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盛業資本
SHENG YE CAPITAL

SHENG YE CAPITAL LIMITED

盛業資本有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6069)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

PERFORMANCE HIGHLIGHTS

For the six months ended 30 June 2021

- Total cumulative assets under management was approximately RMB115 billion as of 30 June 2021, representing an increase of approximately 39% as compared to approximately RMB83 billion as of 30 June 2020.
- In line with the Group's platform-based strategy, total cumulative platform users were over 8,200 as of 30 June 2021, representing an increase of approximately 72% as compared to over 4,700 as of 30 June 2020. Total funding partners increased by 82% to 62 over that for the corresponding period in 2020.
- Income from digital financing solutions for the six months ended 30 June 2021 was RMB200.6 million representing a decrease of approximately 13%, as compared to RMB231.6 million for the six months ended 30 June 2020.
- Income from platform-based services for the six months ended 30 June 2021 was RMB23.3 million representing an increase of approximately 39%, as compared to RMB16.7 million for the six months ended 30 June 2020. Within this segment, income from loan facilitation services increased by approximately 3 times over that of the same period last year.
- Profit after taxation for the six months ended 30 June 2021 was RMB167.0 million representing a decrease of approximately 9%, as compared to the profit after tax of RMB182.7 million for the six months ended 30 June 2020. Excluding gains from changes in fair value of investments in equity tranche, adjusted net profit in the first half of 2021 was RMB144.1 million, an increase of RMB3.0 million or 2% year-on-year.
- The Directors does not recommend the payment of a dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. About Sheng Ye Capital

Sheng Ye Capital (the “**Group**” or “**SY Capital**”) is a leading supply chain fintech platform providing data-driven efficient and inclusive financing solutions for companies across the Asia-Pacific. Amidst the surge in connectivity and digitalization shaping the future of economies and businesses, the Group strategically positions itself as the one-stop supply chain Software-as-a-Service (“**SaaS**”) and fintech solution for enterprises and financial institutions, driving supply chain efficiency and making finance more inclusive.

The Dual-Engine, One-Platform strategy unveiled by the Group in January 2021 created the foundation for a more efficient and sustainable growth over the next three years. The Dual Engine refers to (i) the deepening of the Group’s technology leadership and integration into the supply chain ecosystem; and (ii) the enhancement of its digital financing capabilities. These two engines work synergistically to fully harness the Group’s technology platform that will more effectively connect and pool various resources within the supply chain ecosystem.

In line with this strategy upgrade, the Group re-classified its business segments into (i) digital financing solutions (ii) platform-based services and (iii) supply chain technology services, which reflects the distinctive nature of each segment. By re-organizing these key verticals, the Group aims to align its resources and competencies to better serve the needs of various stakeholders in the supply chain ecosystem while ensuring competitiveness within the marketplace.

Digital Financing Solutions

SY Capital leverages its technology platform to offer a range of flexible supply chain financing solutions including account receivable (“**AR**”)-based lending as well as loan guarantee services to meet the vast financing needs of underserved small, medium, and micro enterprises (“**SMEs**”) in the Asia Pacific region. For the six months period ending June 2021, over 95% of digital financing solutions were delivered to SMEs. Through its technology platform, the Group analyzes and reviews multidimensional data to validate the creditworthiness of the underlying transactions relating to the AR, the collection of AR on behalf of customers, including periodic customer reporting relating to their AR.

The Group’s proprietary fintech platform, known as “Easy Factoring”, is cloud-enabled and blockchain-ready, incorporating a comprehensive suite of technologies such as electronic signatures, optical character recognition (“**OCR**”), natural language processing (“**NLP**”), big data analytics, video authentication and facial recognition, to automate and facilitate the Group’s risk management system, as well as to ensure a seamless customer experience for online application and the approval process.

Platform-based Services

In recent years, the Group's technological capabilities has also been instrumental in driving its capital light platform-based businesses. Under this category, the Group provides AR management and asset origination services as part of its loan facilitation business, enabling banks and other financial institutions to tap on additional customer acquisition channels. This approach also enables the Group to capitalize on the rapid digitalization of the economy and its operating track record, allowing it to effectively connect quality assets to funding providers within the supply chain ecosystem. As of 30 June 2021, the Group's total number of funding partners stood at 62, an increase of 82% over the previous period of 34 as of 30 June 2020.

As part of its platform-based offering, the Group also facilitates the issuance of asset-backed financial products including asset-backed securities ("ABS") and asset-backed notes ("ABN") by large corporations through providing information technology support, AR securitization and asset management services.

Supply Chain Technology Services

As part of expanding its technological offerings and efforts to further solidify its position as a one-stop service platform within the supply chain ecosystem, SY Capital provides customers with SaaS solutions such as smart enterprise solutions and supply chain procurement systems. Since inception, this strategy has enabled the Group to access real-time transaction data, enhance supply chain finance offerings and deepen relationships with various stakeholders including core enterprises, SMEs and financial institutions within the supply chain service ecosystem.

As an extension of these technological solutions, coupled with deep industry knowledge in the core sectors of infrastructure, medical and energy, the Group also provides smart industrial Internet-of-Things ("IIoT") and efficient SaaS solutions to enterprises, enabling greater visibility on their operations and better cost-to-performance management. The pioneering sectors targeted by the Group under this category include smart construction and hospital supply, processing, and distribution ("SPD") solutions.

These supply chain technology services not only increase the operating efficiency of the enterprises but also allow the Group to improve its big data and customer acquisition capabilities, broaden its product and service offerings with core enterprises, SMEs and financial institutions, effectively positioning the Group as the go-to partner within the supply chain ecosystem.

The Group has been proactively engaging in strategic discussions with various parties. It has signed a collaboration agreement with one of the largest healthcare distribution groups in China to deploy SPD services to hospitals and recently secured a contract to provide smart construction solutions to one of the largest construction groups in China.

2. First Half 2021 Performance

The Group continues to see robust growth in the supply chain segment driven by demand for SME financing as well as rapid digitalization and innovation driven by the Chinese Government’s emphasis on pursuing an “innovation-driven development and accelerating modernization of the industrial system¹”. This strategic direction reinforces SY Capital’s leading position within the commercial factoring market and reaffirms the Group’s commitment towards cementing its technology leadership within the supply chain ecosystem.

Platformisation in Full Force on All Fronts

The Group’s business model remains fundamentally sound. By driving growth in industrial technology and digital finance innovation under its Dual Engine One Platform strategy, the Group achieved total cumulative assets under management of approximately RMB115 billion as of 30 June 2021, representing an increase of approximately 39% as compared to approximately RMB83 billion as of 30 June 2020. The robustness of the Group’s technology-powered platform continues to be highly recognized by key stakeholders in the supply chain ecosystem, with coverage of 11 core enterprise ecosystem, spanning over 1,600 entities, total platform users of over 8,200 and 62 funding partners.

One of the notable funding partnerships sealed by the Group included a two-year RMB525 million syndicated loan led by Mega International Commercial Bank and Bank SinoPac in March 2021, which was also the first-ever offshore syndicated loan within China’s factoring market. This first-of-its kind landmark deal and the continued growth in the number of funding partners further underscores the credibility and robustness of the Group’s technology platform.

Loan Facilitation Continues to Grow

The Group continued to see resilient and stable loan growth during the first half of the year, supported by heightened activity within the SME segment as well as strong economic recovery emerging from the pandemic. During the first half of 2021, the daily average balance of the Group’s loan facilitation business increased to RMB1,177 million from RMB413 million, representing a 185% increase over the same period during the previous year.

This increase is in line with the Group’s technology-enabled platform-driven strategy and meaningful diversification of revenue towards platform origination. The increase in loan facilitation activity is also driven partly by supportive government policies to ramp up inclusive financing to SME businesses by large commercial banks as mentioned in the Chinese Government’s work report delivered at the Fourth Session of the 13th National People’s Congress of the People’s Republic of China on March 5, 2021².

¹ http://english.www.gov.cn/premier/news/202103/13/content_WS604b9030c6d0719374afac02.html

² http://english.www.gov.cn/premier/news/202103/13/content_WS604b9030c6d0719374afac02.html

Strengthening Industrial Technology Capabilities through Strategic Investments

As part of the Dual-Engine, One-Platform strategy, the Group entered into agreements with several strategic parties in the industrial technology space which includes the infrastructure and healthcare sub-segments, to further solidify its market leadership within the supply chain ecosystem.

In June 2021, SY Capital completed a strategic investment into Shanghai LinkedCare Information Technology Co Ltd., a leading consumer healthcare SaaS provider. This collaboration is highly aligned with the Group's efforts to deepen its foray into the healthcare segment which in turn will also further enhance its big data analytics and integrated supply chain service capabilities.

In August 2021, the Group, together with Guangxi Tencent Venture Capital Co.,Ltd, completed an investment into Beijing Mengcheng Technology Co. Ltd., a leading SaaS provider of engineering project management solutions for the infrastructure industry, as part of its series B financing round. This initiative not only supports the digitalization and upgrade of the infrastructure sector, but also underscores the Group's expansion into the area of smart construction, allowing it to unlock further synergies from this strategic collaboration.

Notable Strategic Collaboration Initiatives

SY Capital continues to strengthen its position in the market through forging strategic relationships with leading blue-chip enterprises.

In February 2021, the Group signed a cooperation agreement with China Railway Capital Commercial Factoring, a subsidiary of China Railway Capital to leverage the digital platform capabilities of the Group to serve the SME suppliers within the infrastructure supply chain.

In July 2021, the Group signed a strategic partnership with Lianren Digital Health Technology Co., Ltd., a digital health-technology company backed by China Mobile. Under the partnership, both parties will jointly promote the application of big data which includes analytics, digitalization of the medical sector, IoT technology and supply chain digital financing solutions.

During the same month, the Group also inked a digital supply chain collaboration with China Construction Eighth Engineering Division First Company to further enhance the operational efficiency of its ecosystem based on its "Smart Inspection and Acceptance System". The integration with its smart SaaS procurement platform not only allowed suppliers to save up to 90% of supply chain financing application time, but also streamlined procurement and inspection processes, thereby reducing costs and providing more stability to its overall supply chain.

As part of its expansion into the IIoT space, the Group also landed a cooperation with Tencent Cloud in July 2021 for exploring initiatives within the IIoT ecosystem. The initiative will combine both SY Capital's supply chain management capabilities and Tencent Cloud's expertise in cloud computing and big data, to promote the model of "Smart Construction + Digital Supply Chain" in an increasingly digitalized economy powered by AI, blockchain and IoT.

SY Capital receives inaugural “A” ESG Rating by MSCI ESG Research

The inaugural “A” ESG rating received by the Group attests to its outstanding performance in delivering environmental, social and governance (“ESG”) best practices. The rating also benchmarks the Group alongside some of the largest industry peers, outperforming other major technology and fintech companies, especially in the area of corporate governance, whereby SY Capital ranks among the top 20% of companies globally and top 5% within China.

Inclusion into the Hang Seng Corporate Sustainability Benchmark Index

In recognition of its continued efforts in ESG, the Group was also selected as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index effective 6 September 2021. The selection criteria include a comprehensive assessment undertaken by the Hong Kong Quality Assurance Agency and covering areas such as Corporate Governance, Human Rights, Labour Practices, Environment, Fair Operating Practices, Consumer Issues, and Community Involvement and Development.

FINANCIAL REVIEW

Revenue

The Group's total revenue decreased by 9.9% year-on-year to RMB223.8 million for the six months ended 30 June 2021, compared to RMB248.4 million for the same period last year, mainly due to the fact that the Group is focusing more on its capital-light platform-based services under the strategic transformation. In particular, the interest income from the digital financing solutions decreased, which was offset, however, to a certain extent by the rapid growth of incomes from platform-based services. The following table sets forth the comparative figures for the six months ended 30 June 2021 and 2020.

	Six months ended 30 June				
	2021		Year-on-	2020	
	RMB'000	% of total revenue	year	RMB'000	% of total revenue
Revenue					
<i>Digital financing solutions</i>					
– Interest income	192,896	86.2%	-14.7%	226,130	91.1%
– Guarantee fee	7,690	3.4%	39.8%	5,500	2.2%
Subtotal	200,586	89.6%	-13.4%	231,630	93.3%
<i>Platform-based services</i>					
– Loan facilitation services	17,400	7.8%	270.5%	4,696	1.9%
– Technology service for asset-backed securitisation products	3,130	1.4%	-62.3%	8,296	3.3%
– Other services (note)	2,731	1.2%	-27.2%	3,753	1.5%
Subtotal	23,261	10.4%	38.9%	16,745	6.7%
Total	223,847	100.0%	-9.9%	248,375	100.0%

Note: Other services primarily include fee income from providing accounts receivable management services without financing, including review and verification of documentation relating to the accounts receivable and collection of the accounts receivable on behalf of customers.

Digital Financing Solutions

Revenue from digital financing solutions comprises interest income received from providing flexible financing solutions and guarantee services fees arising mainly from the Group's loan facilitation business. Revenue from digital financing services decreased by 13.4% year-on-year to RMB200.6 million for the six months ended 30 June 2021, compared to RMB231.6 million for the same period last year, mainly due to (i) the lower interest yields on factoring assets as a part of the national policies to keep market interest rates low and support financing of the SME community; (ii) change in the proportion of income products.

Platform-based Services

Revenue from platform-based services comprises (i) services fees received from customers by providing loan facilitation services through Easy Factoring Cloud platform, (ii) technology service fees that the Group charged for facilitating the issuance of ABS/ABN by large core enterprises, and (iii) services fees received from customers by providing AR management services. Revenue from platform-based services significantly increased by 38.9% year-on-year to approximately RMB23.3 million for the six months ended 30 June 2021, compared to approximately RMB16.7 million for the same period last year, mainly driven by the expansion of its loan facilitation business, due to the Group's push towards a platform-based transformation, providing SMEs and core enterprises with convenient supply chain SaaS solutions and one-stop financing services.

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 gain on sales of factoring assets slightly increased by 0.4% year-on-year to RMB75.4 million for the six months ended 30 June 2021, compared to RMB75.1 million for the same period last year.

Other Gains and Losses

The Group booked other gains of RMB22.0 million in the first half of 2021, a decrease of RMB19.8 million or 47.4% year-on-year, which was mainly due to the decrease in net gain from changes in fair value of other financial assets at fair value through profit or loss (“FVTPL”). The decrease in gain from changes in fair value of other financial assets at FVTPL was mainly due to the decrease in gains from changes in fair value of equity tranche of ABS and ABN issued by large core enterprises. The Group has assisted in the ABS and ABN issuances by leveraging its fintech capabilities to enhance the efficiency and certainty of the issuances.

Expenses

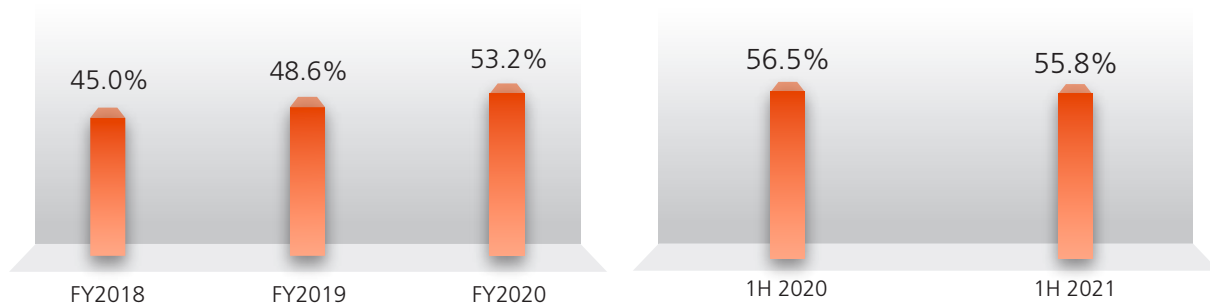
Administrative and other expenses mainly comprise staff costs, R&D costs, depreciation of right-of-use assets and amortisation of intangible assets. Administrative and other expenses recognised in profit or loss in the first half of 2021 was RMB88.3 million, a slightly increase of 0.1% year-on-year. R&D costs recognised in other expenses amounted to RMB10.8 million, representing an increase of RMB1.7 million or 18.4% year-on-year, mainly for strengthening its fintech solutions and its Easy Factoring Cloud platform. The number of IT engineers remained stable during the period, accounting for approximately one-third of the total staff at the end of the first half of 2021.

The operational cost-to-income ratio for the first half of 2021 was 29.3% as compared with 26.5% in the same period of 2020, excluding one-time expenses. The increase in operational cost-to-income ratio was mainly due to the decrease in total revenue.

Net Profit

Net profit in the first half of 2021 was RMB167.0 million, a decrease of RMB15.7 million or 8.6% year-on-year. Net profit margin was 55.8%, which was 0.7 percentage points lower than that of the same period last year, and 6.0 percentage points higher than that of the second half of 2020. Excluding gains from changes in fair value of investments in equity tranche, adjusted net profit in the first half of 2021 was RMB144.1 million, an increase of RMB3.0 million or 2% year-on-year. Adjusted net profit margin was 48.1%, approximately 4.5 percentage points higher than that of the same period last year.

Net Profit Margin



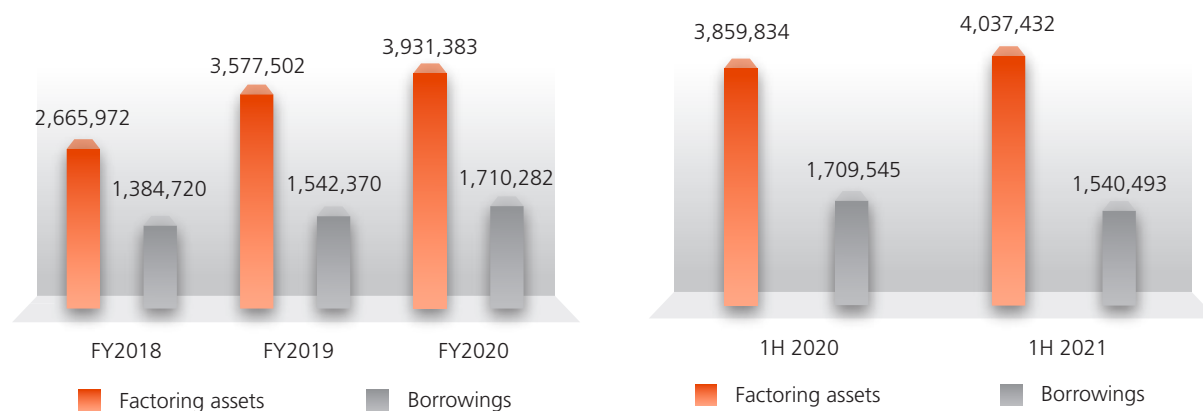
Factoring Assets at Fair Value through Other Comprehensive Income (“FVTOCI”)

Factoring assets at FVTOCI as of 30 June 2021 were RMB4,267.7 million, a 8.1% increase year-on-year. Daily average factoring assets over the first half of 2021 were RMB4,037.4 million, a 4.6% increase over the same period in 2020. Based on daily average factoring assets, interest yield on factoring assets in the first half of 2021 was 9.6%, which was 2.1 percentage points lower year-on-year, mainly due to (i) the lower market interest rates as part of the national policies for promoting financial inclusion and supporting the real economy since second half of 2020; (ii) change in the proportion of income products; and (iii) encourage inclusive financing for the SME segment.

Borrowings

Borrowings, including loans from related parties and bank overdraft, as of 30 June 2021 was RMB2,091.9 million, a 11.1% increase year-on-year. Daily average borrowings over the first half of 2021 was RMB1,540.5 million, a 9.9% decrease year-on-year. The decrease in finance cost of RMB13.7 million year-on-year was mainly due to the decrease in daily average borrowings and borrowings interest rate.

Daily Average Balance (RMB'000)



Taxation

Income tax expenses represent the tax expense arising from the assessable profit generated by the Group in the PRC, withholding tax levied on interest income of Hong Kong subsidiaries, withholding tax levied on dividend declared of a PRC subsidiary and deferred tax. Except for certain PRC subsidiaries that enjoy preferential tax rates, PRC enterprise income tax is calculated at 25% of the estimated assessable profits for both six months ended 30 June 2021 and 2020. The decrease in effective tax rate from 14.4% for the six months ended 30 June 2020 to 11.0% for six months ended 30 June 2021 was mainly attributable to the increase in the profit before taxation for certain PRC subsidiaries that enjoy preferential tax rates.

For the six months ended 30 June 2021, income tax expenses amounted to approximately RMB20.6 million (for the six months ended 30 June 2020: RMB30.8 million).

BUSINESS OUTLOOK AND PROSPECTS

China continues to encourage the development of strategic industries with a focus on nurturing technologies and new digital industries under its annual work report and 14th Five-Year Plan. The Group believes that this policy will support the Chinese Government's push towards digitalizing and upgrading the industrial landscape, driving demand for smart construction solutions, consumer healthcare SaaS and SPD service solutions across the supply chain ecosystem.

Against this backdrop, SY Capital will capitalize on the digitalization of the economy to provide enhanced industrial technology and fintech solutions as part of supporting the development of large enterprises, SMEs and other stakeholders within the supply chain ecosystem. This strategy not only allows the Group to support the financing needs of its customers, but also enables it to increase customer stickiness by entrenching itself within their ecosystems, becoming a one-stop comprehensive supply chain solution provider.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

During the six months ended 30 June 2021, the Group's main source of funds was the cash generated from its daily operation, and proceeds from new borrowings. As at 30 June 2021, the Group had bank balances and cash of RMB301.3 million (31 December 2020: RMB348.7 million), of which 80.0%, 18.2% and 1.5% were denominated in RMB, US dollars and HK dollars respectively. Net cash used in operating activities was RMB266.2 million in the first half of 2021 (for the six months ended 30 June 2020: net cash from operating activities was RMB143.9 million), an decrease of RMB410.1 million year-on-year was mainly due to the increase in net cash used in factoring assets at FVTOCI from RMB110.3 million for the six months ended 30 June 2020 to RMB464.8 million for the six months ended 2021.

As at 30 June 2021, the Group had interest-bearing borrowings, bank overdraft and loans from related parties which amounted to RMB2,091.9 million (31 December 2020: RMB1,486.7 million). Its gearing ratio, expressed as total liabilities over owner's equity was 0.75 as at 30 June 2021 (31 December 2020: 0.58).

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the period ended 30 June 2021 (2020: Nil).

USE OF PROCEEDS

The Placement in 2018

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 Placement Agents A**”) entered into a placement agreement pursuant to which the Wisdom Cosmos agreed to place, through the Joint Placement Agents A on a best effort basis, a maximum of 148,000,000 existing ordinary shares at a price of HKD6.00 per share (“**Placement A**”).

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 (“**Subscription A**”).

The Placement A and the Subscription A 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 Placement A) were subscribed by Wisdom Cosmos at the subscription price of HKD6.00 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 HKD819.5 million (equivalent to approximately RMB698.0 million) from the Placing A and the Subscription A.

The placing price of HKD6.00 per placing share represents: (i) a discount of approximately 16.6% to the closing price of HKD7.19 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 HKD7.28 per share as quoted on the Stock Exchange for the last 5 consecutive trading days prior to 28 June 2018.

The Placement in 2020

On 11 September 2020 (before the trading hours), the Company, Wisdom Cosmos, Macquarie, DBS Asia Capital Limited (“**DBS**”) and BOCI Asia Limited (“**BOCI**”) (Macquarie, DBS and BOCI collectively referred to as the “**Joint Placement Agents B**”) entered into a placement agreement pursuant to which the Wisdom Cosmos agreed to place, through the Joint Placement Agents B on a best effort basis, a maximum of 55,500,000 existing ordinary shares at a price of HKD7.00 per share (“**Placement B**”).

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 (“**Subscription B**”).

The Placement B and the Subscription B were completed on 15 September and 21 September 2020 respectively. An aggregate of 55,500,000 new shares (equals to the number of the shares successfully placed under Placement B) were subscribed by Wisdom Cosmos at a price of HKD7.00 for each new share. The new shares from Placement B and Subscription B represent approximately 5.93% of the issued share capital of the Company translating to total net proceeds of approximately HKD382.7 million (equivalent to approximately RMB334.1 million).

The placing price of HKD7.00 per share represents: (i) a discount of approximately 15.15% to the closing price of HKD8.25 per share as quoted on the Stock Exchange on 10 September 2020; and (ii) a discount of approximately 13.26% to the average of the closing price of approximately HKD8.07 per share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including 10 September 2020.

Use of proceeds from the Placement

During the year ended 31 December 2018, 31 December 2019 and 31 December 2020 and six months ended 30 June 2021, details of the use of proceeds of the placements were as follows:

Use of proceeds	Net proceeds raised (Approximately HK\$ million)	Actual use of net proceeds during the year ended 31 December 2018	Actual use of net proceeds during the year ended 31 December 2019	Actual use of net proceeds during the year ended 31 December 2020	Actual use of net proceeds during the six months ended 30 June 2021	Intended use and expected timeline of the remaining amount of net proceeds
		(Approximately HK\$ million)	(Approximately HK\$ million)	(Approximately HK\$ million)	(Approximately HK\$ million)	
General working capital of the Group for expanding the factoring operations	757.0	757.0	-	-	-	The amount of the net proceeds for the general working capital of the Group for expanding the factoring operations had been fully utilised.
Develop the online factoring platform and IT system of the Group	62.5	18.5	27.4	16.6	-	The amount of the net proceeds for developing the online factoring platform and IT system of the Group had been fully utilised.
Expand of the supply chain financing operation of the Group	363.6	-	-	363.6	-	The amount of the net proceeds for expansion of the supply chain financing operation of the Group had been fully utilised.
Enhance the online factoring platform, SaaS capabilities and data-driven risk control system of the Group	19.1	-	-	18.0	1.1	The amount of the net proceeds for enhancing the online factoring platform, SaaS capabilities and data-driven risk control system of the Group have been fully utilised.

CAPITAL COMMITMENTS

As at 30 June 2021, the capital commitments of the Group comprised of purchase of intangible assets of approximately RMB4.2 million, purchase of property and equipment of approximately RMB0.9 million and investment in an associate of approximately RMB0.2 million (31 December 2020: purchase of intangible assets of approximately RMB0.1 million and investment in an associate of approximately RMB3.2 million).

CONTINGENT LIABILITIES

Save as disclosed in note 16 of the “Notes to the condensed consolidated financial statements”, the Group did not have any other guarantees or other material contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2021, the Group had pledged bank deposits of RMB320.5 million, security deposits of RMB64.2 million, and certain factoring assets with an aggregate carrying amount of RMB1,544.6 million to banks, third parties and an associate for facilities, loan facilitation platform in partnership with banks and derivative financial instruments (31 December 2020: pledged bank deposits of RMB255.5 million, security deposits of RMB9.2 million, and certain factoring assets with an aggregate carrying amount of RMB678.7 million to banks and third parties for facilities, loan facilitation platform in partnership with a bank and derivative financial instruments).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

In January 2021 and May 2021, the Group de-registered its investment in Tianjin Sheng Peng Enterprise Management Consulting Co., Ltd (“SP”) and Tianjin Zhuguang Shengye Enterprise Management Consulting Co., Ltd (“ZGSY”), subsidiaries of the Company. There were no profit or loss and cash flows of SP and ZGSY recognised on the condensed consolidated financial statements for the reporting period.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 30 June 2021, the Group did not make any significant investments.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group aims to become the most reliable supply chain fintech platform in Asia under the “Dual-Engine, One-Platform” strategy announced in January 2021. To achieve the goal, the Group will explore initiatives to acquire technological capabilities, more comprehensive data insights and open new markets to capitalize on the burgeoning demand for supply chain financial services. Meanwhile, the Group will continue its investment in the key strategic areas, inter alia, industrial technology and digital finance, to further strengthen the Group’s platform-based technology services and market position within the supply chain ecosystem.

FOREIGN EXCHANGE RISKS

The Group's exposure to foreign currency risk related primarily to bank balances, pledged bank deposits, other receivables, borrowings, bank overdraft and lease liabilities that are denominated in HK\$, US\$ and S\$. The Group entered into cross currency swap contracts and foreign currency forward contracts during the period to manage its foreign currency risk exposures arising from certain variable-rate bank borrowings denominated in HK\$ and US\$. The management manages and monitors this exposure to ensure appropriate measures are implemented on a timely and effective manner.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group had a total of 298 staff (As at 31 December 2020: 287 staff). Total staff costs (including Directors' emoluments) were approximately RMB57.5 million (including share option benefits RMB6.1 million) for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB55.3 million (including share option benefits RMB0.3 million)). Remuneration is determined by reference to market conditions and the performance, qualifications and experience of individual employees. Year-end bonuses are based on individual performance and are paid to employees as recognition of and reward for their contributions. Other benefits include contributions to the statutory mandatory provident fund scheme and social insurance together with housing provident funds for employees in Hong Kong, Singapore and the PRC, respectively.

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

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

In Singapore, the Group participates in a defined contribution scheme which is administered by the Central Provident Fund ("**CPF**") Board in Singapore. Under the CPF, the employer and its employees are each required to make contributions to the fund at the applicable rates of the eligible employees' salaries.

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.

RECENT DEVELOPMENT OF REGULATORY FRAMEWORK

On 10 June 2021, the Data Security Law of the People’s Republic of China (the “**Data Security Law**”) was adopted at the 29th session of the Standing Committee of the 13th National People’s Congress. The Data Security Law will come into force on 1 September 2021. The Data Security Law will govern how enterprise data security is managed, risk is assessed, and regulate the transmission of data overseas, but also supports research on data development and utilization, including the promotion of business and technical innovation in relevant products and sectors. China’s “14th Five-Year Plan”, “new infrastructure” and other policies will continue to enhance the security and commercialization of data, as well as improving the quality of social data resources. The introduction and implementation of the Data Security Law will spur the economy.

The Directors confirm that the Group will be able to comply with the above-mentioned relevant requirements and has established a professional and comprehensive data security working group to continuously optimize the management and protection mechanism for the data security life cycle. The Group will be committed to building a data security system that is in line with its strategic development, protect the interests of users, and fulfil the necessary regulatory requirements to ensure the sustainable development of its platform-based strategy.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2021, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“**SFO**”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to provisions set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**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 interested	Percentage of shareholding
Mr. Tung Chi Fung ("Mr. Tung") (Note 1)	Beneficiary of a trust and settlor of a discretionary trust	558,294,460 (L) (Note 2)	59.52%
	Share option	3,000,000 (Note 3)	0.32%
Mr. Chen Jen-Tse	Beneficial owner	50,000 (L) (Note 2)	0.01%
	Share option	3,400,000 (Note 3)	0.36%
Mr. Hung Ka Hai Clement	Share option	500,000 (Note 3)	0.05%
Mr. Loo Yau Soon	Share option	500,000 (Note 3)	0.05%
Mr. Tsoon Wai Mun, Benjamin	Share option	500,000 (Note 3)	0.05%
Mr. Fong Heng Boo	Share option	300,000 (Note 3)	0.03%

Notes:

1. Wisdom Cosmos Limited ("**Wisdom Cosmos**"), a company incorporated in the British Virgin Islands ("**BVI**"), is the beneficial owner of 558,294,460 shares of the Company, representing approximately 59.52% 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.

In addition, Mr. Tung is the beneficial owner of 3,000,000 of underlying Shares under the share option scheme.

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

Save as disclosed herein, as at 30 June 2021, none of the Directors or chief executive of the Company or their associates (as defined in the 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 provisions set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2021, 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 interested (Note 1)	Percentage of shareholding
TMF Trust (Note 2)	Trustee	558,294,460 (L)	59.52%
Eander (Note 2)	Interest in a controlled corporation	558,294,460 (L)	59.52%
Wisdom Cosmos (Note 2)	Beneficial owner	558,294,460 (L)	59.52%

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 558,294,460 shares of the Company, representing approximately 59.52% shareholding interests in the Company. The entire issued share capital of Wisdom Cosmos is owned by Eander, a company incorporated in the BVI, which is in turn wholly owned by TMF Trust, trustee of the PJ Trust, an irrevocable reserved power trust established by Mr. Tung. Mr. Tung and his family members are the beneficiaries of the PJ Trust. Under the SFO, Mr. Tung, TMF Trust and Eander are deemed to be interested in all the shares of the Company registered in the name of Wisdom Cosmos.

Save as disclosed above, as at 30 June 2021, 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

During the six months ended 30 June 2021, i) 26,406,000 granted options were outstanding under the Share Option Scheme; ii) 1,422,000 granted options were exercised; iii) 1,375,000 granted options were lapsed; and iv) no granted options were cancelled.

Save for the grants of share options on 11 September 2017, 14 November 2018 and 15 July 2020 as disclosed in the announcements on the same date respectively, no new share options have been granted nor any existing share option schemes have been adopted by the Company as at 30 June 2021.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

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

For the six months ended 30 June 2021, 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 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with the provisions set out in Appendix 10 of the 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 adopted by the Company during the period from the Listing Date to the date of this report.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of Directors of the Company required to be disclosed are shown as follows:

1) Mr. Hung Ka Hai Clement, Independent Non-executive Director

Mr. Hung was appointed as an independent non-executive director of Hong Kong Aerospace Technology Group Limited (stock code: 1725) since 16 July 2021 and retired from the position of independent non-executive director of Tibet Water Resources Ltd. (stock code: 1115) on 30 June 2021.

1) Mr. Fong Heng Boo, Independent Non-executive Director

Mr. Fong was appointed as an independent non-executive director of Bonvest Holdings Limited, a company listed on the Singapore Exchange (stock code: B28) on 1 July 2021.

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the relevant laws of the Cayman Islands and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, at least 25% of the Company's total issued Shares was held by the public throughout the six months ended 30 June 2021 and thereafter up to the date of this report.

CORPORATE GOVERNANCE

The Directors are committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, the Group will continue to comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and the associated Listing Rules (the “CG Code”).

The shares of the Company were successfully listed on GEM on 6 July 2017 and were transferred to the Main Board on 24 October 2019. To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the period from the Listing Date to 30 June 2021.

AUDIT COMMITTEE

The Company established the Audit Committee on 19 June 2017 with written terms of reference in compliance with Rules 3.21 to 3.24 of the Listing Rules and paragraph C.3 of the CG Code as set out in Appendix 14 to the 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 Audit Committee currently consists of three members, namely Mr. Hung Ka Hai Clement, Mr. Tsoon Wai Mun, Benjamin, and Mr. Loo Yau Soon. The Chairman of the Audit Committee is Mr. Hung Ka Hai Clement.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2021 and the interim report have been reviewed by the Audit Committee. The Board is of the opinion that such financial information has been prepared in compliance with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

The Company's independent auditor, Deloitte Touche Tohmatsu, has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

EVENT AFTER THE REPORTING PERIOD

In July 2021, the Group de-registered its investment in Yi Lian Shu Ke (Shenzhen) Co., Limited (易聯數科(深圳)有限公司), a subsidiary of the Company.

Save as disclosed above, the Company had no other significant subsequent event after reporting period.

INTERIM RESULTS

The board of Directors of the Company (the “**Board**”) announces the unaudited interim consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2021 together with comparative figures for the corresponding period in 2020. The financial information has been approved by the Board.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
	NOTES	2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3		
<i>Digital financing solutions</i>			
– Interest income		192,896	226,130
– Guarantee fee		7,690	5,500
<i>Platform-based services</i>			
– Contracts with customers		23,261	16,745
Total revenue		223,847	248,375
Gain on sales of factoring assets	4	75,427	75,105
		299,274	323,480
Other income	5(a)	12,196	12,726
Other gains and losses	5(b)	22,047	41,889
Impairment losses under expected credit loss (“ECL”) model, net of reversal	14	(16,587)	(16,806)
Administrative and other expenses	8	(88,321)	(88,199)
Share of profit of associates		9,518	4,732
Finance costs	6	(50,595)	(64,317)
Profit before taxation		187,532	213,505
Taxation	7	(20,573)	(30,846)
Profit for the period	8	166,959	182,659

		Six months ended 30 June	
	NOTE	2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other comprehensive income (expense) (“OCI”):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		16	–
Fair value gain, net of ECL, and reclassification of fair value through OCI (“FVTOCI”) reserves upon derecognition on:			
– factoring assets at FVTOCI		8,823	4,258
Income tax relating to items that may be reclassified subsequently		(1,326)	(1,979)
Share of other comprehensive income (expense) of associates, net of related income tax		1,912	(930)
		<u>9,425</u>	<u>1,349</u>
OCI for the period, net of income tax			
		<u>176,384</u>	<u>184,008</u>
Total comprehensive income for the period			
Profit for the period attributable to:			
– Owners of the Company		160,589	179,210
– Non-controlling interests		6,370	3,449
		<u>166,959</u>	<u>182,659</u>
Total comprehensive income for the period attributable to:			
– Owners of the Company		169,747	180,920
– Non-controlling interests		6,637	3,088
		<u>176,384</u>	<u>184,008</u>
Earnings per share			
	10		
– Basic (RMB cents)		17	20
– Diluted (RMB cents)		17	20

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	NOTES	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
Non-current assets			
Property and equipment		8,220	8,042
Intangible assets		25,494	22,218
Right-of-use assets		19,259	24,680
Factoring assets at FVTOCI	12	14,677	14,278
Other financial assets at fair value through profit or loss ("FVTPL")	13	122,989	74,263
Investments in associates	11	162,541	150,911
Prepayments for non-current assets		1,990	637
Deferred tax assets		31,562	25,210
Refundable rental deposits		3,931	3,839
		390,663	324,078
Current assets			
Factoring assets at FVTOCI	12	4,253,048	3,789,922
Other financial assets at FVTPL	13	126,357	30,878
Derivative financial instruments		–	790
Receivables from guarantee customers		12,466	17,052
Trade receivables		14,260	2,733
Other receivables, prepayments and others		72,460	16,841
Pledged bank deposits		320,522	255,489
Bank balances		301,333	348,715
		5,100,446	4,462,420

	NOTES	30.6.2021 RMB'000 (Unaudited)	31.12.2020 RMB'000 (Audited)
Current liabilities			
Loans from related parties		65,220	–
Other payables and accrued charges	15	103,796	105,552
Derivative financial instruments		4,900	17,616
Contract liabilities		2,683	1,125
Income tax payable		25,650	36,679
Liabilities arising from guarantee contracts	16	35,760	29,742
Borrowings	17(a)	1,562,469	1,475,913
Bank overdraft	17(b)	–	10,828
Lease liabilities		12,337	11,913
		<u>1,812,815</u>	<u>1,689,368</u>
Net current assets		<u>3,287,631</u>	<u>2,773,052</u>
Non-current liabilities			
Borrowings	17(a)	464,175	–
Lease liabilities		7,511	13,337
Deferred tax liabilities		63,426	56,449
		<u>535,112</u>	<u>69,786</u>
Net assets		<u>3,143,182</u>	<u>3,027,344</u>
Capital and reserves			
Share capital	18	8,139	8,127
Reserves		3,040,149	2,907,920
Equity attributable to owners of the Company		3,048,288	2,916,047
Non-controlling interests		94,894	111,297
Total equity		<u>3,143,182</u>	<u>3,027,344</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	FVTOCI reserves RMB'000	Translation reserves RMB'000	Share- based payments reserves RMB'000	Statutory reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total RMB'000
At 1 January 2021 (unaudited)	8,127	1,886,952	1,547	(29)	-	21,466	84,621	913,363	2,916,047	111,297	3,027,344
Profit for the period	-	-	-	-	-	-	-	160,589	160,589	6,370	166,959
Other comprehensive income for the period	-	-	-	9,142	16	-	-	-	9,158	267	9,425
Total comprehensive income for the period	-	-	-	9,142	16	-	-	160,589	169,747	6,637	176,384
Deregistration of subsidiaries	-	-	-	-	-	-	-	-	-	(23,040)	(23,040)
Recognition of equity-settled share-based payments	-	-	-	-	-	6,102	-	-	6,102	-	6,102
Dividends recognised as distribution (note 9)	-	(49,146)	-	-	-	-	-	-	(49,146)	-	(49,146)
Exercise of share options	12	7,399	-	-	-	(1,873)	-	-	5,538	-	5,538
Lapse of share options	-	-	-	-	-	(147)	-	147	-	-	-
At 30 June 2021 (unaudited)	<u>8,139</u>	<u>1,845,205</u>	<u>1,547</u>	<u>9,113</u>	<u>16</u>	<u>25,548</u>	<u>84,621</u>	<u>1,074,099</u>	<u>3,048,288</u>	<u>94,894</u>	<u>3,143,182</u>
At 1 January 2020 (audited)	7,636	1,592,105	1,547	2,125	-	17,659	80,002	587,925	2,288,999	129,061	2,418,060
Profit for the period	-	-	-	-	-	-	-	179,210	179,210	3,449	182,659
Other comprehensive income (expense) for the period	-	-	-	1,710	-	-	-	-	1,710	(361)	1,349
Total comprehensive income for the period	-	-	-	1,710	-	-	-	179,210	180,920	3,088	184,008
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	(19,984)	(19,984)
Recognition of equity-settled share-based payments	-	-	-	-	-	251	-	-	251	-	251
Dividends recognised as distribution (note 9)	-	(42,652)	-	-	-	-	-	-	(42,652)	-	(42,652)
Exercise of share options	6	3,419	-	-	-	(781)	-	-	2,644	-	2,644
At 30 June 2020 (unaudited)	<u>7,642</u>	<u>1,552,872</u>	<u>1,547</u>	<u>3,835</u>	<u>-</u>	<u>17,129</u>	<u>80,002</u>	<u>767,135</u>	<u>2,430,162</u>	<u>112,165</u>	<u>2,542,327</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	<u>(266,200)</u>	<u>143,944</u>
INVESTING ACTIVITIES		
Proceeds from disposal of other financial assets at FVTPL	54,265	4,811
Repayment of security deposits for derivative financial instruments	7,280	–
Withdrawal of pledged bank deposits for derivative financial instruments	5,488	2,774
Bank interest income received	1,975	1,368
Refundable rental deposits received	200	2,295
Proceeds from disposal of equipment	3	1
Proceeds on disposal of investments in associates	–	5,603
Dividend received from an associate	–	4,383
Repayment from a loan receivable	–	1,325
Interest received from a loan receivable	–	410
Advances to related parties	–	(241)
Payments for refundable rental deposits	(99)	(614)
Payments for right-of-use assets	(144)	–
Investment in an associate	(200)	(80,000)
Purchase of equipment	(2,414)	(1,264)
Placement of pledged bank deposits for derivative financial instruments	(3,689)	(91,976)
Security deposits paid for derivative financial instruments	(6,366)	(8,160)
Payment for development costs and purchase of other intangible assets	(7,976)	(2,240)
Payment for settlement of derivative financial instruments	(22,902)	(115)
Net cash outflow arising on deregistration of subsidiaries	(24,500)	(19,984)
Purchase of other financial assets at FVTPL	<u>(171,612)</u>	<u>(1,100)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(170,691)</u>	<u>(182,724)</u>

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
New borrowings raised	1,372,815	765,741
Loans raised from related parties	155,126	214,922
Repayment of pledged bank deposits for borrowings	41,381	–
Repayment of pledged bank deposits for bank overdraft	8,419	–
Proceeds received on exercise of equity-settled share options	5,538	2,644
Interest paid for bank overdraft	(79)	(323)
Interest paid for lease liabilities	(751)	(708)
Interest paid for loans from related parties	(986)	(3,132)
Dividends paid to a non-controlling shareholder of a PRC subsidiary	(5,531)	–
Repayment of lease liabilities	(5,806)	(3,961)
Security deposits paid for loans from an associate	(20,000)	–
Dividends paid to the shareholders of the Company	(49,158)	(42,364)
Interest paid for borrowings	(56,479)	(49,810)
Repayment of loans from related parties	(90,126)	(98,575)
Pledged bank deposits paid for borrowings	(146,600)	(8,427)
Repayment of borrowings	(814,164)	(893,870)
	<u>393,599</u>	<u>(117,863)</u>
NET CASH FROM (USED IN) FINANCING ACTIVITIES		
	<u>393,599</u>	<u>(117,863)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(43,292)	(156,643)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	337,887	359,463
Effect of foreign exchange rate changes	6,738	(7,877)
	<u>301,333</u>	<u>194,943</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by		
	<u>301,333</u>	<u>194,943</u>
Bank balances	301,333	211,448
Bank overdraft	–	(16,505)
	<u>301,333</u>	<u>194,943</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from the application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to HKFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”.

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

2.1 Impacts on early application of Amendment to HKFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”

The Group has early applied the amendment in the current interim period. The application of this amendment has had no material impact on the Group’s financial positions and performance for the current and prior periods.

2.2 Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2”

2.2.1 Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 “Financial Instruments” on modification of a financial asset or a financial liability to the additional changes to which the practical expedient does not apply.

2.2.2 Transition and summary of effects

As at 1 January 2021, the Group has several financial liabilities and derivatives, the interest of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

The following table shows the total amounts of outstanding contracts. The amounts of financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

	HKD Hong Kong Interbank Offered Rate (“HIBOR”) RMB’000	USD London Interbank Offered Rate (“LIBOR”) RMB’000
Financial liabilities		
– Borrowings	292,335	114,923
– Bank overdrafts	10,828	–
	<u>303,163</u>	<u>114,923</u>
Derivative financial instruments		
– Cross currency swap contracts	42,165	122,276

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for borrowings and bank overdrafts measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group’s consolidated financial statements for the year ending 31 December 2021.

3. REVENUE AND SEGMENT INFORMATION

Revenue for the reporting period represents income received and receivable mainly from the provision of digital financing solutions and platform-based services in the PRC.

The chief operating decision maker (“CODM”), being the executive directors of the Company, have determined that no segment information is presented other than entity wide disclosures throughout the reporting period, as the Group is principally engaged in providing digital financing solutions and platform-based services mainly in the PRC, and the CODM, reviews the condensed consolidated financial position and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group.

The Company is an investment holding company and the principal place of the Group’s operation is mainly in the PRC. Most of the Group’s revenue and major non-current assets are principally derived from or located in the PRC.

	Six months ended 30 June	
	2021	2020
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
<i>Digital financing solutions</i>		
– Interest income	192,896	226,130
– Guarantee fee	7,690	5,500
	200,586	231,630
<i>Platform-based services</i>		
– Loan facilitation services	17,400	4,696
– Technology service for asset-backed securitisation products	3,130	8,296
– Other services	2,731	3,753
	23,261	16,745
	223,847	248,375

4. SALES OF FACTORING ASSETS

For the six months ended 30 June 2021 and 2020, the Group sold part of factoring assets to certain financial institutions mainly 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.

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gain on sales of factoring assets	<u>75,427</u>	<u>75,105</u>

5. OTHER INCOME/OTHER GAINS AND LOSSES

(a) Other income

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government subsidies	10,201	10,421
Bank interest income	1,975	1,368
Interest income from a loan receivable	–	923
Others	<u>20</u>	<u>14</u>
	<u>12,196</u>	<u>12,726</u>

(b) Other gains and losses

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net gain from changes in fair value of other financial assets at FVTPL	27,773	47,482
Exchange gain (loss), net	6,722	(7,743)
(Loss) gain from termination of a lease contract	(1)	26
Loss on disposal of equipment	(11)	(2)
Loss on deregistration of subsidiaries	(1,460)	–
Net (loss) gain arising from changes in fair value of derivative financial instruments	(10,976)	2,343
Loss on disposal of investment in an associate	–	(48)
Others	<u>–</u>	<u>(169)</u>
	<u>22,047</u>	<u>41,889</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on borrowings	48,559	59,096
Interest on loans from related parties	1,206	4,190
Interest on lease liabilities	751	708
Interest on bank overdraft	79	323
	<u>50,595</u>	<u>64,317</u>

7. TAXATION

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The charge comprises:		
Current tax		
– PRC Enterprise Income Tax	17,689	14,795
– Withholding tax levied on interest income of Hong Kong subsidiaries	2,085	2,383
– Withholding tax levied on dividend declared of a PRC subsidiary	1,500	–
	<u>21,274</u>	<u>17,178</u>
Deferred tax	(701)	13,668
	<u>20,573</u>	<u>30,846</u>

8. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' emoluments	3,999	2,380
Other staff costs (excluding directors' emoluments)		
– Salaries, allowances and other staff benefits, including share option expenses	49,904	52,382
– Staff's retirement benefit scheme contributions	3,562	519
	<u>57,465</u>	<u>55,281</u>
Total staff costs	57,465	55,281
Less: amount capitalised in development costs	(4,459)	(1,750)
Less: staff costs recognised as research and development costs in other expenses	(10,507)	(8,969)
	<u>42,499</u>	<u>44,562</u>
Staff costs recognised in administrative expenses	42,499	44,562
	<u>1,621</u>	<u>1,001</u>
Total depreciation of property and equipment	1,621	1,001
Less: amount capitalised in development costs	(17)	(32)
	<u>1,604</u>	<u>969</u>
Depreciation of property and equipment recognised in administrative expenses	1,604	969
	<u>5,968</u>	<u>4,827</u>
Depreciation of right-of-use assets recognised in administrative expenses	5,968	4,827
Amortisation of intangible assets recognised in administrative expenses	3,625	2,583
Covid-19-related rent concessions	–	(224)
Other expenses		
– Research and development costs	10,818	9,138
– Donation	700	245
	<u>11,518</u>	<u>9,383</u>
Total other expenses	<u>11,518</u>	<u>9,383</u>

9. DIVIDENDS

Dividends for ordinary shareholders of the Company recognised as distribution during the period:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
2020 final		
– HK6.3 cents (2020: 2019 final dividend HK5.3 cents) per share	<u>59,064</u>	<u>46,694</u>

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Shown in the condensed consolidated financial statements	<u>49,146</u>	<u>42,652</u>

The directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2021.

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>160,589</u>	<u>179,210</u>

	Six months ended 30 June	
	2021	2020
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	936,998	880,799
Effect of dilutive potential ordinary shares:		
Share options	<u>2,046</u>	<u>2,613</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>939,044</u>	<u>883,412</u>

11. INVESTMENTS IN ASSOCIATES

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cost of investments in associates, unlisted	130,200	130,000
Share of post-acquisition profit, net of dividend received	28,892	19,374
Share of post-acquisition OCI	3,449	1,537
	<u>162,541</u>	<u>150,911</u>

12. FACTORING ASSETS AT FVTOCI

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Factoring assets at FVTOCI	<u>4,267,725</u>	<u>3,804,200</u>
Analysed for reporting purposes as:		
Current assets	4,253,048	3,789,922
Non-current assets	<u>14,677</u>	<u>14,278</u>
	<u>4,267,725</u>	<u>3,804,200</u>

As at 30 June 2021, the effective interest rates of the factoring assets at FVTOCI range mainly from 5.00% to 14.00% (31 December 2020: 5.80% to 17.5%) per annum.

As at 30 June 2021, the gross carrying amount of factoring assets of RMB20,177,000 is past due (31 December 2020: RMB21,411,000).

13. OTHER FINANCIAL ASSETS AT FVTPL

	30 June	31 December
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Equity tranche	198,586	91,980
Unlisted equity investment	40,000	–
Distressed debt assets	9,339	7,782
Trust fund	1,421	3,374
Structured deposit	–	2,005
	<u>249,346</u>	<u>105,141</u>
Analysed for reporting purposes as:		
Current assets	126,357	30,878
Non-current assets	122,989	74,263
	<u>249,346</u>	<u>105,141</u>

The financial assets were classified as FVTPL due to fact that the contractual cash flows do not represent solely payments of principal and interest on the principal amount outstanding.

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment losses recognised (reversed) on:		
– Factoring assets at FVTOCI	11,105	4,188
– Financial guarantee contracts	5,599	7,998
– Receivables from guarantee contracts	(117)	178
– Loan receivable	–	4,442
	<u>16,587</u>	<u>16,806</u>

15. OTHER PAYABLES AND ACCRUED CHARGES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Other tax payables	36,816	30,089
Settlement payables to factoring customers	27,169	18,481
Deposits from factoring customers	25,110	6,440
Accrued charges	12,019	43,017
Dividend payable to shareholders of the Company	990	1,002
Dividend payable to a non-controlling shareholder of a PRC subsidiary	–	5,531
Other payables	1,692	992
	<u>103,796</u>	<u>105,552</u>

16. LIABILITIES ARISING FROM GUARANTEE CONTRACTS

	30 June 2021			31 December 2020		
	Premium less accumulated amortisation RMB'000 (Unaudited)	ECL provision RMB'000 (Unaudited)	Carrying amount RMB'000 (Unaudited)	Premium less accumulated amortisation RMB'000 (Audited)	ECL provision RMB'000 (Audited)	Carrying amount RMB'000 (Audited)
Guarantee contracts in relation to:						
– third parties	12,960	24,749	26,296	16,861	21,883	24,805
– an associate	9,257	4,898	9,464	4,937	959	4,937
	<u>22,217</u>	<u>29,647</u>	<u>35,760</u>	<u>21,798</u>	<u>22,842</u>	<u>29,742</u>

At the end of the reporting period, the directors of the Company has assessed the past due status of the debts under guarantee, the financial position of the debtors as well as the economic outlook of the industries in which the debtors operate.

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Guarantee contracts in relation to		
– third parties	1,729,347	1,382,907
– an associate	<u>607,781</u>	<u>385,600</u>
	<u>2,337,128</u>	<u>1,768,507</u>

17. BORROWINGS/BANK OVERDRAFT

(a) Borrowings

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Bank borrowings	1,386,994	765,501
Entrusted loans	123,178	124,738
Bills discounted	96,949	30,352
Other loans	<u>419,523</u>	<u>555,322</u>
	<u>2,026,644</u>	<u>1,475,913</u>
Secured	1,741,371	1,190,253
Unsecured	<u>285,273</u>	<u>285,660</u>
	<u>2,026,644</u>	<u>1,475,913</u>

	Bank borrowings		Other borrowings	
	30 June 2021 RMB'000	31 December 2020 RMB'000	30 June 2021 RMB'000	31 December 2020 RMB'000
The carrying amounts of the above borrowings are repayable*:				
Within one year	822,579	664,349	566,976	530,947
Within a period of more than one year but not exceeding two years	464,175	–	–	–
The carrying amounts of the above borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:				
Within one year	100,240	101,152	72,674	179,465
	1,386,994	765,501	639,650	710,412
Less: Amounts due within one year shown under current liabilities	922,819	765,501	639,650	710,412
Amounts shown under non-current liabilities	464,175	–	–	–

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

(b) Bank overdraft

As at 31 December 2020, the bank overdraft amounted to HK\$12,865,000 (equivalent to RMB10,828,000), which is repayable on demand, carrying interest rate per annum at the rate of the benchmark rate offered by the HIBOR plus 2.25% per annum, guaranteed by the Company and a PRC subsidiary and pledged by structured deposit amounting to HK\$10,000,000 (equivalent to RMB8,419,000).

18. SHARE CAPITAL

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

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2020, 1 January 2021 and 30 June 2021 (unaudited)	<u>5,000,000,000</u>	<u>50,000,000</u>
	Number of shares	Share capital HK\$
Issued:		
At 1 January 2020	880,316,000	8,803,160
Issue of new shares from placing	55,500,000	555,000
Exercise of share options	<u>780,000</u>	<u>7,800</u>
At 31 December 2020	936,596,000	9,365,960
Exercise of share options	<u>1,422,000</u>	<u>14,220</u>
At 30 June 2021 (unaudited)	<u>938,018,000</u>	<u>9,380,180</u>
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Shown in the condensed consolidated statement of financial position	<u>8,139</u>	<u>8,127</u>

All the shares issued during the period ranked pari passu in all respects with the then existing shares in issue.

PUBLICATION

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

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

Hong Kong, 26 August 2021

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

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

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

Unless otherwise stated, translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 to HK\$1.20 for information purpose only.