

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 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)	30.6.2019 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)
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	15	(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
Earnings per share	10				
– Basic (RMB cents)		9	8	14	10
– Diluted (RMB cents)		9	8	13	10

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. BASIS OF PREPARATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. PRINCIPAL ACCOUNTING POLICIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. PRINCIPAL ACCOUNTING POLICIES - *CONTINUED*

Application of new and amendments to HKFRSs - *continued*

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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FOR THE SIX MONTHS ENDED 30 JUNE 2019

2. PRINCIPAL ACCOUNTING POLICIES - *CONTINUED*

Application of new and amendments to HKFRSs - *continued*

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

5. OTHER INCOME/OTHER GAINS AND LOSSES

(a) Other income

	Three months ended		Six months ended	
	30.6.2019	306 (21 1 TwMpan s76 cm 0 02.0473 6394276 cm 0 0		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

6. FINANCE COSTS

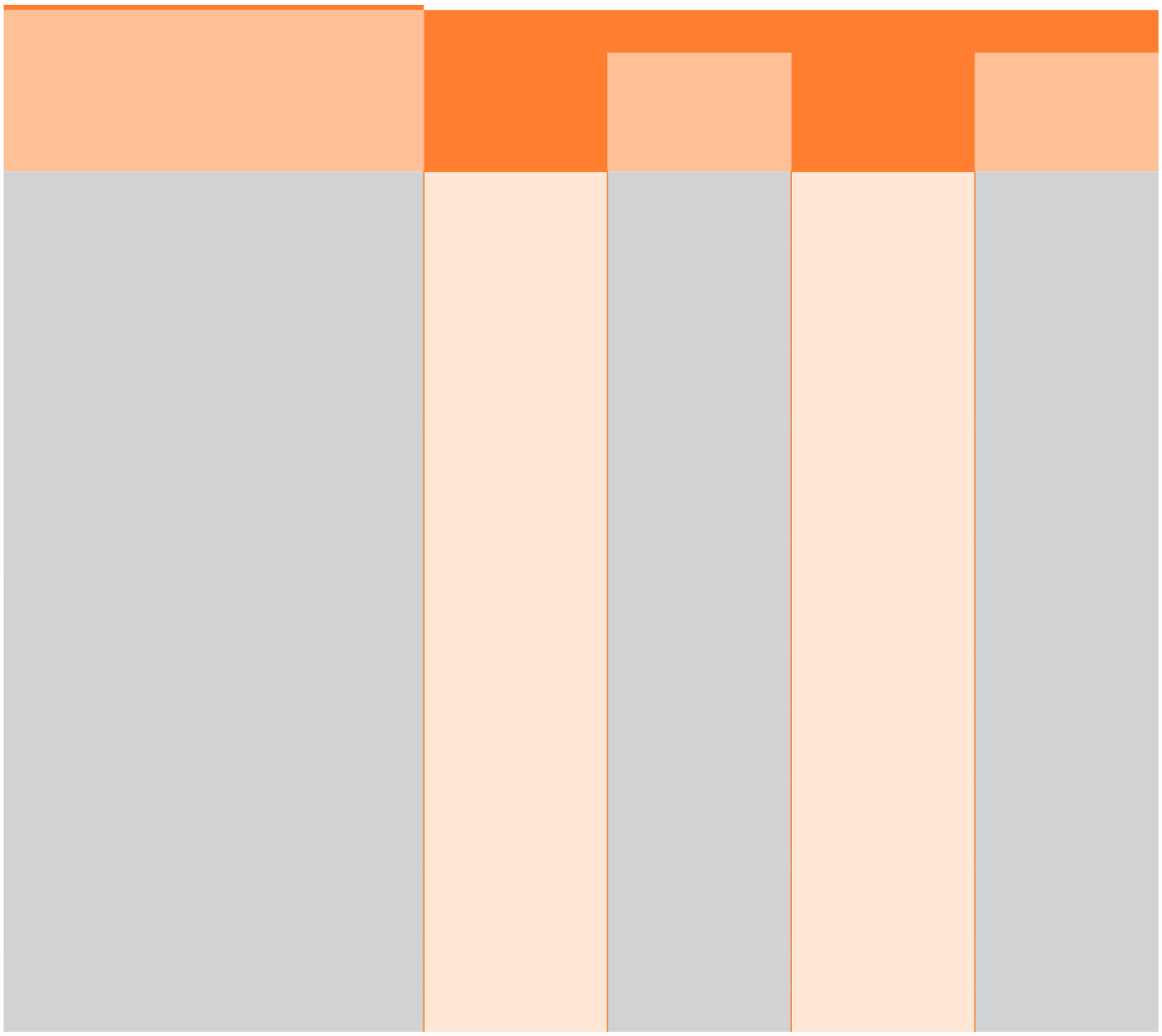


NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR 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 RMB'000	30.6.2018	30.6.2019	30.6.2018

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

12. INVESTMENT(S) IN A JOINT VENTURE/ASSOCIATES - *CONTINUED*

(b) Investments in associates - *continued*

Details of the Group's associates at the end of the reporting period are as follow:sQ53T5 rew65.928 42.52 -27 re 467.71ew65

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

13. DEFERRED TAXATION

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Deferred tax assets	15,611	20,683
Deferred tax liabilities	(24,063)	(18,840)
	(8,452)	1,843

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

13. DEFERRED TAXATION - *CONTINUED*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

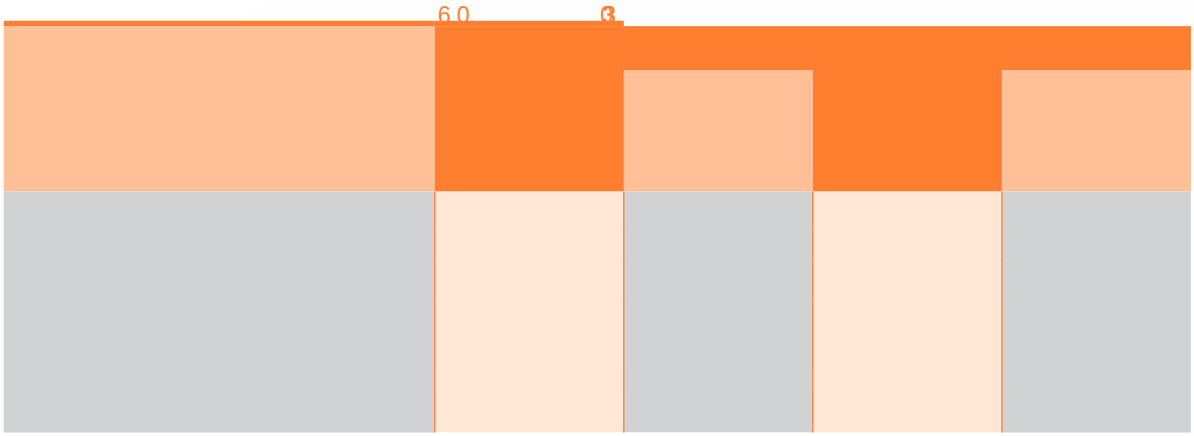
FOR THE SIX MONTHS ENDED 30 JUNE 2019

14. FACTORING ASSETS AT FVTOCI - *CONTINUED*

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

15. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

15. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL - *CONTINUED*

As at 30 June 2019

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

15. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL - *CONTINUED*

	12-month ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Total RMB'000
As at 1 January 2018 (audited)	16,850	—	16,850
Changes due to financial instruments recognised as at 1 January:			
– Transfer to lifets a-1.7Co1.5 3aedi,8-4.6.866 -(s d)m,8a-4.6.8665.4s re:s	—		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

17. SECURITY DEPOSIT FOR GUARANTEE CONTRACTS/LIABILITIES ARISING FROM GUARANTEE CONTRACTS - *CONTINUED*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

18. BORROWINGS/BANK OVERDRAFT

(a) Borrowings

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Carrying amount repayable within one year*:		
– Unsecured and guaranteed bonds (note i)	715,083	713,490
– Unsecured and unguaranteed loans	365,820	120,000
– Secured and unguaranteed bank and other borrowings (note ii)	164,219	—
– Secured and guaranteed bank borrowings (note iii)	17,720	16,648
– Bills discounted	—	61,818
	1,262,842	911,956
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	211,083	—
Amounts shown under current liabilities	1,473,925	911,956

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

Notes:

(i) On 11 September 2018, a wholly owned subsidiary of the Company issued one year bonds of RMB700,000,000 in aggregate in Hong Kong. The bonds were issued and held by a company which is a related company with the controlling shareholder. The issued bonds were guaranteed by the Company with a contract interest rate at 7% per annum.

(ii) As at 30 June 2019, the Group's bank borrowings of RMB110,027,000 were secured by charges over certain bank deposit RMB34,172,000 and were secured by charges over certain factoring assets of the Group with an aggregate carrying values of RMB112,442,000, in respect of which the legal title and legal right to receive cash flows was also transferred to the banks.

As at 30 June 2019, the secured and unguaranteed loans from a PRC non-bank .8 t (o)-16o me gnio, ned anes einoe2noee Compahg(s)-27.4 (.)1J

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

18. BORROWINGS/BANK OVERDRAFT - *CONTINUED*

(a) Borrowings - *continued*

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Fixed-rate borrowings	1,456,205	895,308
Variable-rate borrowings	17,720	16,648
	1,473,925	911,956

The raes of effective iteresates on the Group 's borrowis ae as follows:

	30 Jue 2019 %	31 December 2018 %
Rae of fixed-ate borrowis i2.1 (te)-4.2 (r)-10.4 (e)-13.8 (s)-1-.1 (t r)-15.6 (a)-4.2 (te)-13.8 (s ()-6.5 (p)-15.9 (e)-4.2 (r a)-1.60-2.51.3 (		

T.520 (h)-9.6 (e b)-9.2 (a.52 (n)-1.5 -k o)-4.5 (v)-5.4 (e)-4.5 (r)-12.5 (d)0.6 (r)-16 (a)-3.5 (f)-38.2 (t a)-1.9 (m)-9.1 (o)-9.2 (u)0.6 (n)
aum at the rate of the bechmaate offered by the HIR plus 2.51.3 (.)-7.4 (2)11.60-5% per aum, guaateed by the Company and a PRC susidiay ad pledged by baeposit aoutig to HK$10,000,000 (eq.52 (u)1 (i)-11.2 (v)-6.9 (a)-1 (l)-2.6 (e)-3.9 RMB8,97,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

20. CAPITAL COMMITMENTS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Capital expenditure contracted for but not provided for in the condensed consolidated financial statements		
– investments in associates	10,000	29,000
– equipment	678	—
– intangible assets	335	378
	11,013	29,378

21. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "Scheme"), was adopted pursuant to resolutions passed on 11 September 2017 and 14 November 2018 ("Option Grant Date") for the primary purpose of providing incentives to directors and eligible employees, and will expire on 10 September 2022 and 13 November 2023 respectively. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including a director and certain independent non-executive directors of the Company and the management of an associate of the Company, to subscribe for shares in the Company.

At 30 June 2019, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was .4 37ean4.5 (e)-4.2lyadin rr onryo dnd 13 Nco.s.4 (a)14.7 :BDC 0.s69 (i)9d 17.2,C-15.35 r oio.8 (0)1.7C 0.5 (o)-6

21. SHARE-BASED PAYMENT TRANSACTIONS - *CONTINUED*

Equity-settled share option scheme of the Company - *continued*

Equity-settled share option scheme on 14 November 2018:

	Date of grant	Vesting period	Exercise period	Exercise Price	Exercise dates

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

21. SHARE-BASED PAYMENT TRANSACTIONS - *CONTINUED*

Equity-settled share option scheme of the Company - *continued*

Grantee	Exercise period	Outstanding at 1 January 2018	Granted during period	Forfeited during period	Exercised during period	Outstanding at 30 June 2018
Director	11/9/2018-10/9/2022	500,000	—	—	—	500,000
	11/9/2019-10/9/2022	500,000	—	—	—	500,000
	11/9/2020-10/9/2022	1,000,000	—	—	—	1,000,000
		2,000,000	—	—	—	2,000,000
Exercisable at the end of the reporting period						—

Grantee	Exercise period	Outstanding at 1 January 2018	Granted during period	Forfeited during period	Exercised during period	Outstanding at 30 June 2018
Employees	11/9/2018-10/9/2022	2,617,500	—	(212,500)	—	2,405,000
	11/9/2019-10/9/2022	2,617,500	—	(212,500)	—	2,405,000
	11/9/2020-10/9/2022	5,235,000	—	(425,000)	—	4,810,000
		10,470,000	—	(850,000)	—	9,620,000
Exercisable at the end of the reporting period						—

No share options were exercised during the period ended 30 June 2018.

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

Equity-settled share option scheme on 11 September 2017:

	Tranche 1	Tranche 2	Tranche 3
Grant date	11 September 2017	11 September 2017	11 September 2017
Fair value at grant date	HK$1.29	HK$1.42	HK$1.52
Share price	HK$4.09	HK$4.09	HK$4.09
Exercise price	HK$4.20	HK$4.20	HK$4.20
Expected volatility	45.00%	45.00%	45.00%
Expected life	5 years	5 years	5 years
Exercise period	11/9/2018-10/9/2022	11/9/2019-10/9/2022	11/9/2020-10/9/2022

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

21. SHARE-BASED PAYMENT TRANSACTIONS - *CONTINUED*

Equity-settled share option scheme of the Company - *continued*

Equity-settled share option scheme on 14 November 2018:

	Tranche 4	Tranche 5	Tranche 6
Grant date	14 November 2018	14 November 2018	14 November 2018
Fair value at grant date	HK$2.13	HK$2.31	HK$2.49

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - *CONTINUED*

(ii) Fair value of financial instruments that are recorded at amortised cost

The fair values of financial assets and financial liabilities of the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in condensed consolidated financial statements approximate their fair values.

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

	Financial assets at FVTPL RMB'000	Factoring assets at FVTOCI RMB'000
At 1 January 2019	—	2,818,315
Purchases	4,610	6,313,606
Settlements	—	(5,501,733)
Fair value changes through OCI	—	(8,401)
Fair value changes through profit or loss	90	—
At 30 June 2019	4,700	3,621,787

	Factoring assets at FVTOCI RMB'000
At 1 January 2018	1,336,209
Purchases	12,661,443
Settlements	(11,162,527)
Fair value through OCI	(16,810)
At 31 December 2018	2,818,315

All gains and losses included in OCI relate to factoring assets at FVTOCI held at the end of the reporting period are reported as changes of FVTOCI reserves.

23. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's factoring assets that were transferred to banks, a PRC non-bank financial institution or Hong Kong companies by discounting those factoring assets on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these factoring assets, it continues to recognise the full carrying amount of the factoring assets and has recognised the cash received on the transfer as borrowings (note 18) and loans from related parties (note 24).

These financial assets are carried at FVTOCI in the Group's c

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

24. RELATED PARTY DISCLOSURES - *CONTINUED*

(a) Related party balances - *continued*

(iii) Other receivables - receivable from information technology service



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

24. RELATED PARTY DISCLOSURES - *CONTINUED*

(a) Related party balances - *continued*

(vii) Loans from related parties

Name of Related Party	Relationship	30 June 2019 RMB'000	31 December 2018 RMB'000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

24. RELATED PARTY DISCLOSURES - *CONTINUED*

(a) Related party balances - *continued*

(x) Liabilities arising from guarantee contracts

Name of Related Party	Relationship	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
WXGJ	Associate	662	—

Details of the loan guarantee contracts for WXGJ are set out in note 17.

(b) Related party transactions

(i) Revenue from related parties

Name of Related Party	Relationship	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
SYNFGL	Associate	390	89
HJ	Associate	326	7,053
SPNFGL	Associate	261	89
		977	7,231

(ii) Interest income from loans to associates

Name of Related Party	Relationship	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
SPNFGL	Associate	33	—
SYNFGL	Associate	31	791
		64	791

24. RELAE 2ED PARE 2Y DISCLOSURES *CONTINUED*

(b) REelated party transactions *continued*

(iii) Interest expenses on loans from related parties

Name of Related Party	Relationship	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
WXGJ	Associate	3,413	—
ZGSY	Joint venture	280	—
HJ	Associate	72	—
		3,765	—

Interest expenses in relation to bonds issued were set out in note 24(c).

(iv) Interest expenses on a lease liability

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

24. RELATED PARTY DISCLOSURES - *CONTINUED*

(b) Related party transactions - *continued*

(vii) Compensation of key management personnel

During the reporting period, the remunerations of key management personnel which represent the directors of the Company and other members of key management were as follows:

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Salaries and other allowances	4,468	3,102
Share-based payment	4,131	1,785
Retirement benefit scheme contributions	156	91
	8,755	4,978

The remuneration of these key executives of the Group is determined by Chairman of the Company having regard to the performance of individuals and market trends.

(c) Borrowings and guarantee

As at 30 June 2019, a related company with controlling shareholder purchased bonds issued by the Group amounting of RMB700,000,000 and the interest of these bonds for the six months ended 30 June 2019 was RMB25,891,000.

Details of the guarantee to an associate and outstanding borrowing are set out in notes 17 and 18, respectively.

25. EVENTS AFTER THE END OF 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 migo.5 (y)8 ( )T1 (o)-6.3 n$pa s e o up menp p xo ma tely(R)-1 (M)-3.1 (B)-15 (0)-3 (.219.3 70 m)-1.4 (i)2.9.9 (go. pp oximately(R) 0.illion(e c e1-5.7 (e)-4 (e 217 (0)19.7 (1)-7.2 8n)8.1 : (i)1.9 (n25.6 (v)- uca s e ont anl (a)-558 (s)-4778 (s)-1371 (i)-4.8 tK s of ap proximate ly(R)-1 (M)-321 (B)-1.15 (0)-.15 .lmi.2 (l)62.9.9 (.8 (i)57.1 (o)-6.3 n)

MANAGEMENT DISCUSSION AND ANALYSIS

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

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 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:

(b) Who may join and basis of eligibility

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

(c) Grant of Option

Any grant of Options must not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the 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 an 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 Company 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.

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 frohpi5 (o)0.2 (t6(e)-4.2 (r.2 (te o)-2.3.9 (i)-)-42.2 .7 (e)0.5 . In 10.2 (e)-4 rnlaneust ss t3.7 (m)-8.8 (d)0.5 (O)-a 1 (i)-1.2(r)-9.9 (c)-0.94(u)1 (l)2.9.6 (4)-1.2 (r)-42 (t)1.4 (5(te o)-2.2)-8.8 (e)0.5 (S)1.6 (5)1.5 (

MANAGEMENT DISCUSSION AND ANALYSIS

(d) Price of Shares

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

(e) Maximum number of Shares

(i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") provided that Options lapsed in accordance with the terms of the Shares Option Scheme or Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 740,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 74,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date and approximately 8.42% of the Shares in Issue as at the date of this report.

(ii) Subject to the approval of Shareholders in general meeting, the Company may renew the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the Shareholders' approval referred to in this paragraph (ii), the Company shall send a circular to the Shareholders containing the information required by the GEM Listing Rules.

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(f) Time of exercise of Option

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

On 11 September 2017, the Company granted 12,620,000 share options to a director and the employees of the Group to subscribe for the ordinary shares of the Company with an exercise price of HK$4.20 per share and for a validity period of 5 years. Among the share options granted, 2,000,000 Granted Options were granted to Mr. Chen Jen-Tse, an Executive Director of the Company.

On 14 November 2018, the Company granted 8,970,000 share options to the directors, employees and other eligible persons of the Group to subscribe for the ordinary shares of the Company with an exercise price of HK$6.90 per share and for a validity period of 5 years. Among the share options granted, 1,000,000 share options were granted to Mr. Chen Jen-Tse, an Executive Director of the Company. Mr. Hung Ka Hai Clement, Mr. Loo Yau Soon and Mr. Twoon Wai Mun, Benjamin, the INEDs of the Company, were granted 200,000 share options each (600,000 share options in total).

The grant of Granted Options to the above Director has been approved by the INEDs pursuant to Rule 23.04(1) of the GEM Listing Rules. 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 the date of grant.

MANAGEMENT DISCUSSION AND ANALYSIS

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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

MANAGEMENT DISCUSSION AND ANALYSIS

EVENT AFTER THE REPORTING PERIOD

On 2 July 2019, 霍爾果斯永卓商業保理有限公司 (Khorgos Yong Zhuo Factoring Limited*)("Khorgos Yong Zhuo Factoring"), an indirect wholly owned subsidiary of the Company, entered into two disposal agreements with a purchaser pursuant to which Khorgos Yong Zhuo Factoring disposed of accounts receivables owned by the Company to the purchaser. Please refer to the announcement of the Company dated 2 July 2019 for details.

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. Please refer to the announcements of the Company dated 27 June 2019 and 4 July 2019 for details.

On 30 July 2019, Khorgos Yong Zhuo Factoring entered into a disposal agreement with a purchaser pursuant to which Khorgos Yong Zhuo Factoring disposed of accounts receivable owned by the Company to the purchaser. Please refer to the announcement of the Company dated 30 July 2019 for details.

On 7 August 2019, Khorgos Yong Zhuo Factoring entered into a disposal agreement with a purchaser pursuant to which Khorgos Yong Zhuo Factoring disposed of accounts receivable owned by the Company to the purchaser. Please refer to the announcement of the Company dated 7 August 2019 for details.

PUBLICATION

This interim report is 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 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. Twoon 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$1.15 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 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 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.