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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 2019**

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 the GEM are generally small and mid-sized companies, there is a risk that securities traded on the 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 the 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 2019

- The unaudited income from factoring and other services of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2019 was RMB237.5 million representing an increase of approximately 30.0%, as compared to RMB182.7 million for the six months ended 30 June 2018.
- The unaudited profit after tax for the six months ended 30 June 2019 was RMB124.9 million representing an increase of approximately 67.0%, as compared to the profit after tax of approximately RMB74.8 million for the six months ended 30 June 2018.
- Unaudited basic and diluted earnings per share for six months ended 30 June 2019 was RMB14 cents and RMB13 cents respectively (six months ended 30 June 2018: basic and diluted earning per share of RMB10 cents and RMB10 cents respectively).
- The Board does not recommend the payment of a dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

The Board announces the unaudited interim consolidated results of the Group for the six months ended 30 June 2019 (the “**Interim Period**”) together with comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Three months ended		Six months ended	
		30.6.2019	30.6.2018	30.6.2019	30.6.2018
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	3				
Interest income from factoring service		105,760	72,068	195,085	109,387
Income from other services		3,881	16,487	6,523	23,016
Total revenue		109,641	88,555	201,608	132,403
Gain on sales of factoring assets	4	28,841	50,326	35,928	50,326
Income from factoring and other services		138,482	138,881	237,536	182,729
Other income	5(a)	34,199	14,972	35,616	15,913
Other gains and losses	5(b)	188	(32)	106	411
Staff costs	8	(15,597)	(7,676)	(28,199)	(14,889)
Other operating expenses		(16,496)	(15,029)	(31,364)	(19,944)
Donation		—	(1,800)	—	(1,800)
Impairment losses under expected credit loss (“ECL”) model, net of reversal		(9,129)	(20,517)	(12,023)	(22,845)
Share of profit of a joint venture		833	706	1,537	1,162
Share of profit of associates		702	354	2,167	486
Finance costs	6	(26,295)	(22,910)	(45,226)	(32,082)
Profit before taxation		106,887	86,949	160,150	109,141
Taxation	7	(24,260)	(27,133)	(35,255)	(34,366)
Profit for the period	8	82,627	59,816	124,895	74,775
Profit (loss) for the period attributable to:					
– Owners of the Company		78,820	59,848	118,756	74,383
– Non-controlling interests		3,807	(32)	6,139	392
		82,627	59,816	124,895	74,775

	Note	Three months ended		Six months ended	
		30.6.2019 <i>RMB'000</i> <i>(Unaudited)</i>	30.6.2018 <i>RMB'000</i> <i>(Unaudited)</i>	30.6.2019 <i>RMB'000</i> <i>(Unaudited)</i>	30.6.2018 <i>RMB'000</i> <i>(Unaudited)</i>
Earnings per share	10				
– Basic (RMB cents)		9	8	14	10
– Diluted (RMB cents)		9	8	13	10
Other comprehensive (expense) income:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Fair value gain or loss, net of ECL on:					
– factoring assets at fair value through other comprehensive income (“FVTOCI”)		(4,575)	(3,241)	2,832	(4,701)
– reclassification adjustment to profit or loss on derecognition of factoring assets at FVTOCI		(793)	128	(1,361)	128
Income tax relating to items that may be reclassified subsequently		1,341	778	(369)	1,144
Share of other comprehensive income (“OCI”) of a joint venture		110	—	32	—
Share of other comprehensive expense of associates		(526)	(408)	(526)	(408)
Other comprehensive (expense) income for the period, net of income tax		(4,443)	(2,743)	608	(3,837)
Total comprehensive income for the period		78,184	57,073	125,503	70,938
Total comprehensive income for the period attributable to:					
– Owners of the Company		75,184	56,752	119,443	70,193
– Non-controlling interests		3,000	321	6,060	745
		78,184	57,073	125,503	70,938

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	30.6.2019 RMB'000 (Unaudited)	31.12.2018 RMB'000 (Audited)
Non-current assets			
Property and equipment		4,619	2,728
Intangible assets		17,912	13,467
Right-of-use assets		7,781	—
Factoring assets at FVTOCI	12	2,493	18,609
Investment in a joint venture	11(a)	25,815	27,077
Investments in associates	11(b)	54,411	53,540
Prepayments for non-current assets		723	1,060
Deferred tax assets		15,611	20,683
		129,365	137,164
Current assets			
Factoring assets at FVTOCI	12	3,619,294	2,799,706
Financial assets at fair value through profit or loss ("FVTPL")		4,700	—
Loan receivable		13,012	12,986
Amounts due from associates		1,295	—
Other receivables, prepayments and others		9,284	7,892
Security deposit for guarantee contracts		9,875	—
Pledged bank deposits		51,862	8,764
Bank balances and cash		168,961	226,069
		3,878,283	3,055,417
Current liabilities			
Loans from related parties		171,319	10,005
Other payables and accrued charges	13	41,729	55,411
Contract liabilities		—	2,786
Income tax payable		33,238	77,521
Liabilities arising from guarantee contracts	14	4,652	—
Borrowings	15(a)	1,473,925	911,956
Bank overdraft	15(b)	17,593	—
Lease liabilities		5,645	—
		1,748,101	1,057,679

	Note	30.6.2019	31.12.2018
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
Net current assets		<u>2,130,182</u>	<u>1,997,738</u>
Non-current liabilities			
Lease liabilities		1,722	—
Deferred tax liabilities		<u>24,063</u>	<u>18,840</u>
		<u>25,785</u>	<u>18,840</u>
Net assets		<u><u>2,233,762</u></u>	<u><u>2,116,062</u></u>
Capital and reserves			
Share capital	16	7,623	7,623
Reserves		<u>2,107,048</u>	<u>2,012,558</u>
Equity attributable to owners of the Company		2,114,671	2,020,181
Non-controlling interests		<u>119,091</u>	<u>95,881</u>
Total equity		<u><u>2,233,762</u></u>	<u><u>2,116,062</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2019 (unaudited)	7,623	1,615,787	1,547	(1,680)	9,320	44,437	343,147	2,020,181	95,881	2,116,062
Profit for the period	—	—	—	—	—	—	118,756	118,756	6,139	124,895
Other comprehensive income (expense) for the period	—	—	—	687	—	—	—	687	(79)	608
Total comprehensive income for the period	—	—	—	687	—	—	118,756	119,443	6,060	125,503
Capital contribution by non-controlling interests	—	—	—	—	—	—	—	—	17,150	17,150
Recognition of equity-settled share-based payments	—	—	—	—	5,801	—	—	5,801	—	5,801
Dividends recognised as distribution (note 9)	—	(30,905)	—	—	—	—	—	(30,905)	—	(30,905)
Exercise of share options	—	195	—	—	(44)	—	—	151	—	151
At 30 June 2019 (unaudited)	7,623	1,585,077	1,547	(993)	15,077	44,437	461,903	2,114,671	119,091	2,233,762
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	—	—	—	(2,604)	—	—	—	(2,604)	—	(2,604)
At 1 January 2018 (restated)	6,442	917,312	—	(2,604)	2,361	21,018	158,145	1,102,674	—	1,102,674
Profit for the period	—	—	—	—	—	—	74,383	74,383	392	74,775
Other comprehensive income (expense) for the period	—	—	—	(4,190)	—	—	—	(4,190)	353	(3,837)
Total comprehensive income (expense) 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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(679,725)	(1,472,774)
INVESTING ACTIVITIES		
Repayments from loans to associates	7,350	70,500
Bank interest income received	1,401	276
Proceeds on disposal of investment in an associate	1,000	—
Interest received from a loan receivable	719	—
Interest received from loans to associates	64	791
Net cash inflow arising from disposal of a subsidiary	—	19,656
Proceeds from disposal of equipment	—	10
Investment in an associate	—	(1,000)
Payments for right-of-use assets	(285)	—
Payments for rental deposits	(1,196)	—
Advances to associates	(1,295)	—
Purchase of equipment	(2,332)	(523)
Purchase of financial assets at FVTPL	(4,610)	—
Payment for development costs and purchase of other intangible assets	(6,064)	(5,387)
Loans to associates	(7,350)	(53,500)
Placement of pledged bank deposits	(43,098)	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(55,696)	30,823
FINANCING ACTIVITIES		
New borrowings raised	660,679	2,697,172
Loans raised from related parties	233,824	—
Capital contribution from non-controlling shareholders of the subsidiaries	17,150	93,500
Exercise of equity-settled share options	151	—
Repayment from a related party	—	1
Interest paid for lease liabilities	(315)	—
Interest paid for loans from related parties	(894)	—
Repayment of lease liabilities	(3,525)	—
Interest paid for borrowings and bank overdraft	(31,191)	(16,796)
Dividends paid	(30,905)	—
Repayment of loans from related parties	(75,381)	—
Repayment of borrowings	(108,665)	(1,413,065)
Repayment of financial liability arising from repurchase agreements	—	(10,000)
Interest paid for financial liability arising from repurchase agreements	—	(285)

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
NET CASH FROM FINANCING ACTIVITIES	660,928	1,350,527
NET DECREASE IN CASH AND CASH EQUIVALENTS	(74,493)	(91,424)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	226,069	174,277
Effect of foreign exchange rate changes	(208)	(48)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by	151,368	82,805
Bank balances and cash	168,961	82,805
Bank overdraft	(17,593)	—
	151,368	82,805

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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”).

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, 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 2019 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2018.

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 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

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

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

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

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

As a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

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

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

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

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

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

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

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

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

Lease modifications

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

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

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

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

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

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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

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

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS16.C8 (b) (ii) transition. The Group recognised lease liabilities of RMB7,089,000 and right-of-use assets of RMB7,327,000 at 1 January 2019.

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

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

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

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

Notes:

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

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

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

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

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

3. REVENUE AND SEGMENT INFORMATION

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

The chief operating decision maker (“CODM”), being the executive directors of the Company, have determined that the Group has only one operating and reportable segment, 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 mainly in the PRC. Most of the Group’s revenue and 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		Six months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RMB’000	RMB’000	RMB’000	RMB’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income from				
factoring service	105,760	72,068	195,085	109,387
Income from other services:				
– Guarantee service	2,447	11,992	3,489	11,997
– Consulting service	504	3,245	504	9,769
– Information technology service	319	835	991	835
– Other services	611	415	1,539	415
	3,881	16,487	6,523	23,016
	109,641	88,555	201,608	132,403

4. GAIN ON SALES OF FACTORING ASSETS

For the six months ended 30 June 2019 and 2018, 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	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Gain on sales of factoring assets	<u>28,841</u>	<u>50,326</u>	<u>35,928</u>	<u>50,326</u>

No outstanding balance of receivables arising from sales of factoring assets at the end of the reporting period.

5. OTHER INCOME/OTHER GAINS AND LOSSES

(a) Other income

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Government subsidies	33,395	14,844	33,395	14,844
Bank interest income	430	128	1,401	276
Interest income from				
a loan receivable	353	—	745	—
Interest income from loans				
to associates	10	—	64	791
Others	11	—	11	2
	<u>34,199</u>	<u>14,972</u>	<u>35,616</u>	<u>15,913</u>

(b) Other gains and losses

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Gain on disposal of investments in				
– an associate	—	—	230	—
– a subsidiary	—	—	—	514
Gain from changes in fair value of financial assets at FVTPL	90	—	90	—
Loss on disposal of equipment	(2)	(55)	(2)	(55)
Exchange loss, net	(126)	(48)	(208)	(48)
Others	226	71	(4)	—
	<u>188</u>	<u>(32)</u>	<u>106</u>	<u>411</u>

6. FINANCE COSTS

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interest on borrowings and bank overdraft	23,432	22,910	41,146	32,045
Interest on loans from related parties	2,722	—	3,765	—
Interest on lease liabilities	141	—	315	—
Interest on financial liability arising from repurchase agreements	—	—	—	37
	<u>26,295</u>	<u>22,910</u>	<u>45,226</u>	<u>32,082</u>

7. TAXATION

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
The charge comprises:				
Current tax				
– PRC Enterprise Income Tax	11,412	26,255	21,127	32,563
– Withholding tax levied on dividend declared of a PRC subsidiary	1,625	300	1,625	300
– Withholding tax levied on interest income of Hong Kong subsidiaries	255	167	2,577	342
	<u>13,292</u>	<u>26,722</u>	<u>25,329</u>	<u>33,205</u>
Deferred tax	10,968	411	9,926	1,161
	<u>24,260</u>	<u>27,133</u>	<u>35,255</u>	<u>34,366</u>

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Directors' emoluments	1,614	1,080	2,730	2,057
Other staff costs				
– Salaries, allowances and other staff benefits, including share option expenses	17,874	9,323	31,958	17,078
– Staff's retirement benefit scheme contributions	1,392	383	2,136	772
Total staff costs	20,880	10,786	36,824	19,907
Less: amount capitalised in development costs	(2,723)	(3,110)	(5,386)	(5,018)
Less: staff costs recognised as research and development costs in other operating expenses	(2,560)	—	(3,239)	—
Staff costs recognised in profit or loss	15,597	7,676	28,199	14,889
Total depreciation of property and equipment	343	339	805	609
Less: amount capitalised in development costs	(23)	(12)	(101)	(21)
Depreciation of property and equipment recognised in profit or loss	320	327	704	588
Depreciation of right-of-use assets	1,819	—	3,634	—
Amortisation of intangible assets	851	112	1,691	219

9. DIVIDENDS

During the current interim period, a final dividend of HK4 cents per share in respect of the year ended 31 December 2018 was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HK\$35,154,000 (equivalent to RMB30,905,000) (30 June 2018: nil).

The directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2019.

10. EARNINGS PER SHARE

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

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings:				
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	78,820	59,848	118,756	74,383

	Three months ended		Six months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	'000	'000	'000	'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	878,863	740,000	878,856	740,000
Effect of dilutive potential ordinary shares: Share options	3,890	4,369	4,001	4,212
Weighted average number of ordinary shares for the purpose of diluted earnings per share	882,753	744,369	882,857	744,212

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

(a) Investment in a joint venture

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

	30 June 2019	31 December 2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cost of investment in a joint venture, unlisted	25,500	25,500
Share of post-acquisition profit, net of dividend declared	315	1,609
Share of post-acquisition OCI	—	(32)
	25,815	27,077

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

Name of entity	Place of Incorporation/ establishment	Particulars of authorised and paid up capital	Proportion of ownership		Principal activity
			interest/voting rights		
			held by the Group as at 30.6.2019	31.12.2018	
Zhu Guang Sheng Ye Factoring Limited # (珠光盛業商業保理有限公司)	PRC	RMB50,000,000 RMB50,000,000	51%	51%	Provision of factoring service

English translated name is for identification purpose only.

(b) Investments in associates

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Cost of investment in associates, unlisted	47,000	48,000
Share of post-acquisition profit	7,102	4,705
Share of post-acquisition OCI	309	835
	<u>54,411</u>	<u>53,540</u>

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		Principal activity
			interest/voting rights		
			held by the Group as at 30.6.2019	31.12.2018	
Shenzhen Sheng Ye Non-Financing Guarantee Limited # (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%	20%	Provision of non-financing guarantee 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)	PRC	RMB30,000,000 —	20%	20%	Provision of non-financing guarantee service
Hong Ji Factoring (Shenzhen) Limited # (弘基商業保理(深圳)有限公司)	PRC	RMB50,000,000 RMB10,000,000	10%	10%	Provision of factoring service
Wuxi Guojin Factoring Limited # (無錫國金商業保理有限公司)	PRC	RMB100,000,000 RMB100,000,000	40%	40%	Provision of factoring service
Shenzhen Sheng Ye Dun Hao Gold Chain Factoring Co., Ltd. # (深圳盛業敦豪金鏈商業保理股份 有限公司)	PRC	RMB100,000,000 RMB5,000,000	N/A	20%	Provision of factoring service

English translated name is for identification purpose only.

12. FACTORING ASSETS AT FVTOCI

	30 June	31 December
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Factoring assets at FVTOCI	3,667,321	2,855,448
Changes in fair value	(45,534)	(37,133)
	<u>3,621,787</u>	<u>2,818,315</u>
Analysed for reporting purposes as:		
Current assets	3,619,294	2,799,706
Non-current assets	2,493	18,609
	<u>3,621,787</u>	<u>2,818,315</u>

As at 30 June 2019, the effective interest rates of the factoring assets at FVTOCI range mainly from 6.00% to 22.20% (31 December 2018: 6.00% to 18.36%) per annum.

As at 30 June 2019, certain commercial acceptance bills have been received from customers with fair value amounting of RMB506,810,000 (31 December 2018: RMB467,780,000) as pledged bills to the factoring assets. The bills can also be applied and used to settle any outstanding receivables of factoring assets for the corresponding contract if default occurs, otherwise the Company needs to return the bills if the outstanding factoring assets are settled. Until such time as default occurs and they are used to settle the factoring assets the commercial acceptance assets are not recognised as an asset in the condensed consolidated financial statements.

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

	30 June	31 December
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Not past due	3,572,114	2,818,280
Past due (note)	<u>49,673</u>	<u>35</u>
	<u>3,621,787</u>	<u>2,818,315</u>

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

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

	30 June	31 December
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Past due by:		
1 - 30 days	<u>49,673</u>	<u>35</u>

13. OTHER PAYABLES AND ACCRUED CHARGES

	30 June	31 December
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Other tax payables	21,750	28,113
Accrued charges	13,351	22,836
Deposits from customers	4,823	3,000
Other payables	<u>1,805</u>	<u>1,462</u>
	<u>41,729</u>	<u>55,411</u>

14. LIABILITIES ARISING FROM GUARANTEE CONTRACTS

	30 June	31 December
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Provisions for guarantee losses	3,990	—
Carrying amount of loan guarantee contracts	662	—
	4,652	—

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

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

	30 June	31 December
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Guarantee contracts to suppliers in relation to performance obligations	149,435	—
Loan guarantee contracts in relation to		
– an associate	95,200	48,000
– third parties	17,422	—
	112,622	48,000
	262,057	48,000

15. BORROWINGS/BANK OVERDRAFT

(a) Borrowings

	30 June	31 December
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Carrying amount repayable within one year*:		
- Unsecured and guaranteed bonds	715,083	713,490
- Unsecured and unguaranteed loans	365,820	120,000
- Secured and unguaranteed bank and other borrowings	164,219	—
- Secured and guaranteed bank borrowings	17,720	16,648
- Bills discounted	—	61,818
	<u>1,262,842</u>	<u>911,956</u>
Carrying amount of borrowings that contain a repayment on demand clauses (shown under current liabilities) but repayable more than one year, but not more than two years*:		
- Unsecured and unguaranteed loans	<u>211,083</u>	—
Amounts shown under current liabilities	<u><u>1,473,925</u></u>	<u><u>911,956</u></u>

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

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

	30 June	31 December
	2019	2018
	%	%
Range of fixed-rate borrowings interest rates (per annum)	4.00 - 10.00	5.00 - 7.00
Range of variable-rate borrowings interest rates (per annum)	<u><u>4.72 - 5.41</u></u>	<u><u>5.32</u></u>

(b) Bank overdraft

The bank overdraft amounted to RMB17,593,000, which is repayable on demand, carrying interest rate per annum at the rate of the benchmark rate offered by the Hong Kong Inter-bank Offered Rate plus 2.25% per annum, guaranteed by the Company and a PRC subsidiary and pledged by bank deposit amounting to HK\$10,000,000 (equivalent to RMB8,797,000).

16. SHARE CAPITAL

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

	Number of shares	Share capital <i>HK\$</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	<u>5,000,000,000</u>	<u>50,000,000</u>
	Number of shares	Share capital <i>HK\$</i>
Issued:		
At 1 January 2018	<u>740,000,000</u>	<u>7,400,000</u>
Issue of new shares from placing	138,484,000	1,384,840
Exercise of share options	<u>356,500</u>	<u>3,565</u>
At 31 December 2018	878,840,500	8,788,405
Exercise of share options	<u>41,500</u>	<u>415</u>
At 30 June 2019	<u>878,882,000</u>	<u>8,788,820</u>
		30 June 2019 and 31 December 2018 <i>RMB'000</i>
Shown in the condensed consolidated statement of financial position		<u>7,623</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a specialised enterprise financial services provider with a strong capital base, which offers accounts receivable financing and other related solutions in the PRC. It has a strategically developed factoring service customer base comprising small and medium enterprises which 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 2019, the Group achieved revenue of approximately RMB201.6 million, representing an increase of approximately 52.3% (for the six months ended 30 June 2018: RMB132.4 million). The increase in revenue was mainly attributable to an expanded factoring business supported by major portion of the proceeds from the placing exercise in July 2018 and bank and other borrowings.

Gain on sales of factoring assets

The Group may sell 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. There was a decrease in gain on sales of factoring assets of approximately 28.6%, from RMB50.3 million for the six months ended 30 June 2018 to RMB35.9 million for the six months ended 30 June 2019. The decrease was attributable mainly to that the Company is more prudent on the sales of factoring assets, taking into consideration the volatile market condition and the liquidity of the potential purchaser. 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 loan to an associate and bank interest income. For the six months ended 30 June 2019 and 2018, the Group's other income was approximately RMB35.6 million and RMB15.9 million respectively. The increase for the six months ended 30 June 2019 was mainly attributable to the receipt of government subsidies of approximately RMB33.4 million, representing an increase of approximately 125.7% from approximately RMB14.8 million for the six months ended 30 June 2018.

Staff costs and other operating expenses

Staff costs and other operating expenses mainly comprise staff salaries and benefits, depreciation of right-of-use assets, rental expenses, legal and professional fees, depreciation of property and equipment and other miscellaneous items. Staff costs and other operating expenses for the six months ended 30 June 2019 were RMB59.6 million (for the six months ended 30 June 2018: RMB34.8 million), representing an increase of 71.3%, which was mainly attributable to the increase in headcount and salaries, marketing expenses and professional fees incurred as a result of business expansion.

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

Impairment losses under ECL model, net of reversal for the six months ended 30 June 2019 amounted to RMB12.0 million (for the six months ended 30 June 2018: RMB22.8 million), representing a decrease of 47.4% which was mainly attributable to the increase in the reversal of allowance for impairment of factoring assets.

Share of profit of a joint venture

The Group shared the profit of a joint venture of RMB1.5 million for the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB1.2 million).

Share of profit of associates

The Group shared the profit of associates of RMB2.2 million for the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB0.5 million).

Finance costs

Finance cost is mainly the interest expense of borrowings from banks, financial institutions, a bond investor, a joint venture and associates. For the six months ended 30 June 2019, finance cost was RMB45.2 million, representing an increase of approximately 40.8% (for the six months ended 30 June 2018: RMB32.1 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 46.8% from approximately RMB109.1 million for the six months ended 30 June 2018 to approximately RMB160.2 million for the six months ended 30 June 2019. Profit before taxation accounted for approximately 67.5% and 59.7% of the Group’s income from the factoring and other services in 2019 and 2018, respectively.

Taxation

Income tax expenses represent the tax expense arising from the assessable profit generated by the Group in the PRC and deferred tax. Except for certain PRC subsidiaries that enjoy preferential tax rates, PRC enterprise income tax is calculated at 25% of the estimated assessable profits for both six months ended 30 June 2019 and 2018.

For the six months ended 30 June 2019, income tax expenses amounted to approximately RMB35.3 million (For the six months ended 30 June 2018: RMB34.4 million).

Dividend

The Board does not recommend the payment of a dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

BUSINESS OUTLOOK AND PROSPECTS

The Company was listed on the GEM on 6 July 2017. The GEM Listing has enhanced the profile of the Group and with the GEM Listing proceeds received, the Group has a stronger financial position and enjoys boosted competitiveness. On 31 May 2018, the Company was included as one of the constituents of MSCI China All Shares Small Cap Index. The Group will continue to focus on the construction, energy and medical sectors and expand its clientele and factoring assets. The management considers that a transfer of listing from the GEM to the Main Board (the “**Transfer of Listing**”) can raise investor awareness and acceptance of the “Sheng Ye” brand, which will enable the Group to gain access to more efficient financing channels, at home and overseas, to support the business growth. Details of the proposed Transfer of Listing are set out in the announcement of the Company dated 30 April 2019. The Group will also explore new and relatively low-cost financing channels to raise funds for growing its business most cost-effectively.

Notwithstanding the slowdown of the global and the PRC economy, the Group successfully raised additional working capital to expand the factoring operation through shares placing, borrowing and bond issuance. As a result, the Group's revenue increased by approximately 52.3% for the six months ended 30 June 2019. The Group will continue its effort to explore additional funding sources in the future.

Looking forward, the Group will continue to capitalise on the strengths and core competencies of the Group in conducting business. With its advanced online factoring platform "Easy Factoring" and a professional risk management mechanism, the Group will be able to standardise its financial products and customise solutions and offers customers with integrated factoring service account receivable financing, account receivable management services, credit evaluation, among others, helping them secure funding in their different stages of development.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

During the six months ended 30 June 2019, the Group's main source of funds was the cash generated from its daily operations and new borrowings. As at 30 June 2019, the Group had bank balances and cash of RMB169.0 million (31 December 2018: RMB226.1 million), of which 99.2% and 0.7% were denominated in RMB and HK dollars respectively.

As at 30 June 2019, the Group had interest-bearing borrowings which amounted to RMB1,662.8 million (31 December 2018: RMB922.0 million). Its gearing ratio, expressed as total liabilities over owner's equity was 0.8 as at 30 June 2019 (31 December 2018: 0.5).

USE OF PROCEEDS

The Global Offering

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

The Placing

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

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

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

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

The Group intended to use approximately HK\$757.0 million of the proceeds for the general working capital of the Group for expanding the factoring operations and the remaining approximately HK\$62.5 million of the proceeds for developing the online factoring platform and IT system of the Group. As at 30 June 2019, the Group had utilised approximately HK\$757.0 million for expanding the factoring operations and approximately HK\$30.2 million for developing the online factoring platform and IT system. The remaining balance has been deposited into the banks.

CAPITAL COMMITMENTS

As at 30 June 2019, the capital commitments of the Group are related to investments in associates of approximately RMB10.0 million, purchase of equipment of approximately RMB0.7 million and purchase of intangible assets of approximately RMB0.3 million (31 December 2018: investments in associates of approximately RMB29 million and purchase of intangible assets of approximately RMB0.4 million).

CONTINGENT LIABILITIES

Save as disclosed in note 14 of the condensed consolidated financial statements, the Group did not have any other guarantees or other material contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2019, the Group had pledged bank deposits of RMB51.9 million and certain factoring assets with an aggregate carrying amount of RMB303.2 million to banks, a financial institution, two Hong Kong companies and a related party for facilities, and the Group placed security deposits of RMB10 million to lenders of loan guarantee customers.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

In February 2019, the Group entered into an agreement and disposed of its 20% investment in Shenzhen Sheng Ye Dun Hao Gold Chain Factoring Co., Ltd, an associate of the Group, to independent third parties at consideration of RMB1,000,000.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 30 June 2019, the Group did not make any significant investments.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group intends to expand and develop its 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 its 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 2019, the Group had a total of 168 staff (As at 31 December 2018: 117 staff). Total staff costs (including Directors' emoluments) were approximately RMB36.8 million and total share option benefits were RMB5.8 million for the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB19.9 million and RMB3.3 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, the Group participates 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.

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 June 2019, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 ”) (<i>Note 1</i>)	Beneficiary of a trust and settlor of a discretionary trust	555,000,000 (L) <i>(Note 2)</i>	63.15%
Mr. Chen Jen-Tse	Share option	3,000,000 (<i>Note 3</i>)	0.34%
Mr. Hung Ka Hai Clement	Share option	200,000 (<i>Note 3</i>)	0.02%
Mr. Loo Yau Soon	Share option	200,000 (<i>Note 3</i>)	0.02%
Mr. Tsoon Wai Mun, Benjamin	Share option	200,000 (<i>Note 3</i>)	0.02%

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 approximately 63.15% shareholding interests in the Company. The entire issued share capital of Wisdom Cosmos is owned by Eander Limited (“**Eander**”), a company incorporated in the BVI, which is in turn wholly owned by TMF (Cayman) Ltd (“**TMF Trust**”), trustee of the Pak Jeff Trust (“**PJ Trust**”), an irrevocable reserved power trust established by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, TMF Trust and Eander are deemed to be interested in all the shares of the Company registered in the name of Wisdom Cosmos.
2. The letter “L” denotes long position of the shares of the Company.
3. This refers to the number of underlying Shares covered by its share option scheme.

Save as disclosed herein, as at 30 June 2019, 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 2019, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

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

Notes:

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

Save as disclosed above, as at 30 June 2019, the Directors are not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

SHARE OPTION SCHEME

Save for the grants of share options on 11 September 2017 and 14 November 2018 as disclosed in the announcements on the same date respectively, 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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

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

For the six months ended 30 June 2019, 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 2019 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 6 July 2017 (the date of listing of the Company shares on the GEM) 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 (the “**Listing Date**”). 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 2019.

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 2019 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 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 2019 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

On 2 July, 30 July and 7 August 2019, 霍爾果斯永卓商業保理有限公司 (Khorgos Yong Zhuo Factoring Limited*) ("**Khorgos Yong Zhuo Factoring**") a PRC subsidiary of the Company, entered into certain disposal agreements with purchasers pursuant to which Khorgos Yong Zhuo Factoring disposed of accounts receivables owned by the Company to the purchasers. Details are set out in the announcement of the Company dated 2 July, 30 July and 7 August 2019.

On 4 July 2019, Khorgos Yong Zhuo Factoring entered into a termination agreement with a purchaser pursuant to which the parties agreed to mutually terminate the two disposal agreements being entered into on 27 June 2019 between Khorgos Yong Zhuo Factoring and the purchaser in relation to disposal of accounts receivables owned by the Company to the purchaser. Details are set out in the announcements of the Company dated 27 June 2019 and 4 July 2019.

PUBLICATION

This interim results announcement published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.shengyecapital.com) respectively.

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

Hong Kong, 13 August 2019

As at the date of this announcement, 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 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 on the “Latest Listed Company Information” page for at least 7 days from the date of its posting, and on the Company’s website at www.shengyecapital.com.