 30 June 2018, the Group's main source of funds was the cash generated from daily operations and new borrowings. As at 30 June 2018, the Group had bank balances and cash of RMB82.8 million (31 December 2017: RMB174.3 million), of which 97.6% and 2.3% were denominated in RMB and HK dollars respectively.

As at 30 June 2018, the Group had interest-bearing borrowings which amounted to RMB1,731.4 million (31 December 2017: RMB482.3 million). Its gearing ratio, expressed as total liabilities over owner's equity was 1.5 as at 30 June 2018 (31 December 2017: 0.6).

CAPITAL COMMITMENTS

As at 30 June 2018, the capital commitments of the Group are related to investments in associates of approximately RMB40.0 million and purchase of equipment of approximately RMB1.0 million (31 December 2017: nil).

CONTINGENT LIABILITIES

As at 30 June 2018, the maximum amount that the Group has guaranteed under the guarantee contracts was approximately RMB255.8 million as at 30 June 2018.

PLEDGE OF ASSETS

As at 30 June 2018, the Group had pledged certain factoring assets with an aggregate carrying amount of RMB63.9 million to a financial institution for facilities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

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

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 30 June 2018, the Group did not make any significant investments.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group intends to expand and develop the internet financial services with an aim to become a Fintech service provider for enterprises. To achieve the goal, the Group will further develop the capabilities and functions of the online platform.

FOREIGN EXCHANGE RISKS

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group had a total of 104 staff (As at 31 December 2017: 79 employees). Total staff costs (including Directors' emoluments) were approximately RMB19.9 million and total share option benefits were RMB3.3 million for the six months ended 30 June 2018 (For the year ended 31 December 2017: RMB25.8 million and RMB2.4 million, respectively). Remuneration is determined by reference to the market conditions and the performance, qualifications and experience of individual employees. Year-end bonuses based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to a statutory mandatory provident fund scheme and social insurance together with housing provident funds for its employees in Hong Kong and the PRC, respectively.

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

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

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

USE OF PROCEEDS

The net proceeds from the offering of the share of the Company ("**Shares**") by global offering ("**Global Offering**") were approximately HK$334.6 million (equivalent to RMB295.3 million) which were based on the global offering price of HK$2.0 per Share and the actual listing expenses. The listing proceeds had been used for the purposes stated in the future plans of the Company as set out in the Prospectus. The use of the net proceeds between the Global Offering between the date of listing (the "**Listing Date**") and 30 June 2018 was as follows:

Use of proceeds	**Planned use of proceeds as stated in the Prospectus**		**Actual use of proceeds between the Listing Date and 30 June 2018**
	HK$ million	***RMB million***	***RMB million***
Expanding the factoring operations	297.8	262.8	**262.8**
Repaying loan from a financial institution	33.5	29.6	**29.6**
Developing the online factoring platform and upgrading the financial reporting system	3.3	2.9	**2.9**
Total net proceeds	334.6	295.3	**295.3**

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

As at 30 June 2018, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Interest in the Company

Name of Director	Capacity/ nature of interest	Number and class of securities	Percentage of shareholding
Mr. Tung Chi Fung ("**Mr. Tung**") *(Note 1)*	Beneficiary of a trust and settlor of discretionary trust	555,000,000 (L) *(Note 2)*	75% *(Note 4)*
Mr. Chen Jen-Tse ("**Mr. Chen**")	Share option	2,000,000 *(Note 3)*	0.27% *(Note 4)*

Notes:

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

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

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

4. On 28 June 2018, the Company, Wisdom Cosmos and the Joint Placing Agents entered into a placing agreement pursuant to which the Wisdom Cosmos agreed to place, through the Joint Placing Agents on a best effort basis, a maximum of 148,000,000 existing placing shares at the placing price of HK$6.00 per placing share. On the same date, Wisdom Cosmos and the Company entered into a subscription agreement under which Wisdom Cosmos conditionally agreed to subscribe for, and the Company conditionally agreed to issue, the subscription shares. The Placing and the Subscription were completed on 4 July 2018 and 11 July 2018 respectively. After the completion of the Placing and the Subscription, an aggregate of 138,484,000 placing shares were successfully placed to the placees and an aggregate of 138,484,000 subscription shares were subscribed by Wisdom Cosmos. Mr. Tung is interested in 555,000,000 Shares (representing 63.18% of the total issued share capital of the Company as at the date of this announcement) and Mr. Chen is interested in 2,000,000 Shares (representing 0.23% of the total issued share capital of the Company as at the date of this announcement).

Save as disclosed herein, as at 30 June 2018, none of the Directors or chief executive of the Company or their associates (as defined in the GEM Listing Rules) had any interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2018, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 10% or more of issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	**Capacity/nature of interest**	**Number and class of securities *(Note 1)***	**Percentage of shareholding**
TMF Trust *(Note 2)*	Trustee	555,000,000 (L)	75% *(Note 3)*
Eander *(Note 2)*	Interest in a controlled corporation	555,000,000 (L)	75% *(Note 3)*
Wisdom Cosmos *(Note 2)*	Beneficial owner	555,000,000 (L)	75% *(Note 3)*

Notes:

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

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

3. On 28 June 2018, the Company, Wisdom Cosmos and the Joint Placing Agents entered into a placing agreement pursuant to which the Wisdom Cosmos agreed to place, through the Joint Placing Agents on a best effort basis, a maximum of 148,000,000 existing placing shares at the placing price of HK$6.00 per placing share. On the same date, Wisdom Cosmos and the Company entered into a subscription agreement under which Wisdom Cosmos conditionally agreed to subscribe for, and the Company conditionally agreed to issue, the subscription shares. The Placing and the Subscription were completed on 4 July 2018 and 11 July 2018 respectively. After the completion of the Placing and the Subscription, an aggregate of 138,484,000 placing shares were successfully placed to the placees and an aggregate of 138,484,000 subscription shares were subscribed by Wisdom Cosmos. Each of TMF Trust, Eander and Wisdom Cosmos is interested in 555,000,000 Shares (representing 63.18% of the total issued share capital of the Company as at the date of this announcement).

Save as disclosed above, as at 30 June 2018, the Directors are not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

SHARE OPTION SCHEME

Save for the grant of share options on 11 September 2017 as disclosed in the announcement on the same date and in the announcement of annual report for the year ended 31 December 2017 on 29 March 2018, no new share options have been granted nor any existing share option schemes have been adopted by the Company as at the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save for the Global Offering, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after the Listing and up to the date of this announcement.

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

For the six months ended 30 June 2018, the Directors are not aware of any business or interest of the Directors, the substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) that competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person has or may have with the Company.

COMPLIANCE ADVISER'S INTERESTS

As at 30 June 2018 and up to the date of this announcement, neither Dakin Capital Limited, the compliance adviser of the Company, nor any of its directors, employees or close associates has any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

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

CORPORATE GOVERNANCE

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

The shares of the Company were successfully listed on GEM on 6 July 2017. To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the period from the Listing Date to 30 June 2018.

AUDIT COMMITTEE

The 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 the Board on the appointment and removal of the external auditors; review the financial statements and provide material advice in respect of financial reporting; and oversee the interim control and risk management procedures of the Company. The Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 have been reviewed by the Audit Committee. The Audit Committee currently consists of three members, namely Mr. Hung Ka Hai Clement, Mr. Twoon Wai Mun, Benjamin, and Mr. Loo Yau Soon. The Chairman of the Audit Committee is Mr. Hung Ka Hai Clement.

The Company's independent auditor, Deloitte Touche Tohmatsu, has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

EVENT AFTER THE REPORTING PERIOD

Placing of Shares

On 28 June 2018, the Company, Wisdom Cosmos, OCBC and Macquarie entered into a placing agreement pursuant to which Wisdom Cosmos agreed to place, through the Joint Placing Agents on a best effort basis, a maximum of 148,000,000 existing placing shares at the placing price of HK$6.00 per placing share.

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

The Placing and the Subscription were completed on 4 July 2018 and 11 July 2018 respectively. An aggregate of 138,484,000 subscription shares (equals to the number of the placing shares successfully placed under the Placing) were subscribed by Wisdom Cosmos at the subscription price of HK$6.00 for each subscription share. The subscription shares represent approximately 15.76% of the issued share capital of the Company as enlarged by the allotment and issue of the subscription shares. The Company received total net proceeds of approximately HK$819.5 million (equivalent to approximately RMB697.5 million) from the Placing and the Subscription. Details are set out in the Company's announcements dated 28 June 2018 and 11 July 2018.

Discloseable Transactions

On 29 June 2018, 霍爾果斯永卓商業保理有限公司 (Khorgos Yong Zhuo Factoring Limited*), an indirect wholly owned subsidiary of the Company, entered into 4 factoring agreements with 4 customers. On the same date, 盛業商業保理有限公司 (SY Factoring Limited) ("**SY Factoring**"), an indirect wholly owned subsidiary of the Company, entered into 1 reverse factoring agreement and 3 factoring agreements with 4 customers. Please refer to the announcement of the Company dated 3 July 2018 for details.

On 31 July 2018, SY Factoring entered into 2 disposal agreements with a purchaser pursuant to which SY Factoring disposed of accounts receivable owned by the Company to the purchaser. Please refer to the announcement of the Company dated 31 July 2018 for details.

On 1 August 2018, SY Factoring entered into a disposal agreement with a purchaser pursuant to which SY Factoring disposed of accounts receivable owned by the Company to the purchaser. Please refer to the announcement of the Company dated 1 August 2018 for details.

PUBLICATION

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.shengyecapital.com) respectively. The 2018 interim report will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 13 August 2018

As at the date of this announcement, the Board comprises two executive Directors: Mr. Tung Chi Fung and Mr. Chen Jen-Tse; one non-executive Director: Ms. Tung Ching Ching and three independent non-executive Directors: Mr. Hung Ka Hai Clement, Mr. Loo Yau Soon and Mr. Twoon Wai Mun, Benjamin.

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

Unless otherwise stated, translation of RMB into HK$ is based on the approximate exchange rate of RMB1.00 to HK$1.15 for information purpose only. Such translation should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.

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

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk and, in the case of this announcement, on the "Latest Company Announcements" page for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at www.shengyecapital.com.