



盛業資本
SHENG YE CAPITAL

盛業資本有限公司 **SHENG YE CAPITAL LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8469

FIRST QUARTERLY REPORT 2018



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

GEM has been positioned as a market designed to accommodate 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.*

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FINANCIAL HIGHLIGHTS

For the three months ended 31 March 2018

- The unaudited revenue of the Group for the three months ended 31 March 2018 was RMB43.8 million representing an increase of approximately RMB16.0 million, or 57.5%, as compared to the three months ended 31 March 2017.
- The unaudited profit after tax for the three months ended 31 March 2018 was RMB15.0 million representing an increase of approximately 74.4%, as compared to the profit after tax of approximately RMB8.6 million for the three months ended 31 March 2017.
- Unaudited basic and diluted earnings per share for three months ended 31 March 2018 was RMB2 cents and RMB2 cents respectively (three months ended 31 March 2017: basic earnings per share of RMB2 cents).
- The Board does not recommend the payment of a dividend for the three months ended 31 March 2018 (three months ended 31 March 2017: nil)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

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

Non-executive director

Ms. Tung Ching Ching

Independent non-executive directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Lo Wai Hung

AUTHORISED REPRESENTATIVES

Mr. Tung Chi Fung
Mr. Lo Wai Hung

REGISTERED OFFICE

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

COMPANY'S WEBSITE ADDRESS

www.shengyecapital.com

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

10/F, Kerry Plaza Tower 2
1-1 Zhong Xin No. 4 Road
Futian, Shenzhen 518048, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPLIANCE ADVISER

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

AUDITORS

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

LEGAL ADVISER

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

STOCK CODE

8469

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2018

The board of directors (“**Board**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months ended 31 March 2018, together with comparative figures for the corresponding period in 2017 as follows:

	Notes	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue	3	43,848	27,834
Gain on sales of factoring assets		—	1,165
Income from factoring business		43,848	28,999
Other income	4	941	152
Other gains, net		443	26
Operating expenses		(12,128)	(6,063)
Listing expenses		—	(1,312)
Impairment allowances on factoring assets		(2,328)	(522)
Share of profit of a joint venture		456	—
Share of profit of associates		132	—
Finance costs		(9,172)	(8,463)
Profit before taxation	5	22,192	12,817
Taxation	6	(7,233)	(4,200)
Profit for the period		14,959	8,617
Other comprehensive expense for the period			
Items that may be reclassified subsequently to profit or loss:			
– Changes in fair value of factoring asset		(1,094)	—
Total comprehensive income for the period		13,865	8,617
Profit for the period attributable to :			
Owners of the Company		14,535	8,617
Non-controlling interests		424	—
		14,959	8,617
Total comprehensive income for the period attributable to:			
Owners of the Company		13,441	8,617
Non-controlling interests		424	—
		13,865	8,617
Earnings per share			
– Basic (RMB cents)	7	2	2
– Diluted (RMB cents)	7	2	N/A

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018

	Attributable to owners of the Company									
	Share capital	Share premium	Share Option reserves	Statutory reserves	Other reserve	Revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018 (audited)	6,442	917,312	2,361	21,018	—	—	158,145	1,105,278	—	1,105,278
HKFRS 9 adjustment on other comprehensive expense	—	—	—	—	—	(2,604)	—	(2,604)	—	(2,604)
At 1 January 2018 (after adjustment)	6,442	917,312	2,361	21,018	—	(2,604)	158,145	1,102,674	—	1,102,674
Profit for the period	—	—	—	—	—	—	14,535	14,535	424	14,959
Other comprehensive expense	—	—	—	—	—	(1,094)	—	(1,094)	—	(1,094)
Profit and total comprehensive income for the period	—	—	—	—	—	(1,094)	14,535	13,441	424	13,865
Changes in ownership interests in subsidiaries without change in control	—	—	—	—	1,491	—	—	1,491	67,509	69,000
Recognition of share-based payment expenses	—	—	1,864	—	—	—	—	1,864	—	1,864
At 31 March 2018 (unaudited)	6,442	917,312	4,225	21,018	1,491	(3,698)	172,680	1,119,470	67,933	1,187,403
At 1 January 2017 (audited)	618,841	—	—	10,113	—	—	80,243	709,197	—	709,197
Profit and total comprehensive income for the period	—	—	—	—	—	—	8,617	8,617	—	8,617
At 31 March 2017 (unaudited)	618,841	—	—	10,113	—	—	88,860	717,814	—	717,814

NOTES TO THE UNAUDITED FINANCIAL RESULTS

For the three months ended 31 March 2018

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the GEM of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company’s immediate holding company is Wisdom Cosmos Limited. Its ultimate shareholder is Mr. Tung Chi Fung, who is also the Chairman and Executive Director of the Company. The Company’s registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is located at Room 4202, 42/F, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are provision of factoring in the People’s Republic of China (“**PRC**”).

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) 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 GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).

In preparing for the initial listing of the shares of the Company on the GEM of 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 of the Group for the three months ended 31 March 2018 and 2017 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 condensed consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

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

The Group has consistently adopted the HKFRSs, Hong Kong Accounting Standards (“**HKASs**”), amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) which are effective for the accounting periods beginning on 1 January 2018 for both current and prior years.

The Group has not applied any new and revised standards, amendments or interpretations that have been issued but not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group’s results of operations and financial position.

NOTES TO THE UNAUDITED FINANCIAL RESULTS

For the three months ended 31 March 2018

3. REVENUE AND SEGMENT INFORMATION

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

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

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

	Three months ended 31 March	
	2018 RMB’000 (Unaudited)	2017 RMB’000 (Unaudited)
Factoring service	37,319	27,654
Guarantee service	5	—
Other services	6,524	180
Revenue from factoring business	43,848	27,834

4. OTHER INCOME

	Three months ended 31 March	
	2018 RMB’000 (Unaudited)	2017 RMB’000 (Unaudited)
Investment income of structured deposits	—	94
Investment income of available-for-sale investment	—	17
Interest income from loans to a related party	793	—
Bank interest income	148	41
	941	152

NOTES TO THE UNAUDITED FINANCIAL RESULTS

For the three months ended 31 March 2018

5. PROFIT FOR THE PERIOD

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

	Three months ended 31 March	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Directors' remuneration	649	53
Other staff costs		
– Salaries, allowances and other staff benefits	5,566	2,733
– Staff's retirement benefit scheme contributions	1,042	560
– Share-based payment expenses	1,864	—
Total staff costs	9,121	3,346
Less: amount capitalised in development costs	(1,908)	(252)
Staff costs recognised in profit or loss	7,213	3,094
Total depreciation of equipment	270	275
Less: amount capitalised in development costs	(9)	(2)
Depreciation of equipment recognised in profit or loss	261	273
Amortisation of intangible assets	107	53
Operating lease rentals in respect of properties	755	789

NOTES TO THE UNAUDITED FINANCIAL RESULTS

For the three months ended 31 March 2018

6. INCOME TAX EXPENSE

	Three months ended 31 March	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
The charge (credit) comprises:		
Current tax		
– Enterprise Income Tax (“EIT”) in the PRC	6,308	3,411
– Withholding tax levied on interest income of a Hong Kong subsidiary	175	331
	6,483	3,742
Deferred tax	750	458
	7,233	4,200

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

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

NOTES TO THE UNAUDITED FINANCIAL RESULTS

For the three months ended 31 March 2018

7. EARNINGS PER SHARE

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

	Three months ended 31 March	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	14,535	8,617

	Three months ended 31 March	
	2018 '000 (Unaudited)	2017 '000 (Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	740,000	555,000
Effect of dilutive potential ordinary shares:		
Share options	1,225	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	741,225	N/A

8. DIVIDENDS

The Board does not recommend the payment of a dividend for the three months ended 31 March 2018 (three months ended 31 March 2017: nil)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK AND PROSPECTS

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

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

FINANCIAL REVIEW

Revenue

The Group earns its revenue from the provision of factoring services, guarantee services and other services to customers in the PRC. For the three months ended 31 March 2018, the Group made revenue of approximately RMB43.8 million, representing an increase of approximately 57.5% (For the three months ended 31 March 2017: RMB27.8 million). The increase in revenue was owed mainly to an expanded factoring business supported by major portion of the proceeds from the listing of the Company in July 2017.

Gain on sales of factoring assets

The Group may sell rights of factoring assets as a way to improve cash flow and manage its factoring receivables portfolio. Gain from this business segment is equal to the excess of the consideration received and receivable over the carrying amount of the factoring assets. The Group did not sell any of its factoring assets for the three months ended 31 March 2018, as a result no gain on sales of factoring assets is recorded (for the three months ended 31 March 2017: approximately RMB1.2 million) The decrease was mainly attributable to the utilisation of credit limit granted by the counter party. None of the factoring assets previously sold to independent third parties involves non-performing assets.

Other income

Other income mainly comprises interest income from loans to a related party and bank interest income. For the three months ended 31 March 2018 and 2017, the Group's other income was approximately RMB0.9 million and RMB0.2 million respectively.

Other gains, net

Net other gains mainly include exchange differences and fair value gain on disposal of shares in a subsidiary. For the three months ended 31 March 2018, other gains of approximately RMB0.4 million were recorded (For the three months ended 31 March 2017: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Operating expenses

Operating expenses mainly comprise staff salaries and benefits, rental expenses, legal and professional fees, depreciation of equipment and other miscellaneous. Staff cost and other operating expenses for the three months ended 31 March 2018 were RMB12.1 million, representing an increase of 100%, which was mainly attributable to the increase in staff cost, marketing expenses and professional fee incurred as a result of business expansion.

Listing expenses

The Group recorded one-off listing expenses of approximately RMB1.3 million for the three months ended 31 March 2017. The Group did not incur any listing expenses for the three months ended 31 March 2018.

Impairment allowances on factoring assets

The expenses of impairment allowances on factoring assets for the three months ended 31 March 2018 amounted to RMB2.3 million, representing an increase of impairment allowance on factoring assets from approximately RMB17.5 million as at 31 December 2017 to RMB19.8 million as at 31 March 2018. The increase was a result of business growth and increase in factoring assets of the Group.

Share of profit of a joint venture and associates

The Group shared the profits of a joint venture and associates were RMB0.5 million (for the three months ended 31 March 2017: Nil) and RMB0.1 million for the three months ended 31 March 2018 respectively (for the three months ended 31 March 2017: Nil).

Finance costs

Finance cost is mainly the interest expenses of borrowings from financial institutions. For the three months ended 31 March 2018, finance cost was RMB9.2 million, representing a 8.2% increase (for the three months ended 31 March 2017: RMB8.5 million). The increase in finance cost was in line with the increase in borrowings taken out 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 73.4% from approximately RMB 12.8 million for the three months ended 31 March 2017 to approximately RMB22.2 million for the three months ended 31 March 2018. Profit before taxation accounted for approximately 50.7% and 44.1% of the Group's income from factoring business in 2018 and 2017, respectively.

Taxation

Income tax expenses represent the tax expense arising from the assessable profit generated by the Group in the PRC and deferred tax. PRC enterprise income tax is calculated at 25% of the estimated assessable profits for both three months ended 31 March 2018 and 2017.

For the three months ended 31 March 2018, income tax expenses amounted to approximately RMB7.2 million (For the three months ended 31 March 2017: RMB4.2 million).

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

During the three months ended 31 March 2018, the Group's main source of funds was the cash generated from daily operations and new borrowings. As at 31 March 2018, the Group had bank balances and cash of RMB95.7 million (31 December 2017: RMB174.3 million), of which 98.2% and 1.8% were denominated in RMB and HK dollars respectively.

As at 31 March 2018, the Group had interest-bearing borrowings which amounted to RMB493.2 million (31 December 2017: RMB482.3 million). Its gearing ratio, expressed as total liabilities over owner's equity was 0.5 as at 31 March 2018 (31 December 2017: 0.6).

CONTINGENT LIABILITIES

As at 31 March 2018, the Group did not have any material contingent liabilities or guarantees.

PLEDGE OF ASSETS

As at 31 March 2018, none of the Group's assets have been pledged to any financial institution for facilities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

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

Save as the above, the Group did not have any material acquisitions and disposals of subsidiaries during the first quarter period.

CAPITAL COMMITMENTS

As at 31 March 2018, the Group did not have any material capital commitments related to purchase of equipment (31 December 2017: nil).

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 31 March 2018, the Group did not make or hold any significant investments.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

FOREIGN EXCHANGE RISKS

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

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2018, the Group had a total of 85 staffs (31 December 2017: 79 staffs). Total staff costs (including Directors' emoluments) were approximately RMB9.1 million and total share option benefits for the staffs were RMB1.9 million for the three months ended 31 March 2018 (For the year ended 31 December 2017: RMB25.8 million and RMB2.4 million, respectively). Remuneration is determined by reference to the market conditions and the performance, qualifications and experience of individual employees. Year-end bonuses based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to a statutory mandatory provident fund scheme and social insurance together with housing provident funds for its employees in Hong Kong and the PRC, respectively.

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

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

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

USE OF PROCEEDS

The net proceeds from the 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 have been and will be used for the purposes stated in the future plans of the Company as set out in the Prospectus. The use of the net proceeds between the Global Offering between the date of listing (the "Listing Date") and 31 March 2018 was as follows:

Use of proceeds	Planned use of proceeds as stated in the Prospectus		Actual use of proceeds between the Listing Date and 31 March 2018
	HK\$ million	RMB million	RMB million
Expanding our factoring operations	297.8	262.8	262.8
Repaying loan from a financial institution	33.5	29.6	29.6
Developing our online factoring platform and upgrading our financial reporting system	3.3	2.9	2.5
Total net proceeds	334.6	295.3	294.9

The unused net proceeds have been placed as interest bearing deposits with licensed banks in PRC.

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

Interest in the Company

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

Notes:

1. 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.
2. The letter "L" denotes long position of the shares of the Company.
3. This refers to the number of underlying Shares covered by its share option scheme.

Save as disclosed herein, as at 31 March 2018, none of the Directors or chief executive of the Company or their associates (as defined in the GEM Listing Rules) had any interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 31 March 2018, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 10% or more of issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity/nature of interest	Number and class of securities (Note 1)	Percentage of shareholding
TMF Trust (Note 2)	Trustee	555,000,000 (L)	75%
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 31 March 2018, the Directors are not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

SHARE OPTION SCHEME

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

(a) Purpose of the Share Option Scheme

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

(b) Who may join and basis of eligibility

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

(c) Grant of Option

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

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.

(f) *Time of exercise of Option*

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

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

The following shows the outstanding position as at 31 March 2018 with respect to their Options granted under the Share Option Scheme:

	Date of grant	Exercise price	Exercise period	Balance as at 1 January 2018	Granted during the period	Forfeited during the period	Balance as at 31 March 2018
Mr. Chen Jen-Tse	11 September 2017	HK\$4.20	10/9/2018 – 10/9/2022	500,000	—	—	500,000
			10/9/2019 – 10/9/2022	500,000	—	—	500,000
			10/9/2020 – 10/9/2022	1,000,000	—	—	1,000,000
				2,000,000	—	—	2,000,000
Employees	11 September 2017	HK\$4.20	10/9/2018 – 10/9/2022	2,617,500	—	(70,000)	2,547,500
			10/9/2019 – 10/9/2022	2,617,500	—	(70,000)	2,547,500
			10/9/2020 – 10/9/2022	5,235,000	—	(140,000)	5,095,000
				10,470,000	—	(280,000)	10,190,000

During the three months ended 31 March 2018, i) 12,190,000 Granted Options were outstanding under the Share Option Scheme; ii) no Granted Options were exercised; and iii) 280,000 Granted Options were lapsed.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

For the three months ended 31 March 2018, the Directors are not aware of any business or interest of the Directors, the substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) that competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person has or may have with the Company.

COMPLIANCE ADVISER'S INTERESTS

As at 31 March 2018, neither Dakin Capital Limited, the compliance adviser of the Company, nor any of its Directors, employees or close associates has any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the period from the Listing Date to 31 March 2018.

CORPORATE GOVERNANCE

The Directors are committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, 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 31 March 2018.

AUDIT COMMITTEE

The Company established the Audit Committee on 19 June 2017 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of the external auditors; review the financial statements and provide material advice in respect of financial reporting; and oversee the internal control and risk management procedures of the Company. The Group's unaudited condensed consolidated first quarterly financial statements for the three months ended 31 March 2018 have been reviewed by the Audit Committee. The Audit Committee currently consists of three members, namely Mr. Hung Ka Hai Clement, Mr. Tsoon Wai Mun, Benjamin, and Mr. Loo Yau Soon. The Chairman of our Audit Committee is Mr. Hung Ka Hai Clement.

EVENT AFTER THE REPORTING PERIOD

On 2 April 2018, SY Factoring Limited ("**SY Factoring**"), an indirect wholly owned subsidiary of the Company, entered into the reverse factoring agreement with a customer. Please refer to the announcement of the Company dated 2 April 2018 for details.

On 9 April 2018, SY Factoring entered into the accounts receivable transfer agreements with the suppliers of Country Garden Holdings Company Limited together with its subsidiaries. Please refer to the announcement of the Company dated 9 April 2018 for details.

On 11 April 2018, SY Factoring entered into the underlying asset transfer agreement with China Merchant Securities Asset Management Company Limited*. Please refer to the announcement of the Company dated 11 April 2018 for details.

On 16 April 2018, SY Factoring entered into the 1) third supplemental factoring agreement with customer A; 2) second supplemental factoring agreement with customer B; 3) second supplemental factoring agreement with customer C; 4) third supplemental factoring agreement with customer D; 5) seventh supplemental factoring agreement with customer E; and 6) second supplemental factoring agreement with customer F. Please refer to the announcement of the Company dated 16 April 2018 for details.

MANAGEMENT DISCUSSION AND ANALYSIS

PUBLICATION

This first quarterly results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.shengyecapital.com) respectively. The 2017 first quarterly report will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 11 May 2018

As at the date of this report, the Board comprises two executive Directors: Mr. Tung Chi Fung and Mr. Chen Jen-Tse; one non-executive Director: Ms. Tung Ching Ching; and three independent non-executive Directors: Mr. Hung Ka Hai Clement, Mr. Loo Yau Soon and Mr. 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\$1.25 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 announcement, on the “Latest Company Announcements” page for at least 7 days from the date of its posting. This announcement will also be published on the Company’s website at www.shengyecapital.com.