

# 盛業資本有限公司

## Sheng Ye Capital Limited

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 8469

# 2017

## THIRD QUARTERLY REPORT



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

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

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

*This report for which the directors (the “**Directors**”) of Sheng Ye Capital Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

# CONTENTS

Financial Highlights	2
Corporate Information	3
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Condensed Consolidated Statement of Changes in Equity	5
Notes to the Unaudited Financial Results	6
Management Discussion and Analysis	12



# FINANCIAL HIGHLIGHTS

For the nine months ended 30 September 2017

- The unaudited revenue of the Group for the nine months ended 30 September 2017 was RMB105.2 million representing an increase of approximately RMB23.8 million, or 29.3%, as compared to the nine months ended 30 September 2016.
- The unaudited profit after tax for the nine months ended 30 September 2017 was RMB47.1 million representing an increase of approximately 29.8%, as compared to the profit after tax of approximately RMB36.3 million for the nine months ended 30 September 2016.
- Unaudited basic profit per share for nine months ended 30 September 2017 was 8 RMB cents (nine months ended 30 September 2016: basic earnings per share of 7 RMB cents).
- The directors of the Company do not recommend the payment of a dividend for the nine months ended 30 September 2017 (nine months ended 30 September 2016: 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

## AUDIT COMMITTEE

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

## NOMINATION COMMITTEE

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

## REMUNERATION COMMITTEE

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

## COMPANY SECRETARY

Mr. Lo Wai Hung

## COMPANY'S WEBSITE ADDRESS

[www.shengyecapital.com](http://www.shengyecapital.com)

## REGISTERED OFFICE

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

## 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 4206, 42/F, Tower 1, Lippo Centre  
89 Queensway, Admiralty, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

## COMPLIANCE ADVISER

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

## AUDITORS

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

## LEGAL ADVISERS AS TO HONG KONG LAW

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



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

For the three months and nine months ended 30 September 2017

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	3	43,088	28,939	105,194	81,381
Gain on sales of factoring assets		27,739	2	30,553	2
Income from factoring business		70,827	28,941	135,747	81,383
Other income	4	9,888	239	10,070	11,104
Other gains and losses		(2,005)	729	(2,186)	287
Operating expenses		(14,583)	(6,047)	(28,104)	(16,198)
Listing expenses		(1,209)	—	(8,102)	(3,763)
Impairment allowances on factoring assets		(1,798)	(6,734)	(4,541)	(9,277)
Finance costs		(9,789)	(7,901)	(28,704)	(11,944)
Profit before taxation	5	51,331	9,227	74,180	51,592
Taxation	6	(19,428)	(3,249)	(27,045)	(15,285)
Profit and total comprehensive income for the period		31,903	5,978	47,135	36,307
Earnings per share					
Basic (RMB cents)	7	4	1	8	7



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

	Share capital	Share premium	Capital reserves	Statutory reserves	Share Option reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017 (audited)	618,841	—	—	10,113	—	80,243	709,197
Profit and total comprehensive income for the period	—	—	—	—	—	47,135	47,135
Transfers on reorganisation Arising from reorganisation	(618,840)	—	618,840	—	—	—	—
Capitalisation issue of shares (note i)	4,831	(4,831)	—	—	—	—	—
Issue of shares through IPO upon listing (note ii)	161	32,044	—	—	—	—	32,205
Issue of shares through Placing upon listing (note iii)	1,449	288,394	—	—	—	—	289,843
Capitalisation of listing expenses	—	(17,135)	—	—	—	—	(17,135)
Recognition of share-based payment expenses	—	—	—	—	446	—	446
<b>At 30 September 2017 (unaudited)</b>	<b>6,442</b>	<b>917,312</b>	<b>—</b>	<b>10,113</b>	<b>446</b>	<b>127,378</b>	<b>1,061,691</b>
At 1 January 2016 (audited)	306	—	618,534	4,431	—	37,917	661,188
Profit and total comprehensive income for the period	—	—	—	—	—	36,307	36,307
Issue of shares by a subsidiary of the Company	618,534	—	(618,534)	—	—	—	—
Issue of new share	1	—	—	—	—	—	1
<b>At 30 September 2016 (unaudited)</b>	<b>618,841</b>	<b>—</b>	<b>—</b>	<b>4,431</b>	<b>—</b>	<b>74,224</b>	<b>697,496</b>

Notes:

- (i) Pursuant to the written resolutions passed by the shareholders on 6 July 2017, a sum of RMB4,831,000 standing to the credit of the share premium account of the Company was capitalised by paying up in full at par a total of 554,999,998 new shares and for allotment and issue to Wisdom Cosmos (the "Capitalisation issue").
- (ii) On 6 July 2017, the Company issued 18,500,000 ordinary shares of HK\$0.01 each pursuant to the Company's Listing on GEM of the Stock Exchange by way of initial public offering at a price of HK\$2.00 per ordinary share.
- (iii) On 6 July 2017, the Company issued 166,500,000 ordinary shares of HK\$0.01 each pursuant to the Company's Listing on GEM of the Stock Exchange by way of placing at a price of HK\$2.00 per ordinary share.



# NOTES TO THE UNAUDITED FINANCIAL RESULTS

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 29 December 2016 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as revised and consolidated) of the Cayman Islands and its shares have been listed on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 6 July 2017 ("**Listing Date**"). The Company's registered office is located at Clifton House 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The Company's principal place of business in Hong Kong is located at Room 4206, 42th Floor, Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong.

The head office and principal place of the Group's business in the PRC is located at 10/F Kerry Plaza Tower 2 1-1 Zhong Xin No. 4 Road Futian, Shenzhen 518048 PRC.

The principal activity of the Company is investment holding. The principal activities of the Group are provision of factoring service in the PRC.

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

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

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

The Group's books and records are maintained in Renminbi ("**RMB**"), which is also the functional currency of the Company.





# NOTES TO THE UNAUDITED FINANCIAL RESULTS

## 2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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



## NOTES TO THE UNAUDITED FINANCIAL RESULTS

### 3. REVENUE AND SEGMENT INFORMATION

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

The directors of the Company have determined that the Group has only one operating and reportable segment, as the Group is principally engaged in providing factoring service in the PRC, and the executive directors of the Company, being the chief operating decision maker of the Group, review the condensed consolidated financial position and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group.

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

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Factoring service	43,076	28,807	105,018	80,500
Other services	12	132	176	881
	<b>43,088</b>	<b>28,939</b>	<b>105,194</b>	<b>81,381</b>

### 4. OTHER INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Government subsidies (note)	9,817	7	9,817	10,807
Investment income of structured deposits	2	189	96	244
Investment income of available-for-sale investment	—	—	27	—
Bank interest income	69	43	130	53
	<b>9,888</b>	<b>239</b>	<b>10,070</b>	<b>11,104</b>

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



## NOTES TO THE UNAUDITED FINANCIAL RESULTS

### 5. PROFIT FOR THE PERIOD

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

	Three months ended 30 September		Nine months ended 30 September	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Directors' remuneration	753	291	1,405	812
Other staff costs				
– Salaries, allowances and other staff benefits	5,419	2,747	11,380	8,170
– Staff's retirement benefit scheme contributions	409	214	975	534
– Share-based payment expenses	375	—	375	—
Total staff costs	6,956	3,252	14,135	9,516
Less: amount capitalised in development costs	(1,815)	(247)	(2,899)	(477)
Staff costs recognised in profit or loss	5,141	3,005	11,236	9,039
Total depreciation of equipment	248	497	718	1,333
Less: amount capitalised in development costs	(6)	(2)	(10)	(2)
Depreciation of equipment recognised in profit or loss	242	495	708	1,331
Amortisation of intangible assets	85	12	223	18
Operating lease rentals in respect of properties	761	788	2,280	1,662
Loss on disposal of equipment	—	—	96	—



## NOTES TO THE UNAUDITED FINANCIAL RESULTS

### 6. TAXATION

	Three months ended 30 September		Nine months ended 30 September	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
The charge (credit) comprises:				
Current tax				
– Enterprise Income Tax (“EIT”) in the PRC	16,690	1,735	23,111	11,417
– Withholding tax levied on dividend declared	—	—	700	400
– Withholding tax levied on interest income of a Hong Kong subsidiary	940	470	1,550	493
	17,630	2,205	25,361	12,310
Deferred tax	1,798	1,044	1,684	2,975
	19,428	3,249	27,045	15,285

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

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



## NOTES TO THE UNAUDITED FINANCIAL RESULTS

### 7. EARNINGS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Earnings:				
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	31,903	5,978	47,135	36,307

On 6 July 2017, the company issued 185,000,000 ordinary shares.

	Three months ended 30 September		Nine months ended 30 September	
	2017 '000 (Unaudited)	2016 '000 (Unaudited)	2017 '000 (Unaudited)	2016 '000 (Unaudited)
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	729,946	555,000	613,956	555,000

### 8. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the nine months ended 30 September 2017 (nine months ended 30 September 2016: nil).



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is a specialised enterprise financial services provider offering accounts receivable financing and other related solutions, mainly in the construction, energy and medical sectors in the PRC.

The profit after tax for the first nine months of 2017 increased by approximately 29.8% to RMB47.1 million as compared to the same period of last year. This is attributable to the increase in the demand for factoring services and the increase in the gain on sales of factoring assets.

The Group has adopted prudent policies in extending and approving loans to customers and thus maintained the ratio/multiple of risk assets to net assets value at approximately 1.6 times, which is lower than the 10 times limit set by the PRC government body. The low ratio implies that the Group has room in expanding the factoring business.

## FINANCIAL REVIEW

### Revenue

During the nine months ended 30 September 2017, the Group recorded a revenue of RMB105.2 million which represents the increase by 29.3 % as compared to the same period of last year.

Income from factoring business increased by approximately 66.8%, from RMB81.4 million for the nine months ended 30 September 2016 to RMB135.7 million for the nine months ended 30 September 2017. The main reason for such increase is attributable to the increase of the gain on sales of factoring assets, as a result of the increase in market demand for factoring assets. The cash flow of the Group also improved through the sales of factoring assets.

### Other income/ Other gains and losses

During the nine months ended 30 September 2017, the Group recorded other income of RMB10.1 million which represents the decrease by 9.3% as compared to the same period of last year. During the nine months ended 30 September 2017, the Group recorded a net other losses of RMB2.2 million which was mainly due to the exchange loss incurred during the period.

### Operating expenses

Operating expenses for the nine months ended 30 September 2017 was approximately RMB28.1 million, (nine months ended 30 September 2016: approximately RMB16.2 million) representing an increase of RMB11.9 million or 73.5% which was mainly attributable to the increases in staff cost and marketing expenses etc as a result of business expansion.

### Listing expenses

Listing expenses was recorded approximately RMB8.1 million for the nine months ended 30 September 2017 (nine months ended 30 September 2016: approximately RMB3.8 million).



## MANAGEMENT DISCUSSION AND ANALYSIS

### Impairment allowances on factoring assets

The expenses of impairment allowances on factoring assets for the nine months ended 30 September 2017 amounted to RMB4.5 million which represents the increase of the impairment allowance on factoring assets from approximately RMB15.5 million as at 31 December 2016 to RMB20.0 million as at 30 September 2017. The increase resulted from the business growth and increase in factoring assets of the Group.

### Finance costs

The Group's finance costs for the nine months ended 30 September 2017 amounted to approximately RMB28.7 million, an increase of approximately 140.3% as compared to that in the same period in 2016 (nine months ended 30 September 2016: RMB11.9 million). The significant increase in the Group's finance cost was in line with the increase in the Group's bank and other borrowings.

### Net profit for the period

Profit after tax of the Group increased by approximately RMB10.8 million or 29.8% from the profit of approximately RMB36.3 million for the nine months ended 30 September 2016 to the profit of approximately RMB47.1 million for the nine months ended 30 September 2017.

## BUSINESS OUTLOOK AND PROSPECTS

Benefitting from the supply-side reform measures, the PRC's domestic economy continued its pick-up with continuous improvement in the profits of enterprises. According to the National Bureau of Statistics of the PRC, from January to August 2017, the revenue from the principal business and the total profits of the industrial enterprises above designated size in the PRC were RMB80.3 trillion and RMB4.9 trillion respectively, representing year-on-year increases of 12.7% and 21.6% respectively. At the same time, as of the end of August, the accounts receivable of the industrial enterprises above designated size recorded a year-on-year increase of 9% to RMB13 trillion, which reflected the relatively higher demand for capital flows as the macro-economy improved. It is expected that the PRC's commercial factoring industry may continue to benefit from the stabilisation of the real domestic economy. Accordingly, the Group is optimistic about the future development of the industry.

Going forward, the Group will apply the technologies of the internet financial services in a proactive manner. Through the online factoring platform "Sheng Yi Tong", we will provide our existing and prospective clients with quality, convenient and efficient factoring services in order to achieve a win-win situation. Meanwhile, the Group will devote the funds raised from the Listing is being devoted to the expansion of the factoring business. The Listing platform will also be utilised to open up new sources of capital, thereby obtaining diversified financing options at lower costs and enhancing shareholders' return.



# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING

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

The Group mainly funds its liquidity and capital requirements through cash flows from operating activities and borrowings from financial institutions. By 30 September 2017, the Group's cash and cash equivalents are approximately RMB33.9 million (31 December 2016: RMB104.3 million).

During the third quarter, the cash flow required for continuous growth of our factoring business was financed by the fund raised from the borrowings and issue of shares as a result of the Listing of the Company.

The Group's gearing ratio as at 30 September 2017, expressed as a percentage of total liabilities and over owner's equity was 0.6 (31 Dec 2016: 1.0). The gearing ratio is maintained at a healthy level.

## CONTINGENT LIABILITIES

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

## PLEDGE OF ASSETS

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

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

In September 2017, the Group established Shenzhen Sheng Ye Non-financing Guarantee Limited Company (深圳市盛业非融资性担保有限责任公司). Save as the above, the Group did not have any material acquisitions and disposals of subsidiaries during the third quarter period.

## SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 30 September 2017, the Group did not make or hold any significant investments.

## FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

## FOREIGN EXCHANGE RISKS

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





# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2017, the Group had a total of 70 staff (As at 31 December 2016: 53 employees), whose remunerations and benefits are determined based on market rates, state policies and individual performance. The increase in the number of employees was mainly due to the development of an on-line platform and the expansion of the Group's business.

## USE OF PROCEEDS

The net proceeds from the offering of the shares of the Company by way of global offering (the "Global Offering") were approximately HK\$334.6 million (equivalent to RMB295.3 million), which was based on the global offering price of HK\$2.0 per Share and the actual expenses related to the Listing. After the Listing, these proceeds were and will be used for the purposes in accordance to the future plans as set out in the Prospectus. The use of the net proceeds from the Global Offering from the Listing Date to 30 September 2017 was as follows:

Use of proceeds	Planned use of proceeds as stated in the Prospectus		Actual use of proceeds from the Listing Date to 30 September 2017
	HK\$ million	RMB million	RMB million
Expanding our factoring operations	297.8	262.8	262.8
Repaying loan from a financial institution	33.5	29.6	13.3
Developing our online factoring platform and upgrading our financial reporting system	3.3	2.9	0.6
<b>Total net proceeds</b>	<b>334.6</b>	<b>295.3</b>	<b>276.7</b>

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



# 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 September 2017, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### Interest in the Company

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

#### Notes:

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

Save as disclosed herein, as at 30 September 2017, 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 September 2017, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 10% or more of issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

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

Notes:

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

Save as disclosed above, as at 30 September 2017, the Directors are not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.



# MANAGEMENT DISCUSSION AND ANALYSIS

## SHARE OPTION SCHEME

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

### (a) *Purpose of the Share Option Scheme*

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

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

The Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK\$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of not less than 5 business days from the date on which the Option is granted.

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

### (c) *Grant of Option*

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



## MANAGEMENT DISCUSSION AND ANALYSIS

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

(d) *Price of Shares*

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

(e) *Maximum number of Shares*

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



## MANAGEMENT DISCUSSION AND ANALYSIS

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

### (f) *Time of exercise of Option*

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS

The following shows the outstanding position as at 30 September 2017 with respect to their Granted Options granted under the Share Option Scheme:

	Date of grant	Exercise price	Exercise period	Balance as at 1 July 2017	Number of share options			Balance as at 30 September 2017
					Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	
Mr. Chen Jen-Tse	11 September 2017	HK\$4.20	11 September 2017 to 10 September 2022	0	2,000,000	—	—	2,000,000
Employees	11 September 2017	HK\$4.20	11 September 2017 to 10 September 2022	0	10,620,000	—	—	10,620,000

During the three months ended 30 September 2017, i) 12,620,000 Granted Options were granted under the Share Option Scheme; ii) no Granted Options were exercised; iii) no Granted Options were lapsed; and iv) no Granted Options were cancelled.

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

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

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

For the nine months ended 30 September 2017, the Directors are not aware of any business or interest of the Directors, the substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) that competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person has or may have with the Company.

### COMPLIANCE ADVISER'S INTERESTS

As at 30 September 2017, 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.



# MANAGEMENT DISCUSSION AND ANALYSIS

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the period from the Listing Date to 30 September 2017.

## CORPORATE GOVERNANCE

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

The shares of the Company were successfully listed on GEM on 6 July 2017. To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the period from the Listing Date to 30 September 2017.

## AUDIT COMMITTEE

Our 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 our Board on the appointment and removal of the external auditors; review the financial statements and provide material advice in respect of financial reporting; and oversee the internal control and risk management procedures of our Company. The Group's unaudited condensed consolidated third quarterly financial statements for the nine months ended 30 September 2017 have been reviewed by the Audit Committee. The Audit Committee currently consists of three members, namely Mr. Hung Ka Hai Clement, Mr. Tsoon Wai Mun, Benjamin, and Mr. Loo Yau Soon. The Chairman of our Audit Committee is Mr. Hung Ka Hai Clement.

## EVENT AFTER THE REPORTING PERIOD

### Discloseable transaction on 23 October 2017

On 7 March 2017, SY Factoring Limited ("**SY Factoring**"), an indirect wholly owned subsidiary of the Company, entered into i) the PRC with recourse factoring service agreement (the "**Framework Agreement**") and the pool financing agreement (the "**Pool Financing Agreement**") with 寧夏眾欣聯合中信醫藥有限公司 (Ningxia ZhongXin LianHe Zhongxin pharmaceutical co., LTD\*) ("**Ningxia ZhongXin**") pursuant to which SY Factoring has in principle agreed to provide, among other things, i) financing being secured by a pool of accounts receivables of Ningxia ZhongXin; ii) accounts receivable management services; and iii) accounts receivable collection services to Ningxia ZhongXin for a period of 2 years from the date of signing of the Framework Agreement. Pursuant to the Framework Agreement and the Pool Financing Agreement, detailed terms of the factoring services to be provided by SY Factoring to Ningxia ZhongXin are to be further agreed by the parties.





## MANAGEMENT DISCUSSION AND ANALYSIS

On 12 April 2017, pursuant to the Framework Agreement and the Pool Financing Agreement, SY Factoring entered into the credit limit (with recourse) agreement (the “**Factoring Agreement**”) with Ningxia ZhongXin pursuant to which SY Factoring has agreed to grant a revolving factoring loan credit limit of RMB120,000,000 (equivalent to approximately HK\$135,600,000) to Ningxia ZhongXin. The factoring loan was subject to an interest rate of 8% per annum (including tax, to be paid by Ningxia ZhongXin to SY Factoring within the first five Business Days each month).

On 23 October 2017, SY Factoring entered into the supplemental factoring agreement with Ningxia ZhongXin pursuant to which the revolving factoring loan credit limit granted by SY Factoring to Ningxia ZhongXin was revised from RMB120,000,000 (equivalent to approximately HK\$135,600,000) to RMB128,000,000 (equivalent to approximately HK\$144,640,000).

Please refer to the announcement of the Company dated 23 October 2017 for details of the discloseable transaction.

### Discloseable transaction on 26 October 2017

On 17 May 2017, SY Factoring Limited entered into respectively i) the PRC with recourse factoring service agreement between SY Factoring and 重慶醫藥集團湖北恒安澤醫藥有限公司 (“**HengAnZe**”), a company established in the PRC with limited liability (having the same ultimate majority beneficial owner(s), with 重慶醫藥十堰有限公司 (“**Shiyan**”), a company established in the PRC with limited liability) (the “**Framework Agreement (HengAnZe)**”) and the pool financing agreement between SY Factoring and HengAnZe (the “**Pool Financing Agreement (HengAnZe)**”); and ii) the PRC with recourse factoring service agreement between SY Factoring and Shiyan (the “**Framework Agreement (Shiyan)**”) and the pool financing agreement between SY Factoring and Shiyan (“**Pool Financing Agreement (Shiyan)**”), pursuant to which SY Factoring has in principle agreed to provide, among other things, i) financing being secured by a pool of accounts receivables of HengAnZe and Shiyan respectively; ii) accounts receivable management services; and iii) accounts receivable collection services to HengAnZe and Shiyan for a period of 2 years from the date of signing of the Framework Agreement (HengAnZe) and the Framework Agreement (Shiyan) (collectively, the “**Framework Agreements**”). Pursuant to the Framework Agreements and the Pool Financing Agreement (HengAnZe) and Pool Financing Agreement (Shiyan) (collectively, the “**Pool Financing Agreements**”), detailed terms of the factoring services to be provided by SY Factoring to HengAnZe and Shiyan are to be further agreed by the parties.

On 17 May 2017, pursuant to the Framework Agreements and the Pool Financing Agreements, SY Factoring entered into the credit limit (with recourse) agreement between SY Factoring and HengAnZe (the “**Factoring Agreement (HengAnZe)**”); and ii) the credit limit (with recourse) agreement between SY Factoring and Shiyan (the “**Factoring Agreement (Shiyan)**”), pursuant to which SY Factoring has agreed to grant a revolving factoring loan credit limit of RMB60,000,000 (equivalent to approximately HK\$67,800,000) to HengAnZe and Shiyan jointly. The factoring loan was subject to an interest rate of 8% per annum (including tax, to be paid by HengAnZe and Shiyan to SY Factoring within the first five business days each month). The credit limit was to be shared between HengAnZe and Shiyan.



## MANAGEMENT DISCUSSION AND ANALYSIS

On 26 October 2017, SY Factoring Limited entered into i) the credit limit (with recourse) agreement between SY Factoring and HengAnZe (the “**Supplemental Factoring Agreement (HengAnZe)**”); and ii) the credit limit (with recourse) agreement between SY Factoring and Shiyan (the “**Supplemental Factoring Agreement (Shiyan)**”), pursuant to which a revolving factoring loan credit limit granted by SY Factoring to HengAnZe and Shiyan jointly was revised from RMB60,000,000 (equivalent to approximately HK\$67,800,000) to two standalone revolving factoring loan credit limits granted by SY Factoring respectively to HengAnZe in an amount of RMB70,000,000 (equivalent to approximately HK\$79,100,000) and granted to Shiyan in an amount of RMB35,000,000 (equivalent to approximately HK\$39,550,000) respectively.

Please refer to the announcement of the Company dated 26 October 2017 for details of the discloseable transaction.

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

Hong Kong, 30 October 2017

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

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

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

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

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

