



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

2019



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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 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 2019

- The unaudited income from factoring business of the Group for the three months ended 31 March 2019 was RMB99.1 million representing an increase of approximately RMB55.3 million, or 126.2%, as compared to the three months ended 31 March 2018.
- The unaudited profit after tax for the three months ended 31 March 2019 was RMB42.3 million representing an increase of approximately 182.0%, as compared to the profit after tax of approximately RMB15.0 million for the three months ended 31 March 2018.
- Unaudited basic and diluted earnings per share for the three months ended 31 March 2019 was RMB5 cents and RMB5 cents respectively (three months ended 31 March 2018: basic and diluted earnings per share of RMB2 cents and RMB2 cents respectively).
- The Board does not recommend the payment of a dividend for the three months ended 31 March 2019 (three months ended 31 March 2018: nil).

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Lo Wai Hung

AUTHORISED REPRESENTATIVES

Mr. Tung Chi Fung
Mr. Lo Wai Hung

REGISTERED OFFICE

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

COMPANY'S WEBSITE ADDRESS

www.shengyecapital.com

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPLIANCE ADVISER

Dakin Capital Limited
Room 4505-06, 45/F, Tower 1, Lippo Centre
89 Queensway, 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 2019

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 2019, together with comparative figures for the corresponding period in 2018 as follows:

	Notes	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	3	91,967	43,848
Gain on sales of factoring assets	4	7,087	—
Income from factoring business		99,054	43,848
Other income	5	1,417	941
Other (loss)/gains, net		(82)	443
Operating expenses		(27,470)	(12,128)
Impairment losses, net of reversal		(2,894)	(2,328)
Share of profits of a joint venture and associates		2,169	588
Finance costs	6	(18,931)	(9,172)
Profit before taxation	7	53,263	22,192
Taxation	8	(10,995)	(7,233)
Profit for the period		42,268	14,959
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
– Changes in fair value of factoring asset		5,129	(1,094)
– Share of other comprehensive expense of a joint venture and associates		(78)	—
Total comprehensive income for the period		47,319	13,865
Profit for the period attributable to:			
Owners of the Company		39,936	14,535
Non-controlling interests		2,332	424
		42,268	14,959
Total comprehensive income for the period attributable to:			
Owners of the Company		44,259	13,441
Non-controlling interests		3,060	424
		47,319	13,865
Earnings per share			
– Basic (RMB cents)	9	5	2
– Diluted (RMB cents)	9	5	2

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2019

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserves	FVTOCI reserves	Share			Retained profits	Non-controlling interests	Total equity
					Option reserves	Statutory reserves	Total			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2019 (audited)	7,623	1,615,787	1,547	(1,680)	9,320	44,437	343,147	2,020,181	95,881	2,116,062
Profit for the period	—	—	—	—	—	—	39,936	39,936	2,332	42,268
Other comprehensive income	—	—	—	4,323	—	—	—	4,323	728	5,051
Total comprehensive income for the period	—	—	—	4,323	—	—	39,936	44,259	3,060	47,319
Recognition of share-based payment expenses	—	—	—	—	3,242	—	—	3,242	—	3,242
Exercise of share options	—	86	—	—	(20)	—	—	66	—	66
At 31 March 2019 (unaudited)	7,623	1,615,873	1,547	2,643	12,542	44,437	383,083	2,067,748	98,941	2,166,689
At 1 January 2018 (audited)	6,442	917,312	—	—	2,361	21,018	158,145	1,105,278	—	1,105,278
HKFRS 9 adjustment on other comprehensive expense	—	—	—	(2,604)	—	—	—	(2,604)	—	(2,604)
At 1 January 2018 (after adjustment)	6,442	917,312	—	(2,604)	2,361	21,018	158,145	1,102,674	—	1,102,674
Profit for the period	—	—	—	—	—	—	14,535	14,535	424	14,959
Other comprehensive expense	—	—	—	(1,094)	—	—	—	(1,094)	—	(1,094)
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	1,491	(3,698)	4,225	21,018	172,680	1,119,470	67,933	1,187,403



NOTES TO THE UNAUDITED FINANCIAL RESULTS

For the three months ended 31 March 2019

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) are provision of factoring and guarantee services in the PRC.

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 2019 for both current and prior years.

The accounting policies adopted in the quarterly financial information for the three months ended 31 March 2019 are consistent with those followed in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2018 included in the annual report of the Company dated 8 March 2019, except for the application of HKFRS 16 “Leases” which is effective for the Group’s annual periods beginning on or after 1 January 2019 (the date of initial application). The Group transitioned to HKFRS 16 in accordance with the modified retrospective approach and therefore comparative figures were not restated. Upon application of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 “Leases”. These lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The associated right-of-use assets were measured at the amount equal to the respective lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized as at 31 December 2018. In addition, the Group elected to apply the relief option, which allows it to adjust the right-of-use asset by the amount of any provision for onerous leases recognised in the consolidated statement of financial position immediately before the date of initial application. The Group also decided not to apply HKFRS 16 to leases whose terms will end within twelve months from the date of initial application. In such cases, the leases are accounted for as short-term leases and the lease payments associated with the leases are recognised as an expense from short-term leases.

NOTES TO THE UNAUDITED FINANCIAL RESULTS

For the three months ended 31 March 2019

3. REVENUE AND SEGMENT INFORMATION

The chief operating decision maker ("CODM"), being the Executive Directors of the Company have determined that the Group has only one operating and reportable segment throughout the reporting period, as the Group is principally engaged in providing factoring services and relevant services mainly 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. Most of the Group's revenue and major non-current assets principally derived from or located in the PRC.

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

	Three months ended 31 March	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Interest income from factoring service	89,325	37,319
Income from other services	2,642	6,529
	91,967	43,848

4. GAIN ON SALES OF FACTORING ASSETS

For the three months ended 31 March 2019, the Group sold part of factoring assets to certain financial institutions in the PRC. Sales of factoring assets gave rise to full derecognition of the factoring assets pursuant to the terms of sale agreements signed between the Group and relevant financial institutions.

	Three months ended 31 March	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Gain on sales of factoring assets	7,087	—

NOTES TO THE UNAUDITED FINANCIAL RESULTS*For the three months ended 31 March 2019***5. OTHER INCOME**

	Three months ended 31 March	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Interest income from loans to a related party	54	793
Bank interest income	971	148
Others	392	—
	1,417	941

6. FINANCE COSTS

	Three months ended 31 March	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Interest on borrowings		
– Repayable within 5 years	17,714	9,172
Interest on loans from related parties	1,043	—
Others	174	—
	18,931	9,172

NOTES TO THE UNAUDITED FINANCIAL RESULTS

For the three months ended 31 March 2019

7. PROFIT FOR THE PERIOD

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

	Three months ended 31 March	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Directors' remuneration	1,116	649
Other staff costs		
– Salaries, allowances and other staff benefits	11,172	5,566
– Staff's retirement benefit scheme contributions	744	1,042
– Share-based payment expenses	2,912	1,864
Total staff costs	15,944	9,121
Less: amount capitalised in development costs	(3,342)	(1,908)
Staff costs recognised in profit or loss	12,602	7,213
Total depreciation of equipment and right of use assets	2,277	270
Less: amount capitalised in development costs	(78)	(9)
Depreciation of equipment and right of use assets recognised in profit or loss	2,199	261
Amortisation of intangible assets	840	107
Minimum lease payments paid under operating lease	—	755

NOTES TO THE UNAUDITED FINANCIAL RESULTS

For the three months ended 31 March 2019

8. INCOME TAX EXPENSE

	Three months ended 31 March	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
The charge (credit) comprises:		
Current tax		
– Enterprise Income Tax (“EIT”) in the PRC	9,715	6,308
– Withholding tax levied on interest income of a Hong Kong subsidiary	2,322	175
	12,037	6,483
Deferred tax	(1,042)	750
	10,995	7,233

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 Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. Certain PRC subsidiaries enjoy preferential tax rate according to approval from local tax bureau, including a PRC subsidiary enjoys preferential tax rate of 15% since 2016 and a PRC subsidiary enjoys free tax rate in the first 5 years since set up in 2018.

NOTES TO THE UNAUDITED FINANCIAL RESULTS

For the three months ended 31 March 2019

9. EARNINGS PER SHARE

The basic and diluted 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. The Group has considered the share options in the calculation of diluted earnings per share.

	Three months ended 31 March	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	39,936	14,535

	Three months ended 31 March	
	2019 '000 (Unaudited)	2018 '000 (Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	878,844	740,000
Effect of dilutive potential ordinary shares:		
Share options	2,814	1,225
Weighted average number of ordinary shares for the purpose of diluted earnings per share	881,658	741,225

10. DIVIDENDS

The Board does not recommend the payment of a dividend for the three months ended 31 March 2019 (three months ended 31 March 2018: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

FINANCIAL REVIEW

Revenue

The Group earns most of its revenue from the provision of factoring services to customers in the PRC. For the three months ended 31 March 2019, the Group made revenue of approximately RMB92.0 million, representing an increase of approximately 110.0% (for the three months ended 31 March 2018: RMB43.8 million). The increase in revenue was mainly attributable to an expanded factoring business supported by major portion of the proceeds from the placing exercise in July 2018 and borrowings.

Gain on sales of factoring assets

The Group sells rights of factoring assets 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. For the three months ended 31 March 2019, the Group recorded the gain on sales of factoring assets of approximately RMB7.1 million (for the three months ended 31 March 2018: nil). None of the factoring assets 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 2019 and 2018, the Group's other income was approximately RMB1.4 million and RMB0.9 million respectively, representing an increase of approximately 55.6%.

Other (loss)/gains, net

For the three months ended 31 March 2019, net other losses of RMB0.1 million mainly include exchange differences (for the three months ended 31 March 2018 net other gains: RMB0.4 million).

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. Operating expenses for the three months ended 31 March 2019 were RMB27.5 million (for the three months ended 31 March 2018: RMB12.1 million), representing an increase of approximately 127.3%, which was mainly attributable to the increase in headcount and salaries, marketing expenses and professional fees incurred as a result of business expansion.

Impairment allowances, net of reversal

Impairment allowances for the three months ended 31 March 2019 amounted to RMB2.9 million, mainly represents the increase of impairment allowance on factoring assets from approximately RMB34.5 million as at 31 December 2018 to RMB37.4 million as at 31 March 2019. The increase is a result of business growth and is in line with the increase in factoring assets of the Group.

Share of profits of a joint venture and associates

The Group shared the profits of a joint venture and associates of approximately RMB2.2 million for the three months ended 31 March 2019 (for the three months ended 31 March 2018: RMB0.6 million).

Finance costs

Finance cost is mainly the interest expenses of borrowings from banks, financial institutions and a bond investor. For the three months ended 31 March 2019, finance cost was RMB18.9 million, representing an increase of approximately 105.4% (for the three months ended 31 March 2018: RMB9.2 million). The increase in finance cost is in line with the increase in borrowings made by the Group to finance expansion of business operations.

Profit before taxation

As a result of the foregoing, the Group's profit before taxation increased by approximately 140.1%, to approximately RMB53.3 million for the three months ended 31 March 2019 (for the three months ended 31 March 2018: RMB22.2 million). Profit before taxation accounted for approximately 53.8% and 50.7% of the Group's income from factoring business in 2019 and 2018, respectively.

Taxation

Income tax expenses represent the tax expense arising from the assessable profit generated by the Group in the PRC and deferred tax. PRC enterprise income tax is calculated at 25% of the estimated assessable profits for both years ended 31 March 2019 and 2018. Certain PRC subsidiaries enjoy preferential tax rate according to approval from local tax bureau, including a PRC subsidiary enjoys preferential tax rate of 15% since 2016 and a PRC subsidiary enjoys free tax rate in the first 5 years since set up in 2018.

For the three months ended 31 March 2019, income tax expenses amounted to approximately RMB11.0 million (for the three months ended 31 March 2018: RMB7.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

The Board does not recommend the payment of a dividend for the three months ended 31 March 2019 (for the three months ended 31 March 2018: Nil).

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

During the three months ended 31 March 2019, the Group's main source of funds was the cash generated from daily operation, new borrowings and proceeds from placing of shares. As at 31 March 2019, the Group had bank balances and cash of RMB132.4 million (31 December 2018: RMB226.1 million), of which 92.7% and 7.3% were denominated in RMB and HK dollars respectively.

As at 31 March 2019, the Group had interest-bearing borrowings which amounted to RMB1,104.2 million (31 December 2018: RMB922.0 million). Its gearing ratio, expressed as total liabilities over owner's equity was 0.5 as at 31 March 2019 (31 December 2018: 0.5).

CONTINGENT LIABILITIES

As at 31 March 2019, apart from the maximum amount of approximately RMB103.0 million of guarantee contracts for service provided to customers which are part of the normal business, the Group did not have any other guarantees or other material contingent liabilities.

PLEDGE OF ASSETS

As at 31 March 2019, fixed deposit of approximately RMB8.6 million had been pledged to a bank for facilities (31 December 2018: RMB8.8 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 31 March 2019, the capital commitments of the Group are related to investments in associates of approximately RMB10 million (31 December 2018: RMB29 million).

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 31 March 2019, the Group did not make or hold any significant investments (31 December 2018: nil).

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

FOREIGN EXCHANGE RISKS

As most of the 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 insignificant. The Group did not enter into any foreign exchange hedging instruments during the period.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, the Group had a total of 171 staffs (31 December 2018: 117 staffs). Total staff costs (including Directors' emoluments) were approximately RMB15.9 million (for the year ended 31 December 2018: RMB56.6 million) including total share option benefits for employees were RMB3.2 million for the three months ended 31 March 2019 (for the year ended 31 December 2018: RMB7.3 million). Remuneration is determined by reference to 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 the statutory mandatory provident fund scheme for employees in Hong Kong and to social insurance and housing provident funds for employees in the PRC.

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

In Hong Kong, the Group participates in the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The Global Offering

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

The Placing

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

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

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

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

The Group intended to use approximately HK\$757.0 million of the proceeds for the general working capital of the Group for expanding the factoring operations and the remaining approximately HK\$62.5 million of the proceeds for developing the online factoring platform and IT system of the Group. As at 31 March 2019, the Group had utilised approximately HK\$757.0 million for expanding the factoring operations and approximately HK\$22.7 million for developing the online factoring platform and IT system. The remaining balance has been deposited into the banks.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 31 March 2019, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 a discretionary trust	555,000,000 (L) (Note 2)	63.15%
Mr. Chen Jen-Tse	Share option	3,000,000 (Note 3)	0.34%
Mr. Hung Ka Hai, Clement	Share option	200,000 (Note 3)	0.02%
Mr. Loo Yau Soon	Share option	200,000 (Note 3)	0.02%
Mr. Tsoon Wai Mun, Benjamin	Share option	200,000 (Note 3)	0.02%

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

Save as disclosed herein, as at 31 March 2019, none of the Directors or chief executive of the Company or their associates (as defined in the GEM Listing Rules) had any interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

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

Notes:

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

Save as disclosed above, as at 31 March 2019, the Directors are not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Company are prohibited from dealing in shares pursuant to Rules 5.48 to 5.67 prescribed by the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

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

(d) Price of Shares

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

(e) Maximum number of Shares

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

(f) Time of exercise of Option

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

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

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

The grant of Granted Options to the above Director has been approved by the INEDs pursuant to Rule 23.04(1) of the GEM Listing Rules. Save as disclosed above, none of the other grantees is a Director, chief executive or substantial shareholder (as defined under the GEM Listing Rules) of the Company or any of their respective associate(s) (as defined under the GEM Listing Rules) as at the date of grant.

MANAGEMENT DISCUSSION AND ANALYSIS

The following shows the outstanding position as at 31 March 2019 with respect to their Granted Options granted under the Share Option Scheme:

	Date of grant	Exercise price	Exercise period	Outstanding at 1 January 2019	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 March 2019
Mr. Chen Jen-Tse	11 September 2017	HK\$4.20	11/9/2018-10/9/2022	500,000	—	—	—	500,000
			11/9/2019-10/9/2022	500,000	—	—	—	500,000
			11/9/2020-10/9/2022	1,000,000	—	—	—	1,000,000
				2,000,000	—	—	—	2,000,000
Employees	11 September 2017	HK\$4.20	11/9/2018-10/9/2022	1,958,500	—	(18,500) <i>(Note)</i>	—	1,940,000
			11/9/2019-10/9/2022	2,315,000	—	—	(7,500)	2,307,500
			11/9/2020-10/9/2022	4,630,000	—	—	(15,000)	4,615,000
				8,903,500	—	(18,500)	(22,500)	8,862,500
Mr. Chen Jen-Tse	14 November 2018	HK\$6.9	14/11/2019-13/11/2023	250,000	—	—	—	250,000
			14/11/2020-13/11/2023	250,000	—	—	—	250,000
			14/11/2021-13/11/2023	500,000	—	—	—	500,000
				1,000,000	—	—	—	1,000,000
Mr. Hung Ka Hai, Clement	14 November 2018	HK\$6.9	14/11/2019-13/11/2023	50,000	—	—	—	50,000
			14/11/2020-13/11/2023	50,000	—	—	—	50,000
			14/11/2021-13/11/2023	100,000	—	—	—	100,000
				200,000	—	—	—	200,000
Mr. Loo Yau Soon	14 November 2018	HK\$6.9	14/11/2019-13/11/2023	50,000	—	—	—	50,000
			14/11/2020-13/11/2023	50,000	—	—	—	50,000
			14/11/2021-13/11/2023	100,000	—	—	—	100,000
				200,000	—	—	—	200,000
Mr. Tsoon Wai Mun, Benjamin	14 November 2018	HK\$6.9	14/11/2019-13/11/2023	50,000	—	—	—	50,000
			14/11/2020-13/11/2023	50,000	—	—	—	50,000
			14/11/2021-13/11/2023	100,000	—	—	—	100,000
				200,000	—	—	—	200,000
Employees and other eligible persons	14 November 2018	HK\$6.9	14/11/2019-13/11/2023	1,842,500	—	—	—	1,842,500
			14/11/2020-13/11/2023	1,842,500	—	—	—	1,842,500
			14/11/2021-13/11/2023	3,685,000	—	—	—	3,685,000
				7,370,000	—	—	—	7,370,000

Note: The weighted average closing price of the Shares immediately before the date on which the options were exercised during the period was HK\$4.20 per Share.

MANAGEMENT DISCUSSION AND ANALYSIS

During the three months ended 31 March 2019, i) 19,832,500 Granted Options were outstanding under the Share Option Scheme; ii) 18,500 Granted Options were exercised; iii) 22,500 Granted Options were lapsed; and iv) no Granted Options were cancelled. The remaining life of the Share Option Scheme is about 8 years and 1 month.

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 (i.e. 6 July 2017) and up to the date of this report.

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

For the three months ended 31 March 2019, the Directors are not aware of any business or interest of the Directors, the substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) that competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person has or may have with the Company.

COMPLIANCE ADVISER'S INTERESTS

As at 31 March 2019, 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 2019.

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 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2019 have been reviewed by the Audit Committee. The Audit Committee currently consists of three members, namely Mr. Hung Ka Hai, Clement, Mr. Tsoon Wai Mun, Benjamin, and Mr. Loo Yau Soon. The Chairman of the Audit Committee is Mr. Hung Ka Hai Clement.

EVENT AFTER THE REPORTING PERIOD

The Company has submitted a formal application to the Stock Exchange on 30 April 2019 for the transfer of the listing of the shares of the Company from GEM to the Main Board pursuant to Chapter 9A and Appendix 28 of the Main Board Listing Rules (the "Transfer of Listing"). Please refer to the announcement of the Company dated 30 April 2019 for details of the application for the Transfer of Listing. The definitive timetable for the Transfer of Listing has yet to be finalised. There is no assurance that the Company will proceed with the Transfer of Listing. The Company will make further announcement(s) to keep the Shareholders and potential investors informed of the progress of the Transfer of Listing as and when appropriate.

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 2019 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, 10 May 2019

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

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

Unless otherwise stated, translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 to HK\$1.15 for information purpose only. Such translation should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.

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

This report will remain on the Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.shengyecapital.com.