ZIYUANYUAN HOLDINGS GROUP LIMITED
紫元元控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8223

Annual Report

2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has 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 susceptible to high market volatility than securities traded on Main Board 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 Ziyuanyuan Holdings Group Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Zhang Junshen
(Chairman and Chief Executive Officer)
Mr. Zhang Junwei
(redesignated on 9 November 2018)

Non-executive Director
Ms. Shen Qingli

Independent Non-executive Directors
Mr. Chan Chi Fung Leo
(appointed on 12 June 2018)
Mr. Li Zhensheng *(appointed on 12 June 2018)*
Mr. Chow Siu Hang *(appointed on 12 June 2018)*

COMMITTEES

Audit Committee
Mr. Chan Chi Fung Leo (Chairman)
Ms. Shen Qingli
Mr. Li Zhensheng

Remuneration Committee
Mr. Li Zhensheng (Chairman)
Mr. Zhang Junwei
Mr. Chan Chi Fung Leo

Nomination Committee
Mr. Zhang Junshen (Chairman)
Mr. Chan Chi Fung Leo
Mr. Li Zhensheng

JOINT COMPANY SECRETARIES

Ms. Li Xinpei
Mr. Tang Chi Chiu

COMPLIANCE ADVISER

Guoyuan Capital (Hong Kong) Limited
22/F, CCB Tower, 3 Connaught Road Central,
Central, Hong Kong

AUTHORISED REPRESENTATIVES

(for the purpose of the GEM Listing Rules)
Mr. Zhang Junshen
Mr. Tang Chi Chiu

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Sertus Incorporations (Cayman) Limited
Sertus Chambers, Governors Square,
Suite #5-204, 23 Lime Tree Bay Avenue,
P.O. Box 2547, Grand Cayman,
KY1-1104, Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Unit A-01, 10th Floor, Block A,
China Investment International Commerce Centre,
1061 Xiangmei Road,
Futian District, Shenzhen city,
Guangdong province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1908, 19/F, West Tower,
Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

AUDITOR

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

PRINCIPAL BANKS

Guangdong Huaxing Bank Co., Ltd.
Shenzhen Branch
Agricultural Bank of China Limited
Shenzhen Central Branch
Industrial and Commercial Bank of China (Asia)
Limited

LEGAL ADVISERS

Miao & Co.
(in association with Han Kun Law Offices)
Rooms 3901-05, 39/F.,
Edinburgh Tower, The Landmark,
15 Queen's Road Central,
Hong Kong

Han Kun Law Offices
Room 2103-04, 21/F,
Kerry Plaza Tower 3,
1-1 Zhongxinsi Road,
Futian District,
Shenzhen 518048, Guangdong,
the PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

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

STOCK CODE

08223

COMPANY WEBSITE

www.ziyygroup.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Ziyuanyuan Holdings Group Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018.

OVERVIEW

The shares of the Company (the "**Shares**") were successfully listed (the "**Listing**") on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 9 July 2018. The Group is principally engaged in providing equipment-based finance leasing services to small and medium-sized enterprises ("**SMEs**") customers in printing, logistics and medical device industries in the People's Republic of China (the "**PRC**").

By leveraging on the Group's experience accumulated and operating expertise in the two industries of printing and logistics, as well as its practical understanding about the characteristics and needs of the SMEs customers, in addition to the smooth loan approval process, the Group has successfully expanded its customer base by grasping the growth and financing needs of the finance leasing market for the printing and logistics in the PRC, which together with the provision of finance leasing services by the Group to the medical device industry since October 2018, realised a continuous growth of revenue and earnings. As at 31 December 2018, the Group provided services for approximately 315 SMEs customers in the printing, logistics and medical device sectors across 27 provinces, cities and autonomous regions in the PRC.

PROSPECTS

In the current market environment of the PRC, SMEs face challenges on the path of development due to high operational and financing costs. In recent years, the People's Bank of China enhanced its policy support to major fields including SMEs and fragile aspects of domestic economy and devoted greater effort in procuring financial institutions to provide proactive support to the financing of SMEs, all of which gave supportive measures to the finance leasing industry. The scale and number of SMEs in the PRC are gigantic and yet the finance leasing market got off to a late start. Along with the development of the financing lease and increasing demand in the financing market, the penetration of finance lease has been deepening constantly, paving the way of a promising outlook of the finance leasing market in the PRC.

The immense population and acceleration of aging population, together with burgeoning domestic demands under the new economic background, have made the medical field a new economic breakthrough with significant value-added potentials. The Group initiated pre-emptive deployment of medical device leasing and related fields in order to snatch pioneer opportunities and support the industrial upgrade of the medical industry.

The Group has started planning to transform its finance leasing from traditional to a technological one. With the financial technology development as the core in coordination with finance leasing services, the Group will carry out in-depth utilisation of the integration of financial technology and big data application with finance leasing industry in order to secure better industrial upgrade and progress for SMEs in the PRC, and will plan to continuously consolidate its position as a major market player in the finance leasing industry in the PRC, striving for overall competitiveness and market share enhancement.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express sincere appreciation to the support and trust of our new shareholders, banks, customers and business partners. I would also like to express heartfelt gratitude to the effort and contribution of our staff members. I believe the Group will achieve its business targets with the edges of its capable management and professional teams.

Zhang Junshen
Chairman and Chief Executive Officer
Hong Kong, 25 March 2019

BUSINESS REVIEW

The Group is principally engaged in providing equipment-based finance leasing services to SMEs customers in the printing, logistics and medical device industries in the PRC. During the year ended 31 December 2018, the Group has been focusing on providing finance leasing services to the printing, logistics and medical device industries in various provinces, municipalities, and autonomous regions in the PRC, where the Group has established connections with industry players and gained operational expertise. The finance lease offered by the Group comprises direct finance leasing and sale-leaseback.

The diversified customer base of the Group consisting of SMEs customers in the target industries of printing and logistics in the PRC has also been growing. In addition, the Group also started the operation of medical device industry since October 2018. The Group provided services to approximately 315 (2017: 292) SME customers in these three industries across 27 (2017: 24) provinces, municipalities and autonomous regions in the PRC as at 31 December 2018.

FINANCIAL REVIEW

Revenue

The Group's revenue was principally derived from finance leasing income for the provision of finance leasing services to its customers in printing, logistics and medical device industries in the PRC. During the year ended 31 December 2018, the Group's revenue increased by approximately RMB8.3 million or approximately 16.0% to approximately RMB60.4 million (2017: approximately RMB52.1 million). Revenue from the printing industry continues to be the largest revenue contributor of the Group. The increase in revenue derived from the printing industry during the year ended 31 December 2018 was mainly attributable to the increasing demand for printing equipment in the PRC and the Group's efforts in securing new customers in this industry. In addition, the increase in revenue was also attributable to the Group having started the operation of medical device industry since October 2018.

Other gains/(losses)

Other gains/(losses) include primarily net foreign exchange gain/(loss) due to fluctuations in RMB against HKD. During the year ended 31 December 2018, a significant net foreign exchange gain of approximately RMB0.65 million was recorded due to most of the actual net proceeds of HK$45.6 million from the share offer were exchanged to RMB for the operations in the PRC.

Staff cost

Staff costs include primarily Directors' remuneration, employee salaries, allowances and other staff benefits as well as employee retirement benefits scheme contributions. Staff costs increased from RMB6.5 million for the year ended 31 December 2017 to approximately RMB8.3 million for the year ended 31 December 2018. Such increase was mainly attributable to the increase in head count and staff salaries for existing staff.

Impairment losses on finance lease receivable

The Group is not required to provide general provisions as commercial banks and other financial institutions which the China Banking Regulatory Commission regulates. The provisioning policies are based on the applicable accounting standards. The management assesses the measurement of expected credit losses ("**ECL**") in relation to finance lease receivable and uses provision matrix to calculate ECL. In determining the impairment of finance lease receivable, the management considers shared credit risk characteristics including industry types, historical past due information and lessees' creditworthiness for grouping, and assesses credit losses based on internal credit rating and on a forwardlooking basis with the use of appropriate models and assumptions relate to the economic inputs and the future macroeconomic conditions.

During the year ended 31 December 2017, an impairment loss of approximately RMB5.5 million was recognised to reflect (i) an increase in impairment allowance as a result of an increase of finance lease receivable; and (ii) an increase in individual impairment allowance as a result of non-performing asset during the period in accordance with the Hong Kong Accounting Standard 39. During the year ended 31 December 2018, an additional impairment loss of approximately RMB2.8 million was recognised primarily due to an increase in impairment allowance as a result of an increase in finance lease receivable due to the business growth and the application of ECL model under Hong Kong Financial Reporting Standard 9.

Listing expenses

Listing expenses comprised professional and other expenses in relation to the Listing. The listing expenses amounted to approximately RMB4.9 million for the year ended 31 December 2018 (2017: RMB8.9 million).

Other operating expenses

Other operating expenses include primarily sales and marketing expenses, rental expenses and other expenses. Other operating expenses increased from approximately RMB5.9 million for the year ended 31 December 2017 to approximately RMB10.4 million for the year ended 31 December 2018. The increase was mainly due to the increase in (i) the legal and professional fee; and (ii) travelling expenses and sales and marketing expenses in connection with the expansion of the Group's customer base and strengthening of the foothold in the finance leasing industry in the PRC for the year ended 31 December 2018.

Finance costs

Finance costs consist of (i) interest incurred on financial liability arising from repurchase agreements; (ii) imputed interest expense on interest-free deposits from finance lease customers and (iii) interest on bank borrowing. Finance costs increased from approximately RMB8.8 million for the year ended 31 December 2017 to approximately RMB12.2 million for the year ended 31 December 2018. The increase was mainly due to that (i) imputed interest expense on interest-free deposits from finance lease customers increased from approximately RMB7.3 million for the year ended 31 December 2017 to approximately RMB10.3 million for the year ended 31 December 2018; and (ii) interest on bank borrowing increased from approximately RMB1.2 million for the year ended 31 December 2017 to approximately RMB1.5 million for the year ended 31 December 2018.

Taxation

The PRC enterprise income tax rate applicable to the Group's subsidiaries is 25%.

Profit for the year attributable to owners of the Company

For the years ended 31 December 2018 and 2017, the Group's profit and total comprehensive income attributable to owners of the Company was approximately RMB16.9 million and RMB9.6 million, respectively. The increase of profit and total comprehensive income attributable to owners of the Company for the year ended 31 December 2018 was mainly attributable to an increase in revenue and decreases in impairment losses on finance lease receivable and listing expenses as compared to the corresponding period in 2017.

Dividend

The Board of Directors of the Company does not recommend the payment of final dividend for the year ended 31 December 2018 (2017: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2018, the cash and cash equivalents were approximately RMB25.0 million (2017: approximately RMB2.3 million). The working capital (current assets less current liabilities) and total equity of the Group were approximately RMB174.0 million (2017: approximately RMB118.5 million) and approximately RMB283.4 million (2017: approximately RMB210.4 million), respectively.

As at 31 December 2018, the Group's bank borrowings with maturity within one year amounted to approximately RMB30.1 million (2017: Nil).

As at 31 December 2018, the gearing ratio was approximately 9.6% (2017: 4.0%), which is calculated as bank borrowings and financial liability arising from repurchase agreements divided by total equity plus bank borrowings and financial liability arising from repurchase agreements. Such increase was mainly due to an increase in bank borrowings for business expansion.

CAPITAL STRUCTURE

The Shares were successfully listed on the GEM of the Stock Exchange on 9 July 2018 (the "**Listing Date**"). There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises ordinary Shares.

As at 31 December 2018, the Company's issued share capital was HK$40,000,000 and the number of its issued ordinary Shares was 400,000,000.

FOREIGN EXCHANGE EXPOSURE

The Group's income and expenditure during the year ended 31 December 2018 were principally denominated in RMB, and most of the assets and liabilities as at 31 December 2018 were denominated in RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the year ended 31 December 2018.

CAPITAL COMMITMENTS

As at 31 December 2018, the Group had no capital commitments (2017: Nil).

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2018, the Group's finance lease receivable with an aggregate carrying value of approximately RMB57.3 million (2017: Nil) were pledged to a bank in the PRC to secure a bank borrowing of the Group.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2018, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Company's prospectus dated 25 June 2018 (the "**Prospectus**"), the Group did not have other future plans for material investments or capital assets.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant contingent liabilities (2017: Nil).

HUMAN RESOURCES

As at 31 December 2018, the Group had 48 employees (2017: 34 employees) with total staff cost of approximately RMB8.3 million incurred for the year ended 31 December 2018 (2017: RMB6.5 million). The employees retirement benefit expense incurred during the year ended 31 December 2018 was approximately RMB0.6 million (2017: RMB0.4 million). As required by the applicable laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local government. The Group's remuneration policy rewards employees and Directors based on individual performance, demonstrated capabilities, involvement, market comparable information and the performance of the Group. The Group improves the professional skills and management level of its employees through internal and external training. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Performance bonuses are offered to qualified employees based on individual and the Group's performance. We did not experience any material labour disputes during the year ended 31 December 2018.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date up to 31 December 2018:

Business objectives as set out in the Prospectus	Actual business progress for the period from the Listing Date up to 31 December 2018
Further strengthen our market position and expand our business in our target industries in the PRC	– The Group has injected capital of RMB40.4 million in aggregate from the proceeds of Share Offer (defined below) to the existing finance leasing business in the PRC printing and logistics industries
	– The Group is establishing the northern PRC operation center in Beijing and the eastern PRC operation center in Hangzhou
	– The Group has recruited several talented and professional personnel to handle the expansion of business
Further strengthen our risk management capabilities and enhance our OA system	– The Group is upgrading OA System to closely monitor our customers' business operations and financial performance
	– The Group has provided training to the staff to enhance the knowledge in risk management
Explore our new target industries for strategic development in the PRC	– The Group has started to provide finance leasing services to the new medical device industry

USE OF PROCEEDS FROM THE LISTING

The Shares were listed on GEM on 9 July 2018 (the "**Share Offer**"). The actual net proceeds from the Share Offer, after deducting commissions and expenses borne by the Company in connection with the Share Offer, were approximately HK$45.6 million (the "**Actual Net Proceeds**"), which were lower than the estimated figure as stated in the Prospectus. Thus, the Company applied the Actual Net Proceeds on the same implementation plans as disclosed under the section read "Future Plans and Use of Proceeds" in the Prospectus but with monetary adjustments to each implementation plans on a pro-rata basis. The table below sets out the adjusted allocation and the actual usage of the Actual Net Proceeds up to 31 December 2018.

Use of proceed	**Adjusted allocation of the Actual Net Proceeds**	**Actual usage of the Actual Net Proceeds**	**Unused balance of the Actual Net Proceeds**
	HK$'000	HK$'000	HK$'000
Developing the Group's existing finance lease business in the PRC printing and logistics industries	40,402	40,402	–
Expanding the Group's business in these two industries in the northern and eastern parts of the PRC	3,146	414	2,732
Exploring the new target industries of the Group's finance lease business	1,003	330	673
General working capital	1,049	1,049	–
	45,600	42,195	3,405

EXECUTIVE DIRECTORS

Mr. Zhang Junshen ("Mr. Zhang") aged 32, was appointed as a Director on 28 October 2016 and was redesignated as Executive Director on 13 January 2017. He is also the chairman of the Board, the chief executive officer, the chairman of the nomination committee and the director of certain subsidiaries of the Company. He is responsible for strategic planning, operation planning and overall management of the Group. Mr. Zhang is vice president of Shenzhen Federation of Young Entrepreneurs*（深圳市青年企業家聯合會）, a committee member of the Seventh Committee of Shenzhen Federation of Youth*（深圳市青年聯合會第七屆委員會）and a member of the People's Congress Legal Work Committee of Futian District, Shenzhen Municipality*（深圳福田區人大法律工作委員會）, and was elected in 2015 as a deputy to the Sixth Municipal People's Congress of Shenzhen*（深圳市第六屆人大代表）. Mr. Zhang has approximately ten years of experience in general corporate management and approximately five years of experience in finance leasing industry.

Mr. Zhang graduated from the University of Texas at Arlington in the United States with an executive master of business administration degree in December 2014.

Mr. Zhang Junwei, aged 31, was appointed as a Non-executive Director on 13 January 2017 and was redesignated as our Executive Director on 9 November 2018. He is also a member of the remuneration committee and the director of certain subsidiaries of the Company. He is responsible for the overall business operation, business development and overall management of the Group. Mr. Zhang Junwei has approximately ten years of experience in general corporate management and investments. Mr. Zhang Junwei conducts review on the risk management policies and measures and oversees the relevant implementation conducted by different departments.

Mr. Zhang Junwei obtained a diploma in industrial and operations management from Republic Polytechnic in Singapore in May 2011.

NON-EXECUTIVE DIRECTOR

Ms. Shen Qingli ("Ms. Shen"), aged 32, was appointed as a Non-executive Director on 13 January 2017. She is also a member of the audit committee and a director of a subsidiary of the Company. She is responsible for advising the Board on overall operation, development and administration of the Group. Ms. Shen has more than ten years of experience in corporate management and administrative matters.

Ms. Shen graduated with a bachelor's degree in human resources management from Shenzhen University（深圳大學）in the PRC in June 2009.

* *For identification purpose only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi Fung Leo ("Mr. Chan"), aged 40, was appointed as an Independent Non-executive Director on 12 June 2018. He is also the chairman of the audit committee and a member of the nomination committee and remuneration committee. Mr. Chan is responsible for providing independent advice to our Board. Mr. Chan has over 15 years of experience in finance and accounting industry. He also has extensive knowledge and expertise on capital markets transactions (such as initial public offerings, and merger and acquisitions). Since October 2017, Mr. Chan has been the responsible officer and managing director of Red Solar Capital Limited, a company providing advisory services on corporate finance. For May 2016 to October 2017, Mr. Chan was the managing director of LY Capital Limited. Since August 2017, Mr. Chan has been an independent non-executive director of Sisram Medical Ltd, the shares of which is listed on the main board of the Stock Exchange (stock code: 1696).

Mr. Chan obtained his bachelor's degree in business administration from the Hong Kong University of Science and Technology in Hong Kong in November 2001. Mr. Chan has been a member of HKICPA since October 2005.

Mr. Li Zhensheng ("Mr. Li"), aged 40, was appointed as an Independent Non-executive Director on 12 June 2018. He is also the chairman of our remuneration committee, and a member of the nomination committee and the audit committee. Mr. Li is responsible for providing independent advice to the Board. Mr. Li has more than 15 years of experience in finance, private equity investment and asset management industry. Since February 2015, Mr. Li has been the executive director of Shenzhen Haishi Group Co., Ltd.*（深圳市海石集團有限公司）and the director and chief executive officer of Shenzhen Haishi Fund Management Co., Ltd.*（深圳市海石基金管理有限公司）. Since June 2016, Mr. Li has been the chairman of Shenzhen Qianhai Mingsheng Information Consulting Co., Ltd.*（深圳前海銘晟信息諮詢有限公司）and the chairman of Shenzhen Qianhai Pengze Private Equity Fund Management Co. Ltd.*（深圳市前海鵬澤股權投資基金管理有限公司）since October 2014.

Mr. Li has been registered as Chinese Registered Career Manager（中國註冊職業經理人）with China Enterprise Evaluation Association（中國企業評價協會）since May 2006. Mr. Li obtained a bachelor's degree of international finance from the Guangdong University of Foreign Studies（廣東外語外貿大學）in the PRC in June 2000.

* *For identification purpose only*

Mr. Chow Siu Hang ("Mr. Chow"), aged 42, was appointed as an Independent Non-executive Director on 12 June 2018. Mr. Chow is responsible for providing independent advice to our Board. Mr. Chow has approximately 20 years of experience in finance and accounting industry. He also has extensive knowledge and expertise on capital market transactions including initial public offerings, financial advisory, and merger and acquisitions. All his experience in the corporate finance market and investment banking enables him to support the Group's operations through providing advices on funding solutions and their intended applications, and to assist the Group in formulating our overall business strategies and development plan. Since April 2018, Mr. Chow has been the managing director of Essence Corporate Finance (Hong Kong) Limited. Mr. Chow also worked at Celestial Capital Limited and his last position was managing director and head of investment banking group.

Mr. Chow has been a fellow member of HKICPA and the Association of Chartered Certified Accountants. Mr. Chow obtained his bachelor's degree in accountancy from the City University of Hong Kong in November 1998.

SENIOR MANAGEMENT

Ms. Li Xiangying ("Ms. Li"), aged 42, is the joint chief financial officer of the Group. Ms. Li joined the Group in September 2014 and worked as the chief financial officer of Ziyuanyuan (Shenzhen) International Finance Leasing Company Limited ("**ZYY Finance Leasing**"). She is responsible for overseeing the financial management, internal audit, cost control, budgeting and other finance-related matters of the Group.

Ms. Li has over 20 years of experience in the finance and accounting industry. Prior to joining the Group, Ms. Li worked as the chief financial officer of Shenzhen Suhao from September 2013 to August 2014. From August 1994 to August 2013, Ms. Li worked at Shenzhen Pengcheng Accountant*（深圳鵬城會計師事務所有限公司）and her last position was a project manager.

Ms. Li obtained a diploma in electronic data processing accounting from Hengyang Finance and Industry Polytechnic Institute（衡陽財經工業職業技術學院）in the PRC in June 2011.

Mr. Wong Kwok San ("Mr. Wong"), aged 37, is the joint chief financial officer of the Group. Mr. Wong joined the Group in September 2018 and is primarily responsible for overseeing financial reporting, investor relations, statutory compliance and corporate governance of the Group. Mr. Wong has over 15 years of experience in auditing and accounting fields. Prior to joining the Group, Mr. Wong served as the financial controller and company secretary of Rentian Technology Holdings Limited (stock code: 0885), a company listed on the Main Board of the Stock Exchange from October 2014 to July 2018. From October 2007 to April 2014, Mr. Wong worked for Grant Thornton (later known as JBPB & Company) and then transferred to BDO Limited with his last position as manager.

Mr. Wong is currently a Certified Public Accountant (Practising) of the HKICPA and obtained a bachelor of business administration degree in accounting from Lingnan University in November 2003.

Mr. Mou Peng ("Mr. Mou"), aged 37, was appointed as risk management manager of the Group on 21 March 2017. He joined the Group in May 2014 as the deputy general manager and head of the risk management department of ZYY Finance Leasing. He is responsible for overseeing customer due diligence and credit assessment, supervising post-drawdown performance, and formulating risk management policies and rules of the Group.

Mr. Mou has over nine years of working experience in risk management. From April 2013 to January 2014, Mr. Mou was the project director at Shenzhen Zhongxing Supply Chain Management Limited*（深圳市中興供應鏈有限公司）. From March 2012 to January 2013, Mr. Mou served as manager of the integrated management department at Eternal Asia Supply Chain Management Ltd*（深圳市怡亞通供應鏈股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 002183). In January 2008, Mr. Mou started to work at Shenzhen Branch of the Postal Savings Bank of China Co., Ltd., a company listed on the Stock Exchange (stock code: 1658) (the "**PSBOC SZ Branch**"). In November 2009, he was promoted to the deputy head of the credit and loan department of the Xinan Division of the PSBOC SZ Branch, and later left PSBOC SZ Branch in February 2012.

Mr. Mou obtained a bachelor of business administration degree from Wuhan University（武漢大學）in the PRC in June 2004.

Mr. Du Dejun ("Mr. Du"), aged 32, was appointed as the deputy business development manager of the Group on 30 November 2017. He joined the Group in 10 August 2014 as project assistant of ZYY Finance Leasing. He is responsible for assisting the Group's business development manager in the supervision of our business development department.

Mr. Du has approximately eight years of experience in sales and marketing and business development. From December 2013 to June 2014, he worked as an assistant consultant at Qianhai Equity Exchange (Shenzhen) Company Limited（前海股權交易中心（深圳）有限公司）, a regional equity market operator and an equity and debt financing platform for SMEs. From December 2012 to May 2013, he worked at Shenzhen Lingjin Culture Communication Co. Ltd.*（深圳市領金文化傳播有限公司）("**Lingjin**") as a business manager of its sales team. From April 2012 to November 2012, Mr. Du worked at Shenzhen Linghang Financial Management Consultancy Co. Ltd*（深圳市領航財務管理顧問有限公司）, an associated company of Lingjin. Form January 2010 to March 2012, Mr. Du worked as a client manager at Shenzhen Yazi Advertising Co. Ltd*（深圳亞資廣告有限公司）.

Mr. Du graduated from East China University of Technology（東華理工大學）, the PRC with a bachelor's degree in software engineering in July 2009. He also completed the advanced training course for specialised talents*（高級專門人才研修班）in finance at the School of Economics, Peking University (北京大學), the PRC in July 2017.

The Board hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2018.

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the important roles of its Board in providing effective leadership and direction to the Group's business, and ensuring transparency and accountability of the Company's operations. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has applied the principles and code provisions as set out in Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules. As the Shares were listed on the GEM of the Stock Exchange on the Listing Date, the Company has since then adopted and complied with, where applicable, the CG Code from the Listing Date up to the date of this annual report (the "**Relevant Period**") to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner.

In the opinion of the Board, other than the deviation from code provision A.2.1 and C.2.5, the Company complied with the provisions of the CG Code as set out in Appendix 15 to the GEM Listing Rules during the Relevant Period. Key corporate governance principles and practices of the Company are summarised below.

A. THE BOARD

A.1 Responsibilities and Delegation

The Board is entrusted with the overall responsibility for promoting the success of the Company by providing effective leadership and direction to its business, and ensuring transparency and accountability of its operations. The Board reserves its decisions for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control systems, risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, change of Directors, ad hoc projects and other significant financial and operational matters. The Board has the full support of the management to discharge its responsibilities.

The day to day management, administration and operation of the Company are delegated to executive Directors and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above mentioned officers. All Directors have full and timely access to all relevant information of the Company, with a view to ensure that Board procedures and all applicable rules and regulations in Cayman Islands and Hong Kong are followed. Each Director is normally able to seek independent advice in appropriate circumstances at the Company's expense, upon making request to the Board.

In addition, the Board has also delegated various responsibilities to the board committees of the Company. Further details of the board committees of the Company are set out below in this report.

The Board is also responsible for, among others, performing the corporate governance duties as set out in the code provision D.3.1 of the CG Code, which include:

– to develop and review the Group's policies and practices on corporate governance and make recommendations;

– to review and monitor the training and continuous professional development of the Directors and senior management;

– review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

– to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and

– to review the Group's compliance with the CG Code and disclosure in the corporate governance report.

The Company has arranged appropriate liability insurance coverage for all the Directors, including company securities, employment practices, regulatory crisis event, investigation, litigation, tax liabilities and public relation, etc., which is to be reviewed by the Board on a regular basis.

The Board has delegated day-to-day operation responsibility to the management of the Company under the supervision of the executive Directors and various Board committees. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entering into by the foregoing officers and senior management.

A.2 Board Composition

The Board comprised the following Directors during the year ended 31 December 2018 and up to the date of this annual report:

Executive Directors
Mr. Zhang (Chairman and Chief Executive Officer)
Mr. Zhang Junwei *(redesignated on 9 November 2018)*
Mr. Liu Zhiyong *(resigned on 9 November 2018)*

Non-executive Director
Ms. Shen

Independent non-executive Directors
Mr. Chan *(appointed on 12 June 2018)*
Mr. Li *(appointed on 12 June 2018)*
Mr. Chow *(appointed on 12 June 2018)*

The nomination committee of the Company (the "**Nomination Committee**" or "**NC**") ensures the composition of the Board constitutes a balance of skills, experiences, qualifications and diversity of perspective appropriate to the requirements of the business and development of the Company. The current Board composition of two executive Directors, one non-executive Director and three independent non executive Directors (the "**INEDs**") can effectively exercise independent judgment. The list of all Directors (by category) is set out under the section headed "Corporate Information" in this annual report and is also disclosed in all corporate communications issued by the Company pursuant to the GEM Listing Rules from time to time. The INEDs are expressly identified in all corporate communications of the Company. Except Mr. Zhang Junwei is the brother of Mr. Zhang, there is no relationship (including financial, business, family or other material or relevant relationships) between the Board members, and in particular, between the Chairman and the Chief Executive.

During the year ended 31 December 2018, the Board has at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three INEDs with at least one of them possessing appropriate professional qualifications and accounting and related financial management expertise as required under the GEM Listing Rules.

The participation of INEDs in the Board brings a diverse range of expertise, skills and independent judgment on issues relating to the Group's strategies, performance, conflicts of interests and management process to ensure that the interests of all Shareholders of the Company have been duly considered. Each of the INED has confirmed in writing his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules and the Board considers that all the INEDs are independent.

There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Biographical Details of Directors" of this annual report.

Save as elsewhere disclosed in this annual report, the Board members has no financial, business, family or other material/relevant relationships with each other.

The list of current Directors (by category) is also disclosed in this annual report and all corporate communications issued by the Company pursuant to the GEM Listing Rules from time to time. The Company also maintains on its website (www.ziyygroup.com) and on the GEM's website (www.hkgem.com) an updated list of current Directors (by category) identifying their roles and functions.

A.3 Chairman and Chief Executive

The Company had complied with the code provisions in the CG Code.

Mr. Zhang is the Chairman and Chief Executive Officer and is responsible for major decision-making and implementation of business strategies of the Group. The Chairman also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the Directors to make active contributions to Board's affairs and promoting a culture of openness and debate.

Code Deviation

In accordance with the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Board is of the view that although Mr. Zhang is the Chairman and Chief Executive Officer of the Company, this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Zhang and believes that his appointment to the posts of Chairman and Chief Executive Officer is beneficial to the business prospects of the Company.

A.4 Appointment and Re-election of Directors

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three (3) years unless terminated by either party by giving at least three (3) month's written notice to the other. The non-executive Director and each of the INEDs has respectively entered into a letter of appointment with the Company for an initial term of three (3) years unless terminated by either party by giving at least three (3) month's written notice to the other.

Pursuant to the Article 112 of the Articles of Association, all the Directors appointed by the Board to fill casual vacancy shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at such meeting, therefore, all current Directors will retire at the conclusion of 2019 AGM and be eligible to offer themselves for re-election at the 2019 AGM. The Board and the Nomination Committee of the Company has recommended the re-election of all the retiring Directors standing for re-election at the 2019 AGM.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Company has established a Nomination and Corporate Governance Committee and its primary functions are to make recommendations to the Board regarding candidates to fill vacancies on the Board and policies/practices on corporate governance of the Group. Details of the Nomination and Corporate Governance Committee and its work performed are set out in the "Board Committees" section below.

A.5 Induction and Continuous Professional Development for Directors

Pursuant to Code Provision A.6.5 of CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills as to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the Group structure, Board and Board Committees meetings procedures, business, management and operations of the Company, etc. and that he is fully aware of his responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements in the Cayman Islands and Hong Kong. During the year, all the Directors participated in the induction program regarding directors' responsibilities and obligations under the GEM Listing Rules conducted by the Company's legal adviser, which covered, among other topics, the CG Code, GEM Listing Rules and directors' continuing obligations.

All Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities.

According to the records maintained by the Company, the Directors received the following training regarding roles, function and duties of a director of a listed company or professional skills in compliance with the new requirement of the CG Code on continuous professional development during the period from Listing Date to the date of this annual report:

	Attending seminars/ induction training/ reading materials
Executive Directors	
Mr. Zhang (Chairman and Chief Executive Officer)	✓
Mr. Zhang Junwei	✓
Non-executive Director	
Ms. Shen	✓
Independent Non-executive Directors	
Mr. Chan	✓
Mr. Li	✓
Mr. Chow	✓

Besides, the Company keeps circulating information and materials to develop and refresh Directors' knowledge and skills from time to time. All the information and materials are relevant to the Group's business, the economy, corporate governance, rules and regulations, accounting, financial or professional skills and/or directors' duties and responsibilities. There are also arrangements in place for providing continuing briefing and professional development to each Director. All Directors are encouraged to attend relevant training courses at the Company's expense. The company secretary is responsible to keep records of training taken by each Director.

A.6 Board Meetings

A.6.1 Board Practices and Conduct of Meetings

Pursuant to Code Provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year for reviewing and approving financial statements, operating performance, budgets, rules and regulations, announcements and circulars issued by the Company and considering and approving the progress of the various on going projects, the overall strategies and policies of the Company. Additional meetings would be arranged if and when required. Annual meeting schedules of each meeting of the Board and for the audit committee, nomination committee and remuneration committee of the Company (the "**Committees**") are normally made available to Directors and members in advance. Board members are provided with all agenda and adequate information for their review at least 14 days before the meetings. The Board and Board Committees members are supplied with comprehensive meeting papers and relevant materials within a reasonable period of time in advance of the intended meeting date (in any event no less than 3 days before the date of the meeting). All Directors and the Board Committees members are given opportunities to include matters in the agenda for regular Board and Board Committees meetings and/or their meetings, if required. To facilitate the decision making process, the Directors and the Board Committees members are free to have access to the management for enquiries and to obtain further information, when required.

After the meeting, draft minutes are circulated to all Directors and Committees' members for comments. Minutes of Board meetings and meetings of Board Committees are kept by the company secretary and are available for inspection by the Directors at all times.

Directors may participate in meetings either in person or through electronic means of communications. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions.

A.6.2 Directors' Attendance Records

The Board meets regularly for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

During the period from Listing Date to the date of this annual report, the Board convened six (6) full Board meetings. The attendance of each Director is as follows:

	Number of meetings attended/ eligible to attend			
	Board	**RC**	**AC**	**NC**
Executive Directors				
Mr. Zhang (Chairman and Chief Executive Officer)	6/6	N/A	N/A	2/2
Mr. Zhang Junwei	6/6	2/2	N/A	N/A
Non-executive Director				
Ms. Shen	6/6	N/A	3/3	N/A
Independent Non-executive Directors				
Mr. Chan	6/6	2/2	3/3	2/2
Mr. Li	6/6	2/2	3/3	2/2
Mr. Chow	6/6	N/A	N/A	N/A

Apart from the said meetings, matters requiring Board approval were arranged by means of circulation of written resolutions of all Board members.

All business transacted at the Board meetings and by written resolutions were well-documented. Minutes of the Board meetings and written resolutions are kept by the Company and are available to all Directors.

B. BOARD COMMITTEES

The Board has established three Board Committees, namely, the audit committee ("**Audit Committee**" or "**AC**"), the remuneration committee ("**Remuneration Committee**" or "**RC**") and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board Committees have been established with defined written terms of reference, which are posted on the GEM's website at www.hkgem.com and the Company's website at www.ziyygroup.com. All the Board Committees should report to the Board on their decisions or recommendations made. The practices, procedures and arrangements in conducting meetings of Board Committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board Committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

B.1 Remuneration Committee

The Company established the RC pursuant to a resolution of passed on 12 June 2018 in compliance with Rule 5.34 of the GEM Listing Rules with written terms of reference in compliance with the CG Code. The primary functions of the RC are to (i) make recommendation to the Board on the remuneration packages of the Directors and senior management of the Group, (ii) review performance based remuneration and (iii) ensure none of the Directors determine their own remuneration.

The RC comprises a total of three members, namely, Mr. Li, Mr. Zhang Junwei, Mr. Chan.

Pursuant to the code provision B.1.5 of the CG Code, the remuneration of the members of the Board and the senior management by band for the year ended 31 December 2018 is set out below:

In the band of	Number of Individuals
Nil to HK$1,000,000	8

Details of the remuneration of each Director and the five individuals with the highest emoluments in the Group for the year ended 31 December 2018 are set out in note 11 to the consolidated financial statements, respectively, contained in this annual report.

The members of the RC should meet at least once a year. During the period from Listing Date to the date of this annual report, the individual attendance records of the each Director at the meeting of the RC is set out on page 24 of this annual report.

Set out below is a summary of the work and related tasks performed by the RC during the period:

– reviewed the summary of remuneration package paid to each Directors and senior management of the Company;

– studied the current remuneration package, policy and structure of all Directors (including appointment(s), resignation(s) and retirement(s) during the year);

– proposed remuneration packages with reference to the duties and responsibilities of Directors, business performance and profitability of the Group and market conditions, the corporate objective and goal set by the Board and a report of salaries paid by the comparable companies to directors and senior management; and

– reviewed the procedures of remuneration policy, procedures and structure for fixing the remuneration packages.

B.2 Audit Committee

The AC currently consists of three independent non-executive Directors, namely Mr. Chan, Mr. Li and Ms. Shen. Mr. Chan currently serves as the chairman of the AC, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

The primary duties of the AC are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The members of the AC should meet not less than twice a year to consider interim report and annual report prepared by the Board and meet the external auditors at least twice a year. During the period from Listing Date to the date of this annual report, the individual attendance records of each Director at the meeting of the AC is set out on page 24 of this annual report.

Up to the date of this annual report, the AC met 3 times, of which two of the meetings was also with the presence of the senior management of the Company and performed the following major tasks:

– Review and discussion of the quarterly, interim and annual financial statements, results announcements and reports, the related accounting principles and practices adopted by the Group and the relevant audit findings;

– Review and discussion of the risk management and internal control system of the Group; and

– Discussion and recommendation of the re-appointment of external auditor.

During the year ended 31 December 2018, the fee paid/payable to auditor in respect of audit service and/or non-audit services provided by the auditor to the Group were as follows:

Nature of services	**2018**	2017
	RMB'000	RMB'000
Audit services	**1,100**	79
Initial public offering	**282**	1,136
Interim review	**250**	–

B.3 Nomination Committee

The principal duties of the Nomination and Corporate Governance Committee are to (i) review the Board composition; (ii) develop and formulate relevant procedures for the nomination and appointment of directors; (iii) identify qualified individuals to become members of the Board; (iv) monitor the appointment and succession planning of directors; and (v) assess the independence of INEDs.

Up to the date of this annual report, the Nomination and Corporate Governance Committee met once and performed the following major tasks:

– Review and discussion of the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;

– Assessment of the independence of the existing INEDs;

– Recommendation on the re-appointment of retiring Directors at the AGM pursuant to the Articles of Association;

– Review and development of the Company's policies and practices on corporate governance and make recommendations to the board;

– Review and monitoring of the training and continuous professional development of directors and senior management;

– Review and monitoring of the Company's policies and practices on compliance with legal and regulatory requirements;

– Review and monitoring of the code of conduct applicable to employees and directors; and

– Review of the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The NC consists of one executive Director, and two independent non-executive Directors, namely Mr. Zhang, Mr. Chan and Mr. Li. Mr. Zhang currently serves as the chairman of the NC.

The Company adopted a board diversity policy which sets out the approach to achieve diversity on the Board, the summary of which are set out below:

– With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development;

– In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; and

– All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The members of the NC should meet at least once a year where appointment of the Directors will be considered. During the period from Listing Date to the date of this annual report, the individual attendance records of the each Nomination Committees at the meeting of the NC is set out on page 24 of this annual report.

The principal duties of the NC are to (i) review the Board composition; (ii) develop and formulate relevant procedures for the nomination and appointment of directors; (iii) identify qualified individuals to become members of the Board; (iv) monitor the appointment and succession planning of directors; and (v) assess the independence of INEDs.

Up to the date of this annual report, the NC met once and performed the following major tasks:

– Review and discussion of the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;

– Assessment of the independence of the existing INEDs;

– Recommendation on the re-appointment of retiring Directors at the AGM pursuant to the Articles of Association;

– Review and development of the Company's policies and practices on corporate governance and make recommendations to the board;

– Review and monitoring of the training and continuous professional development of directors and senior management;

- Review and monitoring of the Company's policies and practices on compliance with legal and regulatory requirements;

- Review and monitoring of the code of conduct applicable to employees and directors; and

- Review of the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

C. COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Guoyuan Capital (Hong Kong) Limited as its compliance adviser. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Company will consult with and, if necessary, seek advice from its compliance adviser on a timely basis in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;

- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

- where the Company proposes to use the proceeds of the initial public offering in a manner different from that detailed in the prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate or other information in the Prospectus; and

- where the Stock Exchange makes an inquiry of the Company under Rule 17.11 of the GEM Listing Rules.

The term of appointment of the compliance adviser of the Company shall commence on the Listing Date and end on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year commencing after the Listing Date or until the agreement is terminated, whichever is earlier.

D. COMPANY SECRETARY

Company Secretary supports the Board by ensuring good information flow within the Board and that the Board policy and procedures are followed. The Company Secretary is responsible for advising the Board on the corporate governance matters and facilitating induction and professional development of the Directors. All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws, rules and regulations, are followed.

Ms. Li Xinpei and Mr. Tang Chi Chiu were appointed as the Joint Company Secretaries of the Group on 13 January 2017 and 21 February 2017 respectively. Both Ms. Li Xinpei and Mr. Tang Chi Chiu have complied with all the required qualifications, experiences and training requirements under the GEM Listing Rules. For the year ended 31 December 2018, both of Ms. Li Xinpei and Mr. Tang Chi Chiu complied with the GEM Listing Rules by taking not less than 15 hours of relevant professional training.

E. DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group for the year ended 31 December 2018, which give a true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules.

As at 31 December 2018, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern. Therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibilities of the Group's external auditors, Deloitte Touche Tohmatsu, on the Company's consolidated financial statements are set out in the Independent Auditor's Report on pages 68 to 72 of this Annual Report.

F. CORPORATE GOVERNANCE FUNCTIONS

A nomination and corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

The Directors will review the Group's corporate governance policies and compliance with CG Code each financial year and comply with the "comply or explain" principle in the corporate governance report which will be included in the annual reports after the Listing.

G. DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the "**Required Standard**"). Having made specific enquiry, all the Directors have confirmed that they have complied with the Required Standard during the Relevant Period.

In addition, the Company has also adopted provisions of the Required Standard as written guidelines for relevant employees in respect of their dealings in the securities of the Company. Such relevant employees did and would abide by the provisions of the Required Standard. Besides, the Company has adopted internal control policy in relation to the disclosure of inside information of the Company (the "**Inside Information Policy**").

No incident of non compliance of the Required Standard and/or the Inside Information Policy by such relevant employees was noted by the Company from the Listing Date up to the date of this annual report.

H. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard the assets of the Group and shareholder investments. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board has conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management functions. The Directors consider that the Group has implemented appropriate procedures for safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, segregation of duties and putting plans and routines into execution with appropriate authority and in compliance with the relevant laws and regulations.

The Audit Committee reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the year ended 31 December 2018 and considered that they are effective and adequate. The Board assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.

The Group has yet to establish its internal audit function during the year ended 31 December 2018 as required under CG Code C.2.5. The Audit Committee and the Board, has considered the internal control review report prepared by an independent consultancy company in respect of any material control deficiencies identified during the course of the financial statement audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee and the Board will continue to review the need for an internal audit function on an annual basis.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

The Group adopts a risk management framework which comprises the following processes:

– Identify significant risk in the Group's operation environment and evaluate the impacts of those risks on the Group's business;

– Develop necessary measures to manage those risks; and

– Monitor and review the effectiveness of such measures.

The Group formulated the policies and procedures of risk management and internal control as follows:

– The Group established an organizational structure with clear operating and reporting procedures, lines of responsibility and delegated authority;

– Each operating subsidiary maintains internal controls and procedures appropriate to its structure whilst complying with the Group's policies, standards and guidelines;

– Relevant executive Directors and senior management have been delegated with specific accountability for monitoring the performance of designated business operating units;

– A systematic review of the financial and business processes in order to provide management on the adequacy and effectiveness of internal controls. Where weaknesses are identified in the system of internal controls, management will evaluate and take necessary measures to ensure that improvements are implemented; and

– Code of ethics are established and adhered to by all employees to ensure high standards of conduct and ethical values in all business practices.

The Board reviewed that the risk management and internal control system adopted by the Group for the year ended 31 December 2018 and considered that it was effective.

I. PROCEDURES AND INTERNAL CONTROLS FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Board has approved and adopted the Inside Information Policy for the Company since the Listing Date for monitoring inside information to ensure compliance with the GEM Listing Rules and the Securities and Futures Ordinance. The procedures and internal controls for handling and dissemination of inside information as set out in the Inside Information Policy are summarised below:

Handling of Inside Information

1. Inside information shall be announced as soon as reasonably practicable after it becomes known to the Board and/or is the subject of a decision by the Board in accordance with the GEM Listing Rules. In cases where a decision by the Board is pending or in cases of incomplete negotiations, the Group shall implement the procedures set out in the Inside Information Policy to maintain the confidentiality of information. Until an announcement is made, the Directors should ensure that such information is kept strictly confidential. If the confidentiality cannot be maintained, an announcement shall be made as soon as practicable.

2. Each department shall keep inside information on transactions confidential. If there is a leakage of inside information, they shall inform the Directors and the Company Secretary immediately, so that remedial actions, including making an inside information announcement, can be taken at the earliest opportunity.

3. The Group's Finance Department shall keep track of the Group's threshold levels for disclosure pursuant to the size tests under the GEM Listing Rules, so that an announcement can be made as soon as practicable should a notifiable transaction arises.

Dissemination of Inside Information

Inside information is announced promptly through the websites of the GEM (www.hkgem.com) and the Company (www.ziyygroup.com). The electronic publication system of the GEM is the first channel of dissemination of the Group's information before any other channel.

J. INVESTOR RELATIONS

The Board puts great emphasis on investor relationship in particular fair disclosure and comprehensive report of the Company's performance and activities.

Shareholders are encouraged to attend the general meetings of the Company and the Directors always make efforts to fully address any questions raised by the Shareholders at the annual general meetings (the "**AGM**") and the extraordinary general meetings (the "**EGM**") of the Company.

The 2019 AGM of the Company will be held on Thursday, 9 May 2019, the notice of which shall be sent to the Company's shareholders in accordance with the Articles of Association of the Company, the GEM Listing Rules and other applicable laws and regulations.

K. SHAREHOLDERS' RIGHTS

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch registrar and transfer office, namely, Tricor Investor Services Limited, whose contact details are stated in the section headed "Corporate Information" of this annual report.

Shareholders holding not less than one-tenth of the paid-up capital of the Company may deposit a requisition to convene an EGM of the Company and state the purpose therefore to the Board or the Company Secretary.

The Company has adopted Communications Policy with Shareholders and investors of the Company that provide ready, equal and timely access to understandable information about the Company. The Board welcomes Shareholders for their comments and/or enquiries about the Company. Shareholders may send their comments and/or enquiries to the Board by addressing them to the Company Secretary. Shareholders who wish to put forward proposal for the Company's consideration at the general meetings of the Company can send their proposal to the Company Secretary.

Pursuant to Articles of Association of the Company, if a Shareholder wishes to propose a person other than retiring Directors for election as a Director at a general meeting of the Company, the Shareholder should deposit a written notice of nomination which shall be given to the principal place of business of the Company in Hong Kong within the 7 day period commencing the day after the despatch of the notice of the meeting (or such other period as may be determined and announced by the Directors from time to time). The relevant procedures is posted on the Company's website (www.ziyygroup.com).

The shareholders of the Company may at any time send their enquiries and concerns to the Board in writing. Contact details are as follows:

Address:	Room 1908, 19/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
E-mail:	info@ziyuanyuan.com

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the Shareholders' questions.

L. COMMUNICATION WITH SHAREHOLDERS

In order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company, the Company has established a number of channels for maintaining on-going dialogue with the Shareholders as follows:

(a) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the GEM's website and the Company's website;

(b) periodic announcements are made through the Stock Exchange and published on the respective websites of the GEM of the Stock Exchange and the Company;

(c) corporate information is made available on the Company's website;

(d) AGM and EGM provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

(e) the Company's share registrars serve the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

M. CONSTITUTIONAL DOCUMENTS

During the period from Listing Date to the date of this annual report, there was no amendment in the constitutional documents of the Company. The Articles of Association of the Company are available on the websites of the GEM of the Stock Exchange and of the Company.

ABOUT THE REPORT

Ziyuanyuan Holdings Group Limited (hereinafter referred to as the "**Group**", the "**Company**" or "**we**") is pleased to present its first Environmental, Social and Governance Report (the "**ESG Report**" or the "**Report**"). This ESG Report is prepared in accordance with disclosure obligations under the "comply or explain" provisions contained in the "Environmental, Social and Governance Reporting Guide" (the "**ESG Guide**") as set out in Appendix 20 to the GEM Listing Rules. The purpose is to allow all stakeholders to learn more about the Group's progress and development direction in respect of operation and sustainable development. The Group understands the importance of the ESG report and is committed to making continuous improvements in corporate social responsibility during our course of business in order to better respond to the changing needs of the advancing society.

APPLICABLE SCOPE AND REPORTING PERIOD OF THE REPORT

This report covers the Group's overall environmental, social and governance performance and selected key performance indicators ("**KPI**") during 1 January 2018 to 31 December 2018 (the "**Reporting Period**"). A complete index is appended in the last chapter hereof for reading this Report in accordance with the ESG Guide.

CONFIRMATION AND APPROVAL

The information contained herein is sourced from official documents and statistics of the Group, and management and operation information collected in accordance with the Group's systems. This report was approved by the board of directors on 25 March 2019.

OPINIONS AND FEEDBACK FROM STAKEHOLDERS

The Group attaches great importance to valuable opinions from all stakeholders. If you are in any doubt or have any opinion for this report, please feel free to contact the Group via E-mail info@ziyuanyuan.com to share your opinions and suggestions.

STAKEHOLDERS' ENGAGEMENT

Stakeholders' engagement is essential to the formulation of strategies for sustainable development. It allows the Group to understand risks and opportunities. The Group has identified key stakeholders that are important to the Group's business and established various channels for communication.

Stakeholders	Expectation	Communication Channel	Key Measures to Respond
Government	– Comply with the laws – Tax payment according to laws – Promote regional economic development and employment	– On-site inspections and checks – Research and discussion through work conferences, work reports preparation and submission for approval – Publish information on HKEXnews website, such as annual and interim reports and announcements – Company's website	The Group operated and managed according to laws, strengthened safety management, cooperated with government's supervision, inspection and evaluation (if any), and actively undertaken social responsibilities.
Shareholders and Investors	– Return on investment – Information disclosure and transparency – Shareholders' interests and fair treatment and security – Control of operational risk	– Annual general meeting and other general meetings – Publish information on HKEXnews website, such as annual, interim, quarterly reports and announcements – Meeting with investors and analysts – Company's website	The Group has issued notices of general meetings and proposed resolutions according to regulations, disclosed the Group's information by publishing announcements/notices and periodic reports. The Group has also carried out different forms of investor activities, such as results briefing, with an aim to enhance investors' recognition. The Group disclosed the Company's contact details on website and in reports to ensure all communication channels are available and effective.
Employees	– Safeguard the rights and interests of employees – Occupational health and safety – Working environment – Career development opportunities – Self-actualization	– Conferences – Trainings and seminars – Cultural and sport activities – Intranet and emails – Performance appraisals	The Group aims to provide a healthy and safe working environment and develops a fair mechanism for promotion. The Group has established labour unions at all levels to provide communication platforms for employees.

Stakeholders	Expectation	Communication Channel	Key Measures to Respond
Customers	– Safe and high-quality products and services – Stable relationships – Information transparency – Integrity – Business ethics	– Website, brochures and published information on HKEXnews website, such as annual, interim, quarterly reports and announcements – Emails and customer service hotlines – Feedback forms – Regular meetings	The Group has developed a customer feedback system in order to evaluate services provided.
Suppliers/Business Partners	– Long-term partnerships – Honest cooperation – Fairness and openness – Information resources sharing – Risk reduction	– Business meetings, supplier conferences, phone calls and interviews – Regular meetings – Reviews and assessments – Emails, circulars and manuals – Company's website	The Group has invited tenders publicly to select the best suppliers/business partners performed contracts according to agreements, enhanced daily communications, and established long-term cooperation with quality suppliers/business partners.
Peer/Industry Associations	– Experience sharing cooperation – Fair competitions	– Industry conferences – Site visits	The Group has insisted on fair competitions, cooperated with peers to realise win-win situations, shared experience and attended various seminars of the industry so as to promote sustainable development of the industry.
Market Regulators	– Compliance with laws and regulations – Information disclosures	– Information disclosure – Reports	The Group has strictly complied with regulatory requirements and disclosed and reported true information in a timely and accurate manner according to laws.
Public	– Community involvement – Social responsibilities – Employment promotion	– Voluntary work – Charity and social investments	The Group has given priority to local citizens in respect of job opportunities so as to promote community building and development and maintained smooth communication channels between the Group and the community.

ENVIRONMENTAL ASPECT

The Group mainly provides customers with finance leasing solutions and related ancillary services. The sector where the Group operates is not a major source of environmental pollution. In addition, the business of the Group does not involve industrial activities. Therefore, total amount of emissions, resource usage and waste production is relatively low.

However, the Group believes that it is the social responsibility of all corporations to ensure that emissions of pollutants and resource consumption are minimised and carbon emissions is reduced. For such purpose, the Group aims to achieve its stated goals by reducing carbon dioxide emissions, resource consumption and waste production.

A1. Emissions Management

Exhaust Emission

The exhaust emission of the Group mainly derives from the fuels used by vehicles. As at 31 December 2018, the Group had two vehicles which consumed an aggregate of 3,300 litres of gasoline and travelled 30,000 km in total. Due to the business nature of the Group, employees take public transport to visit customers' companies and vehicles of the Group are used only in special cases. Meanwhile, the Group encourages employees to take electric public transport whenever possible for meetings or activities and reduce the use of private cars. For activities at nearer destinations, the Group encourages employees to walk as far as possible instead of taking the transportation.

During the Reporting Period, exhaust emissions were as follows:

Type of Exhaust	Amount of Emissions (kg)
Nitrogen oxides	2.241
Sulphur oxides	0.049
Particulate emissions	0.165

Greenhouse Gas Emissions

As a financial service provider, the Group's main sources of greenhouse gas emissions are direct emissions from vehicles, indirect emissions from electricity consumption for office operation and indirect emissions from employees taking planes for business trips. The Group attaches great importance to adopting the energy saving initiatives as mentioned in the section "Use of Resources", and reduce the impact of these emissions on the environment by monitoring energy consumption and reducing itineraries which require the Group's senior management taking private cars.

Greenhouse gas emissions are partly generated from combusting gasoline by the two vehicles owned by the Group. The Group's vehicles are mainly used by the senior management to commute between Hong Kong and Shenzhen. However, in consideration of environmental protection and cost saving, the senior management chose to take the High Speed Rail for commuting between Shenzhen and Hong Kong since the opening of the High Speed Rail services in Hong Kong.

Meanwhile, greenhouse gas emissions are also generated from electricity consumption for the Group's office operation. The Group aims to reduce electricity consumption in daily operation as the amount of indirect greenhouse gas emissions depend on the units of electricity consumed. Specific measures adopted by the Group to reduce electricity consumption are set out in the section headed "Use of Resources – Electricity" of this Report.

During the Reporting Period, employees travelled by plane 841 times for business trips. Those trips by plane generated an aggregate of 103.47 tonnes of carbon dioxide emissions. Employees only take plane for business trips when necessary as the Group pursues the policy of emissions reduction. Under normal circumstances, the Group will arrange for conference calls or video conferences instead of face-to-face meetings to reduce indirect greenhouse gas emissions from transportation.

During the Reporting Period, greenhouse gas emissions were as follows:

Greenhouse Gas Emissions	**Unit**	**Amount**
Scope 1 – Direct Emissions	Tonnes of carbon dioxide equivalent	8.94
Scope 2 – Energy Indirect Emissions	Tonnes of carbon dioxide equivalent	3.32
Scope 3 – Other Indirect Emissions	Tonnes of carbon dioxide equivalent	103.47
Total	Tonnes of carbon dioxide equivalent	115.73

Waste and Wastewater

Solid waste produced by the Group was mainly generated from daily office operation, including daily paper usage, office document waste and food waste by employees. All domestic waste is uniformly classified, collected and disposed by the property management office of the office building on a regular basis.

The Group is committed to reducing waste production and encourages employees to recycle stationery and reduce waste with an aim to reduce waste production from the source. Moreover, the Group has adopted a digital operation model to centralise the handling of documents and regularly convey environmental protection messages to employees. Permission is also required for printing in the office for statistics and adjustments in respect of paper usage in order to enhance resource utilization.

The Group has established appropriate measures for the disposal of computer and related products, such as printers and toner cartridges. The Group transfers or reuses excess digital products, while obsolete accessories or used toner cartridges are collected by third party companies for recycling.

In case it is necessary to dispose of an item, the Group also encourages employees to collect and classify the waste before disposing so as to reduce negative impacts on the environment.

No hazardous wastewater was generated by the Group during the Reporting Period as the only type of wastewater produced was domestic wastewater from daily office operation. Domestic wastewater is directly discharged to the sewer network and is treated by local municipal wastewater treatment plants. During the Reporting Period, domestic wastewater generated by the Company was solely controlled by the property management company. In this case, it is not feasible for the Group to provide wastewater data as there is no sub-meter to record the data. As wastewater volume depends on water consumption, specific measures have been adopted by the Company to reduce water consumption, details of which are set out in the section headed "Use of Resources – Water" of this ESG Report.

A2. Use of Resources

The Group attaches great importance to the effective use of resources, and is committed to reducing waste of resources in daily operation. During the Reporting Period, the Group has complied with relevant laws and regulations in relation to the use of energy. Since the Group has not engaged in the manufacturing business, no problem was encountered in identifying suitable water source and no packaging materials were used. Resources used by the Group were mainly electricity, water and paper.

Electricity

The Company acknowledges the importance of energy saving and the fact that reducing electricity consumption will indirectly reduce greenhouse gas emissions so the Group has promoted various energy saving strategies. To strengthen each employee's awareness on environmental protection and energy saving, the Group has placed reminders of "For electricity saving, please switch off the light when leaving" at prominent places in the office. The Group encourages employees to set office air conditioner at a moderate temperature and switch them off when they are not in use to reduce electricity consumption.

All electricity consumption by the Group was directly from daily office operation. During the Reporting Period, total electricity consumption of the Group amounted to 8,919 kWh.

Water

The Group's business is operated in a commercial building where water supply is solely controlled by the property management company. In this case, it is not feasible for the Group to provide water consumption data as there is no sub-meter to record the data. Notwithstanding, the Group endeavoured to reduce water usage, for examples, promote to and educate employees to save water regularly, place water saving slogans in prominent places and encourage water conservation and report to the property management company to fix dripping taps immediately when the taps are broken.

Paper

The Group has implemented environmental protection measures to minimise paper usage at the office. Employees are encouraged to use both sides of paper, and the back of single-sided documents is used for printing or as draft paper. If possible, employees may use the suitable font size and indentation to minimise the pages. Besides, electronic media is recommended for circulation and communication so as to minimise paper usage. During the Reporting Period, the total office paper consumption was 0.18 tonnes.

During the Reporting Period, total resource consumption was as follows:

Use of Resources	**Unit**	**Amount**
Electricity consumption	kWh	8,919
Water consumption	Cubic metres	Not applicable
Paper consumption	Tonnes	0.18

The Group will keep recording its resource consumption for reviewing effectiveness of its conservation measures in the future and formulating more specific improvement measures and objectives

A3. The Environment and Natural Resources

Regarding the operation of the Group, the Group was not aware of any significant impacts of activities on the environment and natural resources. With the implementation of green office measures, the Group strived to minimise impacts on the environment and natural resources. The Group will continue to implement environment-friendly practices in the Group's operation in order to enhance environmental sustainability.

SOCIAL ASPECTS

Employment and Labour Practices

The Group regards employees as the cornerstone of its corporate operation and development. Therefore, the Group attaches great importance to the training and welfare of employees, and are committed to providing a working environment with job satisfaction. The Group provides competitive remuneration and sound promotion opportunities to facilitate career development of employees.

During the Reporting Period, the Group strictly complied with labour legislations and related regulations in the PRC and Hong Kong. The Group was not involved in any violation relating to labour practices and would have a significant impact on the Group.

B1. Employees

The Group aims to attract and retain talents, ensures a safe and equal working environment for employees, provides development opportunities and promotes employees' health and well-being. The Group has formulated the staff manual according to relevant labour regulations, covering the Group's remuneration and dismissal, recruitment and promotion, working hours, leave and standards of other rights and benefits. The Group strictly complied with the Labour Law of the PRC, the Labour Contract Law of the PRC and other applicable laws and regulations in the PRC.

As of 31 December 2018, the Group had a total of 48 employees, with the employee structure as follows:

Age Group	Male Employees	Female Employees	Total
21 to 30	23	7	30
31 to 40	12	4	16
41 to 50	1	1	2
Total	36	12	48

Talent Recruitment and Retention

Employees are the core assets to maintaining corporate competitiveness, and the key to corporate success. The Group provides a fair and impartial talent selection system and continuously improves the system to recruit talents. The Group has formulated an annual recruitment plan and filled job vacancies based on the principle of "internal staffs before external candidates" in order to offer internal promotion and re-designation opportunities to existing employees. The Group recruits external candidates through the Company's website, recruitment website, job market, newspapers and media, headhunting companies and employee's referral. The Group ensures that the recruitment and promotion processes are fair, open and transparent, and selects candidates depending on objective factors such as candidates' working experience, skills, academic background, communication skills, personal qualities.

The Group adheres to the principle of employing talents with both ability and moral integrity, and regards morality, knowledge, ability and performance as the main evaluation criteria, so as to put talents at suitable positions and retain talents. The Group has formulated a set of staff performance appraisal mechanism, in which appropriate remuneration adjustment is made annually based on staff performance to reduce talent loss.

Remuneration and Benefits

The Group provides staff with reasonable and competitive remuneration and staff benefits. Based on work performance, periodic performance and job appraisal, the Group provides remuneration adjustment and job promotion. The Group strictly complied with the Social Insurance Law of the People's Republic of China（中華人民共和國社會保障法）and the Labour Law of the People's Republic of China（中華人民共和國勞動法）, and made timely contribution to "five social insurance and one housing fund（五險一金）" (being five social insurance, including endowment insurance, medical insurance, unemployment insurance, maternity insurance and employment injury insurance, and housing provident fund), mandatory provident fund and labour insurance. Apart from basic statutory holidays, wedding and funeral leave, maternity leave, work-related injury leave, annual leave and family planning leave, the Group also offers additional staff benefits, including working luncheon and transportation allowances. These benefits boost employees' sense of belonging to the Company, create a good working atmosphere and enhance enterprise cohesion.

Equal Opportunity and Diversity

As a diversified enterprise, the Group strives to create a diversified and harmonious working environment for employees and protect them from discrimination and harassment. The Group formulated employment policies in strict accordance with the Labour Law of the People's Republic of China (中華人民共和國勞動法) and the Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法) and provides equal opportunities in respect of recruitment, training, promotion, job transfer, remuneration, benefits, and termination of contracts. These equal employment opportunities are not affected by age, gender, physical conditions, marital status, family status, race, colour, nationality, religion, political connection or sexual orientation. The Group requires employees to abide by anti-discrimination practices as set out in the Employee Code of Conduct.

The Group also values female employees' career development and ensures that they have equal promotion opportunities as male employees. The Group also complies with the requirements under the Law of the People's Republic of China on the Protection of Women's Rights and Interests (中華人民共和國婦女權益保障法). Female employees' employment contracts will not be released or terminated during their pregnancy, maternity leave and breastfeeding period and they are entitled to basic salaries.

B2. Health and Safety

Based on the business nature of the Group, employees mainly work at office and their possibility of sustaining work injuries is limited. During the Reporting Period, no serious work injury incident occurred within the Group. For laws and regulations in Mainland China in relation to the occupational health standards and safe production, there was no violation of the laws and regulations regarding the provision of safe working environment by the Group during the Reporting Period. The Group has always maintained work-related injury insurance for all employees in accordance with the Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法).

In addition, the Group has implemented a series of policies to foster and maintain a favourable, comfortable and healthy working environment:

- to maintain obstruction-free emergency exits at workplace;
- to provide a workplace with adequate illumination and moderate temperature;
- to prohibit smoking at workplace; and
- to conduct safety inspections and fire prevention training regularly.

B3. Development and Training

The Group has provided comprehensive trainings to employees, including face-to-face trainings, sharing among departments, online learning and internal and external trainings according to the Group's Staff Handbook and other related internal policies. The Group has provided employees with diversified on-the-job training. Orientation trainings were offered to new employees in respect to skills and knowledge trainings and attitude building. Skills and knowledge trainings and attitude building allow new employees to be familiar with the corporate culture and the background of the Company. According to job duties and company development, the Group provides employees with skills and trainings. Continuous assessments are conducted to keep track on the performance of employees.

Trainings covered a variety of topics in order to cater the needs for employees from different departments, for instance, management skills and trainings related to medical devices. The Group believes development of employees are crucial to sustainable corporate development. The Group will enhance the training system in order to promote personal development of employees.

Employees training	Number of employees trained	Training Hours
Senior management	5	161
Administrative staff	7	4
Other staff	31	10

B4. Labour Standards

The Group strictly complies with the laws and regulations in the PRC. The Group tolerates no child labour or forced and compulsory labour, allows no employment of child labour or forced and compulsory labour which are prohibited by international standards and relevant regulations in the PRC. Before employment, new employees shall show their ID cards to avoid child labour. During the Reporting Periods, the Group was not aware of any non-compliance regarding child labour, forced or compulsory labour in its operation.

Protection of the Interests of Employees

The Group is committed to protecting human rights, and has established a respectful, honest and fair working environment for employees and customers and complied all relevant laws and regulations. Laws and regulations relating to employment and labour which would have significant impacts on the Group include the Labour Law of the People's Republic of China (中華人民共和國勞動法) and the Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法). There was no significant violation by the Group during the Reporting Period.

Operational Practices

The Group believes that the best operational practices are keys to the realisation of sustainable development and long-term corporate growth. Our qualities of integrity, honesty and fairness have also been reflected in the Code of Business Conduct, Employee Code of Conduct, supply chain management, environmental protection practices and product assurance.

B5. Supply Chain Management

The Group believes that establishing sustainable supply chain and facilitating interaction and communication with suppliers and banks could improve confidence of customers and other stakeholders on the Group. Therefore, the Group only maintains long-term cooperative relationships with printing, logistics and medical device suppliers and banks with good creditworthiness, sound goodwill, quality products and services, good track record and eligibility. Focusing on establishing close cooperation relationships with suppliers, the Group has been working together with them to reduce impacts on the environment from production processes while ensuring the quality of service to customers. Although most of the device suppliers are designated by customers, the Group has formulated written policies and guidance to monitor suppliers' performance regularly in order to control service quality more effectively. The Group will cease cooperation with suppliers which fail to meet its requirements. During the Reporting Period, there was no supplier which failed to meet such requirements.

B6. Product Responsibility

Providing efficient and high-quality services to customers have always been the utmost concern for the Group. The Group's objective is that customers have confidence in our services and they are provided with sufficient information to make informed choices. To improve service quality of the Group, the Company conducts site visits and regular visits in order to have in-depth understanding on actual demands and development targets of customers. By establishing long-term and good cooperation with customers, the Company has efficiently supported the economic development in the regions of operation and indirectly facilitated employment in those regions. Meanwhile, the Group has proactively acquired customer feedbacks, including feedbacks from site visits and feedbacks by phone. Therefore, the Group has a set of policies and procedures in place to monitor and control quality, so as to ensure customers' opinions are efficiently collected and handled.

Quality Management

The Group has established the "Quality Management Policy" with aims to add value for customers through business processes that support the services offered. To enhance service quality, the Group collects customers' feedback on services provided and designated staff would report the same to the management. The Group has also issued the Staff Operational Manual and organised training sessions to familiarise employees with the standard operational procedures. The Group is committed to providing quality services to customers through enhancing the senior management's administrative ability and the strength of operation employees.

Protection of Customer Data and Privacy

The Group handles significant amount of personal data and credit information of customers. The Group upholds a belief that information security and privacy are key principles for operation. The Group's employees are required to sign a confidentiality agreement acknowledging receipt and agreement of their responsibility and obligation regarding the protection and non-disclosure of customer data. In addition, information can only be used in authorised business activities. Employees disclosing such information to other parties is considered as data theft. Related employees shall bear corresponding responsibility.

During the Reporting Period, there were no noted case of violation of relevant laws or regulations regarding product responsibility.

B7. Anti-corruption

The Company is committed to upholding ethics and integrity during the operation process. No form of corruption or bribery is tolerated. Sound judgements for transactions with customers, suppliers, contractors, job seekers, colleagues or any other third party should be ensured. All applicable laws and regulations shall be duly complied with so as to always maintain the highest standard of integrity. During the Reporting Period, the Company rigidly abided by the Anti-Money Laundering Law of the People's Republic of China (中華人民共和國反洗錢法) and other laws and regulations in respect of anti-corruption, bribery, fraud and money laundering. Reference to the aforesaid laws and regulations, the Company has developed the "Anti-Money Laundering Policy", which provided that staff of the business department shall learn potential customers' background completely through consulting documentation and communicating with customers according to relevant internal guidance before commencing business dealings with them. The Company's risk management department also collects information of current customers in respect of uses of proceeds, sources of repayment funding and operational conditions. The risk management department also acquires their latest information from time to time and report to the senior management once abnormal situation is identified.

Pursuant to the requirements of the Group's relevant policies, employees may question suspected misconduct or misconduct orally or in writing. The Group will make every effort to treat all reports in a strictly confidential way. The identity of the reporting and complaining employee is not allowed to be disclosed without his/her consent, unless the Group is legally obliged to disclose the employee's identity and other information. In case of suspected corruption or other criminal offences, the Group will report to the applicable departments.

The Group has always strictly complied with relevant laws and regulations. During the Reporting Period, no corruption behaviour nor litigation by the Group or employees of the Group has been noticed.

COMMUNITY

B8. Community Investment

The Group deeply realised the importance of returning to the society and spared no effort in providing help to community. The Group strongly encouraged its staff to participate in community activities and contribute to the sustainable development of the harmonious society. Looking forward, the Group will continue to focus on community care and staff development with an aim to improve the society through participation in the community.

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Aspect B2: Health and Safety		
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Aspect B4: Labour Standards		
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B6.2	Number of products and service related complaints received and how they are dealt with	N/A
B6.3	Description of practices relating to observing and protecting intellectual property rights	N/A
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General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	50
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases	N/A
B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored	50
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The Board is pleased to present its annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018. The Shares were listed on the GEM of the Stock Exchange on 9 July 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 29 to the consolidated financial statements. The Group is principally engaged in providing equipment-based finance leasing services to SMEs customers in the printing, logistics medical devices industries in the PRC.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 and the financial position of the Company and of the Group at that date are set out in the consolidated financial statements on pages 73 to 75 of this annual report. The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

BUSINESS REVIEW

The review of the business of the Group during the year and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis", and the description of the principal risks and uncertainties facing the Group and key financial performance indicators are set out in the section headed "Management Discussion and Analysis". The financial risk management objectives and policies of the Group are set out in note 28 to the consolidated financial statements. No important event affecting the Group has occurred since the Listing Date (i.e. 9 July 2018) up to the date of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital is set out in note 23 to the consolidated financial statements.

The Company's shares have been listed on the GEM of the Stock Exchange since 9 July 2018.

RESERVES

Details of movements in the reserves of the Company and the Group are set out in note 31 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the significant related party transactions entered by the Group during the year ended 31 December 2018 are set out in note 26 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitute connected transactions that need to be disclosed under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution to owners comprising share premium account less retained profits, amounted to approximately RMB66.5 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, the revenue attributable to the Group's largest customers and five largest customers accounted for approximately 2% and 7% of the Group's total revenue, respectively.

None of the Directors or any of their close associates (as defined in GEM Listing Rules) or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers.

Due to the Group's business nature, the Group does not have major suppliers.

DIRECTORS

The Directors during the year and up to the date of this annual report were as follows:

Executive Directors
Mr. Zhang (Chairman and Chief Executive Officer)
Mr. Zhang Junwei *(redesignated on 9 November 2018)*
Mr. Liu Zhiyong *(resigned on 9 November 2018)*

Non-executive Director
Ms. Shen

Independent non-executive Directors
Mr. Chan *(appointed on 12 June 2018)*
Mr. Li *(appointed on 12 June 2018)*
Mr. Chow *(appointed on 12 June 2018)*

In accordance with the Company's articles of association, at each annual general meeting, one third of the Director for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Such retiring Directors may, being eligible, offer themselves for re-election at the annual general meeting. All Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of shareholders after their appointment and be subject to re-election at such meeting and all Directors appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Group are set out on pages 13 to 16 of this annual report.

PERMITTED INDEMNITY PROVISION

Every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

DIRECTORS' SERVICE CONTRACTS

Mr. Zhang, being the executive Director, has entered into a service agreement with the Company with effect from 12 June 2018. The service contract is for an initial term of three years with effect from the Listing Date and shall continue thereafter unless and until it is terminated by our Company or our Director giving to the other not less than three months' prior notice in writing. In addition, Mr. Zhang has also entered into a service contract with a PRC subsidiary. The service agreement can be terminated by either party by giving the other party one month's written notice in advance or otherwise in accordance with the terms of the service contract.

Mr. Zhang Junwei, being the executive Director, has entered into a service agreement with the Company with effect from 9 November 2018 for a terms of three years. The service agreement can be terminated by either party by giving the other party three months' written notice in advance or otherwise in accordance with the terms of the service agreement.

Ms. Shen, being the non-executive Director, has entered into a letter of appointment with our Company on 12 June 2018. Each letter of appointment is for an initial term of three years commencing from the Listing Date and shall continue thereafter unless terminated by either party giving at least three months' notice in writing.

Each of Mr. Chan, Mr. Li and Mr. Chow, being all our Independent Non-executive Directors, has entered into a letter of appointment with our Company on 12 June 2018. Each letter of appointment is for an initial term of three years commencing from the Listing Date and shall continue thereafter unless terminated by either party giving at least three month's notice in writing.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the directors of the Company and the five highest paid individuals of the Group are set out in note 11 to the consolidated financial statements, respectively. There has been no arrangement under which any Director has waived or agreed to waive any emolument.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There was no transactions, arrangements or contracts of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a Director had a material interest whether directly or indirectly, existed at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

As at 31 December 2018, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

DISCLOSURE OF INTEREST

Directors' and chief executive's interests and short positions in Shares and underlying Shares and debentures of the Company and its associated corporations

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

Long positions in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held/ interested in	Approximate percentage of shareholding (1)
Mr. Zhang (1) (2)	Interest in controlled corporation; interest held jointly with another person	300,000,000	75%
Mr. Zhang Junwei (1) (3)	Interest in controlled corporation; interest held jointly with another person	300,000,000	75%

Notes:

(1) On 24 February 2017, the ultimate controlling shareholders of the Company, namely Mr. Zhang and Mr. Zhang Junwei entered into a concert parties confirmatory deed to acknowledge and confirm, among other things, that they are parties acting in concert with each member of the Group from the incorporation dates of the respective members of the Group and continue as at and after the date of the concert parties confirmatory deed, details of which are set out in the subsection headed "History and Reorganisation – Parties Acting in Concert" in the Prospectus. As such, pursuant to the parties acting in concert arrangement, each of the controlling shareholders of the Company, namely Hero Global (being wholly owned by Mr. Zhang), Mr. Zhang, Icon Global Holding Limited ("**Icon Global**") (being wholly owned by Mr. Zhang Junwei) and Mr. Zhang Junwei, is deemed to be interested in 75.0% of the issued share capital of the Company.

(2) 300,000,000 Shares in which Mr. Zhang is interested consist of the following: (i) 219,801,980 Shares held by Hero Global, a company wholly owned by Mr. Zhang, in which Mr. Zhang is deemed to be interested under the SFO; and (ii) 80,198,020 Shares in which Mr. Zhang is deemed to be interested as a result of being a party acting-in-concert with Mr. Zhang Junwei.

(3) 300,000,000 Shares in which Mr. Zhang Junwei is interested consist of (i) 80,198,020 Shares held by Icon Global, a company wholly owned by Mr. Zhang Junwei, in which Mr. Zhang Junwei is deemed to be interested under the SFO; and (ii) 219,801,980 Shares in which Mr. Zhang Junwei is deemed to be interested as a result of being a party acting-in-concert with Mr. Zhang.

Long position in the associated corporations

Name of Director	Name of associated corporations	Capacity/ nature of interest	Number and class of securities	Percentage of Shareholding
Mr. Zhang	Hero Global	Beneficial owner	50,000 ordinary shares	100%
Mr. Zhang Junwei	Icon Global	Beneficial owner	100 ordinary shares	100%

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executive of the Company had an interest or short position in any shares or underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Substantial shareholders' interests and short positions in Shares and underlying Shares of the Company

So far as the Directors are aware, as at 31 December 2018, the persons (other than Directors or chief executive of the Company) who had interests in the Shares and underlying Shares of the Company within the meaning of Part XV of the SFO which are required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to Section 336 of the SFO, to be entered in the register of the Company were as follows:

Long positions in the Shares

Name of shareholder	Capacity/Nature of interest	Number of Shares held/ interested in	Approximate percentage of shareholding
Hero Global (1)	Beneficial owner; interests held jointly with another person	300,000,000	75%
Icon Global (1)	Beneficial owner; interests held jointly with another person	300,000,000	75%
Ms. Tang Yiping (2)	Interest of spouse	300,000,000	75%

Notes:

(1) On 24 February 2017, the ultimate controlling shareholders of the Company, namely Mr. Zhang and Mr. Zhang Junwei entered into a concert parties confirmatory deed to acknowledge and confirm, among other things, that they are parties acting in concert with each member of the Group from the incorporation dates of the respective members of the Group and continue as at and after the date of the concert parties confirmatory deed, details of which are set out in the subsection headed "History and Reorganisation – Parties Acting in Concert" in the Prospectus. As such, pursuant to the parties acting in concert arrangement, each of the controlling shareholders of the Company, namely Hero Global (being wholly owned by Mr. Zhang), Mr. Zhang, Icon Global (being wholly owned by Mr. Zhang Junwei) and Mr. Zhang Junwei, is deemed to be interested in 75.0% of the issued share capital of the Company.

(2) Ms. Tang Yiping is the spouse of Mr. Zhang, and she is deemed, or taken to be, interested in all Shares in which Mr. Zhang is interested in for the purposes of the SFO.

Save as disclosed above, as at 31 December 2018, the Directors were not aware of any other person (other than the Directors or chief executive of the Company as disclosed in the section headed "Directors' and chief executive's interests and short positions in Shares and underlying Shares and debentures of the Company and its associated corporations" above) who had or deemed to have interests or short positions in the shares, underlying shares or debentures of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO.

COMPETING INTEREST

During the year ended 31 December 2018, none of the Directors or the controlling shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) is interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group or has any conflicts of interest with the Group.

DEED OF NON-COMPETITION

The controlling shareholders of the Company, namely Mr. Zhang, Mr. Zhang Junwei, and their respective holding companies, namely Hero Global and Icon Global (the "**Controlling Shareholders**") entered into a deed of non-competition dated 12 June 2018 ("**Deed of Non-competition**") in favour of the Company (for itself and as trustee for each of its subsidiaries). For details of the Deed of Non-competition, please refer to the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking" in the Prospectus. Each of the Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than the Group) which, directly or indirectly, competes or may compete with the business of the Group.

The independent non-executive Directors have also reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-competition have been complied with by each of the Controlling Shareholders since the Listing Date up to the date of this report.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this report.

CORPORATE GOVERNANCE PRACTICES

The Company considers the maintenance of a high standard of corporate governance important to the continuous growth of the Group. The Company's corporate governance practices are based on code provisions as set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 15 of the GEM Listing Rules. As the Shares were listed on the GEM of the Stock Exchange on 9 July 2018, other than the deviation from code provision A.2.1 and C.2.5, the Company has since then adopted and complied with, where applicable, the CG Code to ensure that the Group's business activities and decision-making processes are regulated in a proper and prudent manner.

Since the Listing Date and up to the date of this report, other than the deviation from code provision A.2.1 and C.2.5 explained on pages 20 and 33 of this report respectively, the Company complied with the provisions of the CG Code as set out in Appendix 15 to the GEM Listing Rules.

EVENT AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event which had material effect on the Group subsequent to 31 December 2018 and up to the date of this report.

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on Thursday, 9 May 2019 (the "**2019 AGM**"). For determining the entitlement to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Monday, 6 May 2019 to Thursday, 9 May 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the 2019 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 3 May 2019.

INTEREST OF THE COMPLIANCE ADVISER

As notified by Guoyuan Capital (Hong Kong) Limited ("**Guoyuan Capital**"), the Company's compliance adviser, save for the compliance adviser service agreement entered into between the Company and Guoyuan Capital dated 28 March 2017, none of Guoyuan Capital or its directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the Group as at 31 December 2018, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the GEM Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 December 2018. The Audit Committee had reviewed together with the management and external auditor the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors in writing and annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

AUDITOR

The consolidated financial statements for the year ended 31 December 2018 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board
Ziyuanyuan Holdings Group Limited
Zhang Junshen
Chairman and Chief Executive Officer

Hong Kong, 25 March 2019

Deloitte. 德勤

TO THE SHAREHOLDERS OF ZIYUANYUAN HOLDINGS GROUP LIMITED
紫元元控股集團有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Ziyuanyuan Holdings Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 73 to 135, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of finance lease receivable	
We identified the impairment of finance lease receivable as a key audit matter due to its significance to the consolidated financial statements, and the use of judgement by the management in measuring the expected credit losses ("ECL") for finance lease receivable which are subject to impairment assessment under HKFRS 9. As set out in notes 2 and 16 to the consolidated financial statements, as at 31 December 2018 and 1 January 2018, the carrying amount of finance lease receivable is RMB368,763,000 after deducting a lifetime ECL allowance of RMB10,918,000 and RMB336,737,000 after deducting a lifetime ECL allowance of RMB8,759,000, respectively, representing approximately 91% and 96% of the total assets, respectively. As set out in note 4 to the consolidated financial statements, management measures ECL for finance lease receivable by using a provision matrix. In determining the impairment of finance lease receivable, the management considers (i) internal credit rating which reflect shared credit risk characteristics for different industry types, historical past due information and lessees' creditworthiness for different groupings of finance lease receivable, (ii) associations between macroeconomic scenarios and economic inputs, (iii) forward-looking macroeconomic scenarios and (iv) amount and timing of future cash flows as parameters of the ECL models. In addition, finance lease receivable with credit impairment are assessed for ECL individually based on expectation of cash flows that take into account the fair value of the pledged underlying assets and credit risk characteristics of the particular individual lessees.	Our procedures in relation to the impairment of finance lease receivable included: • Obtaining an understanding and testing the effectiveness of key controls over the determination of the impairment methodology, the governance over the ECL models, the inputs into the ECL models and the assumptions used by the Group in measuring the ECL of finance lease receivable; • Understanding and assessing the appropriateness of management's methodology for identifying the grouping of finance lease receivable on the basis of internal credit rating which reflect shared credit risk characteristics; • Assessing the reasonableness of ECL model, model assumptions (such as the estimation of the amount and timing of future cash flows), economic inputs and forward-looking macroeconomic scenarios for ECL measurement; • Testing the integrity of a selection of data used to measure ECL; • On a sample basis, checking the accuracy of internal credit rating which reflect shared credit risk characteristics for different industry types, historical past due information and lessees' creditworthiness for different groupings of finance lease receivable; • For the credit-impaired finance lease receivable, on a sample basis, assessing for reasonableness the Group's assumptions on the expected future cash flows and testing the value of the pledged underlying assets against available market information; • Testing a selection of subsequent settlements of credit-impaired finance leases, by inspecting supporting documents for cash receipts from lessees subsequent to the end of the reporting period; and • Assessing the financial statement disclosures relating to the Group's credit risk management and impairment assessment under HKFRS 9.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Luk Kam Fan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
Revenue – finance leasing services income	6	**60,409**	52,060
Bank interest income		**111**	17
Other gains and losses	7	**1,083**	(426)
Staff costs	10	**(8,338)**	(6,528)
Impairment losses on finance lease receivable, net of reversal		**(2,767)**	(5,526)
Listing expenses		**(4,883)**	(8,907)
Other operating expenses		**(10,449)**	(5,900)
Finance costs	8	**(12,208)**	(8,848)
Profit before taxation		**22,958**	15,942
Taxation	9	**(6,013)**	(6,377)
Profit and total comprehensive income for the year	10	**16,945**	9,565
Earnings per share			
– Basic (RMB cents)	13	**5**	3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
NON-CURRENT ASSETS			
Furniture and office equipment	14	**551**	700
Finance lease receivable – non-current portion	16	**151,762**	150,167
Prepayments		**–**	109
Deferred tax assets	15	**4,576**	4,349
		156,889	155,325
CURRENT ASSETS			
Finance lease receivable – current portion	16	**217,001**	186,798
Prepayments and other receivables	17	**4,495**	7,461
Bank balances and cash	18	**25,004**	2,324
		246,500	196,583
CURRENT LIABILITIES			
Other payables and accrued charges	19	**3,907**	7,677
Deposits from finance lease customers – current portion	16	**25,473**	20,971
Deferred income – current portion	20	**7,523**	8,922
Financial liability arising from repurchase agreements	21	**–**	8,713
Bank borrowings	22	**30,065**	–
Amounts due to related parties	26(a)	**–**	26,351
Tax payable		**5,552**	5,461
		72,520	78,095
NET CURRENT ASSETS		**173,980**	118,488
NON-CURRENT LIABILITIES			
Deposits from finance lease customers – non-current portion	16	**43,482**	55,746
Deferred income – non-current portion	20	**3,989**	7,716
		47,471	63,462
NET ASSETS		**283,398**	210,351

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	**2018** **RMB'000**	2017 RMB'000
CAPITAL AND RESERVES			
Share capital	23	**33,839**	88
Reserves		**249,559**	210,263
TOTAL EQUITY		**283,398**	210,351

The consolidated financial statements on pages 73 to 135 were approved and authorised for issue by the board of directors on 25 March 2019 and are signed on its behalf by:

Mr. Zhang Junshen
Director

Mr. Zhang Junwei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital RMB'000	Share premium RMB'000	Capital and other reserves RMB'000 (note iv)	Statutory reserves RMB'000 (note i)	Retained profits RMB'000	Total RMB'000
At 1 January 2017	87	36,388	65,023	778	4,984	107,260
Profit and total comprehensive income for the year	–	–	–	–	9,565	9,565
Transfer to PRC statutory reserves (note i)	–	–	–	2,036	(2,036)	–
Issue of new shares (note ii)	1	25,525	–	–	–	25,526
Deemed contribution from a shareholder (note iii)	–	–	68,000	–	–	68,000
At 31 December 2017	88	61,913	133,023	2,814	12,513	210,351
At 1 January 2018	88	61,913	133,023	2,814	12,513	210,351
Adjustments (note 2)	–	–	–	–	(171)	(171)
At 1 January 2018 (restated)	88	61,913	133,023	2,814	12,342	210,180
Profit and total comprehensive income for the year	–	–	–	–	16,945	16,945
Transfer to PRC statutory reserves (note i)	–	–	–	2,578	(2,578)	–
Issue of new shares (note 23)	8,459	55,829	–	–	–	64,288
Issue of shares by capitalisation of share premium account (note 23)	25,292	(25,292)	–	–	–	–
Transaction costs attributable to issue of new shares	–	(8,015)	–	–	–	(8,015)
At 31 December 2018	33,839	84,435	133,023	5,392	26,709	283,398

Notes:

(i) Pursuant to the articles of association of the subsidiary established in the People's Republic of China (the "PRC"), it is required to appropriate 10% or an amount to be determined by its directors of its profit after taxation in accordance with the relevant PRC regulations before any distribution of dividends to owners each year to the statutory reserve until the balance reaches 50% of its registered capital.

(ii) On 31 May 2017, the Company issued and allotted 10,000 new ordinary shares with a par value of HK$0.1 each to Hero Global Limited ("Hero Global"), an immediate holding company of the Company, and the consideration of which was satisfied by capitalisation of an amount due by the Group to Hero Global of RMB25,526,000. The new shares rank pari passu with the existing shares in all respects.

(iii) At 28 March 2017, Hero Global waived an amount due from HK Lixin Trade Co., Limited ("HK Lixin"), a subsidiary of the Company, amounting to RMB68,000,000, which is accounted for as a deemed capital contribution from a shareholder.

(iv) Capital and other reserves as at 1 January 2017 represents (i) the reserve arising from the acquisition of 55% equity interest of Ziyuanyuan (Shenzhen) International Finance Leasing Company Limited ("ZYY Finance Leasing"), a subsidiary of the company, through acquisition of HK Lixin; (ii) the difference between the aggregate of the issued capital of HK Lixin and ZYY Finance Leasing directly attributable to Mr. Zhang Junshen and Mr. Zhang Junwei, the controlling individual shareholders of the Company (the "Controlling Individual Shareholders") and the net assets value of HK Lixin upon insertion of the Company and Honor Global Holding Limited as part of the group reorganisation; and (iii) the consideration paid on the acquisition of the remaining 45% equity interest of ZYY Finance Leasing by HK Lixin from the Controlling Individual Shareholders.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018	2017
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**22,958**	15,942
Adjustment for:		
Depreciation of furniture and office equipment	**203**	193
Loss on disposal of furniture and office equipment	**–**	1
Finance costs	**12,208**	8,848
Impairment losses on finance lease receivable	**2,767**	5,526
Impairment losses on other receivables	**–**	379
Bank interest income	**(111)**	(17)
Gain on investment of structured deposits	**(45)**	–
Operating cash flows before movements in working capital	**37,980**	30,872
Increase in finance lease receivable	**(34,793)**	(75,299)
Increase in prepayments and other receivables	**(925)**	(876)
(Decrease) increase in other payables and accrued charges	**(2,558)**	5,485
(Decrease) increase in deposits from finance lease customers and deferred income	**(23,227)**	26,100
Cash used in operations	**(23,523)**	(13,718)
PRC Enterprise Income Tax paid	**(6,092)**	(2,890)
NET CASH USED IN OPERATING ACTIVITIES	**(29,615)**	(16,608)
INVESTING ACTIVITIES		
Redemption of structured deposits	**38,045**	–
Bank interest income received	**111**	17
Repayments from related parties	**–**	4,355
Advances to related parties	**–**	(3,900)
Purchase of furniture and office equipment	**(54)**	(172)
Placement of structured deposits	**(38,000)**	–
NET CASH FROM INVESTING ACTIVITIES	**102**	300

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018	2017
	RMB'000	RMB'000
FINANCING ACTIVITIES		
Issue of new shares	**64,288**	–
Bank borrowings raised	**60,000**	15,000
Advances from related parties	**31,500**	63,128
Cash receipts from financial liability arising from repurchase agreements	**–**	8,340
Interest paid for financial liability arising from repurchase agreements	**(721)**	–
Interest paid for bank borrowings	**(1,456)**	(1,199)
Issue costs paid	**(5,227)**	(1,411)
Repayments of financial liability arising from repurchase agreements	**(8,340)**	–
Repayments of bank borrowings	**(30,000)**	(30,000)
Repayments to related parties	**(57,851)**	(37,925)
NET CASH FROM FINANCING ACTIVITIES	**52,193**	15,933
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**22,680**	(375)
Effect of foreign exchange rate changes	**–**	16
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**2,324**	2,683
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**25,004**	2,324

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital has been computed based on opening balances of financial position items as at 1 January 2018, with effects arising from initial application of HKFRS 9 as disclosed in note 2.

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's immediate and ultimate holding company is Hero Global. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The shares of the Company have been listed on GEM of the Stock Exchange with effect from 9 July 2018.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are provision of finance leasing services in the PRC. Details of the Company's subsidiaries are set out in note 29.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

2.1 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and finance lease receivable and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

All financial assets and financial liabilities will continue to be measured on the same basis as are currently measured under HKAS 39 except for the impact of ECL.

The table below illustrates the classification and measurement (including impairment) of financial assets and finance lease receivable subject to ECL under HKFRS 9, HKAS 17 and HKAS 39 at the date of initial application, 1 January 2018.

	Closing balance At 31 December 2017 under HKAS 17/39	**Remeasurement of loss allowance under ECL model under HKFRS 9**	**Opening balance At 1 January 2018 under HKFRS 9/ HKAS 17**
	RMB'000	RMB'000	RMB'000
Finance lease receivable	336,965	(228)	336,737
Deferred tax assets	4,349	57	4,406

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

2.1 HKFRS 9 Financial Instruments (Continued)

Summary of effects arising from initial application of HKFRS 9 (Continued)

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all finance lease receivable. To measure the ECL, finance lease receivable have been grouped based on shared credit risk characteristics.

As at 1 January 2018, the additional credit loss allowance of RMB228,000 and the corresponding deferred tax assets of RMB57,000 have been recognised against retained profits. The additional loss allowance is charged against the finance lease receivable.

Loss allowances for other financial assets at amortised cost mainly comprise bank balances and other receivables, and are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition. As at 1 January 2018, the directors of the Company reviewed and assessed the ECL of bank balances and other receivables under ECL model, and no additional loss allowance is recognised against retained profits as the additional amounts are not material.

All loss allowances for financial assets including finance lease receivable as at 31 December 2017 reconciled to the opening loss allowance as at 1 January 2018 is as follows:

	(i) HKAS 39 carrying amount 31/12/2017	(ii) Remeasurements through opening retained profits	(iii)=(i)+(ii) HKFRS 9 carrying amount 01/01/2018
	RMB'000	RMB'000	RMB'000
Financial assets			
Finance lease receivable (HKAS 17)	8,531	228	8,759

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New HKFRSs and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new HKFRSs and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New HKFRSs and amendments to HKFRSs issued but not yet effective *(Continued)*

HKFRS 16 Leases (Continued)

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

The operating lease payments are currently presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB4,840,000 as disclosed in note 24. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB796,000 as disclosed in note 17 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New HKFRSs and amendments to HKFRSs issued but not yet effective *(Continued)*

HKFRS 16 Leases (Continued)

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect 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 applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values during the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its investment with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins with the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue recognition

Finance leasing services income consists of finance lease income and is recognised over the period of lease (see accounting policy in respect of leasing below) and in accordance with HKAS 17.

Revenue recognition (prior to 1 January 2018)

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Finance leasing services income consists of finance lease income and is recognised over the period of lease (see accounting policy in respect of leasing below).

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Finance leasing services income which is derived from the Group's ordinary course of business are presented as revenue.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessee

Operating leases payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its respective functional currency at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Employees in the PRC are members of a state-managed employee pension scheme operated by the relevant municipal government in the PRC which undertakes to assume the retirement benefit obligations of all existing and future retired employees. The Group's obligation is to make the required contributions under the scheme. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised in profit or loss.

Furniture and office equipment

Furniture and office equipment held for use in the production or supply of services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of furniture and office equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of furniture and office equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of furniture and office equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Furniture and office equipment *(Continued)*

Impairment on furniture and office equipment

At the end of the reporting period, the Group reviews the carrying amounts of its assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of equipment are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of a relevant asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss ("FVTPL") are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

The Group's financial assets are classified as either amortised cost or FVTPL which is determined by whether the financial assets meet the SPPI.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments ***(Continued)***

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and finance lease receivable (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment assessment under HKFRS 9 (including other receivables and bank balances) and finance lease receivable. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group applies the simplified approach to measure and recognise lifetime ECL for finance lease receivable that results from transactions that are within the scope of HKAS 17. To measure the ECL, finance lease receivables have been grouped based on shared credit risk characteristics.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and finance lease receivable (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument and finance lease receivable as at the reporting date with the risk of a default occurring on the financial instrument or finance lease receivable as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and finance lease receivable (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(ii) Definition of default

For internal credit risk management, the Group classifies credit risk on finance lease receivable into 4 grades (low risk, fair risk, loss and write-off) as disclosed in note 28. The internal credit risk ratings are based on qualitative (such as lessee's operating conditions, financial positions, etc.) and quantitative factors (mainly includes past due information of the finance lease receivable).

The Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset or finance lease receivable is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets/finance lease receivable

A financial asset or finance lease receivable is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset/finance lease receivable have occurred. Evidence that a financial asset/finance lease receivable is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and finance lease receivable (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(iii) Credit-impaired financial assets/finance lease receivable *(Continued)*

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset or finance lease receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets or finance lease receivable written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default ("PD"), loss given default ("LGD") (i.e. the magnitude of the loss if there is a default) and the exposure at default ("EAD"). The assessment of the PD and LGD is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a finance lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the finance lease receivable in accordance with HKAS 17 Leases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and finance lease receivable (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(v) Measurement and recognition of ECL *(Continued)*

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the basis:

- Nature of financial instruments (i.e. the Group's other receivables and finance lease receivables are each assessed as a separate group.);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets, including finance lease receivable, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Individual impairment allowances are assessed by a discounted cash flow method for finance lease receivable that are individually significant and have objective evidence of impairment. The individual impairment allowances are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

For certain categories of financial asset, such as finance lease receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of finance lease receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When these financial assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Financial liabilities

The Group's financial liabilities include amounts due to related parties, other payables, deposits from finance lease customers, financial liability arising from repurchase agreements and bank borrowings. These are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liability

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial liability arising from repurchase agreements

Financial liability arising from repurchase agreements with a commitment to repurchase at a specific future date are not derecognised in the consolidated statement of financial position. The proceeds (including interests) from selling such assets are presented under "financial liability arising from repurchase agreements" in the consolidated statement of financial position. The difference between the selling price and repurchasing price is recognised as interest expense during the term of the agreement using the effective interest method.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of finance lease receivable

The measurement of impairment of finance lease receivable requires judgement in evaluating the ECL. The Group uses provision matrix to measure ECL for the finance lease receivable. The finance lease receivable is grouping with similar loss patterns on the basis of internal credit rating which reflect shared credit risk characteristics mainly including industry types, historical past due information and lessees' creditworthiness.

Parameters of the ECL models for provision matrix that are considered judgements and estimates mainly include (i) internal credit rating which assign PD to grades of the finance lease receivable; (ii) determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PD, LGD and EAD; (iii) selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models; (iv) the estimation of the amount and timing of future cash flows.

In addition, finance lease receivable with credit impairments are assessed for ECL individually based on expectation of cash flows that take into account the individual circumstances, including fair value of collaterals of the pledged underlying assets based on available market information and credit risks characteristics of the particular individual lessees.

The provision of ECL is sensitive to changes in estimates of expected cash flows to be received. The information about the ECL and the Group's finance lease receivable are disclosed in notes 16 and 28.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Recognition of deferred taxation

As at 31 December 2018, deferred tax assets of RMB4,576,000 (2017: RMB4,349,000), in relation to the temporary difference arising from finance lease income and allowance of doubtful debts were recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal or recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or recognition takes place. Details of the deferred tax are disclosed in note 15.

5. SEGMENT INFORMATION

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

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

None of the customers contributed over 10% of the total revenue of the Group of the corresponding years.

6. REVENUE

Revenue for the year represents income received and receivable from the provision of finance leasing services in the PRC.

7. OTHER GAINS AND LOSSES

	2018	2017
	RMB'000	RMB'000
Exchange gain (loss), net	**650**	(47)
Gain on sales of finance lease receivable (note)	**388**	–
Gain on investment of structured deposits	**45**	–
Impairment losses on other receivables	**–**	(379)
	1,083	(426)

Note: During the year ended 31 December 2018, a finance lease receivable was sold to a third party at the price of RMB1,000,000, with carrying amount of RMB612,000 after deducting an accumulated impairment of RMB608,000.

8. FINANCE COSTS

	2018	2017
	RMB'000	RMB'000
Imputed interests on interest-free deposits from finance lease customers	**10,339**	7,276
Interests on bank borrowings repayable within one year	**1,521**	1,199
Interests on financial liability arising from repurchase agreements	**348**	373
	12,208	8,848

9. TAXATION

	2018 RMB'000	2017 RMB'000
The charge (credit) comprises:		
Current tax		
– PRC Enterprise Income Tax	**6,183**	6,953
Deferred tax (note 15)	**(170)**	(576)
	6,013	6,377

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 RMB'000	2017 RMB'000
Profit before taxation	**22,958**	15,942
Tax at the domestic enterprise income tax rate in the PRC of 25%	**5,740**	3,986
Tax effect of expenses not deductible for tax purposes	**273**	2,391
Tax charge for the year	**6,013**	6,377

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2018	2017
	RMB'000	RMB'000
Directors' emoluments (note 11)	**789**	323
Other staff costs		
– Salaries, allowances and other staff benefits	**7,034**	5,804
– Staffs' retirement benefit scheme contributions	**515**	401
Total staff costs	**8,338**	6,528
Loss on disposal of furniture and office equipment	**–**	1
Depreciation of furniture and office equipment	**203**	193
Auditor's remuneration	**1,100**	79
Minimum lease payments paid under operating leases	**1,084**	808

11. DIRECTORS' EMOLUMENTS AND TOP FIVE HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

Directors' and chief executive officer's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

Name of directors	Directors' fee	Retirement benefits scheme contributions	Salaries and other benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2018				
Executive directors:				
Mr. Zhang Junshen (note i)	**53**	**40**	**397**	**490**
Mr. Liu Zhiyong (note ii)	**34**	**–**	**–**	**34**
Mr. Zhang Junwei (note iii)	**53**	**–**	**–**	**53**
Non-executive director:				
Ms. Shen Qingli (note iv)	**53**	**–**	**–**	**53**
Independent non-executive directors:				
Mr. Chan Chi Fung Leo (note v)	**53**	**–**	**–**	**53**
Mr. Li Zhensheng (note v)	**53**	**–**	**–**	**53**
Mr. Chow Siu Hang (note v)	**53**	**–**	**–**	**53**
	352	**40**	**397**	**789**
For the year ended 31 December 2017				
Executive directors:				
Mr. Zhang Junshen (note i)	–	38	285	323
Mr. Liu Zhiyong (note ii)	–	–	–	–
Non-executive directors:				
Mr. Zhang Junwei (note iii)	–	–	–	–
Ms. Shen Qingli (note iv)	–	–	–	–
	–	38	285	323

11. DIRECTORS' EMOLUMENTS AND TOP FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(a) Directors' emoluments *(Continued)*

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director or the chief executive officer waived or agreed to waive any remuneration during the year.

Notes:

(i) Mr. Zhang Junshen, being appointed as an executive director of the Company on 28 October 2016, is the Chairman and the chief executive officer of the Company.

(ii) Being appointed as an executive director of the Company on 13 January 2017, and resigned as an executive director of the Company on 9 November 2018.

(iii) Being appointed as a non-executive director of the Company on 13 January 2017, and has been re-designated from the non-executive director to the executive director on 9 November 2018.

(iv) Being appointed as a non-executive director of the Company on 13 January 2017.

(v) Being appointed as independent non-executive directors of the Company on 12 June 2018.

(b) Five highest paid employees

The five highest paid employees of the Group during the year included one director (2017: one director), details of whose remuneration are set out in note 11(a) above. Details of the remuneration for the year of the remaining four (2017: four) highest paid employees who are not a director of the Company are as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries, allowances and other benefits	**1,739**	1,755
Staffs' retirement benefit scheme contributions	**129**	94
	1,868	1,849

11. DIRECTORS' EMOLUMENTS AND TOP FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(b) Five highest paid employees *(Continued)*

The emoluments of each of the above employees were all within HK$1,000,000 during the reporting period.

During the reporting period, no emoluments were paid by the Group to any of the directors or the chief executive officer of the Company or the five highest paid employees of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDENDS

No dividend (2017: Nil) was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period.

13. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the following data assuming capitalisation issue of shares of the Company (as detailed in note 23(iii)) had been effective since 1 January 2017:

	2018 **RMB'000**	2017 RMB'000
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**16,945**	9,565

	2018 **'000**	2017 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**348,219**	298,779

No diluted earnings per share is presented as there was no potential dilutive ordinary share in issue during both years.

14. FURNITURE AND OFFICE EQUIPMENT

	2018	2017
	RMB'000	RMB'000
COST		
As at the beginning of the year	**1,013**	952
Additions	**54**	63
Disposal	**–**	(2)
As at the end of the year	**1,067**	1,013
ACCUMULATED DEPRECIATION		
As at the beginning of the year	**313**	121
Charge for the year	**203**	193
Eliminated on disposal	**–**	(1)
As at the end of the year	**516**	313
CARRYING VALUES		
As at the end of the year	**551**	700

Depreciation of furniture and office equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful life of 5 years.

15. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised and movements thereon during the year:

	Allowances for bad and doubtful debts/ECL provision	Temporary difference arising from finance lease income	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2017	752	3,021	3,773
Credit (charge) to profit or loss	1,476	(900)	576
As at 31 December 2017	2,228	2,121	4,349
Restated under HKFRS 9 (note 2)	57	–	57
At 1 January 2018 (restated)	2,285	2,121	4,406
Credit (charge) to profit or loss	539	(369)	170
As at 31 December 2018	2,824	1,752	4,576

Under the EIT Law, withholding tax of 10% is imposed on dividends declared in respect of profits earned by the subsidiary in the PRC. As at 31 December 2018, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the retained profits of the subsidiary in the PRC amounting to approximately RMB47 million (31 December 2017: RMB25 million) as the Group is able to control the timing of the reversal of the temporary differences and the directors of the Company considered that the subsidiary in the PRC will not distribute any further dividend in the foreseeable future.

16. FINANCE LEASE RECEIVABLE/DEPOSITS FROM FINANCE LEASE CUSTOMERS

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Finance lease receivable comprises:				
Within one year	**268,706**	227,770	**225,801**	192,834
In more than one year but not more than five years	**171,128**	167,771	**153,880**	152,662
	439,834	395,541	**379,681**	345,496
Less: Unearned finance income	**(60,153)**	(50,045)	**–**	–
Present value of minimum lease payments	**379,681**	345,496	**379,681**	345,496
Less: impairment loss allowance				
– individual and collective impairment allowance	**N/A**	(8,531)	**N/A**	(8,531)
– lifetime ECL allowance	**(10,918)**	N/A	**(10,918)**	N/A
	368,763	336,965	**368,763**	336,965
Analysed for reporting purposes as:				
Current assets			**217,001**	186,798
Non-current assets			**151,762**	150,167
			368,763	336,965

As at 31 December 2018, the effective interest rates of the above finance leases range mainly from 9.5% to 21.2% (31 December 2017: 6.3% to 22.7%) per annum.

16. FINANCE LEASE RECEIVABLE/DEPOSITS FROM FINANCE LEASE CUSTOMERS *(Continued)*

The following is a credit quality analysis of finance lease receivable:

	2018	2017
	RMB'000	RMB'000
Non-past due	**365,058**	333,156
Past due (note)	**14,623**	12,340
Subtotal	**379,681**	345,496
Less: impairment allowance	**(10,918)**	(8,531)
	368,763	336,965

Note: In the event that instalments repayment of a finance lease receivable are past due, the entire outstanding balance of the finance lease receivable is classified as past due.

Finance lease receivable is mainly secured by the leased assets which are used in printing industry and logistics industry and customers' deposits where applicable. Customers' deposits are collected and calculated based on a certain percentage of the entire value of the lease contract. The deposits are returned to the customers in full by end of lease period according to the terms of the lease contract. When the lease contract expires and all liabilities and obligations under the lease contract have been fulfilled, the lessor must return the full lease deposits to the lessee. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contract. As at 31 December 2018, the customers' deposits of RMB68,955,000 (31 December 2017: RMB76,717,000) were received in advance. There was no unguaranteed residual value of leased assets and no contingent rent arrangement that needed to be recognised in both periods.

16. FINANCE LEASE RECEIVABLE/DEPOSITS FROM FINANCE LEASE CUSTOMERS *(Continued)*

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

	2018	2017
	RMB'000	RMB'000
Past due by:		
1 – 30 days	**937**	723
31 – 90 days	**1,078**	768
91 – 365 days	**3,482**	446
More than 365 days	**1,107**	–
	6,604	1,937

Details of impairment assessment for the year ended 31 December 2018 are set out in note 28.

17. PREPAYMENTS AND OTHER RECEIVABLES

	2018	2017
	RMB'000	RMB'000
Deferred issue costs	**–**	4,000
Value-added tax recoverable	**3,352**	2,159
Prepayments	**297**	1
Refundable rental deposits	**796**	1,189
Other receivables	**50**	112
	4,495	7,461

18. BANK BALANCES AND CASH

The bank balances of the Group carry interest at market rates are as follows:

	2018	2017
	%	%
Range of interest rates (per annum)	**0.01 – 0.35**	0.35

The bank balances that are denominated in currencies other than the functional currencies of respective entities are set out below:

	2018	2017
	RMB'000	RMB'000
Hong Kong dollar ("HK$")	**3,509**	18
United States dollar ("US$")	**4**	4
	3,513	22

19. OTHER PAYABLES AND ACCRUED CHARGES

	2018	2017
	RMB'000	RMB'000
Accrued listing expenses/issue costs	**1,504**	6,300
Advance receipts from prospective customers	**553**	572
Other payables	**300**	298
Other accrued charges	**1,522**	467
Other tax payables	**28**	40
	3,907	7,677

20. DEFERRED INCOME

Deferred income represents the difference between the nominal value of the deposits from finance lease customers and their fair values at initial recognition dates. Deferred income is recognised in the profit or loss using effective interest rate over the lease period.

21. FINANCIAL LIABILITY ARISING FROM REPURCHASE AGREEMENTS

	2018	2017
	RMB'000	RMB'000
Financial liability arising from repurchase agreements	**–**	8,713
Carrying amount repayable*:		
Within one year and shown under current liabilities	**–**	8,713

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

As at 31 December 2017, all the financial liability arising from repurchase agreements were secured by charges over certain finance lease receivables of the Group with an aggregate carrying value of RMB8,860,000 and certain security deposits (included in other receivables) of the Group with an aggregate carrying value of RMB834,000. Details of the transfers of financial assets are set out in note 28.

As at 31 December 2017, all the financial liability arising from repurchase agreements was fixed-rate borrowing carrying interest at the rate of 10.00% per annum.

22. BANK BORROWINGS

	2018 **RMB'000**	2017 RMB'000
Secured and guaranteed bank borrowings	**30,065**	–
Carrying amount repayable*:		
Within one year and shown under current liabilities	**30,065**	–

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

As at 31 December 2018, the bank borrowings were variable-rate borrowings with carrying interest per annum at 173% of the benchmark rate offered by the People's Bank of China ("PBOC").

As at 31 December 2018, all the bank borrowings were guaranteed by Mr. Zhang Junshen, an executive director of the Company, Mr. Zhang Shengjie, the father of the Controlling Individual Shareholders, Ms. Tang Yiping, the spouse of Mr. Zhang Junshen, and Shenzhen Ziyuanyuan Investment Holdings Limited, a company controlled by the Controlling Individual Shareholders, and secured by charges over certain finance lease receivable of the Group with the aggregate carrying value of RMB57,313,000.

23. SHARE CAPITAL

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

	Number of shares '000	**Share capital** HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2017 and 31 December 2017	3,800	380
Increase in authorised capital (note i)	996,200	99,620
At 31 December 2018	1,000,000	100,000

23. SHARE CAPITAL *(Continued)*

Issued and fully paid:

	Number of shares '000	**Share capital** HK$'000
At 1 January 2017	1,000	100
Issue of shares (note ii)	10	1
At 31 December 2017	1,010	101
Issue of shares upon listing of the Company's shares on GEM of the Stock Exchange on 9 July 2018 (note iii)		
– Issue of new shares pursuant to the offering	100,000	10,000
– Capitalisation issue of shares	298,990	29,899
At 31 December 2018	400,000	40,000

	2018 **RMB'000**	2017 RMB'000
Shown in the consolidated statement of financial position	**33,839**	88

Notes:

(i) Pursuant to the resolution passed by the shareholders of the Company on 12 June 2018, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 by the creation of additional 996,200,000 ordinary shares of HK$0.1 each.

(ii) On 31 May 2017, 10,000 new ordinary shares with a par value of HK$0.1 each were issued and allocated to Hero Global. Details of this transaction are set out in note (ii) of the consolidated statement of changes in equity.

(iii) On 9 July 2018, the Company issued a total of 100,000,000 ordinary shares of HK$0.1 each at HK$0.76 (equivalent to RMB0.6429) pursuant to the initial public offering of the Company's shares. On the same date, the Company allotted and issued 298,990,000 ordinary shares of HK$0.1 each credited as fully paid to the shareholders by capitalising an amount of HK$29,899,000 (equivalent to RMB25,292,000) from the share premium account of the Company.

(iv) All the shares issued during the year ranked pari passu in all respects with the then existing shares in issue.

24. OPERATING LEASE COMMITMENTS

The Group is the lessee of a number of properties held under operating leases. Leases are negotiated for an average term of two to three years and rentals are fixed throughout the lease period.

The total future minimum lease payment under non-cancellable operating leases are payable as follows:

	2018	2017
	RMB'000	RMB'000
Within one year	**1,784**	997
After one year but within five years	**3,056**	1,438
	4,840	2,435

25. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Under the rule of Mandatory Provident Fund Scheme, the Group and its employees are each required to make a contribution to the MPF Scheme at 5% of the employees' relevant income subject to a cap of monthly relevant income as specified in the rules. Except for voluntary contribution, no forfeited contribution is available to reduce the contribution payable in the future years.

The Group participates in a state-managed defined contribution retirement scheme organised by the relevant local government authority in the PRC. PRC employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The Group is required to make monthly contributions to the retirement scheme of the eligible employees at specified percentage, ranging from 13% to 14% of the payroll and the local government authority is responsible for the pension liabilities to these employees upon their retirement.

Total cost recognised in profit or loss in respect of contributions paid or payable to the schemes by the Group for the year ended 31 December 2018 is RMB555,000 (2017: RMB439,000).

26. RELATED PARTY TRANSACTIONS

(a) Related party balances

Amounts due to related parties

		At 31 December	
		2018	2017
Name of Related Party	**Relationship**	**RMB'000**	RMB'000
HK Haiyan International Trade Limited	Related party (note)	–	171
Shenzhen Ziyuanyuan Investment Holdings Limited*	Related party (note)	–	13,500
深圳市卡普辛一號影視傳媒有限公司	Related party (note)	–	12,680
		–	26,351

* English translated name is for identification purpose only

Note: The companies are controlled by the Controlling Individual Shareholder(s).

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand. The amounts outstanding as at 31 December 2017 were fully settled upon the listing of the Company's shares on GEM of the Stock Exchange.

(b) Compensation of key management personnel

The remuneration of key management personnel, which represents the directors of the Company and senior management during the year is as follows:

	2018	2017
	RMB'000	RMB'000
Salaries, allowances and other benefits	**2,537**	1,984
Retirement benefit scheme contributions	**171**	142
	2,708	2,126

The remuneration of directors of the Company and senior management is determined having regard to the performance of individuals and market trends.

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of amounts due to related parties, financial liability arising from repurchase agreements and bank borrowings as set out in notes 26, 21 and 22, respectively and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company reviews the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with the share capital and borrowings. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues and issue of new borrowings.

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 **RMB'000**	2017 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**N/A**	3,625
At amortised cost	**25,850**	N/A
Finance lease receivable	**368,763**	336,965
Financial liabilities		
Amortised cost	**99,873**	112,651

28. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include finance lease receivable, other receivables, bank balances and cash, amounts due to related parties, other payables, deposits from finance lease customers, financial liability arising from repurchase agreements and bank borrowings. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and impairment assessment and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) Currency risk

The Group's exposure to foreign currency risk related primarily to certain bank balances that are denominated in HK$ and US$. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currencies denominated monetary assets at the end of the reporting period are as follows:

	2018 **RMB'000**	2017 RMB'000
Assets		
HK$	**3,509**	18
US$	**4**	4

28. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(i) Currency risk (Continued)

The following table details the Group's sensitivity to a 5% appreciation and depreciation in RMB, the functional currency of respective group entities, against US$/HK$. 5% is the sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rate. The analysis illustrates the impact for a 5% weakening of US$/HK$ against RMB and a negative number below indicates a decrease in profit for the year. For a 5% strengthening of US$/HK$ against RMB, there would be an equal and opposite impact on the profit for the year.

	2018	2017
	RMB'000	RMB'000
HK$ impact:		
Decrease in profit for the year	**(131)**	(1)
US$ impact:		
Decrease in profit for the year	**–**	–

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end date exposure does not reflect the exposure during the reporting period.

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk in relation to bank balances and bank borrowings. The Group takes on exposure to the effects of fluctuation in the prevailing market interest rates affecting the cash flow risks.

28. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Interest rate risk (Continued)

The Group is also exposed to fair value interest rate risk in relation to fixed-rate financial liability arising from repurchase agreements, fixed-rate finance lease receivable and deposits from finance lease customers. The Group does not have a fair value interest rate risk hedging policy.

Management monitors the related interest exposure closely to ensure the interest rate risks are maintained at an acceptable level. The level of mismatch of interest rate repricing that may be undertaken is monitored closely.

The Group's exposures to interest rates on financial assets and liabilities are mainly concentrated in the fluctuation of PBOC rate arising from bank balances and bank borrowings for which the directors of the Company considered the effect is immaterial.

Credit risk and impairment assessment

As at 31 December 2018, the Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk in relation to finance lease receivable, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) based on provision matrix or credit impaired. In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

The credit risk on bank balances is limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

28. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

As at 31 December 2018, the Group's concentration of credit risk on finance lease receivable included five major counterparties accounting for 6.9% (2017: 7.4%), of the aggregate outstanding balance at the respective year end date.

The Group has closely monitored the recoverability of finance lease receivable from these counterparties, ensured adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances.

The Group is exposed to the concentration of geographical risk on revenue which is generated mostly from customers located in the PRC during the reporting period. The directors of the Company has closely monitored the business performance of these customers in the PRC and will consider diversifying its customer base as appropriate.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Finance lease receivable	Other financial assets
Low risk	The counterparty has a low risk of default	Lifetime ECL – not credit-impaired	12m ECL
Fair risk	The counterparty frequently repays after due date but usually settle after due date or the asset is past-due within 90 days	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired or more than 90 days past-due	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the customer is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

28. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

The table below detail the credit risk exposure of the group's financial assets and finance lease receivable, which are subject to ECL assessment.

As at 31 December 2018

External/ Internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Financial assets at amortised cost				
Bank balances				
AAA/AA+	12m ECL	N/A	25,004	–
Other receivables				
N/A (note i)	12m ECL	N/A	846	–
Other items				
Finance lease receivable (note ii)				
Low risk	Lifetime ECL – (not credit-impaired)	1%	340,476	2,546
Fair risk	Lifetime ECL – (not credit-impaired)	10%	30,623	2,221
Loss	Lifetime ECL – (credit-impaired)	73%	8,582	6,151
			379,681	10,918

Notes:

(i) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. As at 31 December 2018, all of the other receivables were not past due.

(ii) For finance lease receivable, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for customers who are credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating. Credit-impaired finance lease receivable with gross carrying amounts of RMB8,582,000 as at 31 December 2018 were assessed individually.

28. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

The measurement of ECL is a function of the PD, LGD and the EAD. The assessment of the PD and LGD is based on historical data adjusted by forward-looking information related to the economic inputs and the future macroeconomic conditions such as nonfarm payroll and purchasing managers' index.

The Group calculated PD by applying linear regression by inputting gross domestic product index, purchasing managers' index and certain other index with adjustment factors such as industry and region. The LGD were based on historical observed default rates over the expected life and by referencing the external database on regional recovery by creditors.

As at 31 December 2018, the Group provided RMB4,767,000 impairment allowance based on the provision matrix. Impairment allowance of RMB6,151,000 was made on credit impaired finance lease receivable.

The following table shows the movement in lifetime ECL that has been recognised for finance lease receivable under the simplified approach.

	Lifetime ECL not credit-impaired RMB'000	**Lifetime ECL credit-impaired** RMB'000	**Total** RMB'000
As at 1 January 2018 (restated)	5,436	3,323	8,759
Changes due to finance lease receivable recognised as at 1 January:			
– Transfer to credit-impaired (note i)	(1,197)	1,197	–
– Impairment losses recognised (note ii)	–	2,239	2,239
– Impairment losses reversal (note iii)	(2,405)	–	(2,405)
– Disposal	–	(608)	(608)
Net addition of finance lease receivable (note iv)	2,933	–	2,933
As at 31 December 2018	4,767	6,151	10,918

(i) Transfer to credit-impaired was caused by the triggering event from the debtors such as default or the debtor encountering significant financial difficulty during the year.

(ii) Impairment losses recognised was caused by further impairment provided for the credit-impaired finance lease receivable.

(iii) Impairment losses reversal was caused by full settlement of the outstanding balance of the finance lease receivable.

(iv) It was caused by impairment allowance provided in relation to finance lease receivable during the year.

28. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

The movements of finance lease receivable with the gross amount were as follows:

	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2018	339,376	6,120	345,496
Changes due to finance lease receivable recognised as at 1 January:			
– Transfer to credit-impaired	(12,006)	12,006	–
– Settlement	(182,591)	(8,324)	(190,915)
– Disposal	–	(1,220)	(1,220)
Net addition of finance lease receivable	226,320	–	226,320
As at 31 December 2018	371,099	8,582	379,681

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors, which has built an appropriate liquidity risk management framework for the directors' short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial assets and financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial assets and financial liabilities. The table includes both interest and principal cash flows.

28. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

	Weighted average effective interest rate	Overdue/ on demand	Within 1 month	1 to 3 months	4 to 12 months	1 to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2018									
Assets									
Finance lease receivable	13.83	6,604	25,038	50,658	186,406	143,532	27,596	439,834	368,763
Other receivables	–	–	50	231	–	120	445	846	846
Bank balances and cash	0.35	25,004	–	–	–	–	–	25,004	25,004
Total		31,608	25,088	50,889	186,406	143,652	28,041	465,684	394,613
Liabilities									
Other payables	–	853	–	–	–	–	–	853	853
Deposits from finance lease customers	12.68	–	577	2,733	29,686	35,422	12,049	80,467	68,955
Bank borrowings	7.53	–	188	376	31,599	–	–	32,163	30,065
Total		853	765	3,109	61,285	35,422	12,049	113,483	99,873
As at 31 December 2017									
Assets									
Finance lease receivable	13.83	1,937	20,061	41,854	163,918	132,426	35,345	395,541	336,965
Other receivables	–	–	495	–	834	–	351	1,680	1,301
Bank balances and cash	0.35	2,324	–	–	–	–	–	2,324	2,324
Total		4,261	20,556	41,854	164,752	132,426	35,696	399,545	340,590
Liabilities									
Other payables	–	870	–	–	–	–	–	870	870
Deposits from finance lease customers	12.68	–	746	726	21,367	40,231	30,285	93,355	76,717
Amounts due to related parties	–	26,351	–	–	–	–	–	26,351	26,351
Financial liability arising from repurchase agreements	10.00	–	–	–	9,091	–	–	9,091	8,713
Total		27,221	746	726	30,458	40,231	30,285	129,667	112,651

28. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities is determined based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to their fair values.

(d) Transfers of financial assets

The following was the Group's finance lease receivable that was transferred to a financial institution by discounting those finance lease receivable. As the Group has not transferred the significant risks and rewards relating to these finance lease receivable, it continues to recognise the full carrying amount of the finance lease receivable and has recognised the cash received on the transfer as financial liability arising from repurchase agreements (note 21).

These finance lease receivable and financial liabilities are carried at amortised cost in the Group's consolidated statement of financial position.

	Finance lease receivable	
	31 December	
	2018	2017
	RMB'000	RMB'000
Carrying amount of transferred assets	–	8,860
Carrying amount of associated liabilities	–	(8,713)
Net position	–	147

29. PARTICULARS OF SUBSIDIARIES

As at 31 December 2018, the Company has direct and indirect shareholders/equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Particulars of issued/registered capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December 2018	2017	Principal activity
Directly owned					
Honor Global Holdings Limited (榮耀全球控股有限公司)	BVI 28 October 2016	US$50,000	**100%**	100%	Investment holding
Indirectly owned					
HK Lixin (香港立信貿易有限公司)	Hong Kong 6 March 2013	HK$50,000,000	**100%**	100%	Investment holding
Ziyuanyuan Finance Limited (紫元元財務有限公司)	Hong Kong 8 October 2018	HK$10,000	**100%**	N/A	Money lending
ZYY Finance Leasing (紫元元(深圳)國際融資租賃有限公司#)	PRC 28 May 2014	US$50,000,000	**100%**	100%	Provision of finance leasing services
Ziyuanyuan (Shenzhen) Technology Limited (formerly known as Shenzhen Huafang Management Consulting Limited) (紫元元(深圳)科技有限公司(前稱深圳市華方管理諮詢有限公司#))	PRC 6 September 2015	RMB2,000,000	**100%**	100%	Provision of technological services

\# English translated name is for identification purpose only.

Except for HK Lixin which adopts the financial year end date of 30 June, all subsidiaries are limited liability companies and have adopted 31 December as their financial year end date.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during both years.

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

2018

		Financing cash flows			Non-cash changes	
	As at 1 January 2018 RMB'000	Cash in RMB'000	Cash out RMB'000	Net cash from (used in) financing activities RMB'000	Accruals RMB'000	As at 31 December 2018 RMB'000
Bank borrowings – principal	–	60,000	(30,000)	30,000	–	30,000
Bank borrowings – interest	–	–	(1,456)	(1,456)	1,521	65
Financial liability arising from repurchase agreements – principal	8,340	–	(8,340)	(8,340)	–	–
Financial liability arising from repurchase agreements – interest	373	–	(721)	(721)	348	–
Amounts due to related parties	26,351	31,500	(57,851)	(26,351)	–	–
Accrued issue costs	1,558	–	(5,227)	(5,227)	4,015	346

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(Continued)*

2017

		Financing cash flows			Non-cash changes				
	As at 1 January 2017	Cash in	Cash out	Net cash from (used in) financing activities	Accruals	Foreign exchange movement	Transfer of indebtedness to Controlling Individual Shareholders (note i)	Deemed capital contribution from a shareholder (note ii)	As at 31 December 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings – principal	15,000	15,000	(30,000)	(15,000)	–	–	–	–	–
Bank borrowings – interest	–	–	(1,199)	(1,199)	1,199	–	–	–	–
Financial liability arising from repurchase agreements – principal	–	8,340	–	8,340	–	–	–	–	8,340
Financial liability arising from repurchase agreements – interest	–	–	–	–	373	–	–	–	373
Amounts due to related parties	1,148	63,128	(37,925)	25,203	–	–	–	–	26,351
Amount due to a shareholder	98,234	–	–	–	–	(24)	(4,684)	(93,526)	–
Accrued issue costs	–	–	(1,411)	(1,411)	2,969	–	–	–	1,558

Notes:

(i) During the year ended 31 December 2017, amount due to a shareholder of RMB2,684,000 in May 2017 and RMB2,000,000 in July 2017, respectively, were assumed by Controlling Individual Shareholders, namely Mr. Zhang Junshen and Mr. Zhang Junwei to set off the corresponding amount due from Controlling Individual Shareholders.

(ii) Details of this major non-cash transaction are set out in notes (ii) and (iii) of the consolidated statement of changes in equity.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31/12/2018 RMB'000	31/12/2017 RMB'000
NON-CURRENT ASSET		
Interests in subsidiaries	**120,009**	61,977
CURRENT ASSETS		
Deferred issued costs	**–**	4,000
Prepayment	**146**	–
Amounts due from subsidiaries	**1,701**	24
Bank balances and cash	**1,206**	–
	3,053	4,024
CURRENT LIABILITIES		
Accrued listing expenses/issue cost	**1,504**	6,300
Other accrued charges	**253**	–
Amounts due to subsidiaries	**20,920**	10,832
	22,677	17,132
NET CURRENT LIABILITIES	**(19,624)**	(13,108)
NET ASSETS	**100,385**	48,869
CAPITAL AND RESERVES		
Share capital	**33,839**	88
Reserves	**66,546**	48,781
TOTAL EQUITY	**100,385**	48,869

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Movement in reserves

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2017	36,388	–	36,388
Issue of new shares	25,525	–	25,525
Loss and total comprehensive expense for the year	–	(13,132)	(13,132)
As at 31 December 2017	61,913	(13,132)	48,781
Loss and total comprehensive expense for the year	–	(4,757)	(4,757)
Issue of new shares	55,829	–	55,829
Issue of shares by capitalisation of share premium account	(25,292)	–	(25,292)
Transaction costs attributable to issue of new shares	(8,015)	–	(8,015)
At 31 December 2018	84,435	(17,889)	66,546

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the years ended 31 December 2018, 2017, 2016 and 2015, extracted from the audited financial statements in this annual report and the Prospectus of the Company dated 25 June 2018, is as follows:

RESULTS:

	Year ended 31 December			
	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**60,409**	52,060	29,546	10,807
Profit before taxation	**22,958**	15,942	7,536	958
Taxation	**(6,013)**	(6,377)	(2,319)	(278)
Profit for the year	**16,945**	9,565	5,217	680

ASSETS AND LIABILITIES:

	As at 31 December			
	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**403,389**	351,908	285,171	207,090
Total liabilities	**(119,991)**	(141,557)	(177,911)	(89,018)
Total equity	**283,398**	210,351	107,260	118,072