

富銀融資租賃(深圳)股份有限公司 FY Financial (Shenzhen) Co., Ltd.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code: 8452

2017 INTERIM REPORT

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

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

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

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This report, for which the directors (the “Director(s)”) of FY Financial (Shenzhen) Co., Ltd. (the “Company”, together with its subsidiaries, the “Group”), 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 (“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 aspects and not misleading or deceptive; and there are no other matters the omission of which would make this report or any statement herein or this report misleading.

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CORPORATE INFORMATION

Name of Company

FY Financial (Shenzhen) Co., Ltd.

Stock Code

08452

Board of Directors

Executive Directors

Mr. Li Peng (李鵬)

Mr. Weng Jianxing (翁建興)

Non-executive Directors

Mr. Zhuang Wei (莊巍) (Chairman)

Mr. Qian Cheng (錢程)

Ms. Hui Ying (惠穎)

Mr. Sun Luran (孫路然)

Independent Non-executive Directors

Mr. Fung Che Wai Anthony (馮志偉)

Mr. Hon Leung (韓亮)

Mr. Liu Shengwen (劉升文)

Audit Committee

Mr. Fung Che Wai Anthony (馮志偉) (Chairman)

Mr. Hon Leung (韓亮)

Mr. Liu Shengwen (劉升文)

Nomination Committee

Mr. Zhuang Wei (莊巍) (Chairman)

Mr. Hon Leung (韓亮)

Mr. Fung Che Wai Anthony (馮志偉)

Remuneration Committee

Mr. Liu Shengwen (劉升文) (Chairman)

Mr. Hon Leung (韓亮)

Mr. Qian Cheng (錢程)

Compliance Officer

Mr. Li Peng (李鵬)

Joint Company Secretaries

Ms. Ng Wing Shan (吳詠珊)

Ms. Wang Ying (王瑩)

Authorized Representatives

Mr. Weng Jianxing (翁建興)

Ms. Ng Wing Shan (吳詠珊)

Registered Office

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Shenzhen, Guangdong

PRC

Head Office in the PRC

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Shenzhen, Guangdong

PRC

Principal Place of Business in Hong Kong

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Hong Kong

Company Website

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Auditor

BDO Limited

Certified Public Accountants

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111 Connaught Road Central

Hong Kong

CORPORATE INFORMATION

Legal Advisers

As to Hong Kong law

Sidley Austin
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to PRC law

Shu Jin Law Firm
12/F, Taiping Finance Tower
6001 Yitian Road
Futian District
Shenzhen
PRC

Compliance Adviser

Dongxing Securities (Hong Kong) Company Limited
6805-6806A, 68/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Principal Bankers

Industrial and Commercial Bank of China Limited
Qianhai Branch
Block 10, Vanke (Qianhai) Enterprise Mansion
Qianhai, Shenzhen
Guangdong Province
PRC

Agricultural Bank of China Limited
Qianhai Branch
Vanke (Qianhai) Enterprise Mansion
Qianhai, Shenzhen
Guangdong Province
PRC

China Merchants Bank Co., Ltd.
Central Walk Branch
No. 1094 Level L, Central Walk Plaza
Fuhua First Road
Futian District, Shenzhen
Guangdong Province
PRC

Bank of China Limited
Shenzhen Shahe Branch
1st Floor, Block 22
Guanghua Street, Overseas Chinese Town
Nanshan District, Shenzhen
Guangdong Province
PRC

Hong Kong H Share Registrar and Transfer Office

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

1.1 Macroeconomic Environment

In the first half of 2017, China's economy continued to exhibit "L"-shaped trend, its gross domestic products had a year-on-year growth of approximately 6.9%, up by approximately 0.2% over the same period of last year. Industrial value added from enterprises above designated size in China had a year-on-year growth of approximately 6.9% in real terms, up by approximately 0.9% over the same period of last year. The growth of fixed assets investment slowed down slightly and increased by approximately 8.6% on a year-on-year basis, down by approximately 0.4% over the same period of last year. The growth rate of investment in manufacturing industry and private fixed asset investment rebounded and reached approximately 5.5% and 7.2%, respectively, up by approximately 2.2% and 4.4%, respectively over the same period of last year. This year, as the supply-side structural reform makes steady progress and the industrial economy gains momentum, it is more apparent that the China's economic trend is stable and favourable. In the second half of the year, China will continue to maintain the macroeconomic policies that promote growth on one hand while maintaining stability on the other hand, implement proactive fiscal policies and prudent monetary policies and moderately expand aggregate demand.

1.2 Industrial Environment

As China's economic growth continued to slow down and industrial consolidation continues, the fixed assets of the tertiary industry continued to grow faster than those of the secondary industry. In the first half of the year, the investment in the tertiary industry increased by 11.3% over the same period of last year, which is 7.3% faster than the growth of the investment in secondary industry.

For finance leasing and factoring industries, differentiation trend of industrial environment is also increasingly evident. The increasing rate of aging population, urbanization, localization of production of medical devices in China, and the gradual increase in the morbidity of chronic diseases promotes the rapid growth of the healthcare industry. The booming production and sales of new energy vehicles leads to the rapid growth of the upstream and downstream industry chain, including power batteries and battery materials. In the new economic cycle, healthcare and new energy industries maintain rapid growth and fixed assets investment demand is relatively strong. However, some of the traditional manufacturing-related enterprises are still facing overcapacity and lack of orders, and some industries continue to experience fluctuations and adjustment, and have an urgent need for transformation and upgrade.

MANAGEMENT DISCUSSION AND ANALYSIS

1.3 Business of the Group in the first half of the year

The overseas-listed foreign shares of the Company (the “H Shares”) were successfully listed on the GEM of the Stock Exchange on 23 May 2017 (the “Listing Date”). In the first half of 2017, the operating results of the Group grew steadily and the revenue of the Group were mainly derived from finance lease income, factoring service income and advisory service fee income, accounting for approximately 74.53%, 6.09% and 19.38% of the total revenue of the Group, respectively. Amidst the slowdown in China’s economic growth, further deepening of industrial restructuring and the boom in the leasing industry, the Group actively adopted various measures to seize the opportunities and tackle the challenges brought by the changing circumstances.

Finance leasing business

While ensuring that its risk control measures are properly implemented, for the purpose of enhancing the economic effectiveness and efficiency of its business, the Group continued to develop its finance leasing business in traditional industries such as the electronics and fast moving consumer goods industries and deployed more resources in promising sectors with steady development such as medical and new energy industries. Besides, the Group actively explored business opportunities in new businesses, such as small-sized business and medical equipment trading business.

Factoring business

The Group proactively maintained close contact with its existing factoring customers and further expanded its accounts receivable factoring business in the healthcare industry to provide its customers with accounts receivable collection and management services so as to explore further business cooperation opportunities.

Advisory service business

The Group provides training and development programs for its employees to enhance their professional knowledge and keep them abreast of industry updates. Through its in-depth knowledge in the financial industry and the industries of its customers, the Group strives to provide its customers with high quality, customised and professional advisory services, including market information, product advice, analysis on competition in the industry, solutions for optimising operational workflow as well as financial management and earn its advisory service fee income in return.

MANAGEMENT DISCUSSION AND ANALYSIS

1.4 Outlook for the second half of the year

In the second half of 2017, the Group will grasp national policy and market development opportunities and continue to fully utilize the Group's diversified customer base and the relationship with its customers to stably develop finance leasing services for the fast-moving consumer products, electronic products, medical, new energy and transportation industries, consolidate the Group's upstream and downstream resources for the development of its business with customers in the financial, medical and high-end manufacturing industries, expand the relevant industrial chains and enhance the economic efficacies of the Group's business. Meanwhile, the Group will improve the daily operation mechanism for small-sized business, strengthen risk management measures continuously, and reinforce the Group's attraction and training to talents, so as to enhance the growth potential and operation quality of the Group continuously.

2. FINANCIAL REVIEW

2.1 Overall performance

During the reporting period, the revenue of the Group maintained steady growth and recorded revenue of approximately RMB39.87 million, representing an increase of approximately 18.06% from approximately RMB33.77 million for the same period of last year. The revenue growth was mainly due to the expansion of the financial leasing business. In the first half of 2017, the Group recorded profit of approximately RMB0.80 million after deducting listing expenses, representing a decrease of approximately 92.82% from RMB11.14 million for the same period of last year. The main reason for the decrease was the increase in listing expenses of approximately RMB9.40 million in the first half of 2017. Taking no account of the impact of the listing expenses, the Group recorded profit of approximately RMB10.20 million, representing a year-on-year decrease of approximately 8.44%. The decrease mainly attributable to the increase of the direct costs and expenses.

2.2 Direct Costs

The Group's main cost items were bank borrowing interest expenses. During the reporting period, the Group's direct costs amounted to approximately RMB12.19 million, representing an increase of approximately 256.43% from approximately RMB3.42 million for the same period of last year, which was mainly due to the increase in interest-bearing bank borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

2.3 Other income and gains

During the reporting period, other income and gains amounted to approximately RMB1.54 million, representing an increase of approximately 165.52% from approximately RMB0.58 million for the same period of last year. The increase was primarily attributable to the increase in recharge on insurance premium and financing income.

2.4 Operating expenses

During the reporting period, the Group's operating expenses amounted to approximately RMB3.86 million, representing an increase of approximately 15.22% from approximately RMB3.35 million for the same period of last year, which was mainly due to the increase in salaries and benefits as a result of the increase in total number of the sales personnel of the Group.

2.5 Administrative expenses

During the reporting period, administrative expenses amounted to approximately RMB11.17 million, representing an increase of approximately 37.06% from approximately RMB8.15 million for the same period of last year. The increase was mainly due to the increase in salaries and benefits as a result of the increase in total number of the Group's administrative staff.

2.6 Provision for/reversal of impairment on accounts receivables

During the reporting period, provision for impairment of accounts receivable was approximately RMB2.50 million, while there was a reversal of provision of impairment of accounts receivable of approximately RMB0.59 million for the same period of last year, which was mainly due to loss incurred for early settlement of several finance lease contracts in current interim period.

2.7 Listing expenses

In the first half of 2017, the Group incurred listing expenses of approximately RMB9.40 million, which was non-recurring in nature.

2.8 Income tax expense

In the first half of 2017, the Group's income tax expense was approximately RMB1.50 million, representing a decrease of approximately 70.18% from approximately RMB5.03 million for the same period of last year, which was mainly due to the increase in costs and expenses and the decrease in profit before income tax.

MANAGEMENT DISCUSSION AND ANALYSIS

3. FINANCIAL CONDITIONS ANALYSIS

3.1 Overview of Assets

As at 30 June 2017, the Group's total assets amounted to approximately RMB1,052.67 million, representing an increase of approximately RMB65.37 million or approximately 6.62% from the end of last year. Of which, the receivables amounted to approximately RMB960.91 million, accounting for approximately 91.28% of the total assets, representing an increase of approximately RMB51.80 million or approximately 5.70% from the end of last year.

3.2 Overview of Liabilities

As at 30 June 2017, the Group's total liabilities amounted to approximately RMB648.32 million, representing a decrease of approximately RMB29.69 million or approximately 4.38% from the end of last year.

The gearing ratio, representing the total debt (which includes interest-bearing bank and other borrowings), divided by total equity, was about 1.17% as at 30 June 2017 (31 December 2016: about 1.62%).

4. CASH FLOW ANALYSIS

The primary uses of capital of the Group are to fund its finance leases and factoring businesses and to manage the working capital of its daily operations. During the reporting period, the Group had cash outflow from operating activities of approximately RMB39.57 million, as compared to a cash inflow from operating activities of approximately RMB164.27 million over the same period last year, primarily as a result of the Group's business expansion and increase of investment in finance leasing and factoring businesses. The cash flow of the Group generated from financing activities was approximately RMB64.74 million, representing an increase of approximately 130.23% as compared to the same period last year, which is mainly attributable to the proceeds from the offer of 89,840,000 H Shares (the "Share Offer"). The cash flow of the Group generated from investing activities was approximately RMB0.87 million, representing a decrease of approximately 97.92% as compared to the same period last year.

5. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern, and to provide an adequate return to equity holders. The Group actively and regularly reviews and manages its capital structure to maintain a balance between high returns and sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. No changes were made by the Group in the objectives, policies or processes during the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

6. CAPITAL EXPENDITURE

Due to its business nature, the Group has minimal capital expenditures. The Group's capital expenditures principally consist of expenditures on office equipment. During the reporting period, the Group incurred capital expenditures of approximately RMB0.03 million.

7. RISK MANAGEMENT

As a financial services company, the Group faces a variety of risks in its daily business operations, mainly including credit risk, liquidity risk, interest rate risk, operational risk, and legal and compliance risk. The Group recognises the importance of an effective risk management system for identifying and mitigating these risks. The Group has developed a risk management system tailored to the characteristics of its business operations, with a focus on managing the risks through comprehensive due diligence on the customer, independent information review and multi-level approval process. The Group seeks to maintain a diversified portfolio with a primary focus on various strategic industries for its finance leasing and factoring businesses. This enhances its risk management capability in that its overall portfolio risk would be less vulnerable to the cyclical and market conditions of a single industry. During the reporting period, the Group continues to monitor and review the operation and performance of its risk management system, and to improve the system from time to time to adapt to the changes in market conditions and regulatory environment.

8. HUMAN RESOURCES

As at 30 June 2017, the Group had a total of 87 full-time employees. The remuneration of the employees of the Group is determined based on the market conditions, past experience and employee performance. For the first half of 2017, the Group incurred employment benefit expenses (social insurance, housing fund and enterprise annuity) of approximately RMB1.46 million, representing an increase of approximately 41.35% from approximately RMB1.04 million for the same period last year. In compliance with applicable PRC laws and regulations, the Group has made contributions to social insurance funds (including pension, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for its employees. For the six months ended 30 June 2017, the Group had complied in all material aspects with all statutory social insurance and housing fund obligations applicable to it under PRC laws.

9. CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no significant contingent liabilities (31 December 2016: nil).

10. CAPITAL COMMITMENTS

As at 30 June 2017, the Group had commitments for the acquisition of plant and equipment which contracted for but not yet incurred of RMB0.41 million (31 December 2016: RMB0.41 million).

MANAGEMENT DISCUSSION AND ANALYSIS

11. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2016 and 30 June 2017, the net current assets of the Group were approximately RMB51.46 million and RMB71.72 million respectively. As at 31 December 2016 and 30 June 2017, the cash and cash equivalents of the Group were approximately RMB40.92 million and RMB66.95 million respectively. As at 31 December 2016 and 30 June 2017, the Group's balance of borrowings was approximately RMB496.21 million and RMB458.22 million respectively. The Group planned to utilize cash inflows from operations and proceeds received from the Share Offer to finance its cash requirements.

12. USE OF PROCEEDS FROM THE SHARE OFFER

The Company's H Shares were listed on the GEM of the Stock Exchange on the Listing Date. After deducting underwriting commissions and all other expenses related to the Share Offer, the net proceeds from the Share Offer amounted to approximately RMB92.52 million. As at 30 June 2017, the Group did not change its plan on the use of proceeds as stated in the prospectus of the Company dated 10 May 2017 in relation to the Share Offer.

The Group's utilization of proceeds from the Share Offer as at 30 June 2017 is set out below:

Use of Proceeds	Planned Amount (RMB million)	Actual Amount Used (RMB million)	Actual Amount of Balance (RMB million)
Finance leasing operations	69.39	69.39	—
Factoring operations	18.50	—	18.50
Working capital and other general corporate use	4.63	—	4.63
Total	92.52	69.39	23.13

MANAGEMENT DISCUSSION AND ANALYSIS

13. ADVANCE TO AN ENTITY

Pursuant to the Rules 17.15 and 17.17 of the GEM Listing Rules, a disclosure obligation arises where the relevant advance to an entity from the Group exceeds 8% under the assets ratio as defined under Rule 19.07(1) of the GEM Listing Rules. In this regard, the Company published an announcement dated 6 August 2017 (the “Announcement”) in relation to the finance lease agreements with and advance to 珠海光宇電池有限公司 (Zhuhai Coslight Battery Company Limited) (the “Lessee”).

As disclosed in the Announcement, from 7 September 2015 to 23 June 2017, the Company entered into certain new sale-leaseback transactions with the Lessee and direct leasing transactions with, among others, the Lessee, pursuant to which the Company would purchase either from the Lessee (in sale-leaseback transactions) or the relevant suppliers (in direct leasing transactions) the lease assets and would lease to the Lessee such lease assets for a term of 36 months in return for lease payments.

As at 30 June 2017, the amount due to the Company from the Lessee exceeded 8% of the total assets of the Group. As such, the Company has further disclosure obligations under Rule 17.22 of the GEM Listing Rules.

The table below sets out the details of the new sale-leaseback transactions and direct leasing transactions:

Amount due to the Company as at 30 June 2017	:	approximately RMB143.53 million
Financing term	:	36 months from the respective dates of advance, or such other date as agreed between the Company and the Lessee
Effective interest rate per annum	:	Ranging from approximately 4.89% to approximately 5.48%
Repayment term	:	The customer shall pay the finance lease principal amount and finance lease interest income (VAT inclusive) by 36 monthly instalments payable on the first day (in respect of the direct leasing transactions) or the last day (in respect of the sale-leaseback reconceptions) of the respective instalment periods during the respective financing terms
Collateral	:	Certain production equipment and among others, such ancillary, additional or substitution property of and rights in and interest accrued upon the production equipment

MANAGEMENT DISCUSSION AND ANALYSIS

14. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Company established a wholly-owned subsidiary in Tianjin, namely, Tianjin Fuyin Leasing Co., Ltd, with registered capital of RMB170.00 million, to expand its finance leasing business. The establishment of Tianjin Fuyin Leasing Co., Ltd is a non-adjusting event.

15. SIGNIFICANT INVESTMENTS

The Group did not have any significant investments during the reporting period.

16. MATERIAL ACQUISITIONS OR DISPOSALS

The Group had no material acquisition or disposal of subsidiaries and affiliated companies during the reporting period.

17. PLEDGE OF ASSETS

The Group pledged the accounts receivable from finance leasing with the carrying amount of RMB179.80 million as at 30 June 2017 (31 December 2016: RMB221.54 million) to secure the interest-bearing bank borrowings.

18. FOREIGN EXCHANGE EXPOSURE

The Group's income and expenditure during the six months ended 30 June 2017 were principally denominated in RMB, and most of the assets and liabilities as at 30 June 2017 were also denominated in RMB. During the reporting period, 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 reporting period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

Compliance with Corporate Governance Code

The Group is committed to have a high quality board of directors (the “**Board**”) and a high level of transparency and observed the principles and code provisions of the Corporate Governance Code (“**CG Code**”) contained in Appendix 15 to the GEM Listing Rules. During the period from the Listing Date to 30 June 2017, the Group has complied with all the code provisions of the CG Code.

Composition and Duties of the Board

The Board currently consists of nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors. According to the articles of association of the Company, all the Directors shall be elected by the general meeting for a term of three years, and are eligible for re-election upon expiry of their terms.

The powers and duties of the Board include, but not limited to convening shareholders’ general meetings, reporting the Board’s work at the shareholders’ meetings, implementing the resolutions passed at general meetings, determining the Group’s business and investment plans, formulating its annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of the Company’s registered capital as well as exercising other powers, functions and duties as conferred by the Company’s articles of association.

Board Committees

The Company established three Board committees, namely the audit committee, the nomination committee and the remuneration committee on 25 April 2017. The terms of reference of the audit committee, the nomination committee and the remuneration committee are set out on the websites of the Company and the Stock Exchange.

Audit Committee

The Board established the audit committee on 25 April 2017. The written terms of reference are in compliance with Rule 5.28 of the GEM Listing Rules and Code Provision C.3 of the CG Code.

The primary duties of the audit committee include (but without limitation) assisting the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, overseeing the audit process, developing and reviewing the Company’s policies and performing other duties and responsibilities as assigned by the Board. As at the reporting date, the audit committee consists of three independent non-executive Directors, being Mr. Fung Che Wai Anthony, Mr. Hon Leung and Mr. Liu Shengwen. The audit committee is chaired by Mr. Fung Che Wai Anthony.

The audit committee, together with the management of the Company and BDO Limited, the external auditors of the Company, had reviewed the accounting principles and policies adopted by the Group and unaudited condensed consolidated interim financial statements as at 30 June 2017, together with the interim report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Nomination Committee

The Board established the nomination committee on 25 April 2017. The written terms of reference are in compliance with Code Provision A.5 of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The primary function of the nomination committee include (but without limitation) making recommendations to the Board on the appointment of members of the Board. As at the reporting date, the nomination committee consists of one non-executive Director, being Mr. Zhuang Wei and two independent non-executive Directors, being Mr. Hon Leung and Mr. Fung Che Wai Anthony. The nomination committee is chaired by Mr. Zhuang Wei, being the Chairman of the Board.

Remuneration Committee

The Board established the remuneration committee on 25 April 2017. The written terms of reference are in compliance with Rule 5.34 of the GEM Listing Rules and Code Provision B.1 of the CG Code. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors regarding the Group's policy and structure for the remuneration of all Directors and the senior management of the Group and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of Directors and the senior management of the Group; and (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. As at the reporting date, the remuneration committee consists of one non-executive Director, being Mr. Qian Cheng and two independent non-executive Directors, being Mr. Liu Shengwen and Mr. Hon Leung. The remuneration committee is chaired by Mr. Liu Shengwen.

Required Standard of Dealings

The Company has adopted a code of conduct for securities transactions by directors and supervisors of the Company (the "Code of Conduct") on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Specific enquiries have been made to all Directors and supervisors of the Company (the "Supervisors"), and all Directors and Supervisors have confirmed that they have complied with the Code of Conduct throughout the period from the Listing Date to the 30 June 2017.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DISCLOSURE OF INTEREST

Interests and short positions held by substantial shareholders and other persons in the shares and underlying shares of the Company

As at 30 June 2017, to the best knowledge of the Directors, the following persons (other than Directors, Supervisors or chief executive of the Company) had or were deemed to have any interest or short position in the shares and underlying shares of the Company which had to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (“SFO”) and were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Class of shares	Nature of interest	Number of shares interested or deemed to be interested (shares)	Approximate percentage in the same class of share capital of the Company (%)	Approximate percentage in the total share capital of the Company (%)
Hong Kong Shanshan Resources Company Limited ("Shanshan HK") ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	Unlisted foreign shares	Beneficial owner	149,500,000(L)	100.00(L)	41.60(L)
Ningbo Shanshan Co., Ltd. ("Shanshan") ⁽²⁾	Unlisted foreign shares	Interest of a controlled corporation	149,500,000(L)	100.00(L)	41.60(L)
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67(L)	0.55(L)
Shanshan Group Co., Ltd. ("Shanshan Group") ⁽³⁾	Unlisted foreign shares	Interest of a controlled corporation	149,500,000(L)	100.00(L)	41.60(L)
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67(L)	0.55(L)

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of shareholder	Class of shares	Nature of interest	Number of shares interested or deemed to be interested (shares)	Approximate percentage in the same class of share capital of the Company (%)	Approximate percentage in the total share capital of the Company (%)
Ningbo Yonggang Clothing Investment Co., Ltd. ("Ningbo Yonggang") ⁽⁴⁾	Unlisted foreign shares	Interest of a controlled corporation	149,500,000(L)	100.00(L)	41.60(L)
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67(L)	0.55(L)
Shanshan Holding Co., Ltd. ("Shanshan Holding") ⁽⁵⁾	Unlisted foreign shares	Interest of a controlled corporation	149,500,000(L)	100.00(L)	41.60(L)
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67(L)	0.55(L)
Ningbo Qinggang Investment Co., Ltd. ("Qinggang Investment") ⁽⁶⁾	Unlisted foreign shares	Interest of a controlled corporation	149,500,000(L)	100.00(L)	41.60(L)
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67(L)	0.55(L)

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of shareholder	Class of shares	Nature of interest	Number of shares interested or deemed to be interested (shares)	Approximate percentage in the same class of share capital of the Company (%)	Approximate percentage in the total share capital of the Company (%)
Mr. Zheng Yonggang ⁽⁷⁾	Unlisted foreign shares	Interest of a controlled corporation	149,500,000(L)	100.00(L)	41.60(L)
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67(L)	0.55(L)
Ms. Zhou Jiqing ⁽⁷⁾	Unlisted foreign shares	Interest of a controlled corporation	149,500,000(L)	100.00(L)	41.60(L)
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67(L)	0.55(L)
Beijing Municipality Dayuan Tiandi Property Development Co., Ltd. ("Dayuan Tiandi") ⁽⁸⁾	Domestic shares	Beneficial owner	80,000,000(L)	66.67(L)	22.26(L)
Mr. Zhao Dehua ⁽⁸⁾	Domestic shares	Interest of a controlled corporation	80,000,000(L)	66.67(L)	22.26(L)
Mr. Gong Liang ⁽⁸⁾	Domestic shares	Interest of a controlled corporation	80,000,000(L)	66.67(L)	22.26(L)

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of shareholder	Class of shares	Nature of interest	Number of shares interested or deemed to be interested (shares)	Approximate percentage in the same class of share capital of the Company (%)	Approximate percentage in the total share capital of the Company (%)
KKC Capital SPC – KKC Capital High Growth Fund Segregated Portfolio ⁽⁹⁾	H Shares	Beneficial owner	10,008,000 (L)	11.14 (L)	2.79(L)
KKC Capital Limited ⁽¹⁰⁾	H Shares	Investment manager	10,008,000 (L)	11.14 (L)	2.79(L)
Avia Asset Management Limited ⁽¹¹⁾	H Shares	Investment manager	10,008,000 (L)	11.14 (L)	2.79(L)
Mr. Chiu Wai Lap ⁽¹¹⁾	H Shares	Investment manager	10,008,000 (L)	11.14 (L)	2.79(L)
Tiger Capital Fund SPC – Tiger Global SP ⁽¹²⁾	H Shares	Beneficial owner	13,718,000 (L)	15.27 (L)	3.82(L)
A Plus Capital Management Limited ⁽¹²⁾	H Shares	Investment manager	13,718,000 (L)	15.27 (L)	3.82(L)
Full House Asset Management Company Limited ⁽¹³⁾	H Shares	Investment manager	13,718,000 (L)	15.27 (L)	3.82(L)

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) The letter “L” denotes the person’s long position in the shares of the Company. As at 30 June 2017, the Company issued a total of 359,340,000 shares, including 120,000,000 domestic shares, 89,840,000 H Shares and 149,500,000 unlisted foreign shares.
- (2) Shanshan was a joint stock limited company established in the PRC whose shares were listed on the Shanghai Stock Exchange (Stock Code: 600884) and was the sole shareholder of Shanshan HK. Shanshan was also indirectly interested in 80% of the equity interest of Shanghai Shanshan Chuanghui Venture Investment Management Co. Ltd. (上海杉杉創輝創業投資管理有限公司) which was the general partner of Nantong Shanshan Venture Capital Centre (Limited Partnership) (南通杉杉創業投資中心(有限合夥)) (“**Nantong Shanshan**”). By virtue of the SFO, Shanshan was deemed to be interested in the shares held by Shanshan HK and Nantong Shanshan.
- (3) Shanshan Group held 23.79% of the registered share capital of Shanshan, and (together with Shanshan Holding) controlled the majority of the board of directors of Shanshan. By virtue of the SFO, Shanshan Group was deemed to be interested in the shares held by Shanshan HK and Nantong Shanshan.
- (4) Ningbo Yonggang was interested in 12.96% of the registered share capital of Shanshan Group, which (together with Shanshan Holding) controlled the majority of the board of directors of Shanshan. By virtue of the SFO, Ningbo Yonggang was deemed to be interested in the shares held by Shanshan HK and Nantong Shanshan.
- (5) Shanshan Holding directly held approximately 16.09% of the registered share capital of Shanshan and indirectly held approximately 23.79% of the registered share capital of Shanshan through (i) Ningbo Yonggang (a corporation of which Shanshan Holding was interested in 96.93% of its registered capital), and (ii) Shanshan Group (a corporation of which Shanshan Holding directly held 67.14% and indirectly held 12.96% through Ningbo Yonggang). By virtue of the SFO, Shanshan Holding was deemed to be interested in the shares held by Shanshan HK and Nantong Shanshan.
- (6) Qinggang Investment owned approximately 61.81% of the registered capital of Shanshan Holding. By virtue of the SFO, Qinggang Investment was deemed to be interested in the shares held by Shanshan HK and Nantong Shanshan.
- (7) Qinggang Investment was owned as to 51% by Mr. Zheng Yonggang and 49% by Ms. Zhou Jiqing. By virtue of the SFO, Mr. Zheng and Ms. Zhou were deemed to be interested in the shares held by Shanshan HK and Nantong Shanshan.
- (8) Dayuan Tiandi was owned as to 55% by Mr. Zhao Dehua and 45% by Mr. Gong Liang. By virtue of the SFO, Mr. Zhao Dehua and Mr. Gong Liang were deemed to be interested in the shares held by Dayuan Tiandi.
- (9) According to the information available on the website of the Stock Exchange, 10,008,000 H shares were held by KKC Capital SPC – KKC Capital High Growth Fund Segregated Portfolio as beneficial owner.
- (10) According to the information available on the website of the Stock Exchange, 10,008,000 H shares were held by KKC Capital Limited as investment manager.
- (11) According to the information available on the website of the Stock Exchange, 10,008,000 H Shares were held by Avia Asset Management Limited as investment manager and Avia Asset Management Limited was wholly owned by Mr. Chiu Wai Lap.
- (12) According to the information available on the website of the Stock Exchange, 13,718,000 H Shares were held by Tiger Capital Fund SPC – Tiger Global SP as beneficial owner and Tiger Capital Fund SPC – Tiger Global SP was directly wholly owned by A Plus Capital Management Limited.
- (13) According to the information available on the website of the Stock Exchange, 13,718,000 H shares were held by Full House Asset Management Company Limited as investment manager.

Except as disclosed above, to the best knowledge of the Directors, as at 30 June 2017, none of any other persons had or were deemed to have any interest or short position in the shares or underlying shares of the Company which had to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Interests and short positions held by directors, supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations

As at 30 June 2017, none of the Directors, Supervisors and chief executive had any interest and short position (including any interest and/or short position deemed or taken to be owned by them under the SFO requirements) in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or any interest and short position which had to be recorded in the register mentioned in Section 352 of the SFO, or any interest and short position which had to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors and supervisors of listed issuers as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

INTERIM DIVIDEND

The Board did not recommend any interim dividend for the six months ended 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period from the Listing Date to 30 June 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

COMPETING INTERESTS

None of the Directors, controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) had any interests in any business which competes or may compete with the business of the Group or any other conflicts of interest which such person has or may have with the Group which must be disclosed in this report as at 30 June 2017.

INTEREST OF COMPLIANCE ADVISER

The Company has appointed Dongxing Securities (Hong Kong) Company Limited (“Dongxing Securities”) as the compliance adviser of the Company pursuant to Rule 6A.19 of the GEM Listing Rules.

As advised by Dongxing Securities, as at the date of this report, Dongxing Securities or its directors, employees or close associates did not own any interest in the share capital of the Company or any member of the Group which had to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CHANGES IN PERSONAL PARTICULARS OF THE DIRECTORS

From 10 May 2017 (the date of publication of the Prospectus of the Company) to the date of this report, details of changes in personal particulars of the Directors which had to be disclosed pursuant to Rule 17.50A (1) of the GEM Listing Rules are set out below:

Name of Director	Details of Changes
Mr. Fung Che Wai Anthony (馮志偉) ("Mr. Fung")	In May 2017, Mr. Fung was appointed as the Chief Financial Officer of Beijing Enterprises City Resources Group Co., Ltd. (北控城市資源集團有限公司), the holding company of a group engaged in harmless disposal of hazardous waste and treatment of solid waste. In June 2017, Mr. Fung was appointed as an independent non-executive director of S&P International Holding Limited (椰豐集團有限公司) (stock code: 1695), the holding company of a group engaged in food production and trading and whose shares are listed on the Stock Exchange.

Save as disclosed above, since the publication of the Prospectus dated 10 May 2017 of the Company, there were no other changes in the particulars of the Directors and Supervisors which had to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

By Order of the Board
FY Financial (Shenzhen) Co., Ltd.
Zhuang Wei
Chairman

Hong Kong, 8 August 2017

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 RMB	2016 RMB
Revenue	5	39,871,504	33,773,856
Direct costs		(12,193,041)	(3,420,945)
Gross profit		27,678,463	30,352,911
Other income and gains	5	1,546,271	582,986
Operating expenses		(3,861,665)	(3,350,222)
Administrative expenses		(11,169,317)	(8,145,706)
(Provision for)/reversal of impairment loss on accounts receivable, net		(2,501,182)	585,799
Listing expenses		(9,400,117)	(3,848,127)
Profit before income tax	6	2,292,453	16,177,641
Income tax expense	7	(1,495,768)	(5,033,236)
Profit and total comprehensive income for the period attributable to equity owners of the Company		796,685	11,144,405
Earnings per share:	8	RMB cents	RMB cents
– Basic		0.3	4.1
– Diluted		0.3	4.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 RMB	31 December 2016 RMB
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	10	715,410	821,559
Accounts receivable	11	459,366,717	476,402,577
Deferred tax assets		4,203,920	4,150,647
		464,286,047	481,374,783
Current assets			
Accounts receivable	11	501,545,024	432,711,434
Prepayments, deposits and other receivables		19,885,617	32,290,337
Cash and cash equivalents		66,954,901	40,918,934
		588,385,542	505,920,705
Current liabilities			
Other payables and accruals		42,721,740	54,358,525
Receipts in advance		1,075,244	360,061
Tax payables		1,482,596	1,749,669
Interest-bearing bank and other borrowings	12	471,384,530	500,916,459
		516,664,110	557,384,714
Net current assets/(liabilities)		71,721,432	(51,464,009)
Total assets less current liabilities		536,007,479	429,910,774

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 RMB	31 December 2016 RMB
Non-current liabilities			
Receipts in advance		1,000,553	70,454
Deposits from finance lease customers and suppliers		130,655,981	120,555,582
		131,656,534	120,626,036
Net assets		404,350,945	309,284,738
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	359,340,000	269,500,000
Reserves		45,010,945	39,784,738
Total equity		404,350,945	309,284,738

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Equity attributable to owners of the Company					
	Share capital RMB	Merger reserve* RMB	Capital reserve* RMB	Statutory reserve* RMB	(Accumulated losses)/ retained profits*	Total equity RMB
					RMB	
At 1 January 2016	269,500,000	1,582,035	26,667,317	602,652	(5,236,474)	293,115,530
Profit and total comprehensive income for the period	—	—	—	—	11,144,405	11,144,405
At 30 June 2016	269,500,000	1,582,035	26,667,317	602,652	5,907,931	304,259,935
At 1 January 2017	269,500,000	1,582,035	26,667,317	2,578,936	8,956,450	309,284,738
Profit and total comprehensive income for the period	—	—	—	—	796,685	796,685
Transactions with owners:						
Issuance of H Shares (note 13)	89,840,000	—	13,951,150	—	—	103,791,150
Share issue expenses (note 13)	—	—	(9,521,628)	—	—	(9,521,628)
	89,840,000	—	4,429,522	—	—	94,269,522
At 30 June 2017	359,340,000	1,582,035	31,096,839	2,578,936	9,753,135	404,350,945

* The aggregate balances of these reserve amounting of RMB45,010,945 (six months ended 30 June 2016: RMB34,759,935) are included as reserves as at 30 June 2017 in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 RMB	2016 RMB
Cash flows from operating activities		
Profit before income tax	2,292,453	16,177,641
Adjustments for:		
Bank interest income	(12,769)	(57,628)
Depreciation of plant and equipment	131,944	175,560
Interest income from available-for-sale financial assets	(519,231)	(7,178)
Interest income from short-term investments	(375,507)	—
Provision for/(reversal of) impairment loss on accounts receivables, net	2,501,182	(585,799)
Loss on disposal of plant and equipment	722	399
Operating profits before working capital changes	4,018,794	15,702,995
(Increase)/decrease in accounts receivable	(54,298,912)	152,649,410
Decrease in prepayments, deposits and other receivables	12,404,720	9,872,219
(Decrease)/increase in other payables and accruals	(11,636,785)	7,031,514
Increase/(decrease) in receipts in advance	1,645,282	(643,859)
Increase/(decrease) in deposits from finance lease customers and suppliers (non-current portion)	10,100,399	(14,021,684)
Cash (used in)/generated from operating activities	(37,766,502)	170,590,595
Interest received	12,769	57,628
Income tax paid	(1,816,114)	(6,376,748)
Net cash (used in)/generated from operating activities	(39,569,847)	164,271,475

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 RMB	2016 RMB
Cash flows from investing activities			
Decrease in amount due from an intermediate holding company		—	45,000,000
Decrease in pledged bank deposits		—	785,250
Purchase of available-for-sale financial assets		(1,702,507,000)	(77,900,000)
Proceeds from disposal of available-for-sale financial assets		1,702,507,000	73,900,000
Interest received from available-for-sale financial assets		519,231	7,178
Proceeds from disposal of plant and equipment		—	360
Interest received from short-term investments		375,507	—
Purchase of plant and equipment		(26,517)	—
Net cash generated from investing activities		868,221	41,792,788
Cash flows from financing activities			
Decrease in amount due to an intermediate holding company		—	(103,591,913)
Decrease in amounts due to shareholders		—	(9,324,627)
Proceeds from issuance of H Shares	13	103,791,150	—
Share issue expenses	13	(9,521,628)	—
Repayment of interest-bearing bank and other borrowings		(29,531,929)	(101,257,334)
Net cash generated from/(used in) financing activities		64,737,593	(214,173,874)
Net increase/(decrease) in cash and cash equivalents		26,035,967	(8,109,611)
Cash and cash equivalents at beginning of period		40,918,934	18,833,113
Cash and cash equivalents at end of period		66,954,901	10,723,502
Analysis of cash and cash equivalents:			
Cash at banks and in hand		66,954,901	10,723,502

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. CORPORATE INFORMATION

The Company was established in the People Republic of China (the “PRC”) on 7 December 2012 as a sino-foreign equity joint venture enterprise and was converted to a joint stock company with limited liability under the Company Law of the PRC on 10 September 2015. The address of its registered office is Room 201, Block A, No.1, Qianwan First Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, Guangdong, the PRC and the principal place of business is Room 3001, Shenzhen International Culture Building, Futian Road, Futian District, Shenzhen, Guangdong, the PRC. The Company’s overseas-listed foreign shares (“H Shares”) have been listed on the GEM of the Stock Exchange since 23 May 2017.

The Company is principally engaged in financial leasing and advisory services. The Group is principally engaged in financial leasing, provision of factoring and advisory services in the PRC.

At the date of this report, in opinion of the Directors, the Company’s ultimate parent is Ningbo Qinggang Investment Co., Ltd (寧波青剛投資有限公司), a company established in the PRC.

2. BASIS OF PRESENTATION

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

The condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the audited financial statements for the year ended 31 December 2016 as set out in the Appendix I of the prospectus of the Company dated 10 May 2017, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 3. The preparation of the condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

2. BASIS OF PRESENTATION *(Continued)*

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the audited financial statements for the year ended 31 December 2016. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The condensed consolidated interim financial statements are unaudited and have been prepared under historical cost convention. The condensed consolidated interim financial statements are unaudited but have been reviewed by BDO Limited, the external auditors of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

The condensed consolidated interim financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company, unless otherwise indicated.

3. PRINCIPAL ACCOUNTING POLICIES

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated interim financial statements and/or disclosures set out in the condensed consolidated interim financial statements.

The Group has not early adopted any new or revised HKFRSs that have been issued but are not yet effective in the condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

4. SEGMENT INFORMATION

(a) Reportable segments

The Directors have determined that the Group has only one operating and reportable segment throughout the periods, as the Group is principally engaged in providing finance lease services (i.e. direct finance leasing and sales-leaseback), factoring and advisory services in the PRC.

During the six months ended 30 June 2017, the information reported to the executive Directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRSs. Such information does not contain profit or loss information of particular product or service line or geographical area. Therefore, the executive Directors have determined that the Group has only one single reportable segment which is providing finance lease service (i.e. direct finance leasing and sales-leaseback), factoring and advisory services in the PRC. The executive Directors allocate resources and assess performance on an aggregated basis.

(b) Geographical information

The Company was established in the PRC and the principal place of the Group's operations is the PRC. All the Group's revenue and non-current assets are principally attributable to the PRC.

(c) Information about major customers

There was no single customer who contributed over 10% of the total revenue of the Group during the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

5. REVENUE AND OTHER INCOME AND GAINS

An analysis of the revenue from the Group's principal activities (note 1) and other income and gains is as follows:

	Six months ended 30 June	
	2017	2016
	RMB	RMB
Revenue		
Finance lease income	29,714,954	21,769,644
Factoring income	2,448,626	7,922,403
Advisory service fee income	7,726,904	4,377,179
Business tax and surcharge	(18,980)	(295,370)
	39,871,504	33,773,856
Other income and gains		
Bank interest income	12,769	57,628
Interest income from available-for-sale financial assets	519,231	7,178
Interest income from short-term investments	375,507	—
Recharge of insurance premium (note)	541,853	241,419
Others	96,911	276,761
	1,546,271	582,986

Note:

The amount mainly represented the mark-up on recharge of insurance premium for the lease assets paid by the Group and recharged to its finance lease customers.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2017 RMB	2016 RMB
Profit before income tax is arrived at after charging:		
Costs of borrowing included in direct costs:	12,193,041	3,420,945
– Interest expenses on interest-bearing bank and other borrowings**	12,193,041	1,360,897
– Arrangement fee for corporate guarantee**	—	361,644
– Bank charges and other expenses	—	306,187
– Interest charge on amount due to an intermediate holding company**	—	1,392,217
Depreciation of plant and equipment*	131,944	175,560
Operating lease rentals in respect of land and buildings	666,861	741,110
Loss on disposal of plant and equipment	722	399
Exchange loss	785,470	—
Staff costs (including directors' emoluments) comprise:	8,749,027	6,398,375
Salaries, allowances and benefits in kind	6,895,857	5,352,216
Discretionary bonuses	389,678	10,797
Contributions to defined contribution retirement plan	1,463,492	1,035,362

* Depreciation charges are recognised in the condensed consolidated statement of comprehensive income as administrative expenses for the six months ended 30 June 2017 and 2016.

** These items represent the finance costs of the Group.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017 RMB	2016 RMB
Income tax		
– Current period	1,574,716	2,813,878
– Under-provision in prior years	(25,675)	—
Deferred tax		
(Credited)/charged for the period	(53,273)	2,219,358
Income tax expense	1,495,768	5,033,236

The Company and its subsidiaries were established in the PRC which are subject to the enterprise income tax in the PRC.

Provision for the enterprise income tax in the PRC is calculated based on a statutory tax rate of 25% of the estimated assessable profits as determined in accordance with the relevant income tax law in the PRC in the periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

8. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity owners of the Company for the period of RMB796,685 (six months ended 30 June 2016: RMB11,144,405) and the weighted average of 288,857,790 shares (six months ended 30 June 2016: 269,500,000 shares) in issue during the six months ended 30 June 2017.

Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2017 and 2016, and hence the diluted earnings per share is the same as basic earnings per share.

9. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2017 (six months ended 30 June 2016: nil). The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

10. PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired plant and equipment at a total cost of RMB26,517 (six months ended 30 June 2016: nil).

Plant and equipment at a total cost of RMB2,606 (six months ended 30 June 2016: RMB1,310) were disposed by the Group during the six months ended 30 June 2017.

11. ACCOUNTS RECEIVABLE

	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Finance lease receivables	1,007,402,462	974,740,986
Less: unearned finance income	(92,505,893)	(100,638,800)
Present value of minimum lease payment (note (a))	914,896,569	874,102,186
Factoring receivables (note (b))	59,551,046	51,614,411
Bills receivables (note (c))	3,279,805	—
Less: Provision for finance lease receivables (note (a))	(15,313,521)	(15,045,114)
Provision for factoring receivables (note (b))	(1,502,158)	(1,557,472)
	960,911,741	909,114,011

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

11. ACCOUNTS RECEIVABLE (Continued)

Analysis for reporting purpose as:

	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Current assets	501,545,024	432,711,434
Non-current assets	459,366,717	476,402,577
	960,911,741	909,114,011

As at 30 June 2017, included in accounts receivable amounted to RMB4,137,985 (31 December 2016: RMB5,558,851) was trade balance due from a related company with details as follows:

Name of related party	Note	Amount outstanding		Maximum amount outstanding during the period RMB
		As at 1 January 2017 RMB	As at 30 June 2017 RMB	
Beijing City Longding Huayuan Property Development Co., Ltd (北京市龍鼎華源房地 產開發有限公司("Longding Huayuan")#	14(a)			
Accounts receivable		5,598,037	4,167,155	5,598,037
Less: Collective impairment allowance		(39,186)	(29,170)	
		5,558,851	4,137,985	

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

11. ACCOUNTS RECEIVABLE (Continued)

Name of related party	Note	Amount outstanding		Maximum amount outstanding during the year
		At 1 January 2016	At 31 December 2016	
		RMB	RMB	
Longding Huayuan	14(a)			
Accounts receivable		13,259,910	5,598,037	13,259,910
Less: Collective impairment allowance		(66,300)	(39,186)	
		13,193,610	5,558,851	

Longding Huayuan is a non wholly-owned subsidiary of Dayuan Tiandi, which is one of the shareholders of the Company.

Notes:

- (a) The effective interest rates of the above finance lease ranged mainly from 0.69% to 17.55% (31 December 2016: 0.69% to 17.55% per annum).

The ageing analysis of finance lease receivables, determined based on the age of the receivables since the effective dates of the relevant lease contracts, as at the reporting date, is as follows:

Finance lease receivables:	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Within one year	510,341,073	449,593,306
In more than one year but not more than five years	497,061,389	525,147,680
	1,007,402,462	974,740,986

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

11. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

(a) (Continued)

	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Present value of minimum lease payments:		
Within one year	452,291,617	396,473,136
In more than one year but not more than five years	462,604,952	477,629,050
	914,896,569	874,102,186

The credit quality analysis of finance lease receivables as at the reporting date is as follows:

	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Neither past due nor impaired	864,766,268	831,717,350
Past due but not individually impaired	3,968,407	1,607,872
Past due and individually impaired	46,161,894	40,776,964
	914,896,569	874,102,186
Less: Collective impairment allowance	(6,081,143)	(5,794,960)
Individual impairment allowance	(9,232,378)	(9,250,154)
	899,583,048	859,057,072

As at 30 June 2017, amounted to RMB15,358,796 (31 December 2016: RMB4,346,747) were past due but not individually impaired, in the event that an installment repayment of a finance lease receivable is past due, the entire outstanding balances of the finance lease receivables are deemed as past due.

Finance lease receivables are mainly secured by lease assets, customers' and suppliers' deposit and lease assets repurchase arrangement where applicable. Additional collateral may be obtained from customers to secure their repayment obligations under finance leases and such collateral includes property, plant and equipments, guarantee of the customers and/or their related parties.

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangement of the Group that needed to be recorded as at the reporting date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

11. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

(a) (Continued)

The following is an ageing analysis based on due dates of finance lease receivables which are past due but not individually impaired at the reporting date.

	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Less than one month	735,159	307,686
More than one month but less than three months	690,318	424,186
More than three months but less than one year	2,284,930	876,000
More than one year but less than two years	258,000	—
	3,968,407	1,607,872

Management reviews and assess for impairment individually based on customers' repayment history and the values of the assets pledged. As at 30 June 2017, aggregate carrying amounts of RMB3,968,407 (31 December 2016: RMB1,607,872) were past due but the Group has not provided for individual impairment loss as management considered there has not been a significant change in credit quality for these customers. Collective impairment allowance of RMB107,512 (31 December 2016: RMB30,427) were provided on past due but not individually impaired finance lease receivables.

As at 30 June 2017, included in the individual impairment allowance are individually impaired finance lease receivables with aggregate balances of RMB9,232,378 (31 December 2016: RMB9,250,154) of which the customers are in financial difficulties.

At the end of each reporting period, the Group's finance lease receivables were individually determined to be impaired. Movements in provision for impairment of finance lease receivables for the reporting period are as follows:

	As at 30 June 2017 RMB	As at 31 December 2016 RMB
At the beginning of the period/year	15,045,114	14,185,980
Impairment loss recognised for the period/year (note (i))	2,947,846	8,382,351
Write off	(2,679,439)	(7,523,217)
At the end of the period/year	15,313,521	15,045,114

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

11. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

(a) (Continued)

- (i) Included in the impairment loss recognised during the period ended 30 June 2017 was mainly a loss of RMB2,288,089 arising on early settlement of three finance lease contracts with a debtor. During the period, the Group was aware that the debtor might be in financial difficulty and so initiated the negotiation to settle at a consideration lower than the outstanding finance lease receivables to limit their exposure.

As part of its normal business, the Group entered into a finance lease receivable factoring arrangements (the "Arrangements") and transferred certain finance lease receivables to a state-owned commercial bank in the PRC (the "Factors") during the year ended 31 December 2016. Under the Arrangements, the Group may be required to reimburse the Factors for loss of interest if any debtors have late payment up to 1 day. Since the Group has retained substantial risks and rewards relating to the accounts receivable including default risks, the accounts receivable are regarded as transferred financial assets that should not be derecognised.

The following table provide a summary of carrying amounts related to transferred financial assets at amortised cost that are not derecognised in their entirety and the associated liabilities:

	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Carrying amount of assets (note 12(b))	179,799,738	221,542,693
Carrying amount of associated liabilities (note 12(b))	158,417,030	196,498,959
For those liabilities that have recourse only to the transferred assets:		
Fair value of assets	179,799,738	221,542,693
Fair value of associated liabilities	(158,417,030)	(196,498,959)
Net position	21,382,708	25,043,734

(b) The ageing analysis of factoring receivables, as at the reporting date, is as follows:

	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Less than one month	18,854,814	1,333,300
More than one month but less than three months	5,158,080	23,215,449
More than three months but less than one year	27,902,411	20,095,270
More than one year but less than two years	6,133,583	5,412,920
	58,048,888	50,056,939

The effective interest rates of the above factoring ranged mainly from 10.00% to 14.50% per annum during the six months ended 30 June 2017 (31 December 2016: 12.00% to 14.50% per annum).

As at 30 June 2017, the Group hold collateral with a carrying amount of RMB128,922,786 (31 December 2016: RMB131,695,417) over the factoring receivables.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

11. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

(b) (Continued)

The ageing analysis based on due dates of factoring receivables which are past due but not individually impaired, as at the reporting date, is as follows:

	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Neither past due nor impaired	51,915,305	44,644,019
Less than one month past due	—	—
Past due more than one month but less than one year	1,192,450	—
Past due more than one year but less than two years	4,941,133	5,412,920
	58,048,888	50,056,939

Receivables that were neither past due nor impaired related to the customers for whom there was no recent history of default. Receivables that were past due but not impaired related to other customers with long business relationship. Based on past experience, management believes that no impairment allowance is necessary as there has not been a significant change in credit quality.

At the end of each reporting period, the Group's factoring receivables were individually determined to be impaired. Movements in provision for impairment of factoring receivables for the reporting period are as follows:

	As at 30 June 2017 RMB	As at 31 December 2016 RMB
At the beginning of the period/year	1,557,472	2,948,829
Recovery for the period/year	(55,314)	(391,357)
Write off	—	(1,000,000)
At the end of the period/year	1,502,158	1,557,472

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

11. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

(c) The ageing analysis of bills receivables, as at the reporting date, is as follows:

	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Four to six months	3,279,805	—

The ageing analysis based on due dates of bills receivables which are past due but not individually impaired, as at the reporting date, is as follows:

	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Neither past due nor impaired	3,279,805	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Secured		
– Bank loans (notes (a) and (b))	158,417,030	196,498,959
Unsecured		
– Entrusted loan (notes (a) and (c))	312,967,500	304,417,500
	471,384,530	500,916,459

As at reporting date, total current and non-current interest-bearing bank and other borrowings were scheduled to repay as follows:

	As at 30 June 2017 RMB	As at 31 December 2016 RMB
On demand or within one year	389,154,542	380,691,742
More than one year, but not exceeding two years	54,455,724	71,265,974
More than two years, but not exceeding five years	27,774,264	48,958,743
	471,384,530	500,916,459

Notes:

- (a) The amounts due are based on the scheduled repayment dates in the loan agreements and ignore the effect of any repayment on demand clause.

All of the facilities are subject to the fulfillment of covenants relating to certain of the Group's financial position ratios, as are commonly found in lending arrangements with financial institutions or independent third parties. If the Group breaches the covenants the drawn down facilities would become repayable on demand. In addition, certain of the Group's loan agreements contain clauses which give the lenders the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations ("repayment on demand clause").

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the bank and other borrowings and does not consider it probable that the lenders will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. As at 30 June 2017, none (31 December 2016: nil) of the covenants relating to drawn down facilities had been breached.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

12. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

- (b) The Group's interest-bearing bank borrowings are secured by way of the following:-

Finance lease receivable with the carrying amount of RMB179,799,738 (31 December 2016: RMB221,542,693) (note 11 (a)) as at 30 June 2017.

The effective interest rates per annum of the bank loans are as follows:

	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Fixed rates bank loans	4.75%	4.75%

- (c) Entrusted loan represents the borrowing from an independent third party through a state-owned commercial bank in the PRC. The balance bore fixed interest of 5.7% per annum.
- (d) As at 30 June 2017, the Group has obtained banking facilities of RMB420,000,000 (31 December 2016: RMB400,000,000) of which RMB 158,417,030 (31 December 2016: RMB196,498,959) had been utilised by the Group. As at 30 June 2017, the Group has unutilised banking facilities of RMB261,582,970 (31 December 2016: RMB203,501,041) available for draw down.

The Directors estimate the fair value of the interest-bearing bank and other borrowings by discounting their future cash flows at the market rate and the directors consider that the carrying amounts of the Group's interest-bearing bank and other borrowings approximate to their fair values at each reporting date.

13. SHARE CAPITAL

	Number of shares	RMB
Registered domestic and unlisted foreign share capital and H Shares:		
At 1 January 2016, 31 December 2016 and 1 January 2017	269,500,000	269,500,000
Issuance of H Shares (note)	89,840,000	89,840,000
At 30 June 2017	359,340,000	359,340,000

Note: On 23 May 2017, the Company issued an aggregate of 89,840,000 H Shares of RMB1 each (the "Share Offer") at a price of HK\$1.31 per share. The Group raised approximately RMB103,791,150 before any related listing expenses arising from the Share Offer, resulting in an increase in the issued share capital of the Company by RMB89,840,000 and the capital reserve by RMB4,429,522, which net off with the related share issue expense of RMB9,521,628.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

14. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the condensed consolidated interim financial statements, the Group has the following significant related party transactions.

(a) During both periods, the Group entered into the following transactions with related parties:

Name	Related party relationship	Type of transaction (note iii)	Transaction amount	
			Six months ended 30 June	
			2017 RMB	2016 RMB
Ningbo Shanshan Co., Ltd 寧波杉杉股份有限公司 ("Shanshan")	Intermediate holding company	Arrangement fee for corporate guarantee (note ii)	—	361,644
		Interest expenses	—	1,392,217
Longding Huayuan	Common shareholder (note i)	Finance lease income	190,938	191,104
		Advisory service fee income	—	162,538

Notes:

- (i) Longding Huayuan is a non wholly-owned subsidiary of Dayuan Tiandi, one of the shareholders of the Company.
- (ii) Arrangement fee represents the guarantee fee for the corporate guarantee provided by the intermediate holding company for the six months ended 30 June 2016.
- (iii) All transactions as shown above were made on the Group's normal course of business and were made with reference to the terms negotiated between the relevant parties.

(b) Members of key management including the Directors whose emoluments are set out as follows:

	Six months ended 30 June	
	2017 RMB	2016 RMB
Salaries, allowances and benefit in kind	454,600	417,267
Discretionary bonus	—	—
Contributions to defined contribution scheme	68,430	51,458
	523,030	468,725

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

15. COMMITMENTS

(a) Operating lease commitments

Future minimum rental payable under non-cancellable operating lease in respect of rent premises are as follows:

	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Within one year	612,986	1,144,946
In the second to fifth years	—	121,378
	612,986	1,266,324

The Group leases a number of premises under operating leases. The leases run for an initial period of 1 to 2 years. The above lease commitments only include commitments for basic rental and none of the lease includes any contingent rental.

(b) Capital commitments

	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Commitments for the acquisition of plant and equipment:		
– Contracted for but not yet incurred:	410,000	410,000

16. CONTINGENT LIABILITIES

As at 30 June 2017, the Group does not have any significant contingent liabilities (31 December 2016: nil).