



**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

INTERIM 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 the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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## FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2019

- The unaudited income from factoring and other services of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2019 was RMB237.5 million representing an increase of approximately 30.0%, as compared to RMB182.7 million for the six months ended 30 June 2018.
- The unaudited profit after tax for the six months ended 30 June 2019 was RMB124.9 million representing an increase of approximately 67.0%, as compared to the profit after tax of approximately RMB74.8 million for the six months ended 30 June 2018.
- Unaudited basic and diluted earnings per share for six months ended 30 June 2019 was RMB14 cents and RMB13 cents respectively (six months ended 30 June 2018: basic and diluted earning per share of RMB10 cents and RMB10 cents respectively).
- The Board does not recommend the payment of a dividend for the six months ended 30 June 2019 (six months ended 30 June 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](http://www.shengyecapital.com)

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, 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

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

# 德勤

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

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Sheng Ye Capital Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 5 to 44, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

## OTHER MATTER

The condensed consolidated statement of profit or loss and other comprehensive income for each of the three-month periods ended 30 June 2019 and 30 June 2018 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong

13 August 2019

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	Three months ended		Six months ended	
		30.6.2019	30.6.2018	30.6.2019	30.6.2018
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue	3				
Interest income from factoring service		105,760	72,068	195,085	109,387
Income from other services		3,881	16,487	6,523	23,016
Total revenue		109,641	88,555	201,608	132,403
Gain on sales of factoring assets	4	28,841	50,326	35,928	50,326
Income from factoring and other services		138,482	138,881	237,536	182,729
Other income	5(a)	34,199	14,972	35,616	15,913
Other gains and losses	5(b)	188	(32)	106	411
Staff costs	8	(15,597)	(7,676)	(28,199)	(14,889)
Other operating expenses		(16,496)	(15,029)	(31,364)	(19,944)
Donation		—	(1,800)	—	(1,800)
Impairment losses under expected credit loss ("ECL") model, net of reversal	15	(9,129)	(20,517)	(12,023)	(22,845)
Share of profit of a joint venture		833	706	1,537	1,162
Share of profit of associates		702	354	2,167	486
Finance costs	6	(26,295)	(22,910)	(45,226)	(32,082)
Profit before taxation		106,887	86,949	160,150	109,141
Taxation	7	(24,260)	(27,133)	(35,255)	(34,366)
Profit for the period	8	82,627	59,816	124,895	74,775
Profit (loss) for the period attributable to:					
– Owners of the Company		78,820	59,848	118,756	74,383
– Non-controlling interests		3,807	(32)	6,139	392
		82,627	59,816	124,895	74,775
Earnings per share	10				
– Basic (RMB cents)		9	8	14	10
– Diluted (RMB cents)		9	8	13	10

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Three months ended		Six months ended	
	30.6.2019 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)	30.6.2019 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)
<b>Other comprehensive (expense) income:</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Fair value gain or loss, net of ECL on:				
– factoring assets at fair value through other comprehensive income ("FVTOCI")	(4,575)	(3,241)	2,832	(4,701)
– reclassification adjustment to profit or loss on derecognition of factoring assets at FVTOCI	(793)	128	(1,361)	128
Income tax relating to items that may be reclassified subsequently	1,341	778	(369)	1,144
Share of other comprehensive income ("OCI") of a joint venture	110	—	32	—
Share of other comprehensive expense of associates	(526)	(408)	(526)	(408)
Other comprehensive (expense) income for the period, net of income tax	(4,443)	(2,743)	608	(3,837)
<b>Total comprehensive income for the period</b>	<b>78,184</b>	<b>57,073</b>	<b>125,503</b>	<b>70,938</b>
<b>Total comprehensive income for the period attributable to:</b>				
– Owners of the Company	75,184	56,752	119,443	70,193
– Non-controlling interests	3,000	321	6,060	745
	<b>78,184</b>	<b>57,073</b>	<b>125,503</b>	<b>70,938</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	Notes	30.6.2019 RMB'000 (Unaudited)	31.12.2018 RMB'000 (Audited)
<b>Non-current assets</b>			
Property and equipment	11	4,619	2,728
Intangible assets	11	17,912	13,467
Right-of-use assets	11	7,781	—
Factoring assets at FVTOCI	14	2,493	18,609
Investment in a joint venture	12(a)	25,815	27,077
Investments in associates	12(b)	54,411	53,540
Prepayments for non-current assets		723	1,060
Deferred tax assets	13	15,611	20,683
		129,365	137,164
<b>Current assets</b>			
Factoring assets at FVTOCI	14	3,619,294	2,799,706
Financial assets at fair value through profit or loss ("FVTPL")		4,700	—
Loan receivable		13,012	12,986
Amounts due from associates	24	1,295	—
Other receivables, prepayments and others		9,284	7,892
Security deposit for guarantee contracts	17	9,875	—
Pledged bank deposits	18	51,862	8,764
Bank balances and cash		168,961	226,069
		3,878,283	3,055,417
<b>Current liabilities</b>			
Loans from related parties	24	171,319	10,005
Other payables and accrued charges	16	41,729	55,411
Contract liabilities		—	2,786
Income tax payable		33,238	77,521
Liabilities arising from guarantee contracts	17	4,652	—
Borrowings	18(a)	1,473,925	911,956
Bank overdraft	18(b)	17,593	—
Lease liabilities		5,645	—
		1,748,101	1,057,679
<b>Net current assets</b>		2,130,182	1,997,738
<b>Non-current liabilities</b>			
Lease liabilities		1,722	—
Deferred tax liabilities	13	24,063	18,840
		25,785	18,840
<b>Net assets</b>		2,233,762	2,116,062
<b>Capital and reserves</b>			
Share capital	19	7,623	7,623
Reserves		2,107,048	2,012,558
Equity attributable to owners of the Company		2,114,671	2,020,181
Non-controlling interests		119,091	95,881
<b>Total equity</b>		2,233,762	2,116,062

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserves	FVTOCI reserves	Share options reserves	Statutory reserves	Retained profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000 (note i)	RMB'000	RMB'000 (note ii)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019 (unaudited)	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	—	—	—	—	—	—	118,756	118,756	6,139	124,895
Other comprehensive income (expense) for the period	—	—	—	687	—	—	—	687	(79)	608
Total comprehensive income for the period	—	—	—	687	—	—	118,756	119,443	6,060	125,503
Capital contribution by non-controlling interests	—	—	—	—	—	—	—	—	17,150	17,150
Recognition of equity-settled share-based payments	—	—	—	—	5,801	—	—	5,801	—	5,801
Dividends recognised as distribution (note 9)	—	(30,905)	—	—	—	—	—	(30,905)	—	(30,905)
Exercise of share options	—	195	—	—	(44)	—	—	151	—	151
At 30 June 2019 (unaudited)	7,623	1,585,077	1,547	(993)	15,077	44,437	461,903	2,114,671	119,091	2,233,762
At 31 December 2017 (audited)	6,442	917,312	—	—	2,361	21,018	158,145	1,105,278	—	1,105,278
Adjustments of application of accounting policy changes	—	—	—	(2,604)	—	—	—	(2,604)	—	(2,604)
At 1 January 2018 (restated)	6,442	917,312	—	(2,604)	2,361	21,018	158,145	1,102,674	—	1,102,674
Profit for the period	—	—	—	—	—	—	74,383	74,383	392	74,775
Other comprehensive income (expense) for the period	—	—	—	(4,190)	—	—	—	(4,190)	353	(3,837)
Total comprehensive income (expense) for the period	—	—	—	(4,190)	—	—	74,383	70,193	745	70,938
Capital contribution by non-controlling interests	—	—	1,547	—	—	—	—	1,547	91,953	93,500
Recognition of equity-settled share-based payments	—	—	—	—	3,257	—	—	3,257	—	3,257
At 30 June 2018 (unaudited)	6,442	917,312	1,547	(6,794)	5,618	21,018	232,528	1,177,671	92,698	1,270,369

## Notes:

- (i) FVTOCI reserves attributable to owners of the Company represent (i) net effect of fair value changes on FVTOCI after tax; (ii) share of FVTOCI reserves of a joint venture and associates.
- (ii) Pursuant to the articles of association of the subsidiaries established in the People's Republic of China ("PRC"), they are required to appropriate 10% of their profit after taxation in accordance with the relevant accounting rules and financial regulations of the PRC before any distribution of dividends to owners each year to the statutory reserves until the balance reaches 50% of their registered capital.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(679,725)	(1,472,774)
INVESTING ACTIVITIES		
Repayments from loans to associates	7,350	70,500
Bank interest income received	1,401	276
Proceeds on disposal of investment in an associate	1,000	—
Interest received from a loan receivable	719	—
Interest received from loans to associates	64	791
Net cash inflow arising from disposal of a subsidiary	—	19,656
Proceeds from disposal of equipment	—	10
Investment in an associate	—	(1,000)
Payments for right-of-use assets	(285)	—
Payments for rental deposits	(1,196)	—
Advances to associates	(1,295)	—
Purchase of equipment	(2,332)	(523)
Purchase of financial assets at FVTPL	(4,610)	—
Payment for development costs and purchase of other intangible assets	(6,064)	(5,387)
Loans to associates	(7,350)	(53,500)
Placement of pledged bank deposits	(43,098)	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(55,696)	30,823
FINANCING ACTIVITIES		
New borrowings raised	660,679	2,697,172
Loans raised from related parties	233,824	—
Capital contribution from non-controlling shareholders of the subsidiaries	17,150	93,500
Exercise of equity-settled share options	151	—
Repayment from a related party	—	1
Interest paid for lease liabilities	(315)	—
Interest paid for loans from related parties	(894)	—
Repayment of lease liabilities	(3,525)	—
Interest paid for borrowings and bank overdraft	(31,191)	(16,796)
Dividends paid	(30,905)	—
Repayment of loans from related parties	(75,381)	—
Repayment of borrowings	(108,665)	(1,413,065)
Repayment of financial liability arising from repurchase agreements	—	(10,000)
Interest paid for financial liability arising from repurchase agreements	—	(285)
NET CASH FROM FINANCING ACTIVITIES	660,928	1,350,527
NET DECREASE IN CASH AND CASH EQUIVALENTS	(74,493)	(91,424)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	226,069	174,277
Effect of foreign exchange rate changes	(208)	(48)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by	151,368	82,805
Bank balances and cash	168,961	82,805
Bank overdraft	(17,593)	—
	151,368	82,805

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Rules").

## 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 changes in accounting policies resulting from the application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 2. PRINCIPAL ACCOUNTING POLICIES - CONTINUED

#### Application of new and amendments to HKFRSs - continued

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

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

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

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

#### Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### As a lessee

##### Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

##### Short-term leases

The Group applies the short-term lease recognition exemption to leases of land and building that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

##### Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 2. PRINCIPAL ACCOUNTING POLICIES - CONTINUED

#### Application of new and amendments to HKFRSs - continued

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

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

###### As a lessee - continued

###### Right-of-use assets - continued

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and
- any lease payments made at or before the commencement date, less any lease incentives received;

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

###### Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

###### Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

###### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 2. PRINCIPAL ACCOUNTING POLICIES - CONTINUED

#### Application of new and amendments to HKFRSs - continued

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

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

###### As a lessee - continued

###### Lease liabilities - continued

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

###### Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

###### Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 2. PRINCIPAL ACCOUNTING POLICIES - CONTINUED

#### Application of new and amendments to HKFRSs - continued

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

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

###### As a lessee - continued

###### Taxation - continued

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

###### Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

###### As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedient to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS16.C8 (b) (ii) transition. The Group recognised lease liabilities of RMB7,089,000 and right-of-use assets of RMB7,327,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 6.76%.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 2. PRINCIPAL ACCOUNTING POLICIES - CONTINUED

#### Application of new and amendments to HKFRSs - continued

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

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

##### As a lessee - continued

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	8,398
Lease liabilities discounted at relevant incremental borrowing rates	7,472
Less: Recognition exemption - short-term leases	(383)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	7,089
Lease liabilities as at 1 January 2019	7,089
Analysed as	
Current	4,045
Non-current	3,044
	7,089

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	7,089
Reclassified from prepaid lease payments (note i)	238
Adjustments on rental deposits at 1 January 2019 (note ii)	—
	7,327
By class:	
Land and buildings	7,327

Notes:

- (i) Upfront payments for buildings in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current portion of prepaid lease payments amounting to RMB238,000 were reclassified to right-of-use assets.
- (ii) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. The carrying amount of discounting effect had no material impact on the condensed consolidated financial statements of the Group as at 1 January 2019.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 2. PRINCIPAL ACCOUNTING POLICIES - CONTINUED

#### Application of new and amendments to HKFRSs - continued

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

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

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amounts under HKFRS 16 at 1 January 2019 RMB'000
<b>Non-current assets</b>			
Right-of-use assets	—	7,327	7,327
<b>Current assets</b>			
Other receivables, prepayments and others			
- prepaid lease payments	238	(238)	—
<b>Current liabilities</b>			
Lease liabilities	—	4,045	4,045
<b>Non-current liabilities</b>			
Lease liabilities	—	3,044	3,044

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

Based on the current business model, no other impact resulted from the adoption of HKFRS 16 on the amounts reported on the condensed consolidated financial statements of the Group as at 1 January 2019.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 3. REVENUE AND SEGMENT INFORMATION

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

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, as the Group is principally engaged in providing factoring services 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 non-current assets are 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		Six months ended	
	30.6.2019 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)	30.6.2019 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)
Interest income from factoring service	105,760	72,068	195,085	109,387
Income from other services:				
– Guarantee service	2,447	11,992	3,489	11,997
– Consulting service	504	3,245	504	9,769
– Information technology service	319	835	991	835
– Other services (note)	611	415	1,539	415
	3,881	16,487	6,523	23,016
	109,641	88,555	201,608	132,403

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.

### 4. GAIN ON SALES OF FACTORING ASSETS

For the six months ended 30 June 2019 and 2018, 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		Six months ended	
	30.6.2019 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)	30.6.2019 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)
Gain on sales of factoring assets	28,841	50,326	35,928	50,326

No outstanding balance of receivables arising from sales of factoring assets at the end of the reporting period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 5. OTHER INCOME/OTHER GAINS AND LOSSES

#### (a) Other income

	Three months ended		Six months ended	
	30.6.2019 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)	30.6.2019 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)
Government subsidies (note)	33,395	14,844	33,395	14,844
Bank interest income	430	128	1,401	276
Interest income from a loan receivable	353	—	745	—
Interest income from loans to associates	10	—	64	791
Others	11	—	11	2
	34,199	14,972	35,616	15,913

Note: The government subsidies were mainly received by the Company's subsidiaries in the PRC from local government in relation to the incentive policy for investment in factoring and other financial business based on certain taxes paid by the Company's PRC subsidiaries in Dongjiang Port Zone of Tianjin City.

#### (b) Other gains and losses

	Three months ended		Six months ended	
	30.6.2019 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)	30.6.2019 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)
Gain on disposal of investments in – an associate (note 12(b))	—	—	230	—
– a subsidiary	—	—	—	514
Gain from changes in fair value of financial assets at FVTPL	90	—	90	—
Loss on disposal of equipment	(2)	(55)	(2)	(55)
Exchange loss, net	(126)	(48)	(208)	(48)
Others	226	71	(4)	—
	188	(32)	106	411

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 6. FINANCE COSTS

	Three months ended		Six months ended	
	30.6.2019 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)	30.6.2019 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)
Interest on borrowings and bank overdraft (note)	23,432	22,910	41,146	32,045
Interest on loans from related parties (note)	2,722	—	3,765	—
Interest on lease liabilities	141	—	315	—
Interest on financial liability arising from repurchase agreements	—	—	—	37
	26,295	22,910	45,226	32,082

Note: Details of the interest on borrowings in relation to a related party and interest on loans from related parties are set out in note 24.

### 7. TAXATION

	Three months ended		Six months ended	
	30.6.2019 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)	30.6.2019 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)
The charge comprises:				
Current tax				
– PRC Enterprise Income Tax ("EIT")	11,412	26,255	21,127	32,563
– Withholding tax levied on dividend declared of a PRC subsidiary	1,625	300	1,625	300
– Withholding tax levied on interest income of Hong Kong subsidiaries	255	167	2,577	342
	13,292	26,722	25,329	33,205
Deferred tax (note 13)	10,968	411	9,926	1,161
	24,260	27,133	35,255	34,366

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 profit 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.

Withholding tax has been provided for the current interim period in the condensed consolidated financial statements, and details are set out in note 13.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Three months ended		Six months ended	
	30.6.2019 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)	30.6.2019 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)
Directors' emoluments	1,614	1,080	2,730	2,057
Other staff costs				
– Salaries, allowances and other staff benefits, including share option expenses	17,874	9,323	31,958	17,078
– Staff's retirement benefit scheme contributions	1,392	383	2,136	772
Total staff costs	20,880	10,786	36,824	19,907
Less: amount capitalised in development costs	(2,723)	(3,110)	(5,386)	(5,018)
Less: staff costs recognised as research and development costs in other operating expenses	(2,560)	—	(3,239)	—
Staff costs recognised in profit or loss	15,597	7,676	28,199	14,889
Total depreciation of property and equipment	343	339	805	609
Less: amount capitalised in development costs	(23)	(12)	(101)	(21)
Depreciation of property and equipment recognised in profit or loss	320	327	704	588
Depreciation of right-of-use assets	1,819	—	3,634	—
Amortisation of intangible assets	851	112	1,691	219

### 9. DIVIDENDS

During the current interim period, a final dividend of HK4 cents per share in respect of the year ended 31 December 2018 was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HK\$35,154,000 (equivalent to RMB30,905,000) (30 June 2018: nil).

The directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2019.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 10. EARNINGS PER SHARE

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

	Three months ended		Six months ended	
	30.6.2019 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)	30.6.2019 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)
<b>Earnings:</b>				
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	78,820	59,848	118,756	74,383

	Three months ended		Six months ended	
	30.6.2019 '000 (Unaudited)	30.6.2018 '000 (Unaudited)	30.6.2019 '000 (Unaudited)	30.6.2018 '000 (Unaudited)
<b>Number of shares:</b>				
Weighted average number of ordinary shares for the purpose of basic earnings per share	878,863	740,000	878,856	740,000
Effect of dilutive potential ordinary shares: Share options	3,890	4,369	4,001	4,212
Weighted average number of ordinary shares for the purpose of diluted earnings per share	882,753	744,369	882,857	744,212

### 11. MOVEMENTS IN PROPERTY AND EQUIPMENT/INTANGIBLE ASSETS/RIGHT-OF-USE ASSETS

During the current interim period, the Group acquired property and equipment of RMB2,698,000 (six months ended 30 June 2018: RMB523,000).

During the current interim period, the Group incurred costs directly associated with intangible assets of RMB6,136,000 (six months ended 30 June 2018: RMB5,408,000).

During the current interim period, the Group entered into certain new lease agreements for rent office purpose within 4 years. On lease commencement, the Group recognised RMB4,088,000 of right-of-use assets and RMB3,803,000 lease liabilities.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 12. INVESTMENT(S) IN A JOINT VENTURE/ASSOCIATES

#### (a) Investment in a joint venture

Details of the Group's investment in a joint venture are as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Cost of investment in a joint venture, unlisted	25,500	25,500
Share of post-acquisition profit, net of dividend declared	315	1,609
Share of post-acquisition OCI	—	(32)
	25,815	27,077

Details of the Group's joint venture at the end of the reporting period are as follow:

Name of entity	Place of Incorporation/ establishment	Particulars of authorised and paid up capital	Proportion of ownership interest/voting rights held by the Group as at		Principal activity
			30.6.2019	31.12.2018	
Zhu Guang Sheng Ye Factoring Limited # (珠光盛業商業保理有限公司) ("ZGSY")	PRC	RMB50,000,000 RMB50,000,000	51%	51%	Provision of factoring service

# English translated name is for identification purpose only.

Note: Based on the legal form and terms of the contractual arrangements, the investment in ZGSY is classified as a joint venture as major decisions require the unanimous consent among the shareholders.

#### (b) Investments in associates

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Cost of investment in associates, unlisted	47,000	48,000
Share of post-acquisition profit	7,102	4,705
Share of post-acquisition OCI	309	835
	54,411	53,540

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

#### (b) Investments in associates - continued

Details of the Group's associates at the end of the reporting period are as follow:

Name of entity	Place of incorporation/ establishment	Particulars of authorised and paid up capital	Proportion of ownership interest/voting rights held by the Group as at		Principal activity
			30.6.2019	31.12.2018	
Shenzhen Sheng Ye Non-Financing Guarantee Limited # (深圳市盛業非融資性擔保有限責任公司) ("SYNFGL")	PRC	RMB30,000,000 RMB30,000,000	20%	20%	Provision of non-financing guarantee service
Shengzhen Sheng Peng Non-Financing Guarantee Limited # (深圳市盛鵬非融資性擔保有限責任公司) ("SPNFGL")	PRC	RMB30,000,000 — (note ii)	20%	20%	Provision of non-financing guarantee service
Hong Ji Factoring (Shenzhen) Limited# (弘基商業保理(深圳)有限公司) ("HJ") (note i)	PRC	RMB50,000,000 RMB10,000,000	10%	10%	Provision of factoring service
Wuxi Guojin Factoring Limited # (無錫國金商業保理有限公司) ("WXGJ")	PRC	RMB100,000,000 RMB100,000,000	40%	40%	Provision of factoring service
Shenzhen Sheng Ye Dun Hao Gold Chain Factoring Co., Ltd. # (深圳盛業敦豪金鏈商業保理股份有限公司)	PRC	RMB100,000,000 RMB5,000,000	N/A (note iii)	20%	Provision of factoring service

# English translated name is for identification purpose only.

Notes:

- (i) The Group is able to exercise significant influence over the entity because it has the power to appoint one out of three directors of the entity under the articles of association of the entity.
- (ii) As at 30 June 2019, the share capital of the entity has not yet been paid by the Group and other investors.
- (iii) In February 2019, the Group disposed of investment in Shenzhen Sheng Ye Dun Hao Gold Chain Factoring Co., Ltd, an associate of the Group, to an independent third party at consideration of RMB1,000,000, which resulted in the Group recognising a gain of RMB230,000 in profit or loss.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 13. DEFERRED TAXATION

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

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

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

	Undistributed earnings of PRC subsidiaries RMB'000	Deferred income RMB'000	ECL provision RMB'000 (note)	Fair value adjustments RMB'000	Total RMB'000
At 1 January 2018 (audited)	(8,449)	2,278	4,376	869	(926)
(Charge) credit to profit or loss (note 7)	(3,861)	(3,011)	5,711	—	(1,161)
Credit to OCI	—	—	—	1,144	1,144
Disposals	—	(135)	(163)	—	(298)
At 30 June 2018 (unaudited)	(12,310)	(868)	9,924	2,013	(1,241)
(Charge) credit to profit or loss	(6,530)	12,227	(1,271)	—	4,426
Charge to OCI	—	—	—	(1,342)	(1,342)
At 31 December 2018 (audited)	(18,840)	11,359	8,653	671	1,843
Charge to profit or loss (note 7)	(5,223)	(4,222)	(481)	—	(9,926)
Charge to OCI	—	—	—	(369)	(369)
At 30 June 2019 (unaudited)	(24,063)	7,137	8,172	302	(8,452)

Note: At 30 June 2019, a deferred tax asset of RMB8,172,000 (31 December 2018: RMB8,653,000) was recognised based on the deductible temporary differences associated with ECL provision. As a PRC subsidiary of the Group enjoys free tax rate, the deferred tax asset of the ECL provision of RMB13,947,000 (31 December 2018: nil) out of RMB46,634,000 (31 December 2018: RMB34,611,000) has not been recognised.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 13. DEFERRED TAXATION - CONTINUED

At 30 June 2019, the PRC subsidiaries had cumulative unutilised tax losses of RMB7,026,000 (31 December 2018: RMB6,990,000). No deferred tax asset has been recognised due to the unpredictability of future profit stream. Some of the unused tax losses can be carried forward up to five years from the years in which the loss was originated to offset future taxable profits.

### 14. FACTORING ASSETS AT FVTOCI

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Factoring assets at FVTOCI	3,667,321	2,855,448
Changes in fair value	(45,534)	(37,133)
	3,621,787	2,818,315
Analysed for reporting purposes as:		
Current assets	3,619,294	2,799,706
Non-current assets	2,493	18,609
	3,621,787	2,818,315

As at 30 June 2019, the effective interest rates of the factoring assets at FVTOCI range mainly from 6.00% to 22.20% (31 December 2018: 6.00% to 18.36%) per annum.

As at 30 June 2019, certain commercial acceptance bills have been received from customers with fair value amounting of RMB506,810,000 (31 December 2018: RMB467,780,000) as pledged bills to the factoring assets. The bills can also be applied and used to settle any outstanding receivables of factoring assets for the corresponding contract if default occurs, otherwise the Company needs to return the bills if the outstanding factoring assets are settled. Until such time as default occurs and they are used to settle the factoring assets the commercial acceptance assets are not recognised as an asset in the condensed consolidated financial statements.

The following is a credit quality analysis of factoring assets at FVTOCI.

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Not past due	3,572,114	2,818,280
Past due (note)	49,673	35
	3,621,787	2,818,315

Note: In the event that instalments repayment of a factoring asset at FVTOCI is past due, the entire outstanding balance of the factoring assets is classified as past due.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 14. FACTORING ASSETS AT FVTOCI - CONTINUED

The following is an aging analysis based on due dates of the factoring assets at FVTOCI instalments which are past due (instalments which are not yet due at the end of the reporting period are excluded):

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

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

	Three months ended		Six months ended	
	30.6.2019 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)	30.6.2019 RMB'000 (Unaudited)	30.6.2018 RMB'000 (Unaudited)
Impairment losses recognised on:				
– Factoring assets at FVTOCI	8,008	20,517	9,872	22,845
– Financial guarantee contracts	996	—	2,026	—
– Security deposits for guarantee contracts	125	—	125	—
	9,129	20,517	12,023	22,845

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

As at 30 June 2019

Internal credit rating	12-month or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000	Impairment loss allowance RMB'000
<b>Factoring assets at FVTOCI</b>				
Low risk	12-month ECL	1.08%	3,589,569	38,939
Watch list	Lifetime ECL (not credit-impaired)	6.93%	77,752	5,387
			3,667,321	44,326
<b>Financial assets at amortised cost</b>				
<i>Loan receivable</i>				
Low risk	12-month ECL	1.19%	13,169	157
<i>Security deposit for guarantee contracts</i>				
Low risk	12-month ECL	1.25%	10,000	125
			23,169	282
<b>Other items</b>				
<i>Financial guarantee contracts</i>				
<i>– guarantee contracts to suppliers (note 17)</i>				
Low risk	12-month ECL	2.53%	149,435	3,775
<i>– loan guarantee contracts in relation to third parties (note 17)</i>				
Low risk	12-month ECL	1.23%	17,422	215
			166,857	3,990
			3,857,347	48,598

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

As at 31 December 2018

Internal credit rating	12-month or lifetime ECL	Average loss rate	Gross carrying amount/ exposure RMB'000	Impairment loss allowance RMB'000
<b>Factoring assets at FVTOCI</b>				
Low risk	12-month ECL	0.95%	2,719,359	25,707
Watch list	Lifetime ECL (not credit-impaired)	6.43%	136,089	8,747
			2,855,448	34,454
<b>Financial assets at amortised cost</b>				
<i>Loan receivable</i>				
Low risk	12-month ECL	1.19%	13,143	157
<b>Other items</b>				
<i>Financial guarantee contracts</i>				
Low risk	12-month ECL	N/A	48,002	—
			2,916,593	34,611

The movements in the allowance for impairment in respect of factoring assets at FVTOCI during the current interim period were as follows:

	12-month ECL RMB'000	Lifetime ECL not credit- impaired RMB'000	Total RMB'000
As at 1 January 2019 (unaudited)	25,707	8,747	34,454
Changes due to financial instruments recognised as at 1 January:			
- Transfer to lifetime ECL - not credit-impaired	(154)	154	—
- Impairment losses, net of reversal	(18,242)	(5,204)	(23,446)
New financial assets purchased, net of settlement	31,628	1,690	33,318
As at 30 June 2019 (unaudited)	38,939	5,387	44,326

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

	12-month ECL RMB'000	Lifetime ECL not credit- impaired RMB'000	Total RMB'000
As at 1 January 2018 (audited)	16,850	—	16,850
Changes due to financial instruments recognised as at 1 January:			
– Transfer to lifetime ECL - not credit-impaired	(53)	53	—
– Impairment losses, net of reversal	(16,797)	—	(16,797)
New financial assets purchased, net of settlement	25,707	8,694	34,401
As at 31 December 2018 (audited)	25,707	8,747	34,454

### 16. OTHER PAYABLES AND ACCRUED CHARGES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Other tax payables	21,750	28,113
Accrued charges	13,351	22,836
Deposits from customers	4,823	3,000
Other payables	1,805	1,462
	41,729	55,411

### 17. SECURITY DEPOSIT FOR GUARANTEE CONTRACTS/LIABILITIES ARISING FROM GUARANTEE CONTRACTS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Provisions for guarantee losses (note i & iii)	3,990	—
Carrying amount of loan guarantee contracts (note ii)	662	—
	4,652	—

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, and concluded that there has been no significant increase in credit risk since initial recognition of the guarantee contracts.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Guarantee contracts to suppliers in relation to performance obligations (note i)	149,435	—
Loan guarantee contracts in relation to		
– an associate (note ii)	95,200	48,000
– third parties (note iii)	17,422	—
	112,622	48,000
	262,057	48,000

Notes:

- (i) The Group provided guarantee services to independent third parties, which are the suppliers of the Group's customers. The Group has to pay on behalf of the customers to their suppliers when the customers defaulted in settlement of the outstanding payables when due. The maximum amount that the Group has guaranteed under the contracts was RMB149,435,000 as at 30 June 2019. The carrying amount of provision as at 30 June 2019 and the amount recognised during the reporting period in accordance with the Group's accounting policies were RMB3,775,000 and RMB1,946,000 respectively.
- (ii) As at 30 June 2019, the Group provided guarantees to loans amounting to RMB238,000,000 (31 December 2018:RMB120,000,000), raised by an associate of the Group from the controlling shareholder and its related party of the associate. The guaranteed amounts were approximately 40% of all sums payable by the associate.

For the financial guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was RMB95,200,000 (31 December 2018:RMB48,000,000). Fair value initially recognised in relation to the loan guarantees by the Group amounted to RMB845,000 (31 December 2018: nil). At the end of the reporting period, the carrying amount of loan guarantee contracts was RMB662,000 (31 December 2018: nil). The directors of the Company have performed impairment assessment, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12-month ECL. An amount of RMB511,000 has been estimated as a loss allowance as at 30 June 2019 (31 December 2018: nil) in accordance with HKFRS 9, however, no loss allowance was recognised in the profit or loss because the premium received less cumulative amount recognised in profit or loss was higher than expected amount, credit losses determined under HKFRS 9.

- (iii) As at 30 June 2019, the Group provided guarantee services for loan guarantee customers which are third parties of the maximum amount of RMB17,422,000 and placed security deposits of RMB10,000,000 to lenders. The Group has to pay on behalf of loan guarantee customers to lenders when the customers defaulted in settlement of their outstanding liabilities with lenders when due, after deduction of the security deposits placed to lenders.

As at 30 June 2019, impairment allowance of RMB125,000 was provided for security deposits for guarantee contracts.

The carrying amount of provision as at 30 June 2019 and the amount recognised during the reporting period in accordance with the Group's accounting policies were RMB215,000 and RMB80,000 respectively.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 18. BORROWINGS/BANK OVERDRAFT

#### (a) Borrowings

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Carrying amount repayable within one year*:		
– Unsecured and guaranteed bonds (note i)	715,083	713,490
– Unsecured and unguaranteed loans	365,820	120,000
– Secured and unguaranteed bank and other borrowings (note ii)	164,219	—
– Secured and guaranteed bank borrowings (note iii)	17,720	16,648
– Bills discounted	—	61,818
	1,262,842	911,956
Carrying amount of borrowings that contain a repayment on demand clauses (shown under current liabilities) but repayable more than one year, but not more than two years*:		
– Unsecured and unguaranteed loans	211,083	—
Amounts shown under current liabilities	1,473,925	911,956

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

#### Notes:

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

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

As at 30 June 2019, the secured and unguaranteed loans from a PRC non-bank financial institution and two Hong Kong companies of RMB54,192,000 were secured by charges over certain factoring assets of the Group with an aggregate carrying values of RMB55,027,000, in respect of which the legal title and legal right to receive cash flows was also transferred to the lenders.

Details of the transfer of financial assets are set out in note 23.

(iii) The variable-rate bank borrowings amounted to RMB17,720,000, carrying interest rate per annum at the rate of the benchmark rate offered by the Hong Kong Inter-bank Offered Rate ("HIBOR") plus 3% per annum, guaranteed by the Company and a PRC subsidiary and pledged by bank deposit amounting to HK\$10,110,000 (equivalent to RMB8,893,000) (31 December 2018: HK\$10,002,000 (equivalent to RMB8,764,000)).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 18. BORROWINGS/BANK OVERDRAFT - CONTINUED

#### (a) Borrowings - continued

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

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

The ranges of effective interest rates on the Group's borrowings are as follows:

	30 June 2019 %	31 December 2018 %
Range of fixed-rate borrowings interest rates (per annum)	4.00 - 10.00	5.00 - 7.00
Range of variable-rate borrowings interest rates (per annum)	4.72 - 5.41	5.32

#### (b) Bank overdraft

The bank overdraft amounted to RMB17,593,000, 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 bank deposit amounting to HK\$10,000,000 (equivalent to RMB8,797,000).



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 20. CAPITAL COMMITMENTS

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

### 21. SHARE-BASED PAYMENT TRANSACTIONS

#### Equity-settled share option scheme of the Company

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

At 30 June 2019, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 18,797,000 (31 December 2018: 19,873,500), representing 2.14% (31 December 2018: 2.26%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be offered for acceptance for a period of not less than 28 days, upon payment of HK\$1.00 by each of eligible employees determined by the board of directors of the Company. Options may be exercised at any time from 12 months from the date of grant of the share option to the 5 anniversary of the date of grant. The exercise price is determined by the directors of the Company, and shall be the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Details of specific categories of options are as follows:

*Equity-settled share option scheme on 11 September 2017:*

	Date of grant	Vesting period	Exercise period	Exercise Price	Exercise dates
Tranche 1	11/9/2017	11/9/2017-10/9/2018	11/9/2018-10/9/2022	HK\$4.20	11/9/2018
Tranche 2	11/9/2017	11/9/2017-10/9/2019	11/9/2019-10/9/2022	HK\$4.20	11/9/2019
Tranche 3	11/9/2017	11/9/2017-10/9/2020	11/9/2020-10/9/2022	HK\$4.20	11/9/2020

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 21. SHARE-BASED PAYMENT TRANSACTIONS - CONTINUED

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

Equity-settled share option scheme on 14 November 2018:

	Date of grant	Vesting period	Exercise period	Exercise Price	Exercise dates
Tranche 4	14/11/2018	14/11/2018-13/11/2019	14/11/2019-13/11/2023	HK\$6.90	14/11/2019
Tranche 5	14/11/2018	14/11/2018-13/11/2020	14/11/2020-13/11/2023	HK\$6.90	14/11/2020
Tranche 6	14/11/2018	14/11/2018-13/11/2021	14/11/2021-13/11/2023	HK\$6.90	14/11/2021

The following table discloses movements of the Company's share options held by the directors of the Company and employees of the Group during both periods:

Grantee	Exercise period	Outstanding at 1 January 2019	Granted during period	Forfeited during period	Exercised during period	Outstanding at 30 June 2019
Directors	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
	14/11/2019-13/11/2023	400,000	—	—	—	400,000
	14/11/2020-13/11/2023	400,000	—	—	—	400,000
	14/11/2021-13/11/2023	800,000	—	—	—	800,000
		3,600,000	—	—	—	3,600,000
Exercisable at the end of the reporting period		500,000				500,000
Weighted average exercise price per share		5.40				5.40

Grantee	Exercise period	Outstanding at 1 January 2019	Granted during period	Forfeited during period	Exercised during period	Outstanding at 30 June 2019
Employees	11/9/2018-10/9/2022	1,958,500	—	—	(41,500)	1,917,000
	11/9/2019-10/9/2022	2,315,000	—	(130,000)	—	2,185,000
	11/9/2020-10/9/2022	4,630,000	—	(260,000)	—	4,370,000
	14/11/2019-13/11/2023	1,842,500	—	(161,250)	—	1,681,250
	14/11/2020-13/11/2023	1,842,500	—	(161,250)	—	1,681,250
	14/11/2021-13/11/2023	3,685,000	—	(322,500)	—	3,362,500
		16,273,500	—	(1,035,000)	(41,500)	15,197,000
Exercisable at the end of the reporting period		1,958,500				1,917,000
Weighted average exercise price per share		5.42	—	5.88	4.20	5.39

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 21. SHARE-BASED PAYMENT TRANSACTIONS - CONTINUED

Equity-settled share option scheme of the Company - continued

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

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

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

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

Equity-settled share option scheme on 11 September 2017:

	Tranche 1	Tranche 2	Tranche 3
Grant date	11 September 2017	11 September 2017	11 September 2017
Fair value at grant date	HK\$1.29	HK\$1.42	HK\$1.52
Share price	HK\$4.09	HK\$4.09	HK\$4.09
Exercise price	HK\$4.20	HK\$4.20	HK\$4.20
Expected volatility	45.00%	45.00%	45.00%
Expected life	5 years	5 years	5 years
Exercise period	11/9/2018-10/9/2022	11/9/2019-10/9/2022	11/9/2020-10/9/2022
Risk-free rate	1.00%	1.00%	1.00%
Expected dividend yield	—	—	—

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 21. SHARE-BASED PAYMENT TRANSACTIONS - CONTINUED

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

Equity-settled share option scheme on 14 November 2018:

	Tranche 4	Tranche 5	Tranche 6
Grant date	14 November 2018	14 November 2018	14 November 2018
Fair value at grant date	HK\$2.13	HK\$2.31	HK\$2.44
Share price	HK\$6.87	HK\$6.87	HK\$6.87
Exercise price	HK\$6.90	HK\$6.90	HK\$6.90
Expected volatility	43.00%	43.00%	43.00%
Expected life	5 years	5 years	5 years
Exercise period	14/11/2019-13/11/2023	14/11/2020-13/11/2023	14/11/2021-13/11/2023
Risk-free rate	2.25%	2.25%	2.25%
Expected dividend yield	1%	1%	1%

Expected volatility was adopted as of the valuation date with reference to the annualised standard deviation of the continuously compounded rates of return on the daily average adjusted share price of a set of comparable companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of RMB5,801,000 for the period ended 30 June 2019 (30 June 2018: RMB3,257,000) in relation to share options granted by the Company.

### 22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

#### (i) Fair value of the Group's financial assets are measured at fair value on a recurring basis

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

Financial assets	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30.6.2019 RMB'000	31.12.2018 RMB'000			
Factoring assets at FVTOCI	Assets - 3,621,787	Assets - 2,818,315	Level 3	Discounted cash flow. Risk-adjusted discount rate and discount rate and cash flow are key inputs,	The higher discount rate the lower fair value
Financial assets at FVTPL	Assets - 4,700	—	Level 3	Discounted cash flow. Risk-adjusted discount rate and cash flow are key inputs	The higher discount rate the lower fair value

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

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

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

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

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 23. TRANSFERS OF FINANCIAL ASSETS

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

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

	Factoring assets	
	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Carrying amount of transferred assets	303,203	—
Carrying amount of associated liabilities	305,949	—
Net position	(2,746)	—

### 24. RELATED PARTY DISCLOSURES

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

#### (a) Related party balances

##### (i) Amounts due from associates

Name of Related Party	Relationship	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
SYNFGL	Associate	1,221	—
SPNFGL	Associate	74	—
		1,295	—

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

##### (ii) Other receivables - dividend receivable

Name of Related Party	Relationship	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
ZGSY	Joint venture	2,831	—

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 24. RELATED PARTY DISCLOSURES - CONTINUED

(a) Related party balances - *continued*

(iii) Other receivables - *receivable from information technology service*

Name of Related Party	Relationship	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
SYNFGL	Associate	138	—
HJ	Associate	100	—
		238	—

(iv) Other receivables - *rental deposits*

Name of Related Party	Relationship	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Bondlink Investment Limited	Related company with controlling shareholder	487	485

(v) Factoring assets at *FVTOCI*

Name of Related Party	Relationship	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
HJ	Associate	8,152	9,177

The remaining balance of fixed-rate factoring asset at FVTOCI carries interest at the rate of 6.00% per annum with principal amount of RMB8,000,000 within one year.

(vi) *Right-of-use asset*

Name of Related Party	Relationship	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Bondlink Investment Limited	Related company with controlling shareholder	1,327	—

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 24. RELATED PARTY DISCLOSURES - CONTINUED

#### (a) Related party balances - continued

##### (vii) Loans from related parties

Name of Related Party	Relationship	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
WXGJ	Associate	141,730	—
ZGSY	Joint venture	28,881	—
HJ	Associate	708	10,005
		171,319	10,005

The amounts represent the loans, due within one year, and carry interest ranging from 5.00% to 8.50% (31 December 2018: 6.00%) per annum. As at 30 June 2019, the remaining loan principal is RMB168,443,000 (31 December 2018: RMB10,000,000) with a total carrying amount of RMB171,319,000 (31 December 2018: RMB10,005,000).

The loans from WXGJ were secured by certain factoring assets of the Group with an aggregate carrying values of RMB135,734,000, in respect of which the legal title and legal right to receive cash flows was also transferred to the lender. Details of the transfer of financial assets are set out in note 23.

##### (viii) Contract liabilities

Name of Related Party	Relationship	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
SYNFGL	Associate	—	204
SPNFGL	Associate	—	204
HJ	Associate	—	203
		—	611

##### (ix) Lease liability

Name of Related Party	Relationship	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Bondlink Investment Limited	Related company with controlling shareholder	1,350	—

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 24. RELATED PARTY DISCLOSURES - CONTINUED

(a) Related party balances - continued

(x) Liabilities arising from guarantee contracts

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

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

(b) Related party transactions

(i) Revenue from related parties

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

(ii) Interest income from loans to associates

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 24. RELATED PARTY DISCLOSURES - CONTINUED

#### (b) Related party transactions - continued

##### (iii) Interest expenses on loans from related parties

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

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

##### (iv) Interest expenses on a lease liability

Name of Related Party	Relationship	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Bondlink Investment Limited	Related company with controlling shareholder	61	—

##### (v) Rental expense

Name of Related Party	Relationship	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Bondlink Investment Limited	Related company with controlling shareholder	—	616

##### (vi) Depreciation of right-of-use asset

Name of Related Party	Relationship	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Bondlink Investment Limited	Related company with controlling shareholder	823	—

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 24. RELATED PARTY DISCLOSURES - CONTINUED

#### (b) Related party transactions - continued

##### (vii) Compensation of key management personnel

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

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

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

#### (c) Borrowings and guarantee

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

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

### 25. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 2 July, 30 July and 7 August 2019, 霍爾果斯永卓商業保理有限公司 (Khorgos Yong Zhuo Factoring Limited) ("Khorgos Yong Zhuo Factoring"), a PRC subsidiary of the Company, entered into certain disposal agreements with purchasers pursuant to which Khorgos Yong Zhuo Factoring disposed of accounts receivables owned by the Company to the purchasers. Details are set out in the announcement of the Company dated 2 July, 30 July and 7 August 2019.

On 4 July 2019, Khorgos Yong Zhuo Factoring entered into a termination agreement with a purchaser pursuant to which the parties agreed to mutually terminate the two disposal agreements being entered into on 27 June 2019 between Khorgos Yong Zhuo Factoring and the purchaser in relation to disposal of accounts receivables owned by the Company to the purchaser. Details are set out in the announcements of the Company dated 27 June 2019 and 4 July 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is a specialised enterprise financial services provider with a strong capital base, which offers accounts receivable financing and other related solutions in the PRC. It has a strategically developed factoring service customer base comprising small and medium enterprises which are 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. These services include review and verification of documents relating to the accounts receivable, collection of the accounts receivable on behalf of customers, and regular reporting to customers on matters concerning their accounts receivable. In return, the Group receives interest income and professional fees for the services rendered. It also derives income from sales of the rights of factoring assets.

## FINANCIAL REVIEW

### Revenue

The Group earns its revenue from the provision of factoring services, guarantee services, consulting services and other services to customers in the PRC. For the six months ended 30 June 2019, the Group achieved revenue of approximately RMB201.6 million, representing an increase of approximately 52.3% (for the six months ended 30 June 2018: RMB132.4 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 bank and other borrowings.

### Gain on sales of factoring assets

The Group may sell the 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. There was a decrease in gain on sales of factoring assets of approximately 28.6%, from RMB50.3 million for the six months ended 30 June 2018 to RMB35.9 million for the six months ended 30 June 2019. The decrease was attributable mainly to that the Company is more prudent on the sales of factoring assets, taking into consideration the volatile market condition and the liquidity of the potential purchaser. None of the factoring assets previously sold to independent third parties involved non-performing assets.

### Other income

Other income mainly comprises government subsidies, interest income from loan to an associate and bank interest income. For the six months ended 30 June 2019 and 2018, the Group's other income was approximately RMB35.6 million and RMB15.9 million respectively. The increase for the six months ended 30 June 2019 was mainly attributable to the receipt of government subsidies of approximately RMB33.4 million, representing an increase of approximately 125.7% from approximately RMB14.8 million for the six months ended 30 June 2018.

### Staff costs and other operating expenses

Staff costs and other operating expenses mainly comprise staff salaries and benefits, depreciation of right-of-use assets, rental expenses, legal and professional fees, depreciation of property and equipment and other miscellaneous items. Staff costs and other operating expenses for the six months ended 30 June 2019 were RMB59.6 million (for the six months ended 30 June 2018: RMB34.8 million), representing an increase of 71.3%, which was mainly attributable to the increase in headcount and salaries, marketing expenses and professional fees incurred as a result of business expansion.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Impairment losses under expected credit loss ("ECL") model, net of reversal

Impairment losses under ECL model, net of reversal for the six months ended 30 June 2019 amounted to RMB12.0 million (for the six months ended 30 June 2018: RMB22.8 million), representing a decrease of 47.4% which was mainly attributable to the increase in the reversal of allowance for impairment of factoring assets.

### Share of profit of a joint venture

The Group shared the profit of a joint venture of RMB1.5 million for the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB1.2 million).

### Share of profit of associates

The Group shared the profit of associates of RMB2.2 million for the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB0.5 million).

### Finance costs

Finance cost is mainly the interest expense of borrowings from banks, financial institutions, a bond investor, a joint venture and associates. For the six months ended 30 June 2019, finance cost was RMB45.2 million, representing an increase of approximately 40.8% (for the six months ended 30 June 2018: RMB32.1 million). The increase in finance cost was resulted from the increase in borrowings made by the Group to finance expansion of business operations.

### Profit before taxation

As a result of the foregoing, the Group's profit before taxation increased by 46.8% from approximately RMB109.1 million for the six months ended 30 June 2018 to approximately RMB160.2 million for the six months ended 30 June 2019. Profit before taxation accounted for approximately 67.5% and 59.7% of the Group's income from the factoring and other services in 2019 and 2018, respectively.

### Taxation

Income tax expenses represent the tax expense arising from the assessable profit generated by the Group in the PRC 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 2019 and 2018.

For the six months ended 30 June 2019, income tax expenses amounted to approximately RMB35.3 million (For the six months ended 30 June 2018: RMB34.4 million).

### Dividend

The Board does not recommend the payment of a dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OUTLOOK AND PROSPECTS

The Company was listed on the GEM on 6 July 2017. The GEM Listing has enhanced the profile of the Group and with the GEM Listing proceeds received, the Group has a stronger financial position and enjoys boosted competitiveness. On 31 May 2018, the Company was included as one of the constituents of MSCI China All Shares Small Cap Index. The Group will continue to focus on the construction, energy and medical sectors and expand its clientele and factoring assets. The management considers that a transfer of listing from the GEM to the Main Board (the "Transfer of Listing") can raise investor awareness and acceptance of the "Sheng Ye" brand, which will enable the Group to gain access to more efficient financing channels, at home and overseas, to support the business growth. Details of the proposed Transfer of Listing are set out in the announcement of the Company dated 30 April 2019. The Group will also explore new and relatively low-cost financing channels to raise funds for growing its business most cost-effectively.

Notwithstanding the slowdown of the global and the PRC economy, the Group successfully raised additional working capital to expand the factoring operation through shares placing, borrowing and bond issuance. As a result, the Group's revenue increased by approximately 52.3% for the six months ended 30 June 2019. The Group will continue its effort to explore additional funding sources in the future.

Looking forward, the Group will continue to capitalise on the strengths and core competencies of the Group in conducting business. With its advanced online factoring platform "Easy Factoring" and a professional risk management mechanism, the Group will be able to standardise its financial products and customise solutions and offers customers with integrated factoring service account receivable financing, account receivable management services, credit evaluation, among others, helping them secure funding in their different stages of development.

### CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL RESOURCES AND GEARING

During the six months ended 30 June 2019, the Group's main source of funds was the cash generated from its daily operations and new borrowings. As at 30 June 2019, the Group had bank balances and cash of RMB169.0 million (31 December 2018: RMB226.1 million), of which 99.2% and 0.7% were denominated in RMB and HK dollars respectively.

As at 30 June 2019, the Group had interest-bearing borrowings which amounted to RMB1,662.8 million (31 December 2018: RMB922.0 million). Its gearing ratio, expressed as total liabilities over owner's equity was 0.8 as at 30 June 2019 (31 December 2018: 0.5).

## MANAGEMENT DISCUSSION AND ANALYSIS

### USE OF PROCEEDS

#### The Global Offering

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

#### The Placing

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

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

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

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

The Group intended to use approximately HK\$757.0 million of the proceeds for the general working capital of the Group for expanding the factoring operations and the remaining approximately HK\$62.5 million of the proceeds for developing the online factoring platform and IT system of the Group. As at 30 June 2019, the Group had utilised approximately HK\$757.0 million for expanding the factoring operations and approximately HK\$30.2 million for developing the online factoring platform and IT system. The remaining balance has been deposited into the banks.

### CAPITAL COMMITMENTS

As at 30 June 2019, the capital commitments of the Group are related to investments in associates of approximately RMB10.0 million, purchase of equipment of approximately RMB0.7 million and purchase of intangible assets of approximately RMB0.3 million (31 December 2018: investments in associates of approximately RMB29 million and purchase of intangible assets of approximately RMB0.4 million).

### CONTINGENT LIABILITIES

Save as disclosed in note 17 of the condensed consolidated financial statements, the Group did not have any other guarantees or other material contingent liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PLEDGE OF ASSETS

As at 30 June 2019, the Group had pledged bank deposits of RMB51.9 million and certain factoring assets with an aggregate carrying amount of RMB303.2 million to banks, a financial institution, two Hong Kong companies and a related party for facilities, and the Group placed security deposits of RMB10 million to lenders of loan guarantee customers.

### 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.

### SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 30 June 2019, the Group did not make any significant investments.

### 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 Group' monetary assets and liabilities are denominated in RMB and the Group conducts its business transactions principally in RMB, the exchange risk of the Group is not significant. The Group did not enter into any foreign exchange hedging instruments during the Interim Period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group had a total of 168 staff (As at 31 December 2018: 117 staff). Total staff costs (including Directors' emoluments) were approximately RMB36.8 million and total share option benefits were RMB5.8 million for the six months ended 30 June 2019 (for the six months ended 30 June 2018: RMB19.9 million and RMB3.3 million, respectively). Remuneration is determined by reference to the market conditions and the performance, qualifications and experience of individual employees. Year-end bonuses based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to a statutory mandatory provident fund scheme and social insurance together with housing provident funds for its employees in Hong Kong and the PRC, respectively.

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

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

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

## 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 30 June 2019, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) 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, 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 30 June 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 30 June 2019, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

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

*Notes:*

- 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 30 June 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.

### 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 (the "INEDs"), advisors, consultants, professionals, customers, suppliers, agents or partners of the Company or any of the subsidiaries ("Eligible Persons") as incentives or rewards for their contributions to the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (b) Who may join and basis of eligibility

The Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK\$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of not less than 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.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### (d) Price of Shares

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

### (e) Maximum number of Shares

- (i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") provided that Options lapsed in accordance with the terms of the Shares Option Scheme or Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 740,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 74,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date and approximately 8.42% of the Shares in Issue as at the date of this report.
- (ii) Subject to the approval of Shareholders in general meeting, the Company may renew the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the Shareholders' approval referred to in this paragraph (ii), the Company shall send a circular to the Shareholders containing the information required by the GEM Listing Rules.
- (iii) Subject to the approval of Shareholders in general meeting, the Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by the Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), the Company shall send a circular to the Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the GEM Listing Rules.
- (iv) Notwithstanding the foregoing, the Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and Other Schemes exceeds 30% of the Shares in issue from time to time.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (f) Time of exercise of Option

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

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 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 30 June 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 period	Exercised during the period	Forfeited during the period	Outstanding at 30 June 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	—	(41,500) (Note)	—	1,917,000
			11/9/2019-10/9/2022	2,315,000	—	—	(130,000)	2,185,000
			11/9/2020-10/9/2022	4,630,000	—	—	(260,000)	4,370,000
				8,903,500	—	(41,500)	(390,000)	8,472,000
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	—	—	(161,250)	1,681,250
			14/11/2020-13/11/2023	1,842,500	—	—	(161,250)	1,681,250
			14/11/2021-13/11/2023	3,685,000	—	—	(322,500)	3,362,500
				7,370,000	—	—	(645,000)	6,725,000

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.

During the six months ended 30 June 2019, i) 18,797,000 Granted Options were outstanding under the Share Option Scheme; ii) 41,500 Granted Options were exercised; iii) 1,035,000 Granted Options were lapsed; and iv) no Granted Options were cancelled. The remaining life of the Share Option Scheme is about 7 years and 10 months.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

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

For the six months ended 30 June 2019, the Directors are not aware of any business or interest of the Directors, the substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) that competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person has or may have with the Company.

### COMPLIANCE ADVISER'S INTERESTS

As at 30 June 2019 and up to the date of this report, neither Dakin Capital Limited, the compliance adviser of the Company, nor any of its directors, employees or close associates 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 6 July 2017 (the date of listing of the Company shares on the GEM) 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 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 (the "Listing Date"). 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 2019.

### 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 interim control and risk management procedures of the Company. The Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 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.

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 2019 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

## MANAGEMENT DISCUSSION AND ANALYSIS

### EVENT AFTER THE REPORTING PERIOD

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

On 4 July 2019, Khorgos Yong Zhuo Factoring entered into a termination agreement with a purchaser pursuant to which the parties agreed to mutually terminate the two disposal agreements being entered into on 27 June 2019 between Khorgos Yong Zhuo Factoring and the purchaser in relation to disposal of accounts receivables owned by the Company to the purchaser. Please refer to the announcements of the Company dated 27 June 2019 and 4 July 2019 for details.

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

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

### PUBLICATION

This interim report is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.shengyecapital.com](http://www.shengyecapital.com)) respectively.

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

Hong Kong, 13 August 2019

*As at the date of this report, the Board comprises two Executive Directors: Mr. Tung Chi Fung and Mr. Chen Jen-Tse; and four Independent Non-executive Directors: Mr. Hung Ka Hai, Clement, Mr. Loo Yau Soon, Mr. 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](http://www.hkexnews.hk) on the "Latest Listed Company Information" page for at least 7 days from the date of its posting, and on the Company's website at [www.shengyecapital.com](http://www.shengyecapital.com).*