



**盛業資本**  
SHENG YE CAPITAL

# 盛業資本有限公司

## SHENG YE CAPITAL LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 8469

### THIRD QUARTERLY REPORT

# 2018



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# FINANCIAL HIGHLIGHTS

For the nine months ended 30 September 2018

- The unaudited income from factoring business of the Group for the nine months ended 30 September 2018 was RMB339.8 million representing an increase of approximately RMB204.1 million, or 150.4%, as compared to the nine months ended 30 September 2017.
- The unaudited profit after tax for the nine months ended 30 September 2018 was RMB144.0 million representing an increase of approximately 205.7%, as compared to the profit after tax of approximately RMB47.1 million for the nine months ended 30 September 2017.
- Unaudited basic and diluted earnings per share for nine months ended 30 September 2018 was RMB18 cents and RMB18 cents respectively (nine months ended 30 September 2017: basic and diluted earnings per share of RMB8 cents).
- The Board does not recommend the payment of a dividend for the nine months ended 30 September 2018 (nine months ended 30 September 2017: nil)



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive directors

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

### Independent non-executive directors

Mr. Hung Ka Hai Clement  
Mr. Loo Yau Soon  
Mr. Tsoon Wai Mun, Benjamin  
Mr. Fong Heng Boo

## AUDIT COMMITTEE

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

## NOMINATION COMMITTEE

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

## REMUNERATION COMMITTEE

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

## COMPANY SECRETARY

Mr. Lo Wai Hung

## AUTHORISED REPRESENTATIVES

Mr. Tung Chi Fung  
Mr. Lo Wai Hung

## REGISTERED OFFICE

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

## COMPANY'S WEBSITE ADDRESS

[www.shengyecapital.com](http://www.shengyecapital.com)

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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1-1 Zhong Xin No. 4 Road  
Futian, Shenzhen 518048, PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 4202, 42/F, Tower 1, Lippo Centre  
89 Queensway, Admiralty, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

## COMPLIANCE ADVISER

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

## AUDITORS

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

## LEGAL ADVISERS AS TO HONG KONG LAW

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

## STOCK CODE

8469

# CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and the nine months ended 30 September 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue	3	113,801	43,088	246,204	105,194
Gain on sales of factoring assets	4	43,314	27,739	93,640	30,553
		157,115	70,827	339,844	135,747
Other income	5	412	9,888	16,325	10,070
Gain on disposal of a subsidiary		—	—	514	—
Other gains/(losses), net		10,180	(2,005)	10,077	(2,186)
Staff costs	8	(8,906)	(5,141)	(23,795)	(11,236)
Operating expenses		(15,209)	(9,442)	(35,153)	(16,462)
Listing expenses		—	(1,209)	—	(8,102)
Other expenses		—	—	(1,800)	(406)
Impairment allowances on factoring assets		(14,307)	(1,798)	(37,152)	(4,541)
Share of profit of a joint venture		18	—	1,180	—
Share of profit of associates		3,657	—	4,143	—
Finance costs	6	(39,170)	(9,789)	(71,252)	(28,704)
Profit before taxation	8	93,790	51,331	202,931	74,180
Taxation	7	(24,572)	(19,428)	(58,938)	(27,045)
Profit for the period	8	69,218	31,903	143,993	47,135
<b>Other comprehensive expense for the period</b>					
Items that may be reclassified subsequently to profit or loss:					
Fair value loss, net of expected credit losses on:					
Factoring assets at fair value through other comprehensive income ("FVTOCI")					
		(2,077)	—	(6,650)	—
Income tax relating to items that may be reclassified to profit or loss					
		519	—	1,663	—
Share of other comprehensive expense of an associate					
		495	—	87	—
Other comprehensive expense for the period		(1,063)	—	(4,900)	—

# CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and the nine months ended 30 September 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
<b>Profit and total comprehensive income for the period</b>		<b>68,155</b>	31,903	<b>139,093</b>	47,135
Profit for the period attributable to:					
– Owners of the Company		<b>67,877</b>	31,903	<b>142,260</b>	47,135
– Non-controlling interests		<b>1,341</b>	—	<b>1,733</b>	—
		<b>69,218</b>	31,903	<b>143,993</b>	47,135
Total comprehensive income for the period attributable to:					
– Owners of the Company		<b>66,644</b>	31,903	<b>136,837</b>	47,135
– Non-controlling interests		<b>1,511</b>	—	<b>2,256</b>	—
		<b>68,155</b>	31,903	<b>139,093</b>	47,135
Earnings per share					
– Basic (RMB cents)	9	<b>8</b>	4	<b>18</b>	8
– Diluted (RMB cents)	9	<b>8</b>	N/A	<b>18</b>	N/A

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserves	FVTCOI reserve	Share Option 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 1 January 2018 (audited)	6,442	917,312	—	—	2,361	21,018	158,145	1,105,278	—	1,105,278
HKFRS 9 adjustment on other comprehensive expense	—	—	—	(2,604)	—	—	—	(2,604)	—	(2,604)
At 1 January 2018 (after adjustment)	6,442	917,312	—	(2,604)	2,361	21,018	158,145	1,102,674	—	1,102,674
Profit for the period	—	—	—	—	—	—	142,260	142,260	1,733	143,993
Other comprehensive income (expense)	—	—	—	(5,423)	—	—	—	(5,423)	523	(4,900)
Profit and total comprehensive income for the period	—	—	—	(5,423)	—	—	142,260	136,837	2,256	139,093
Capital contribution by non-controlling shareholder	—	—	1,547	—	—	—	—	1,547	91,953	93,500
Issue of shares upon placing	1,178	705,979	—	—	—	—	—	707,157	—	707,157
Direct expenses of placing	—	(9,207)	—	—	—	—	—	(9,207)	—	(9,207)
Exercise of share option	—	117	—	—	(28)	—	—	89	—	89
Recognition of equity-settled share-based payments	—	—	—	—	4,882	—	—	4,882	—	4,882
At 30 September 2018 (unaudited)	7,620	1,614,201	1,547	(8,027)	7,215	21,018	300,405	1,943,979	94,209	2,038,188
At 1 January 2017 (audited)	618,841	—	—	—	—	10,113	80,243	709,197	—	709,197
Transfers on reorganisation	(618,840)	—	618,840	—	—	—	—	—	—	—
Arising from reorganisation	—	618,840	(618,840)	—	—	—	—	—	—	—
Issue of new shares	1,610	320,438	—	—	—	—	—	322,048	—	322,048
Issue of shares by capitalization of share premium account	4,831	(4,831)	—	—	—	—	—	—	—	—
Transaction costs attributable of issue of new shares	—	(17,135)	—	—	—	—	—	(17,135)	—	(17,135)
Recognition of equity-settled share-based payments	—	—	—	—	446	—	—	446	—	446
Profit and total comprehensive income for the period	—	—	—	—	—	—	47,135	47,135	—	47,135
At 30 September 2017 (unaudited)	6,442	917,312	—	—	446	10,113	127,378	1,061,691	—	1,061,691



# NOTES TO THE UNAUDITED FINANCIAL RESULTS

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) 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 GEM Listing Rules.

The unaudited condensed consolidated statement of profit or loss and other comprehensive income and the condensed consolidated statement of changes in equity for the Group for the nine months ended 30 September 2017 have been prepared on the basis as if the group structure upon completion of the group reorganisation has been in existence since 1 January 2017. The shares of the Company were listed on the GEM of the Stock Exchange on 6 July 2017.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSS**”)

The unaudited 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.

The accounting policies and method of computation used in the unaudited condensed consolidated financial statements for the nine months ended 30 September 2018 are the same as those followed in the preparation of the Group’s Condensed Consolidated Financial Statements for the six months ended 30 June 2018 included in the 2018 Interim Report.

## 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 consolidated financial position and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group.

The Company is an investment holding company and the principal place of the Group’s operation is in the PRC. All the Group’s revenue and major non-current assets are attributable to and located in the PRC.

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

	Three months ended 30 September		Nine months ended 30 September	
	2018 RMB’000 (Unaudited)	2017 RMB’000 (Unaudited)	2018 RMB’000 (Unaudited)	2017 RMB’000 (Unaudited)
Factoring service	102,643	43,076	212,030	105,018
Other services				
Guarantee service	5,273	—	17,270	—
Consulting service	4,049	—	13,818	—
Information Technology service	899	—	1,734	—
Other services	937	12	1,352	176
	113,801	43,088	246,204	105,194

## NOTES TO THE UNAUDITED FINANCIAL RESULTS

### 4. SALES OF FACTORING ASSETS

For the nine months ended 30 September 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 30 September		Nine months ended 30 September	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Gain on sales of factoring assets	43,314	27,739	93,640	30,553

### 5. OTHER INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Government subsidies	—	9,817	14,844	9,817
Interest income from loans to an associate	—	—	791	—
Investment income of structured deposits	—	2	—	96
Investment income of available-for-sale investment	—	—	—	27
Bank interest income	412	69	688	130
Others	—	—	2	—
	412	9,888	16,325	10,070



## NOTES TO THE UNAUDITED FINANCIAL RESULTS

### 6. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Interest on borrowings				
– wholly repayable within 5 years	34,977	9,789	66,711	17,713
Interest on loans from related parties	1,332	—	1,643	9,766
Interest on financial assets sold under repurchase agreements	—	—	37	1,225
Bond issuing costs	139	—	139	—
Interest on bonds	2,722	—	2,722	—
	39,170	9,789	71,252	28,704

### 7. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
The charge (credit) comprises:				
Current tax				
– Enterprise Income Tax (“EIT”) in the PRC	18,941	16,690	51,504	23,111
– Withholding tax levied on dividend declared	—	—	300	700
– Withholding tax levied on interest income of a Hong Kong subsidiary	258	940	600	1,550
	19,199	17,630	52,404	25,361
Deferred tax	5,373	1,798	6,534	1,684
	24,572	19,428	58,938	27,045

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

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

## NOTES TO THE UNAUDITED FINANCIAL RESULTS

### 8. PROFIT FOR THE PERIOD

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

	Three months ended 30 September		Nine months ended 30 September	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Directors' remuneration	798	682	2,250	1,334
Directors' share based payment	273	71	878	71
Other staff costs				
– Salaries, allowances and other staff benefits, including share based payment	10,131	5,794	27,209	11,755
– Staff's retirement benefit scheme contributions	551	409	1,323	975
Total staff costs	11,753	6,956	31,660	14,135
Less: amount capitalised in development costs	(2,847)	(1,815)	(7,865)	(2,899)
Staff costs recognised in profit or loss	8,906	5,141	23,795	11,236
Total depreciation of equipment	306	248	915	718
Less: amount capitalised in development costs	(12)	(6)	(33)	(10)
Depreciation of equipment recognised in profit or loss	294	242	882	708
Amortisation of intangible assets	116	85	335	223
Minimum lease payments paid under operating leases	932	761	2,608	2,280
Loss on disposal of equipment	—	—	55	96

## NOTES TO THE UNAUDITED FINANCIAL RESULTS

### 9. EARNINGS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Earnings:				
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	67,877	31,903	142,260	47,135

	Three months ended 30 September		Nine months ended 30 September	
	2018 '000 (Unaudited)	2017 '000 (Unaudited)	2018 '000 (Unaudited)	2017 '000 (Unaudited)
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	863,435	729,946	781,597	613,956
Effect of dilutive potential ordinary shares:				
Share options	3,602	—	4,163	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	867,037	729,946	785,760	613,956

### 10. DIVIDENDS

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2018 (nine months ended 30 September 2017: nil)

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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

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

## FINANCIAL REVIEW

### Revenue

The Group earns its revenue from the provision of factoring services, guarantee services, consulting services and other services to customers in the PRC. For the nine months ended 30 September 2018, the Group achieved revenue of approximately RMB246.2 million, representing an increase of approximately 134.0% (For the nine months ended 30 September 2017: RMB105.2 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, the completion of placing exercise in July 2018 and borrowings.

### Gain on sales of factoring assets

The Group may sell rights of factoring assets as a way to improve cash flow and manage its factoring receivables portfolio. Gain from this business segment is equal to the excess of the consideration received and receivable over the carrying amount of the factoring assets. The increase in gain on sales of factoring assets was up by approximately 205.9%, from RMB30.6 million for the nine months ended 30 September 2017 to RMB93.6 million for the nine months ended 30 September 2018. The increase was attributable mainly to the climb in market demand for factoring assets. None of the factoring assets sold to independent third parties involves non-performing assets.

### Other income

Other income mainly comprises government subsidies, interest income from loans to a related party and bank interest income. For the nine months ended 30 September 2018 and 2017, the Group's other income was approximately RMB16.3 million and RMB10.1 million, respectively, representing an increase of approximately 61.4%.

### Gain on disposal of a subsidiary

In January 2018, the Group disposed of its 80% investment in Shenzhen Sheng Ye Non-Financing Guarantee Limited at consideration of RMB24,000,000 and recorded a gain of RMB0.5 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Other gains/(losses), net

Net other gains/(losses) mainly include exchange differences. For the nine months ended 30 September 2018, other gains of RMB10.1 million were recorded (For the nine months ended 30 September 2017: other losses of RMB2.2 million).

### Staff cost and other operating expenses

Staff cost and other operating expenses mainly comprise staff salaries and benefits, rental expenses, legal and professional fees, depreciation of equipment and other miscellaneous. Staff cost and other operating expenses for the nine months ended 30 September 2018 were RMB58.9 million (for the nine months ended 30 September 2017: RMB27.7 million), representing an increase of 112.6%, which was mainly attributable to the increase in staff cost, marketing expenses and professional fee incurred as a result of business expansion.

### Listing expenses

The Group did not incur any listing expenses for the nine months ended 30 September 2018. For the nine months ended 30 September 2017, the Group recorded one-off listing expenses of approximately RMB8.1 million.

### Impairment allowances

The expenses of impairment allowances for the nine months ended 30 September 2018 amounted to RMB37.2 million (nine months ended 30 September 2017: RMB4.5 million). The increase was mainly attributable to increase in the Group's factoring assets a result of business growth.

### Share of profits of a joint venture and associates

The Group shared the profits of a joint venture and associates of RMB1.2 million and RMB4.1 million for the nine months ended 30 September 2018 respectively (For the nine months ended 30 September 2017: Nil).

### Finance costs

Finance cost is mainly the interest expenses of borrowings from financial institutions and bond investor. For the nine months ended 30 September 2018, finance cost was RMB71.3 million, representing a 148.4% increase (For the nine months ended 30 September 2017: RMB28.7 million). The increase in finance cost was in line with the increase in borrowings made by the Group to finance expansion of business operations.

### Profit before taxation

As a result of the foregoing, the Group's profit before taxation increased by approximately 173.5%, to approximately RMB202.9 million in 2018 (For the nine months ended 30 September 2017: RMB74.2 million). Profit before taxation accounted for approximately 59.7% and 54.6% of the Group's income from factoring business in 2018 and 2017, respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 nine months ended 30 September 2018 and 2017.

For the nine months ended 30 September 2018, income tax expenses amounted to approximately RMB58.9 million (For the nine months ended 30 September 2017: RMB27.0 million).

### Dividend

The Board does not recommend the payment of a dividend for the nine months ended 30 September 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 proceeds from 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.

Notwithstanding the slowdown of the global and PRC economy, the Group successfully raised additional working capital during the reporting period to expand the factoring operation through shares placing, borrowing and bond issuance. As a result, the Group's revenue and profit after tax for the nine months ended 30 September 2018 increased by approximately 134.0% and 205.7% respectively comparing to the nine months ended 30 September 2017. The Group will continue its effort to explore for additional funding sources in the future.

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 nine months ended 30 September 2018, the Group's main source of funds was the cash generated from daily operation, new borrowings, bond issuance and proceeds from the share placing. As at 30 September 2018, the Group had bank balances and cash of RMB1,116.1 million (30 September 2017: RMB33.9 million).

Its gearing ratio, expressed as total liabilities over owner's equity was 1.4 as at 30 September 2018 (30 September 2017: 0.6).



## MANAGEMENT DISCUSSION AND ANALYSIS

### CAPITAL COMMITMENTS

As at 30 September 2018, the capital commitments of the Group are related to investments in associates of approximately RMB70.0 million (31 December 2017: nil).

### CONTINGENT LIABILITIES

As at 30 September 2018, the maximum amount that the Group has guaranteed under the guarantee contracts was approximately RMB97.0 million.

### PLEDGE OF ASSETS

As at 30 September 2018, none of the Group's assets have been pledged to any 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 RMB24,000,000.

### SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 30 September 2018, the Group did not make or hold any significant investments.

### FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

We intend to expand and develop our 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 Group's online platform.

### FOREIGN EXCHANGE RISKS

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

### EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018, the Group had a total of 109 staff (31 December 2017: 79 staff). Total staff costs (including Directors' emoluments) were approximately RMB31.7 million and total share option benefits for the staff were RMB4.9 million for the nine months ended 30 September 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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 Global Offering

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

#### The Placing

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

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

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

The Group intended to use approximately HK\$757.0 million of the proceeds for the general working capital of the Group for expanding the factoring operations and the remaining approximately HK\$62.5 million of the proceeds for developing the online factoring platform and IT system of the Group. As at 30 September 2018, the Group had utilized approximately HK\$757.0 million for expanding the factoring operations and approximately HK\$4.8 million for developing the online factoring platform and IT system. The remaining balance was deposited into the banks.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

#### Interest in the Company

Name of Director	Capacity/ nature of interest	Number and class of securities	Percentage of shareholding
Mr. Tung Chi Fung ("Mr. Tung") (Note 1)	Beneficiary of a trust and settlor of discretionary trust	555,000,000 (L) (Note 2)	63.18%
Mr. Chen Jen-Tse	Share option	2,000,000 (Note 3)	0.23%

#### 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 63.18% shareholding interests in the Company. The entire issued share capital of Wisdom Cosmos is owned by Eander Limited ("Eander"), a company incorporated in the BVI, which is in turn wholly owned by TMF (Cayman) Ltd ("TMF Trust"), trustee of the Pak Jeff Trust ("PJ Trust"), an irrevocable reserved power trust established by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, TMF Trust and Eander are deemed to be interested in all the shares of the Company registered in the name of Wisdom Cosmos.
2. The letter "L" denotes long position of the shares of the Company.
3. This refers to the number of underlying Shares covered by its share option scheme.

Save as disclosed herein, as at 30 September 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Name	Capacity/ nature of interest	Number and class of securities (Note 1)	Percentage of shareholding
TMF Trust (Note 2)	Trustee	555,000,000 (L)	63.18%
Eander (Note 2)	Interest in a controlled corporation	555,000,000 (L)	63.18%
Wisdom Cosmos (Note 2)	Beneficial owner	555,000,000 (L)	63.18%

Notes:

1. The letter "L" denotes long position of the shares of the Company.
2. Wisdom Cosmos, a company incorporated in the BVI, is the beneficial owner of 555,000,000 shares of the Company, representing 63.18% shareholding interests in the Company. The entire issued share capital of Wisdom Cosmos is owned by Eander, a company incorporated in the BVI, which is in turn wholly owned by TMF Trust, trustee of the PJ Trust, an irrevocable reserved power trust established by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, TMF Trust and Eander are deemed to be interested in all the shares of the Company registered in the name of Wisdom Cosmos.

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

## SHARE OPTION SCHEME

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

### (a) Purpose of the Share Option Scheme

The Share Option Scheme enables the Company to grant options to subscribe for Shares granted pursuant to the Share Option Scheme (the “**Options**”) to any full-time or part-time employee of the Company or any member of the Group, including any executive, non-executive directors and independent non-executive directors, advisors, consultants, professionals, customers, suppliers, agents or partners of the Company or any of the subsidiaries (“**Eligible Persons**”) as incentives or rewards for their contributions to the Group.

### (b) Who may join and basis of eligibility

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

### (c) Grant of Option

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### (d) Price of Shares

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

### (e) Maximum number of Shares

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

## MANAGEMENT DISCUSSION AND ANALYSIS

- (ii) Subject to the approval of Shareholders in general meeting, the Company may renew the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the Shareholders' approval referred to in this paragraph (ii), the Company shall send a circular to the Shareholders containing the information required by the GEM Listing Rules.
- (iii) Subject to the approval of Shareholders in general meeting, the Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by the Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), the Company shall send a circular to the Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the GEM Listing Rules.
- (iv) Notwithstanding the foregoing, the Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and Other Schemes exceeds 30% of the Shares in issue from time to time.

### (f) Time of exercise of Option

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

The following shows the outstanding position as at 30 September 2018 with respect to their Options granted under the Share Option Scheme:

	Date of grant	Exercise price	Exercise period	Balance as at 1 January 2018	Granted during the period	Exercised during the period	Forfeited during the period	Balance as at 30 September 2018
Mr. Chen Jen-Tse	11 September 2017	HK\$4.20	10/9/2018 – 1/9/2022	500,000	—	—	—	500,000
			10/9/2019 – 1/9/2022	500,000	—	—	—	500,000
			10/9/2020 – 1/9/2022	1,000,000	—	—	—	1,000,000
				2,000,000	—	—	—	2,000,000
Employees	11 September 2017	HK\$4.20	10/9/2018 – 1/9/2022	2,617,500	—	(24,500)	(302,500)	2,290,500
			10/9/2019 – 1/9/2022	2,617,500	—	—	(302,500)	2,315,000
			10/9/2020 – 1/9/2022	5,235,000	—	—	(605,000)	4,630,000
				10,470,000	—	(24,500)	(1,210,000)	9,235,500

During the period from 1 January 2018 to 30 September 2018, i) 11,235,500 Granted Options were outstanding under the Share Option Scheme; ii) 24,500 Granted Options were exercised; and iii) 1,210,000 Granted Options were lapsed.

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

Save for the Global Offering and the grant of share options under the Share Option Scheme, 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 report.

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

For the nine months ended 30 September 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.



# MANAGEMENT DISCUSSION AND ANALYSIS

## COMPLIANCE ADVISER'S INTERESTS

As at 30 September 2018, 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 Listing Date to 30 September 2018.

## 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 September 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 internal control and risk management procedures of the Company. The Group's unaudited condensed consolidated third quarterly financial statements for the nine months ended 30 September 2018 have been reviewed by the Audit Committee. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### EVENT AFTER THE REPORTING PERIOD

On 31 October 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 31 October 2018 for details.

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

Hong Kong, 6 November 2018

*As at the date of this report, the Board comprises two executive Directors: Mr. Tung Chi Fung and Mr. Chen Jen-Tse; and four independent non-executive Directors: Mr. Hung Ka Hai Clement, Mr. Loo Yau Soon, Mr. Tsoon Wai Mun, Benjamin and Mr. Fong Heng Boo.*

*The English transliteration of the Chinese name(s) in this report, 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\$1.13 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 report between the Chinese and English versions, the English version shall prevail.*

*This report will remain on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and, in the case of this report, on the “Latest Company Announcements” page for at least 7 days from the date of its posting. This report will also be published on the Company’s website at [www.shengyecapital.com](http://www.shengyecapital.com).*