

盛業資本有限公司

Sheng Ye Capital Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8469

INTERIM REPORT

2017



CHARACTERISTICS OF GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

*This report, 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 report 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 report misleading.*

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	62,106	52,442
Profit and total comprehensive income for the period	15,232	30,329
Earnings per share		
Basic (RMB cents)	3	5

The Board does not recommend the payment of dividend for the six months ended 30 June 2017.

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Tung Chi Fung (Chairman)
Chen, Jen-Tse

INDEPENDENT NON-EXECUTIVE DIRECTORS

Hung Ka Hai Clement
Loo Yau Soon
Tsoon Wai Mun, Benjamin

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Lo Wai Hung

COMPANY'S WEBSITE ADDRESS

www.shengyecapital.com

REGISTERED OFFICE

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HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Grand Cayman KY1-1108, Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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183 Queen's Road East, Hong Kong

COMPLIANCE ADVISER

Dakin Capital Limited
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AUDITORS

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LEGAL ADVISERS AS TO HONG KONG LAW

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8 Fleming Road, Wan Chai, Hong Kong

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. **德勤**

TO THE BOARD OF DIRECTORS OF SHENG YE CAPITAL LIMITED
盛業資本有限公司
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Sheng Ye Capital Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 5 to 24, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2016 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

11 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

Six months ended 30 June

	Notes	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	3	62,106	52,442
Gain on sales of factoring assets		2,814	—
Income from factoring business		64,920	52,442
Other income	4	182	10,865
Other losses, net		(181)	(442)
Operating expenses		(13,521)	(10,151)
Listing expenses		(6,893)	(3,763)
Impairment allowances on factoring assets		(2,743)	(2,543)
Finance costs	5	(18,915)	(4,043)
Profit before taxation		22,849	42,365
Taxation	6	(7,617)	(12,036)
Profit and total comprehensive income for the period	7	15,232	30,329
Earnings per share			
Basic (RMB cents)	9	3	5

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Notes	30.6.2017 RMB'000 (Unaudited)	31.12.2016 RMB'000 (Audited)
Non-current assets			
Equipment	10	2,196	1,873
Intangible assets	10	3,139	2,071
Factoring assets	13	—	69,230
Deferred tax assets	11	7,557	6,397
		12,892	79,571
Current assets			
Amount due from a related party	23(a)	1	1
Available-for-sale investment	12	—	1,000
Factoring assets	13	1,575,062	1,255,085
Other receivables, prepayments and others		5,797	1,369
Structured deposit	14	—	10,000
Bank balances and cash		24,448	104,311
		1,605,308	1,371,766
Current liabilities			
Loans from related parties	23(a)	—	478,908
Amount due to a related party	23(a)	—	4,527
Other payables and accrued charges	15	30,984	18,219
Income tax payable		6,968	10,803
Financial assets sold under repurchase agreements	16	119,586	83,509
Bank and other borrowings	17	731,511	142,498
		889,049	738,464
Net current assets		716,259	633,302
Non-current liability			
Deferred tax liabilities	11	4,722	3,676
Net assets		724,429	709,197
Capital and reserves			
Share capital	18	1	618,841
Reserves		724,428	90,356
Total equity		724,429	709,197

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Statutory reserves RMB'000	Retained profits RMB'000	Total RMB'000 (note i)
At 1 January 2017 (audited)	618,841	—	—	10,113	80,243	709,197
Profit and total comprehensive income for the period	—	—	—	—	15,232	15,232
Transfers on reorganisation (note ii)	(618,840)	—	618,840	—	—	—
Arising from reorganisation (note iii)	—	618,840	(618,840)	—	—	—
At 30 June 2017 (unaudited)	1	618,840	—	10,113	95,475	724,429
At 1 January 2016 (audited)	306	—	618,534	4,431	37,917	661,188
Profit and total comprehensive income for the period	—	—	—	—	30,329	30,329
Issue of shares by a subsidiary of the Company (note iv)	618,534	—	(618,534)	—	—	—
Issue of new share	1	—	—	—	—	1
At 30 June 2016 (unaudited)	618,841	—	—	4,431	68,246	691,518

Notes:

- (i) Pursuant to the articles of association of the subsidiaries established in the People's Republic of China ("PRC"), they are required to appropriate 10% of their profit after taxation in accordance with the relevant accounting rules and financial regulations of the PRC before any distribution of dividends to owners each year to the statutory reserves until the balance reaches 50% of their registered capital.
- (ii) The amounts of RMB618,840,000 represented the combined share capital of Sheng Ye International Capital Limited ("SYIC") and Nice Day Corporation Limited ("Nice Day"), subsidiaries of the Company, prior to the completion of the Reorganisation (as defined in note 1).
- (iii) On 14 March 2017, Talent Group Global Limited ("TGG"), a subsidiary of the Company, and Mr. Tung Chi Fung, the shareholder of Nice Day, entered into a sale and purchase agreement pursuant to which the entire equity interests in Nice Day were transferred to TGG in consideration of which TGG allotted and issued one share to the Company.

On 19 June 2017, according to the reorganisation agreement entered into between the Company and Sheng Ye Financial Group Limited, the Company acquired the entire issued share capital of SYIC from Sheng Ye Financial Group Limited, pursuant to which the Company allotted and issued one share to Wisdom Cosmos Limited, the intermediate holding company of the Company and Sheng Ye Financial Group Limited.

The amounts of RMB618,840,000 represent share premium arising from reorganisation, which is the difference between i) the nominal value of 1 share issued by the Company and ii) the net asset value of SYIC on the date of the Reorganisation.

- (iv) SYIC issued 99,950,000 shares to Sheng Ye Financial Group Limited by capitalisation of the capital contribution and deemed contribution from shareholder of RMB618,534,000 during the period ended 30 June 2016.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

Six months ended 30 June

	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(211,609)	(216,494)
INVESTING ACTIVITIES		
Redemption of structure deposits	206,000	195,498
Redemption of available-for-sale investment	1,000	—
Investment income received from structured deposits	94	55
Investment income received from available-for-sale investment	27	—
Interest received	61	10
Proceeds from disposal of equipment	1	—
Advances to related parties	—	(1,502)
Purchase of equipment	(890)	(1,122)
Payment for development costs and purchase of other intangible assets	(1,202)	(555)
Placement of structure deposits	(196,000)	(195,498)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	9,091	(3,114)
FINANCING ACTIVITIES		
New bank and other borrowings raised	1,290,992	229,320
Cash receipts from financial assets sold under repurchase agreements	119,236	—
Loans from related parties raised	45,500	108,157
Capital contribution from shareholder	—	1
Advance from related parties	—	93
Interest paid for financial assets sold under repurchase agreements	(964)	—
Interest paid for bank and other borrowings	(8,222)	(1,944)
Interest paid for loans from related parties	(19,474)	—
Repayment to a related party	(4,527)	—
Repayment of financial assets sold under repurchase agreements	(83,450)	—
Repayment of loans from related parties	(514,700)	(1,700)
Repayment of bank and other borrowings	(701,651)	(119,410)
NET CASH FROM FINANCING ACTIVITIES	122,740	214,517
NET DECREASE IN CASH AND CASH EQUIVALENTS	(79,778)	(5,091)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	104,311	50,889
Effect of foreign exchange rate changes	(85)	(442)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	24,448	45,356

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Rules”).

In preparing for the initial listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the companies now comprising the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) underwent the group reorganisation (the “Reorganisation”) to rationalise the group structure. As a result of the Reorganisation, the Company became the holding company of the Group on 19 June 2017. Details of the Group Reorganisation are more fully explained in the section headed “History, Reorganisation and Development” of the prospectus of the Company dated 26 June 2017 (the “Prospectus”). The Group resulting from the Reorganisation is regarded as a continuing entity.

The condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the Group for the six months ended 30 June 2017 and 2016 and the condensed consolidated statement of the financial position of the Group as at 31 December 2016 have been prepared on the basis as if the group structure upon completion of the Reorganisation has been in existence since 1 January 2016, taking into account the respective date of establishment, incorporation or acquisition of the different entities comprising the Group, as appropriate.

The shares of the Company were listed on the Growth Enterprise Market of the Stock Exchange on 6 July 2017.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s historical financial information for each of the two years ended 31 December 2016 included in the Accountants’ Report in Appendix I of the Prospectus.

In the current interim period, the Group has applied, for the first time, amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements. The application of the amendments to HKAS 7 will result in additional disclosures on the Group’s annual consolidated financial statements, specifically reconciliation between the opening and closing balances of liabilities arising from financing activities will be provided.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

3. REVENUE AND SEGMENT INFORMATION

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

The 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 service in the PRC, and the executive directors of the Company, being the chief operating decision maker of the Group, review the condensed consolidated financial position and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group.

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

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Factoring service	61,942	51,693
Other services	164	749
	62,106	52,442

4. OTHER INCOME

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Government subsidies (note)	—	10,800
Investment income of structured deposits	94	55
Investment income of available-for-sale investment	27	—
Bank interest income	61	10
	182	10,865

Note: The government subsidies were received during the period ended 30 June 2016 unconditionally by the Company's subsidiary in the PRC from local government in relation to the incentive policy for investment in factoring and other financial business based on certain taxes paid or payable by the Company's PRC subsidiary in Dongjiang Port Zone of Tianjin City. During the current period, the Company's PRC subsidiary has submitted the application of such kind of subsidies amounting to RMB9.8 million and subsequently obtained approval from local government on 4 August 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

5. FINANCE COSTS

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Interest on bank and other borrowings		
– wholly repayable within five years	7,894	2,086
Interest on financial assets sold under repurchase agreements	1,255	–
Interest on loans from related parties (note 23(b))	9,766	1,957
	18,915	4,043

6. TAXATION

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
The charge (credit) comprises:		
Current tax		
– Enterprise Income Tax (“EIT”) in the PRC	6,421	9,682
– Withholding tax levied on dividend declared	700	400
– Withholding tax levied on interest income of a Hong Kong subsidiary	610	23
	7,731	10,105
Deferred tax (Note 11)	(114)	1,931
	7,617	12,036

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

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

Withholding tax has been provided for the current interim period in the condensed consolidated financial statements, and details are set out in note 11.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Directors' remuneration	652	521
Other staff costs		
– Salaries, allowances and other staff benefits	5,961	5,423
– Staff's retirement benefit scheme contributions	566	320
Total staff costs	7,179	6,264
Less: amount capitalised in development costs	(1,084)	(230)
Staff costs recognised in profit or loss	6,095	6,034
Total depreciation of equipment	470	836
Less: amount capitalised in development costs	(4)	—
Depreciation of equipment recognised in profit or loss	466	836
Amortisation of intangible assets	138	6
Operating lease rentals in respect of properties	1,519	874
Loss on disposal of equipment	96	—

8. DIVIDENDS

No dividends were paid, declared or proposed during the current and prior reporting periods. The directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

9. EARNINGS PER SHARE

The basic earnings per share is calculated based on the profit attributable to the owners of the Company and the weighted average number of ordinary shares for the period on the assumption that the Reorganisation had been effective since 1 January 2016.

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	15,232	30,329

No diluted earnings per share are presented as there were no potential dilutive ordinary shares in issue during both periods.

	2017 '000	2016 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	555,000	555,000

10. MOVEMENTS IN EQUIPMENT/INTANGIBLE ASSETS

During the current interim period, the Group acquired equipment of RMB890,000 (six months ended 30 June 2016: RMB1,122,000).

During the current interim period, the Group incurred costs directly associated with intangible assets of RMB1,206,000 (six months ended 30 June 2016: RMB555,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

11. DEFERRED TAXATION

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Deferred tax assets	7,557	6,397
Deferred tax liabilities	(4,722)	(3,676)
	2,835	2,721

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

	Undistributed earnings of PRC subsidiaries RMB'000	Deferred income RMB'000	Impairment allowances RMB'000	Total RMB'000
At 1 January 2016 (audited)	(1,635)	3,248	1,694	3,307
(Charge) credit to profit or loss	(2,041)	(713)	2,168	(586)
At 31 December 2016 (audited)	(3,676)	2,535	3,862	2,721
(Charge) credit to profit or loss	(1,046)	474	686	114
At 30 June 2017 (unaudited)	(4,722)	3,009	4,548	2,835

Pursuant to the EIT Law and its detailed implementation rules, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% and withheld by the PRC entity. By the Tax Arrangement for Avoidance of Double Taxation between China and Hong Kong, a Hong Kong resident company should be entitled to preferential tax rate of 5% when receiving dividend from its PRC subsidiary. The Hong Kong subsidiaries of the Group enjoyed the preferential tax rate aforementioned. Accordingly, deferred tax liability has been provided for in the condensed consolidated statement in respect of the expected dividend stream from the PRC subsidiary with the applicable tax rate of 5%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

12. AVAILABLE-FOR-SALE INVESTMENT

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Measured at fair value:		
Asset management scheme	—	1,000
Analysed for reporting purposes as:		
Current asset	—	1,000

As at 31 December 2016, the available-for-sale investment represented investment in an asset management scheme named 新華富時盛業保理1號專項資產管理計劃 and managed by a PRC asset management company. The amount was fully settled during the six months ended 30 June 2017. Details of the fair value measurement of the asset management scheme are set out in note 21.

13. FACTORING ASSETS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Factoring assets	1,593,253	1,339,763
Less: impairment allowances	(18,191)	(15,448)
	1,575,062	1,324,315
Analysed for reporting purposes as:		
Current assets	1,575,062	1,255,085
Non-current assets	—	69,230
	1,575,062	1,324,315

As at 30 June 2017, the effective interest rates of the factoring assets range mainly from 5.00% to 17.24% (31 December 2016: 5.00% to 16.93%) per annum. The management reviews and assesses for impairment on a collective basis and continues to monitor any significant changes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

13. FACTORING ASSETS (CONTINUED)

The following is a credit quality analysis of factoring assets. In the event that an installment repayment of a factoring asset is past due, the entire outstanding balance of the factoring assets is classified as past due.

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Neither past due nor impaired	1,566,828	1,294,598
Past due but not individually impaired	26,425	45,165
Subtotal	1,593,253	1,339,763
Less: impairment allowances	(18,191)	(15,448)
	1,575,062	1,324,315

Movement in the impairment allowances is as follows:

	RMB'000
At 1 January 2016 (audited)	6,777
Impairment losses provided	8,671
At 31 December 2016 (audited)	15,448
Impairment losses provided	2,743
At 30 June 2017 (unaudited)	18,191

14. STRUCTURED DEPOSITS

As at 31 December 2016, the structured deposit represents the financial product amounting to RMB10,000,000 issued by a bank in the PRC with an expected but not guaranteed return varying with the quoted 1 year deposit rate of the People's Bank of China ("PBOC") plus 1.30% per annum, which depending on the market price of underlying financial instruments, including money market funds, inter-bank lending and debentures. The structured deposit was designated at FVTPL on initial recognition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

15. OTHER PAYABLES AND ACCRUED CHARGES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Accrued charges	1,390	5,098
Accrued listing expenses	7,107	2,101
Other tax payables	2,677	3,797
Advance receipt from customers	10	3,124
Deposits from customers	17,491	3,955
Other payables	2,309	144
	30,984	18,219

16. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Factoring assets (note)	119,586	83,509

Note: The contract terms of the financial assets sold under repurchase agreements are within one year. Details of the transfer of financial assets are set out in note 22.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

17. BANK AND OTHER BORROWINGS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Carrying amount repayable within one year:		
– Unsecured entrusted loans	499,663	—
– Other borrowings	231,848	—
– Secured entrusted loan (note i)	—	100,101
– Secured loan from an asset management scheme (note ii)	—	42,397
Amounts shown under current liabilities	731,511	142,498

Note:

- (i) The secured entrusted loan was a fixed-rate borrowing from a PRC non-bank financial institution guaranteed by a parent company of a debtor.
- (ii) The scheme was set up for investment in the factoring assets transferred from SY Factoring Limited, a PRC subsidiary of the Company, with principal amount of RMB42,000,000. The effective interest rate of the above loans was 7.5% per annum as at 31 December 2016. The cash received from the asset management scheme by SY Factoring Limited is accounted for as loan from an asset management scheme and the remaining balance of the loan as at 31 December 2016 is RMB42,397,000. Details of the transfer of financial assets are set out in note 22.

The Group's borrowings are all fixed-rate borrowings and repayable within one year during the reporting period. The ranges of effective interest rates, which are also equal to contract rates, on the Group's borrowings are as follows:

	30 June 2017 %	31 December 2016 %
Range of fixed-rate borrowings interest rates (per annum)	5.00~5.20	6.70~7.50

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

18. SHARE CAPITAL

The share capital presented as at 30 June 2017 represented the share capital of the Company and the share capital presented as at 31 December 2016 represented the aggregate of share capital of SYIC, Nice Day and the Company in issue as at 31 December 2016.

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

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 29 December 2016 (date of incorporation) and 31 December 2016 (note i)	1,000,000	10,000
Increase in authorised capital (note ii)	4,999,000,000	49,990,000
At 30 June 2017	5,000,000,000	50,000,000

	Number of shares	Share capital HK\$
Issued:		
Issued on date of incorporation and at 31 December 2016 (note i)	1	0.01
Issued on date of reorganisation (note ii)	1	0.01
At 30 June 2017	2	0.02

	RMB'000
Shown in the condensed consolidated statement of financial position	1

Notes:

- (i) On 29 December 2016, the Company was incorporated with 1,000,000 authorised ordinary shares of HK\$0.01 each and 1 share was issued upon incorporation and outstanding as at 31 December 2016.
- (ii) Pursuant to the resolution passed by the shareholders of the Company on 19 June 2017, the authorised share capital of the Company was increased from HK\$10,000 to HK\$50,000,000 by the creation of additional 4,999,000,000 ordinary shares of HK\$0.01 each.

According to the reorganisation agreement dated 19 June 2017 entered into between the Company and Sheng Ye Financial Group Limited, the Company acquired the entire issued share capital of SYIC from Sheng Ye Financial Group Limited, pursuant to which the Company allotted and issued one share to Wisdom Cosmos Limited, the intermediate holding company of the Company and Sheng Ye Financial Group Limited, on 19 June 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

19. OPERATING LEASE COMMITMENTS

The Group is the lessee of a number of properties held under operating leases. The leases typically run for an initial period of two to five years, with an option to renew the lease upon expiry when all terms are re-negotiated.

The total future minimum lease payment under non-cancellable operating leases are payable as follows:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within one year	3,149	2,180
After one year but within five years	3,949	3,065
	7,098	5,245

20. CAPITAL COMMITMENTS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Contracted, but not provided for:		
Capital expenditure for acquisition of equipment	91	6

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(I) FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS

Some of the Group's financial assets are measured at fair value at the end of reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable:

Financial assets	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30.6.2017 RMB'000	31.12.2016 RMB'000			
Structured deposit classified as financial assets	Assets - —	Assets - 10,000	Level 2	Discounted cash flow. Return rate and cash flow are key inputs	N/A
Available-for-sale investment classified as financial assets (note)	Assets - —	Assets - 1,000	Level 3	Discounted cash flow. Risk-adjusted discount rate and cash flow are key inputs	The higher discount rate, the lower fair value (note)

Note: The available-for-sale investment represented investment in an asset management scheme and did not have any movement during the year ended 31 December 2016. The amounts were fully settled during the six months ended 30 June 2017.

1% increase/decrease in the discount rate would result in decrease/increase the fair value by RMB4,645.

(II) FAIR VALUE OF FINANCIAL INSTRUMENTS THAT ARE RECORDED AT AMORTISED COST

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

22. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's factoring assets that were transferred to an asset management company or a financial trading centre platform by discounting those factoring assets on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these factoring assets, it continues to recognise the full carrying amount of the factoring assets and has recognised the cash received on the transfer as a financial assets sold under repurchase agreements (note 16) and loan from an asset management scheme (note 17) respectively.

These financial assets are carried at amortised cost in the Group's condensed consolidated statement of financial position.

	Factoring assets	
	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Carrying amount of transferred assets	118,901	114,617
Carrying amount of associated liabilities	119,586	125,906
Net position	(685)	(11,289)

23. RELATED PARTY DISCLOSURES

Save as disclosed in the condensed consolidated financial statements, the Group had the following balances were outstanding at the end of the reporting period and the following transactions with related parties during both periods.

(A) RELATED PARTY BALANCES

(i) Amount due from a related party

Name of Related Party	Relationship	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Wisdom Cosmos Limited	Immediate holding company	1	1

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

(ii) Amount due to a related party

Name of Related Party	Relationship	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Mr. Tung Chi Fung	Controlling shareholder	—	4,527

The amount is non-trade in nature unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

23. RELATED PARTY DISCLOSURES (CONTINUED)

(A) RELATED PARTY BALANCES (CONTINUED)

(iii) Loans from related parties

Name of Related Party	Relationship	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Tianjin Sheng Ye Financial Leasing Company Limited (note i)	Related Party	—	59,265
Sheng Ye Financial Leasing Company Limited (note i)	Related Party	—	11,851
Mr. Tung Chi Fung (note ii)	Controlling shareholder	—	407,792
		—	478,908

The amounts were fully settled during the six months ended 30 June 2017.

Notes:

- (i) The amounts represent two loans, due within one year, from fellow subsidiaries and carry interest at 5.00% and 6.00% per annum, respectively. As at 31 December 2016, the aggregate remaining loan principal is RMB69,200,000 with a total carrying amount of RMB71,116,000.
- (ii) The amount represents a loan, due within one year, from the controlling shareholder of the Company carrying interest at 4.50% per annum. As at 31 December 2016, the remaining loan principal is RMB400,000,000 with a total carrying amount of RMB407,792,000.

(B) RELATED PARTY TRANSACTIONS

(i) Interest on loans from related parties

Name of Related Party	Relationship	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Audited)
Tianjin Sheng Ye Financial Leasing Company Limited	Related Party	1,251	1,580
Sheng Ye Financial Leasing Company Limited	Related Party	279	295
Mr. Tung Chi Fung	Controlling shareholder	8,236	82
		9,766	1,957

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

23. RELATED PARTY DISCLOSURES (CONTINUED)

(B) RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Purchase of intangible assets

		Six months ended 30 June	
Name of Related Party	Relationship	2017 RMB'000 (Unaudited)	2016 RMB'000 (Audited)
Sheng Ye Supply Chain Management Service (Shenzhen) Company Limited	Related Party	10	—

(C) COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

Six months ended 30 June		
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Salaries and other allowances	2,248	1,820
Retirement benefit scheme contributions	74	45
	2,322	1,865

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.

24. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 6 July 2017, the Company issued a total of 185,000,000 ordinary shares of HK\$0.01 each at HK\$2.00 (equivalent to RMB1.741) pursuant to the initial public offering of the Company's shares. On the same date, the Company allotted and issued 554,999,998 ordinary shares of HK\$0.01 each credited as fully paid to the shareholders by capitalising an amount of HK\$5,550,000 (equivalent to RMB4,831,000) from the share premium account of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a specialized enterprise financial services provider offering accounts receivable financing and other related solutions, mainly in the construction, the energy and the medical sectors in the People's Republic of China (the "PRC").

In the first half of 2017, the global economy has undergone a slowdown, and the PRC's economy continues to be in adjustment. Notwithstanding the strengthening of supervision on financial institutions by the PRC's government, the Group's factoring business continued to expand during the reporting period and the factoring assets of the Group amounted to approximately RMB1,575.1 million as at 30 June 2017, representing an increase of 18.9% from approximately RMB1,324.3 million as at 31 December 2016.

FINANCIAL REVIEW

REVENUE

As at 30 June 2017, the total revenue of the Group amounted to approximately RMB62.1 million. The following table sets out our revenue (net of sales related taxes) by service type and the percentage of total revenue for each type of service:

	Six months ended 30 June			
	2017		2016	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Factoring services	61,942	99.7	51,693	98.6
Other services	164	0.3	749	1.4
Total	62,106	100.0	52,442	100.0

Factoring services

The factoring services income amounted to RMB61.9 million for the Interim Period, representing 99.7% of the total revenue, an increase of 19.8% as compared to that of the same period in 2016. The increase of factoring income was primarily due to the continuous business expansion and the increase in factoring assets of the Group during the Interim Period.

During the Interim Period, the factoring business in the construction and the medical sectors grew rapidly. The revenue from the construction sector for the six months ended 30 June 2017 amounted to approximately RMB37.0 million, representing an increase of 135.7% from RMB15.7 million for the six months ended 30 June 2016. The revenue from the medical sector amounted to approximately RMB6.6 million, representing an increase of 842.9% from RMB0.7 million for the six months ended 30 June 2016. The revenue from the energy sector dropped by 47.3% from approximately RMB34.7 million for the six months ended 30 June 2016 to RMB18.3 million for the six months ended 30 June 2017. The main reason for the reduction in revenue from the energy sector was due to short-term changes in customer demand.

The total factoring assets of the Group amounted to approximately RMB1,575.1 million as at 30 June 2017, representing an increase of 18.9 % from the amount of RMB1,324.3 million as at 31 December 2016. The factoring assets of the medical sector increased by 1,015.4% from approximately RMB29.3 million as at 31 December 2016 to RMB326.8 million as at 30 June 2017. The factoring assets of the construction sector increased by 15.6% from approximately RMB952.0 million as at 31 December 2016 to RMB1,100.1 million as at 30 June 2017. However, the factoring assets of the energy sector decreased by 56.8 % from approximately RMB343.0 million as at 31 December 2016 to RMB148.2 million as at 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

The factoring assets of the Group are generally within one year. The following table is an ageing analysis of the factoring assets (net of impairment allowances), based on due dates as at the date indicated:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Less than one month	272,973	101,115
More than one month but less than three months	398,304	126,165
More than three months but less than one year	903,785	1,027,805
More than one year	—	69,230
	1,575,062	1,324,315

To minimize the credit risk, the Group generally enter into factoring transactions with recourse and with notifications with customers. For the six months ended 30 June 2017, the percentage of the revenue for factoring transactions with recourse on total revenue is 99.1% (six months ended 30 June 2016: 95.9%). For the six months ended 30 June 2017, the percentage of the revenue for factoring transactions with notifications on total revenue is 66.0% (six months ended 30 June 2016: 79.7%).

Other services

Other services primarily include fee income from providing accounts receivable management services. Revenue from other services for the six months ended 30 June 2017 amounted to approximately RMB0.2 million (six months ended 30 June 2016: RMB0.8 million).

GAIN ON SALES OF FACTORING ASSETS

The Group started the business of sales of factoring assets since the second half of 2016. The Group transferred to Independent Third Party factoring assets of approximately RMB 194.0 million during the Interim Period. Gains on such sales amounted to approximately RMB 2.8 million. (six months ended 30 June 2016: Nil).

OTHER INCOME

Other income mainly includes government subsidies, investment income from structure deposits and bank interest income. Other income dropped by 98.2% from approximately RMB10.9 million for the six months ended 30 June 2016 to RMB0.2 million for the six months ended 30 June 2017. This was mainly due to a delay in receiving of government subsidies from local government under the incentive policy for investment in factoring and other financial business in Tianjin city for the current year as compared to last year. The Group received government subsidies for the year 2016 in June 2016 but due to the time for clearing the administrative procedures by the government, the subsidies for the current year was subsequently received in early August 2017.

OTHER GAINS AND LOSSES

Other gains and losses for the Interim Period mainly comprised the exchange differences and losses on disposal of some old office furniture. We recorded other losses, net of other gains, of approximately RMB0.2 million for the Interim Period (six months ended 30 June 2016: RMB0.4 million).

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING EXPENSES

Operating expenses mainly represent the salaries and benefits, rental expenses, legal and professional fees, depreciation of plant and equipment and other miscellaneous expenses. Operating expenses increased by 32.4% from approximately RMB10.2 million for the six months ended 30 June 2016 to RMB13.5 million for the Interim Period. The increase was mainly in line with the growth in business scale and staff headcount.

LISTING EXPENSES

The Group recorded a non-recurring listing expenses of approximately RMB6.9 million during the Interim Period (six months ended 30 June 2016: RMB3.8 million).

IMPAIRMENT ALLOWANCES ON FACTORING ASSETS

The expenses of impairment allowances on factoring assets for the six months ended 30 June 2017 amounted to RMB2.7 million, represents the increase of the impairment allowance on factoring assets from approximately RMB15.5 million as at 31 December 2016 to RMB18.2 million as at 30 June 2017. The increase resulted from the business growth and increase in factoring assets of the Group.

FINANCE COSTS

The Group's finance costs for the six months ended 30 June 2017 amounted to approximately RMB18.9 million, an increase of approximately four times as compared to that in the same period in 2016 (six months ended 30 June 2016: RMB4.0 million). The significant increase in the Group's finance cost was in line with the increase in the Group's bank and other borrowings.

INCOME TAX EXPENSES

For the first half of 2017, the income tax expenses amounted to approximately RMB7.6 million (six months ended 30 June 2016: RMB12.0 million), dropped by approximately 36.7% as compared to that in the same period of 2016. The decline was mainly due to the decrease in assessable profits.

NET PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

As a result of the above factors, the Group's profit for the Interim Period amounted to approximately RMB15.2 million, representing a reduction of approximately 49.8% as compared to that in the same period of 2016. The main reason of the decline in profits is due to the delay in receiving of government subsidies and the non-recurring expenses in connection with the listing of the Company.

During the Interim Period, the Group' Earnings per share was RMB3 cents (six months ended 30 June 2016: RMB5 cents).

DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK AND PROSPECTS

According to the National Bureau of Statistic of China, the PRC's GDP growth was 6.9% in the first half of 2017, better than expected. In May 2017, the People's Bank of China, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission, the China Banking Regulatory Commission, and the Foreign Exchange Bureau jointly issued the "Small and Micro Businesses Accounts Receivable Financing the Work of the Special Action Plan (2017-2019)"(小微企業應收賬款融資專項行動工作方案 (2017-2019年)), which is of great significance to improve the accounts receivable financing efficiency for small and micro enterprises.

The Group is one of the leading foreign-owned commercial factoring enterprises with a strong capital base in China. It has strategically developed its customer base by targeting SME suppliers of SOEs and large scale enterprises, in the energy, construction and medical sectors in the PRC, through the provision of factoring services.

With the listing of the Company on 6 July 2017, the listing proceeds received will enhance our profile, strengthen our financial position and competitiveness. The Group will continue to focus on the construction, the energy, and the medical sectors, to expand our client base and the size of factoring assets. Following the listing of the Company, the management expects the Group's brand awareness and acceptance may have increased, and is expected to facilitate the Group's business development by gaining access to more efficient offshore financing channels. The Group will also enhance the financing channels for new and relatively low-cost financing to support the business growth of the Group.

We continue to remain positive on the outlook of the energy sectors and intend to continue to providing factoring services to energy companies because the PRC ranks the world's largest energy consumption with robust growth in the petrochemical sector.

We also intend to continue to provide factoring service to construction companies because the PRC government is expected to continue emphasising on infrastructure investments in the PRC; financing amounts in this industry are relatively larger than other industries and there is a relatively lower risk of default because the underlying debtors generally possess significant fixed asset investments.

We also intend to develop our factoring business with distributors of medical products because we consider that the default risk of accounts payable by public hospitals is relatively low and the distributors of medical products are generally asset light companies in demand for financing from commercial factoring enterprise.

Meanwhile, the Group will continue to develop its online factoring platform and to enhance risk management. With advanced online factoring platform "Sheng Yi Tong" (or "盛易通") and professional risk management mechanism, the Group is able to standardize its financial products and customize solutions and offers integrated factoring services: account receivable financing, account receivable management services, credit evaluation, etc., to its customers, helping them to gain access funding at different stages for continual development.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

The Company's shares were successfully listed on GEM on 6 July 2017 (the "Listing Date"). There has been no change in the capital structure of the Group since then.

The Group mainly funds its liquidity and capital requirements through cash flows from operating activities and borrowings from financial institutions. By 30 June 2017, the Group's cash and cash equivalents are approximately RMB24.4 million (31 December 2016: RMB104.3 million).

The Group got an entrusted loan of RMB500 million in the first half of this year. Such loan is unsecured, subjected to a fixed interest rate of 5.2% per annum, and repayable within one year of drawdown. By 30 June 2017, the Group had drawn down approximately RMB500 million.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's gearing ratio as at 30 June 2017, expressed as a percentage of total liabilities and over owner's equity was 1.2 (31 Dec 2016: 1.0). The gearing ratio is maintained at a healthy level.

CAPITAL COMMITMENTS

As at 30 June 2017, the capital commitments of the Group are related to purchase of property, plant and equipment of approximately RMB0.9million (31 Dec 2016: RMB0.1 million).

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any material contingent liabilities or guarantees.

PLEDGE OF ASSETS

As at 30 June 2017, none of the Group's assets have been pledged to any financial institution for facilities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

On 19 January 2017, the Group established Sheng Peng Factoring Limited (盛鵬商業保理有限公司). In March 2017, Sheng Heng Factoring Limited (盛恒商業保理有限公司), Sheng Li Factoring Limited (盛利商業保理有限公司) and Sheng Zhuo Factoring Limited (盛卓商業保理有限公司) were set up by the Group. Save as the above, the Group did not have any material acquisitions and disposals of subsidiaries during the Interim Period.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 30 June 2017, the Group did not make any significant investments.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

FOREIGN EXCHANGE RISKS

As most of the Group's 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 2017, the Group had a total of 63 staff (As at 31 December 2016: 53 employees), whose remunerations and benefits are determined based on market rates, state policies and individual performance. The increase in the number of employees was mainly due to the development of our on-line platform and the expansion of the Group's business.

USE OF PROCEEDS

The Company's shares were listed on GEM on 6 July 2017. The net proceeds from the offering of the shares of the Company by way of global offering (the "Global Offering"), net of underwriting commissions and relevant expenses, amounted to approximately RMB295.3 million. The Group will use such proceeds in accordance to the purposes stated in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Since the Company's shares were not listed on the GEM as at 30 June 2017, Divisions 7 and 8 of Part XV of the Securities and Future Ordinance ("**SFO**") and section 352 of the SFO were not applicable to the Company, the Directors and chief executive of the Company as at 30 June 2017.

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

INTEREST IN THE COMPANY

Name of Director	Capacity/nature of interest	Number and class of securities (Note 1)	Percentage of shareholding
Mr. Tung Chi Fung ("Mr. Tung") (Note 2)	Beneficiary of a trust and settlor of discretionary trust	555,000,000 (L)	75%

Notes:

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Since the Company's shares were not listed on GEM as at 30 June 2017, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the Company and the substantial shareholders as at 30 June 2017.

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

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

Notes:

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

Save as disclosed above, as at the date of this report, 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

SHARE OPTION SCHEME

The share option scheme was adopted by the shareholders of the Company and was effective on 6 July 2017 (the "**Share Option Scheme**") for the primary purpose of providing incentives or rewards to eligible persons as defined in the Share Option Scheme to recognise and acknowledge their contribution to the Group and motivate them to higher levels of performance.

(a) Purpose of the Share Option Scheme

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

MANAGEMENT DISCUSSION AND ANALYSIS

(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 5 business days from the date on which the Option is granted.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(c) Grant of Option

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

(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.

As at the date of this report, no share option was outstanding under the Share Option Scheme. No share option has been granted by the Company under the Share Option Scheme since its adoption.

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

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

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

For the six months ended 30 June 2017, 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 2017 and up to the date of this report, neither Dakin Capital Limited, the compliance adviser of the Company, nor any of its Directors, employees or close associates (as defined in the GEM Listing Rules) has any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

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

CORPORATE GOVERNANCE

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

AUDIT COMMITTEE

Our Company established the audit committee (the “**Audit Committee**”) on 19 June 2017 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are mainly to make recommendations to our Board on the appointment and removal of 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 our Company. The Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017 have been reviewed by the Audit Committee. The Audit Committee currently consists of three members, namely Mr. Hung Ka Hai Clement, Mr. Tsoon Wai Mun, Benjamin, and Mr. Loo Yau Soon. The Chairman of our Audit Committee is Mr. Hung Ka Hai Clement.

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 2017 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

LISTING ON GEM

The Company’s shares were successfully listed on GEM by way of Global Offering on 6 July 2017. Pursuant to the Global Offering, new shares including a public offer of 18,500,000 new shares of the Company and international placing of 166,500,000 new shares of the Company have been issued on 6 July 2017 at the offer price of HK\$2.00 per share.

DISCLOSEABLE TRANSACTIONS

On 20 February 2017, SY Factoring Limited (“**SY Factoring**”), an indirect wholly owned subsidiary of the Company, entered into with recourse factoring service agreement with Guangdong Kunteng Industrial Co Ltd (“**Guangdong Kunteng**”) dated 20 February 2017 (“**Framework Agreement**”), pursuant to which SY Factoring has in principal agreed to provide, among other things, i) financing being secured by accounts receivables of Guangdong Kunteng; ii) accounts receivable management services; and iii) accounts receivable collection services to Guangdong Kunteng for a period of 2 years from the date of signing of the Framework Agreement. Pursuant to the Framework Agreement, detailed terms of the factoring services to be provided by SY Factoring to Guangdong Kunteng are to be further agreed by the parties.

On 3 March 2017, pursuant to the Framework Agreement, SY Factoring entered into the credit limit (with recourse) agreement dated 3 March 2017 (“**First Supplemental Factoring Agreement**”) with Guangdong Kunteng pursuant to which SY Factoring has agreed to grant a revolving factoring loan credit limit of RMB180,000,000 (equivalent to approximately HK\$203,400,000) to Guangdong Kunteng. The factoring loan was subject to an interest rate of 13.5% per annum (including tax, to be paid by Guangdong Kunteng to SY Factoring when the factoring loan was repaid) and a service fee of 0.35% of the accounts receivable assigned per month (including tax, to be paid by Guangdong Kunteng to SY Factoring within the first 5 Business Days of the next month). On 4 April 2017 and 12 July 2017, under the Framework Agreement and the First Supplemental Factoring Agreement, Guangdong Kunteng applied for utilization of the revolving factoring loan in the amount of RMB25,000,000 (equivalent to approximately HK\$28,250,000) and RMB6,382,978.72 (equivalent to approximately HK\$7,212,765.95) respectively which had been approved and granted by SY Factoring on the respective application date.

On 19 July 2017, SY Factoring entered into the limit (with recourse) agreement dated 19 July 2017 (“**Second Supplemental Factoring Agreement**”) with Guangdong Kunteng pursuant to which the revolving factoring loan credit limit granted to Guangdong Kunteng was revised from RMB180,000,000 (equivalent to approximately HK\$203,400,000) to RMB260,000,000 (equivalent to approximately HK\$293,800,000).

MANAGEMENT DISCUSSION AND ANALYSIS

As the highest applicable percentage ratio for the Company as calculated under Rule 19.07 of the GEM Listing Rules in relation to the revised credit limit under the Second Supplemental Factoring Agreement exceeds 5% but is less than 25%, the entering into of the Second Supplemental Factoring Agreement constitutes a discloseable transaction for the Company under the GEM Listing Rules and is subject to the reporting and report requirements.

Please refer to the announcement of the Company dated 19 July 2017 for details of these discloseable transactions.

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

Hong Kong, 11 August 2017

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

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

Unless otherwise stated, translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 to HK\$1.13 for information purpose only. Such translation should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.

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

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