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 ANNUAL REPORT

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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)

Resigned on 22 March 2018

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)

SUPERVISORY COMMITTEE

Mr. Tian Xiuju (田秀舉) (Chairman)

Mr. Liu Bing (劉兵)

Mr. Zhu Xiaodong (朱曉東)

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. Wang Ying (王瑩)

Ms. Ng Wing Shan (吳詠珊)

AUTHORIZED REPRESENTATIVES

Mr. Weng Jianxing (翁建興)

Ms. Ng Wing Shan (吳詠珊)

REGISTERED OFFICE

Room 201, Block A
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Shenzhen, Guangdong
the People's Republic of China (the "**PRC**")

HEAD OFFICE IN THE PRC

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Shenzhen, Guangdong
PRC

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPANY WEBSITE

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AUDITOR

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Certified Public Accountants
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LEGAL ADVISERS

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Level 39, Two International Finance Centre
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Central
Hong Kong

As to PRC law
Shu Jin Law Firm
12/F, Taiping Finance Tower
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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

FOUR YEAR FINANCIAL SUMMARY

	Year ended 31 December			
	2014	2015	2016	**2017**
	RMB'000	RMB'000	RMB'000	**RMB'000**
	Note (a)	Note (a)	Note (a)	**Note (b)**
Revenue	51,905	69,611	76,047	**122,739**
Direct costs	(22,262)	(23,549)	(10,451)	**(44,363)**
Gross profit	29,643	46,062	65,596	**78,376**
Other income and gains	3,131	2,589	2,277	**2,838**
Operating expenses	(7,628)	(7,013)	(7,903)	**(12,223)**
Administrative expenses	(15,150)	(17,580)	(18,722)	**(25,267)**
Impairment loss on accounts receivable, net	(3,444)	(14,285)	(7,991)	**(4,908)**
Listing expenses	—	—	(8,691)	**(9,400)**
Profit before income tax	6,552	9,773	24,566	**29,416**
Income tax expense	(1,767)	(2,707)	(8,397)	**(8,728)**
Profit and total comprehensive income for the year	4,785	7,066	16,169	**20,688**

Notes:

(a) The financial figures were extracted from the Prospectus (as defined below) of the Company dated 10 May 2017.

(b) The financial figures were extracted from the con-solidated financial statements in the annual report of the Company.

The financial information for the year ended 31 December 2013 was not disclosed as the consolidated financial statements for the Group have not been prepared for this year. The summary above does not form part of the audited consolidated financial statements in the annual report.

Dear Shareholders,

On behalf of the board (the "**Board**") of Directors of the Company. I am pleased to present the annual report of the Company for the year ended 31 December 2017 (the "**Reporting Period**").

The Company was successfully listed on GEM of the Stock Exchange on 23 May 2017 (the "**Listing Date**"). The Company is principally engaged in financial leasing and provision of advisory services. The Group is principally engaged in financial leasing, provision of factoring, advisory services and the trading of medical equipment.

Back in 2017, the national economy slowed down and the financial leasing sector faced intensifying competition. For the Group, 2017 was a year of risks and opportunities. During the Reporting Period, the Group took the initiative to expand its financial leasing business and consolidated the upstream and downstream resources of emerging industries such as health care, alternative energy and transportation to enhance the economic efficiencies of the Company's business by adhering to its established business forms. While ensuring that its risk control measures were properly implemented, the Group continued to develop the finance leasing business in traditional industries such as the electronics and fast moving consumer goods industries and focused on the emerging industries as the key business direction. Financial leasing and factoring business were expanded and the market share as a non-bank financial service provider was increased. Centered on building a relationship with leading enterprises in the industry (such as the listed companies and large non-listed companies), the Group improved the customer structure and optimised the structure of financial leasing and factoring asset portfolio, which led to safer assets and lower risks.

With diversified products and services, strong ability in risk control and expanding sales network, the Company grasped growth opportunities in the industry to reap healthy and stable development during the year. In 2017, the Company recorded a revenue of approximately RMB122.74 million, representing an increase of 61.40% year-on-year (2016: RMB76.05 million). Profit for the period attributable to equity owners of the Company increased by 27.95% year-on-year to approximately RMB20.69 million (2016: approximately RMB16.17 million). Basic earnings per share was RMB0.06 (2016: RMB0.06).

CHAIRMAN'S STATEMENT

OUTLOOK

Looking forward to 2018, the year when the PRC economy would experience a slowdown, the national economy will shift from high growth to high quality development, maintaining a stable and upward momentum. The year 2018 breeds a period of strategic opportunities for the Group, for which, the management of the Group has worked out detailed strategic planning in line of the current development of the Company. In future, the Group will continually develop employee skills, and encourage teamwork to enhance business development capability. It will retain existing customers and establish partnership with leading enterprises in its industry. In doing that, it can improve the Group's customer structure and optimise the structure of finance leasing and factoring assets portfolio, increasing rate of return while securing the underlying assets. Entering the next year, the Group will focus on increasing the market share of finance leasing and factoring while reducing asset risks, and continue to propel development of the Company steadily.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere thanks to employees and the management for their diligence and commitment over the past year, as well as the confidence and support of the Shareholders (the "**Shareholders**") and business partners on the Group. In appreciation of the support and loyalty of the Shareholders, the Board is pleased to recommend the payment of a final dividend (the "**Final Dividend**") of RMB0.02 per share (tax inclusive) of the Company for the year ended 31 December 2017.

Zhuang Wei
Chairman
Shenzhen, the PRC, 22 March 2018

BUSINESS REVIEW

On the Listing Date, the Company's H Shares were successfully listed on GEM of the Stock Exchange. During the Reporting Period, the Group's operating results grew steadily and the revenue of the Group was mainly derived from finance lease income, factoring service income, advisory service fee income, sales of goods income and commission income, accounting for approximately 57.94%, 5.50%, 13.02%, 20.24% and 3.30% of the total revenue of the Group, respectively. As at 31 December 2017, the Group had more than 933 customers, representing an increase of approximately 243.01% compared with 272 customers during the same period of last year.

Finance leasing business

The Group's finance lease offering comprises direct finance lease, new sale-leaseback and used sale-leaseback transactions. In 2017, the Group derived revenue of RMB71.12 million from the finance lease business, representing an increase of approximately 56.65% from RMB45.40 million in last year. Besides ensuring controllable risks, the Group will put efforts on medical equipment, industrial transportation and commercial transportation projects, enhance the professional competence of employees, strengthen team-building efforts, and raise the level of business management so as to support the implementation of the Company's strategies. On the other hand, the Group will also establish its presence in industries which are supported by national policies and have a promising outlook in advance and actively explore new business opportunities.

Factoring business

For the Group's commercial factoring segment, the Group's provide financing and accounts receivable management services to the Group's customers in return for (i) interest and management fee income and (ii) transfer of legal title of accounts receivable from the customer to us. In 2017, the Group derived revenue of RMB6.82 million from the factoring business, representing a decrease of approximately 42.40% from RMB11.84 million in last year. Factoring business decreased significantly in the first half of 2017, the major reason was due to a few projects past due, thus the Company focused on improving business risk management and made staff adjustments accordingly in this regard. Through the strategic modulation effectively applied by the Company in the latter half of 2017, the situation resumed from a total outstanding balance of RMB58.05 million in the first half of 2017 to a total outstanding balance of RMB166.31 million for the factoring business in the second half of 2017. In the future, the Company will also continue to maintain its relationship with existing customers, strengthen its research and knowledge of existing upstream and downstream customers along the supply chain, targetedly explore potential customers and conduct factoring-based business innovation.

Advisory service business

The Group's regular advisory services include the provision of market consultation, product advice, analysis on competition in the industry, solutions for optimizing operational workflow as well as financial management and asset management advice which generate advisory service fee income. Advisory services also include referring clients in specific areas which the Group is familiar with, such as fast-moving consumer products, electronic products, medical, alternative energy, transportation and other industries, to receive commission (in the form of advisory service fee). Focusing on the development of professional qualities of its employees, the Group always provides employees with internal training opportunities and encourages employees to participate in various industry trainings to improve their skills and keep abreast of latest industry trends. The Group advocates the customer-centered principle and uses the best services and attitude to provide customers with a series of effective advisory solutions. In 2017, the Group derived a revenue of approximately RMB15.98 million from the advisory service business, representing a decrease of approximately 16.51% from approximately RMB19.14 million in last year.

Trading business

During the Reporting Period, the Group newly developed its trading business, which primarily comprises export and domestic trade of medical equipment and the provision of maintenance services primarily within the medical equipment industry. As at 31 December 2017, the Group recorded a revenue of approximately RMB24.84 million (2016: nil). The Group believes that the medical industry is closely related to our daily life with stable demand, controllable risks and higher revenue. The Group will deepen its layout in the medical industry and highlight its competitive edge in areas including professional background, management efficiency and structural design of service. The Group will also seek expansion of trading business in specific areas that it is familiar with to increase revenue.

OUTLOOK

Going forward, the global economy and politics still face great uncertainties. In the future, China will still be in the process of industry transformation and upgrading. Against this background, the management of the Group have formulated detailed strategic plans. During the Reporting Period, Tianjin Fuyin Leasing Co., Ltd. (天津富銀租賃有限公司) ("**Tianjin Fuyin**"), a wholly-owned subsidiary of the Company, has completed the construction of infrastructure and team building. In the future, the Company will also integrate its existing resources to launch the operating lease service, creating a diversified product structure. The Group will focus on establishing relationship with leading enterprises in its industry and field, optimising the asset portfolio structure of the finance leasing and factoring businesses so as to improve the Group's asset safety and minimize risk exposure. The Group will also strengthen its efforts in building its team and enhance the overall management efficiency. While steadily improving the business of fast-moving consumer products and electronic products, the Group will focus on scaling up the transportation, alternative energy and medical industries. Aiming at expanding its market share and guided by the principle of reducing asset risk, the Group will continue to strengthen its communication and cooperation with banks to expand financing channels. The Group will also be dedicated to providing professional services to customers and creating Company's brand image.

REVENUE

During the Reporting Period, the revenue of the Group maintained steady growth and recorded revenue of approximately RMB122.74 million, representing an increase of approximately 61.40% from approximately RMB76.05 million for the same period of last year. The revenue growth was mainly due to the expansion of the financial leasing business.

GROSS PROFIT

Gross profit of the Group increased by approximately 19.48% to approximately RMB78.38 million for the year ended 31 December 2017 from approximately RMB65.60 million for the year ended 31 December 2016.

DIRECT COST

The Group's main cost items were interest expenses on bank borrowing. During the Reporting Period, the Group's direct costs amounted to approximately RMB44.36 million, representing an increase of approximately 324.50% from approximately RMB10.45 million for the same period of last year, which was mainly due to the increase in interest-bearing bank borrowings.

OTHER INCOME AND GAINS

During the Reporting Period, the Group's other income and gains amounted to approximately RMB2.84 million, representing an increase of approximately 24.56% from approximately RMB2.28 million for the same period of last year. The increase was primarily attributable to the increase in recharge on insurance premium, government grant and interest income from available-for-sale financial assets.

OPERATING EXPENSES

During the Reporting Period, the Group's operating expenses amounted to approximately RMB12.22 million, representing an increase of approximately 54.68% from approximately RMB7.90 million for the same period of last year, which was mainly due to the market expansion increase the total number of the sales personnel of the Group, and an increase in operating expenses.

ADMINISTRATIVE EXPENSES

During the Reporting Period, the Group's administrative expenses amounted to approximately RMB25.27 million, representing an increase of approximately 34.99% from approximately RMB18.72 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 the total number of administrative staff of the Group.

IMPAIRMENT LOSS ON ACCOUNTS RECEVABLES

During the Reporting Period, the Group's provision for impairment loss on accounts receivable was approximately RMB4.91 million, while provision of impairment loss on accounts receivable was approximately RMB7.99 million for the same period of last year, which give the credit to the Group's prudent risk management and internal control processes. Decrease in impairment loss on accounts receivables illustrated the effectiveness and maturity of the Group's risk management system.

LISTING EXPENSES

During the Reporting Period, the Group incurred listing expenses of approximately RMB9.40 million, which was non-recurring in nature.

INCOME TAX EXPENSE

During the Reporting Period, the Group's income tax expense was approximately RMB8.73 million, representing an increase of approximately 3.9% from approximately RMB8.40 million for the same period of last year, which was mainly due to the increase in revenue and the increase in profit before income tax.

MATERIAL ACQUISITIONS OR DISPOSALS

During the Reporting Period, there was no material acquisition or disposal of subsidiaries, associated companies and joint ventures by the Group.

FOREIGN EXCHANGE RISK

The Group's reporting currency is in Renminbi to which the Group's material transactions are denominated. The net proceed from share offering are denominated in Hong Kong Dollars, which exposed the Group to market risk arising from changes in foreign exchange rate. The Group currently does not have a foreign currency hedging policy, however, the management of the Group will monitor foreign exchange exposure closely and consider the usage of hedging instruments when the need arises.

LIQUIDITY AND CAPITAL RESOURCES

	Year ended 31 December	
	2017	2016
	RMB	RMB
Cash at bank and in hand	**35,007,495**	7,918,934
Highly liquid investment	—	33,000,000
Net cash used in operating activities	**(294,410,579)**	(91,623,280)
Net cash generated from investing activities	**840,930**	45,752,471
Net cash generated from financing activities	**287,658,210**	67,956,630

As at 31 December 2017, cash at bank and in hand of the Group was approximately RMB35.01 million, as compared with approximately RMB7.92 million as at 31 December 2016. As at 31 December 2017, the Group had no highly liquid investment, as compared with RMB33.00 million as at 31 December 2016.

For the year ended 31 December 2017, net cash used in operating activities was approximately RMB294.41 million, as compared with net cash used in operating activities of approximately RMB91.6 million for the year ended 31 December 2016. For the year ended 31 December 2017, net cash generated from investing activities was approximately RMB0.84 million, as compared with net cash generated from investing activities of approximately RMB45.75 million for the year ended 31 December 2016. For the year ended 31 December 2017, net cash generated from financing activities was approximately RMB287.66 million, as compared with net cash generated from financing activities of approximately RMB67.96 million for the year ended 31 December 2016.

As at 31 December 2017, The Group recorded total current assets of approximately RMB736.35 million as compared with approximately RMB505.92 million as at 31 December 2016. The Group's current ratio was approximately 0.97 as at 31 December 2017, as compared with approximately 0.91 as at 31 December 2016.

CAPITAL MANAGEMENT

The Group manages the capital of the Group to ensure that entities in the Group will be able to continue as a going concern while maximising the return to Shareholders through optimisation of the debt and equity balance. The Group's overall strategy remained unchanged throughout the Reporting Period.

The equity-to-overall financing ratios at the end of the Reporting Period were as follows:

	2017 RMB	2016 RMB
Total equity	**424,243,269**	309,284,738
Overall financing		
– Interest-bearing bank and other borrowings	**694,305,147**	500,916,459
Equity-to-overall financing ratio	**0.61**	0.62

Pledge of assets

As at 31 December 2017, certain of the Group's assets have been pledged to secure the borrowings of the Group. The aggregate carrying amount of the pledged assets of the Group as at 31 December 2017 is as follows:

	As at 31 December 2017 RMB
Accounts receivables - finance lease receivables	502,343,857
	502,343,857

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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 the 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 31 December 2017.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

It is the belief of the Board that good corporate governance plays a vital part in maintaining the success of the Company. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate accountability.

The Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rule throughout the period from the Listing Date to 31 December 2017. The Company will continue to review the current corporate governance structure from time to time and shall make necessary changes when appropriate and report to Shareholders accordingly.

EMPLOYMENT AND REMUNERATION POLICY

For the year ended 31 December 2017, the Group had 101 full-time employees, as compared with 85 full-time employees for the year ended 31 December 2016. Total staff cost (including Directors' remuneration) was approximately RMB21.91 million for the year ended 31 December 2017, as compared with approximately RMB15.94 million for the year ended 31 December 2016. The Group believes that employees are one of its most important assets and the Group strives to offer a competitive remuneration to its employees. The Group has been recruiting and promoting individuals based on merit and their development potentials. Remuneration package offered to all employees is determined with reference to their performance, qualifications, experience and the prevailing salary levels in the market. The Group has been providing training opportunities for its employees in order to enhance their qualifications and equip them with necessary skills.

CONTINGENT LIABILITIES

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

SIGNIFICANT INVESTMENT

As at 31 December 2017, the Group did not have any significant investment.

USE OF PROCEEDS FROM THE SHARE OFFER

On 23 May 2017, the Company issued an aggregate of 89,840,000 H Shares of RMB1.00 each (the "**Share Offer**"). 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. During the period from the Listing Date to 31 December 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 utilisation of proceeds from the Share Offer as at 31 December 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	92.52	—

CAPITAL COMMITMENTS

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

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the annual results of the Group for the year ended 31 December 2017 and agreed to the accounting principle and practices adopted by the Group.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, there was no other significant events that might affect the Group after the Reporting Period.

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

During the period from the Listing Date to 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

FINAL DIVIDEND

On 22 March 2018, the Board proposed to pay the Final Dividend of RMB0.02 per Share for the year ended 31 December 2017 with an aggregate amount of RMB7,186,800. The Board recommended to distribute the Final Dividend in cash to the Shareholders whose name appear on the register of members of H Shares after the close of business on Friday, 18 May 2018. The distribution of the Final Dividend is subject to the approval of Shareholders at the forthcoming annual general meeting to be held on Tuesday, 15 May 2018 (the "**AGM**").

* Number of shares outstanding at 31 December 2017 was 359,340,000 (including H Shares, domestic Shares and unlisted foregin Shares).

Pursuant to the Enterprise Income Tax Law of the PRC effective from 1 January 2008 and its implementation provisions and the Notice of the State Administration of Taxation on Issues Relevant to the Withholding of Enterprise Income Tax on Dividends Paid by PRC Enterprises to Offshore Nonresident Enterprise Holders of H Shares (Guo Shui Han [2008] No. 897) promulgated on 6 November 2008, the Company is obliged to withhold and remit enterprise income tax at a rate of 10% when it distributed the Final Dividend to the non-resident enterprise shareholders whose names are registered in the register of members of H Shares. Any share which is not registered in the name of individual H Shareholders, including the HKSCC Nominees Limited, other agents or trustees, or other organisations and entities is deemed as Shares held by non-resident enterprise shareholders. Thus, enterprise income tax will be deducted from their dividends payable. Non-resident enterprise shareholders may wish to apply for a tax refund (if any) in accordance with the relevant requirements, such as tax agreements (arrangements), upon receipt of any dividends.

Pursuant to the requirements of "Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax (Cai Shui Zi [1994]020)" (財政部、國家稅務總局關於個人所得稅若干政策問題的通知(財稅字[1994]020號)) promulgated by the Ministry of Finance and the State Administration of Taxation on 13 May 1994, overseas individuals are, as an interim measure, exempted from the PRC individual income tax on dividends or bonus received from foreign-invested enterprises in the PRC. As the Company is a foreign-invested joint stock limited company, the Company will not withhold and pay the individual income tax on behalf of individual shareholders when the Company distributes the Final Dividend to individual shareholders whose names appear on the register of members of H shares.

The Company takes no responsibility and disclaim any liability for any claims arising from the taxation status or tax treatment of individual H Shareholders and any claims arising from failure to determine in time or inaccurate determination on the taxation status or tax treatment of individual H Shareholders, or any disagreements regarding the withholding mechanism or arrangement.

EXECUTIVE DIRECTORS

Mr. Li Peng (李鵬), aged 54, was appointed as a Director on 28 September 2012. He has been responsible for overseeing the daily operation of the Group since he joined us as a Director and general manager in September 2012 and November 2015, respectively. Mr. Li has extensive legal knowledge and over five years of experience in corporate management. Mr. Li joined the predecessor of Tian Yuan Law Firm (天元律師事務所) in October 1993 where he focused on mergers and acquisitions till he left as a partner in September 2010. From October 2010 to September 2013, Mr. Li successively served as the vice president and the chief executive officer in Credit Orienwise Group Ltd. (中國中科智擔保集團股份有限公司), a company primarily engaged in providing credit guarantee services, where he was responsible for the overall management of this company. From September 2012 to May 2014, Mr. Li served as a director in China Lihe Company Limited (力合股份有限公司), an investment holding company listed on the Shenzhen Stock Exchange (stock code: 000532). He has served as the chairman of Shenzhen Fullin Jinkong Asset Management Co., Ltd. (深圳富銀金控資產管理有限公司) ("**Fullin Jinkong**"), an investment holding company where he has been responsible for overseeing the general management and of Shenzhen Shanhuitong Internet Financial Service Co., Ltd. (深圳杉滙通互聯網金融服務有限公司) ("**Shenzhen Shanhuitong**"), an online lending agent since June 2013 and July 2014, respectively. Mr. Li obtained his bachelor's degree in Law from Peking University in the PRC in July 1984.

Mr. Weng Jianxing (翁建興), aged 40, was appointed as a Director on 9 June 2016. He is also the risk management director and responsible for risk management and asset management of the Group. Mr. Weng joined the Group as the head of risk management department in April 2013 and was promoted as the risk management director in April 2015. Mr. Weng has more than seven years of experience in financial products and risk management. From September 2009 to March 2011, Mr. Weng was a product manager in Credit Orienwise Group Ltd. (中國中科智擔保集團股份有限公司), a company primarily engaged in providing credit guarantee services, where he was responsible for the development of financial products. From March 2011 to March 2013, he served as the risk control manager of CIMC Financial Leasing Company Limited (中集融資租賃有限公司), a company primarily engaged in the provision of equipment-based finance leasing services, where he was responsible for risk management of that company. He obtained his bachelor's degree in transportation, master's degree in corporate management and doctor's degree in business administration from Changsha Transportation Institute (長沙交通學院), Changsha University of Science & Technology (長沙理工大學) and Central South University (中南大學) in the PRC in June 2002, June 2005 and November 2011, respectively.

NON-EXECUTIVE DIRECTORS

Mr. Zhuang Wei (莊巍), aged 51, was appointed as a Director on 28 September 2012. Mr. Zhuang is the chairman and responsible for the overall corporate strategies and management directions of the Group. Before he joined the Ningbo Shanshan Co., Ltd. ("**Shanshan**") and its subsidiaries (other than members of the Group) in March 2007, he worked in a PRC conglomerate from July 1993 to April 2000, an investment company from April 2000 to March 2003 and an IT company from March 2003 to March 2007 successively. He was responsible for investment management in the PRC conglomerate and general management in the other two companies. From March 2007 to March 2008, Mr. Zhuang served as the general manager of Ningbo Shanshan Venture Capital Co., Ltd. (寧波杉杉創業投資有限公司), an investment company, where he was responsible for the general management of this company. From April 2008 to March 2009, Mr. Zhuang served as the director and the general manager of Shanshan. From March 2009 to September 2012, Mr. Zhuang served as the chairman of Shanshan. Since September 2012, he has served as the chairman and general manager of Shanshan. Besides, he also serves as the chairman and director of a number of subsidiaries of Shanshan. Mr. Zhuang obtained his doctor's degree in political economy from Peking University (北京大學) in the PRC in July 2000.

Mr. Qian Cheng (錢程), aged 44, was appointed as a Director on 28 September 2012. He is responsible for providing strategic advice to the business and operation of the Group. From March 1998 to January 2001, Mr. Qian is a staff in Shanshan Group Co., Ltd. (杉杉集團有限公司) ("**Shanshan Group**"), where he was responsible for administration and human resources. From February 2001 to May 2002, Mr. Qian is a staff in Shanshan Holding Co., Ltd. (杉杉控股有限公司) ("**Shanshan Holding**"), where he was responsible for administration and human resources. From March 2006 to June 2009, Mr. Qian is a director of Zhongke Yinghua High-teach Company Limited (中科英華高技術股份有限公司), now known as Nuode Investment Co., Ltd. (諾德投資股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600110) and primarily engaged in the business of copper foil, lithium battery materials, investment and import and export, where he was responsible for overseeing the general operation of the company. From March 2007 to March 2008, Mr. Qian is the office director of Shanshan Holding, where he was responsible for administration and human resources. From April 2008 to March 2010, Mr. Qian served as a deputy general manager and secretary of the board of Shanshan, where he was mainly responsible for assisting the general manager and coordinating communication between company and investors. Since March 2010, he has served as a director, deputy general manager and secretary of the board of directors of Shanshan where he is responsible for assisting the general manager and coordinating communication between investors and the company. Besides, he also serves as the chairman and/or director and/or general manager of a number of subsidiaries of Shanshan. Mr. Qian obtained his bachelor's degree in international relations and public affairs from Fudan University (復旦大學) in the PRC in July 1995.

Ms. Hui Ying (惠穎), aged 36, was appointed as a Director on 9 June 2016. She is responsible for providing strategic advice to the business and operation of the Group. Prior to joining the Group, from March 2005 to September 2007, Ms. Hui was a legal assistant in Global Law Office (環球律師事務所), where she focused on initial public offering, foreign direct investment and mergers & acquisitions. From December 2007 to September 2010, she was a legal consultant in Herbert Smith, where she focused on foreign direct investment and mergers & acquisitions. Ms. Hui has served as the head of legal department, supervisor, and assistant to general manager of Shanshan since November 2010, May 2014 and January 2015, respectively. She is mainly responsible for daily legal work and investment projects for Shanshan and a number of its subsidiaries. Moreover, she also serves as the director and/or general manager of a number of subsidiaries of Shanshan. Ms. Hui obtained her lawyer's practicing certificate issued by the Ministry of Justice of the PRC in February 2008. She obtained her bachelor's degree in law and master's degree in commercial and corporate laws from Ningbo University (寧波大學) in the PRC and University College of London in the United Kingdom in June 2003 and November 2004, respectively. Ms. Hui has resigned as a Director on 22 March 2018.

Mr. Sun Luran (孫路然), aged 25, was appointed as a Director on 12 April 2016. He assumes an advisory role in the Board in view of his knowledge in finance, understanding in the capital and financial market and financial risk management which will assist the Board to evaluate and improve the internal control and risk management systems of the Group. He joined Shenzhen Shanhuitong as risk control manager in May 2016 and has been involved in risk management related work shortly after the graduation from the University of Huddersfield in the United Kingdom in June 2014 and March 2016, where he received his bachelor's degree in business management and master's degree in finance, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fung Che Wai Anthony (馮志偉), aged 49, was appointed as an independent non-executive Director on 21 April 2017. He is responsible for supervising and providing independent advice to the Board. Mr. Fung has extensive experience in accounting and corporate finance. From August 1992 to September 1999, he successively served as a staff accountant, semi senior accountant, senior accountant and manager in Deloitte Touche Tohmatsu, where he was mainly responsible for audit planning and control. From October 1999 to August 2007, Mr. Fung was a director of Winsmart Consultants Limited (弘陞投資顧問有限公司), a financial consulting company, where he was responsible for advising the client on corporate finance and investor relations related matters. From January 2008 to August 2010, Mr. Fung was the vice president of NagaCorp Limited (金界控股有限公司), a licensed casino listed on the Main Board of the Stock Exchange (stock code: 3918), where he was responsible for development of investor relations procedures, policies and strategies for the company and liaison with existing and potential investors as well as analysts. From January 2011 to July 2014, Mr. Fung was the chief financial officer and company secretary of Zall Development (Cayman) Holding Co., Ltd. (卓爾發展(開曼)控股有限公司), now known as Zall Group Ltd. (卓爾集團股份有限公司), a property developer listed on the Main Board of the Stock Exchange (stock code: 2098), where he was responsible for financial and compliance matters. From July 2014 to April 2017, Mr. Fung was the chief financial officer and company secretary of Kong Sun Holdings Limited (江山控股有限公司), a solar power plants investor and operator listed on the Main Board of the Stock Exchange (stock code: 0295), where he was responsible for overall financial operation, company secretarial matters and investor relations. From September 2014 to March 2017, Mr. Fung was an independent supervisor of Chery HuiYin Motor Finance Service Co., Ltd. (奇瑞徽銀汽車金融股份有限公司), an automobile finance joint venture, where he was responsible for monitoring the company's operations as a member of the board of supervisors. From May 2017, Mr. Fung served 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. From June 2017, Mr. Fung served 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 Main Board of the Stock Exchange.

Mr. Fung was admitted as a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in October 2001 and September 2005, respectively. Mr. Fung obtained his bachelor's degree in accountancy from Hong Kong Polytechnic University in October 1992.

Mr. Hon Leung (韓亮), aged 35, was appointed as an independent non-executive Director on 21 April 2017. He is responsible for supervising and providing independent advice to the Board. Mr. Hon has extensive experience in accounting. Mr. Hon joined KPMG in October 2008 and he was responsible for providing audit services. He left KPMG as an audit manager in May 2014. From May 2014 to February 2015, he was a financial manager in King and Wood Mallesons, where he was responsible for financial management. From March 2015, he worked for King and Wood Mallesons on a part-time basis. In February 2015, Mr. Hon founded William Hon & Co., an accounting firm, where he has been responsible for general management. Since November 2015, Mr. Hon has been an independent non-executive director of China Investment and Finance Group Limited (中國投融資集團有限公司), an investment holding company listed on the Main Board of the Stock Exchange (Stock code: 1226), where he has also served as the chairman of the audit committee of that company. Mr. Hon was qualified as a certified public accountant by the Hong Kong Institute of Certified Public Accountants in November 2012. Mr. Hon obtained his bachelor's degree in accounting and finance from the University of Hong Kong in November 2007.

Mr. Liu Shengwen (劉升文), aged 41, was appointed as an independent non-executive Director on 21 April 2017. He is responsible for supervising and providing independent advice to the Board. Mr. Liu has extensive experience in accounting. From February 1998 to June 2010, he worked at several accounting firms where he was responsible for auditing and audit risk control. From June 2010 to October 2014, Mr. Liu was the deputy director of Baker Tilly China Certified Public Accountants Shenzhen Branch, where he was responsible for audit risk control. Since November 2014, Mr. Liu has been the deputy director of Beijing Tianyuanquan Accounting Firm (北京天圓全會計師事務所) Shenzhen Branch, where he was responsible for audit risk control. Since September 2015, Mr. Liu has been an independent director of Shenzhen Techand Ecology & Environment Co., Ltd. (深圳市鐵漢生態環境股份有限公司), a company primarily engaged in the eco-environment protection and ecotourism, which is listed on the Shenzhen Stock Exchange (stock code 300197). Mr. Liu was qualified as a certified public valuer and an accountant by China Appraisal Society (中國資產評估協會) and The Chinese Institute of Certified Public Accountants of the PRC in May 2000 and February 2000. Mr. Liu obtained master's degree in software engineering from Yunnan University (雲南大學) in the PRC in June 2012.

SUPERVISORY COMMITTEE

Mr. Tian Xiuju (田秀舉), aged 30, was appointed as the chairman of the supervisory committee of the Company (the "**Supervisory Committee**") on 11 August 2015. Mr. Tian joined the internal control department of the Company on 1 July 2014. He also served as a supervisor of Tianujin Fuyin, a wholly-owned subsidiary of the Company, since July 2017. Prior to joining the Group, from July 2012 to June 2014 Mr. Tian successively served as an internal control specialist in Shanshan, where he was responsible for internal control matters. Mr. Tian has also served as a supervisor of Fullin Jinkong, Shenzhen Shanhuitong and Shannong New Agriculture Financial Services (Shenzhen) Co., Ltd. (杉農新農業金融服務 (深圳) 有限公司), a company primarily engaged in providing financial agency and consulting services since July 2014, July 2014 and August 2015, respectively. Mr. Tian obtained his bachelor's degree in finance from Anhui University of Finance & Economics (安徽財經大學) in the PRC in July 2012.

Mr. Liu Bing (劉兵), aged 45, was appointed as an employee representative Supervisor of the Company on 7 July 2015. Mr. Liu joined the Group on 15 March 2013. From August 1995 to December 2007, Mr. Liu held several positions including deputy office director in Linli Development Reform and Price Bureau (臨澧縣發展改革物價局), where he was responsible for the price determination for electricity, water and petroleum. From May 2009 to December 2010, he was the head of audit department of Shenzhen Shidu Industrial Company Limited (深圳市世都實業有限公司), a company primarily engaged in the sales of garments, where he was responsible for internal audit. From December 2010 to May 2012, he was a risk manager in Shenzhen Zhongkezhi Financing Guarantee Company Limited (深圳市中科智融資擔保有限公司), a company primarily engaged in providing credit guarantee services, where he was responsible for due diligence and assets valuation. From June 2012 to March 2013, he was the manager of the department of risk management in Shenzhen Wanfeng Weiye Financing Guarantee Company Limited (深圳市萬豐偉業融資擔保有限公司), a company primarily engaged in providing credit guarantee services, where he was responsible for establishing the risk management system. Mr. Liu obtained a graduation certificate in auditing from Hunan University of Commerce (湖南商學院) in the PRC in June 1995. In addition, he obtained a price appraiser qualification certificate from the Personnel Department of Hunan Province (湖南省人事廳) in the PRC in April 2001. In December 2011, Mr. Liu also became a non-practising member of the Chinese Institute of Certified Public Accountants of the PRC.

Mr. Zhu Xiaodong (朱曉東), aged 45, was appointed as a Supervisor elected as the representative of the Shareholders on 11 August 2015. He also served as a supervisor of Tianujin Fuyin, a wholly-owned subsidiary of the Company, since July 2017. Since July 2003, he has been the chief financial officer of Beijing Municipality Dayuan Tiaudi Property Development Co., Ltd (北京市大苑天地房地產開發有限公司) ("**Dayuan Tiandi**"), a property developer, where he has been responsible for the financial management of this company. Mr. Zhu obtained bachelor's degree in law from Tianjin Normal University (天津師範大學) in the PRC in July 2001.

Save as disclosed above in this section, none of the Directors or Supervisors is involved in the events mentioned in Rule 17.50(2) of the GEM Listing Rules, and none of the Directors, Supervisors and senior management members acted as a director of any companies listed on the Stock Exchange or other stock exchanges for the last three years.

SENIOR MANAGEMENT

Mr. Li Peng (李鵬), for details of Mr. Li Peng's biography, see the paragraph headed "Executive Directors" in this section.

Mr. Weng Jianxing (翁建興), for details of Mr. Weng Jianxing's biography, see "Executive Directors" above.

Ms. Wang Ying (王瑩), aged 29, is the Board secretary, the head of finance department and a joint company secretary of the Company. Ms. Wang joined the finance department of the Company as an accountant in January 2013 and has been responsible for financial management of the Group and the administrative matters of the board. She has more than five years of experience in financial management. Prior to joining the Group, from March 2011 to December 2012, Ms. Wang served as a financial executive in Shanshan where she was responsible for preparing financial reports. She obtained her bachelor's degree in financial management from China University of Geosciences (中國地質大學) in the PRC in June 2011.

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2017.

Compliance with Corporate Governance Code (“CG Code”)

The Group is committed to have a high quality Board and a high level of transparency and observed the principles and code provisions of the CG Code contained in Appendix 15 to the GEM Listing Rules. During the period from the Listing Date to 31 December 2017, the Group has complied with all the code provisions of the CG Code. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the CG Code and align with the latest developments.

Composition and Duties of the Board

As at 31 December 2017, the Board consisted of nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors.

The composition of the Board since the Listing Date and up to the date of this annual report is as follows:

Executive Directors

Mr. Li Peng (李鵬) (General manager)
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) (resigned on 22 March 2018)
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)

Joint Company Secretaries

Ms. Wang Ying and Ms. Ng Wing Shan have been appointed by the Company as the joint company secretaries of the Company. Ms. Wang Ying is the board secretary and the head of finance department of the Company. Ms. Ng Wing Shan is the assistant vice president of SW Corporate Services Group Limited, and assists Ms. Wang Ying in company secretarial affairs. Ms. Ng Wing Shan's primary company contact person is Ms. Wang Ying.

During the year ended 31 December 2017, Ms. Wang Ying and Ms. Ng Wing Shan have undertaken not less than 15 hours of relevant professional training respectively.

According to the articles of association of the Company (the "**Articles of Association**"), 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 Articles of Association.

Board Committees

The Company established three Board committees (the "**Board Committee**"), namely the Audit Committee, the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**") on 25 April 2017. The terms of reference of the audit committee, the nomination committee and the remuneration committee are published 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 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, who is the independent non-executive Director with the appropriate professional qualifications. 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.

The Audit Committee held two meetings during the year ended 31 December 2017 to review the interim financial results announcement and report of the Company for the six months ended 30 June 2017 and the quarterly financial results announcement and report for the nine months ended 30 September 2017 as well as significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and the effectiveness of the Company's internal audit function.

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. 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 (the "**Chairman**").

For the year ended 31 December 2017, the nomination committee held one meeting to review the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors to determine their eligibility and review the diversity policy 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. 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.

During the Reporting Period, remuneration committee held two meetings to review the remuneration package of the Directors (including non-executive Directors) and senior management, the remuneration policy of the Company.

The primary goal of the Group's remuneration policy for executive Directors is to enable the Company to reflect their individual performance by a reasonable remuneration package. The remuneration package includes basic salary, performance and other benefits. Remuneration of the independent non-executive Directors mainly includes the director's fee which is a matter for the Board to decide by reference to the duties and responsibilities of the independent non-executive Directors and their experience.

Remuneration Policy

The Group provides employees with fair and equitable remuneration and benefits based on individual performance, experience and market benchmarks. The Group have formulated a set of employee performance appraisal mechanisms and made appropriate salary adjustments every year according to employee performance to reduce the loss of talent.

Attendance Record of Directors and Committee Members

The attendance record of each Director at the Board meeting, Board Committees meetings and general meetings of the Company held during the year ended 31 December 2017 is set out in the table below:

Name of Director	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Extraordinary General Meeting
Executive Directors					
Mr. Li Peng (李鵬)	22/22	N/A	N/A	N/A	2/2
Mr. Weng Jianxing (翁建興)	22/22	N/A	N/A	N/A	2/2
Non-executive Directors					
Mr. Zhuang Wei (莊巍)	22/22	N/A	1/1	N/A	2/2
Mr. Qian Cheng (錢程)	22/22	N/A	N/A	2/2	2/2
Ms. Hui Ying (惠穎) (Resigned on 22 March 2018)	22/22	N/A	N/A	N/A	2/2
Mr. Sun Luran (孫路然)	22/22	N/A	N/A	N/A	2/2
Independent Non-executive Directors					
Mr. Fung Che Wai Anthony (馮志偉) *	17/17	2/2	1/1	N/A	1/1
Mr. Hon Leung (韓亮) *	17/17	2/2	1/1	2/2	1/1
Mr. Liu Shengwen (劉升文) *	17/17	2/2	N/A	2/2	1/1

* Independent non-executive Directors were appointed on 21 April 2017. Therefore, they attended a total of 17/17 Board meetings during the Reporting Period.

Continuous Training and Professional Development of Directors

During the year ended 31 December 2017, the trainings attended by each of the current Directors are summarised as follows:

Name of Director	Attending in-house training organized by professional organizations	Reading materials updating on new rules and regulations
Executive Directors		
Mr. Li Peng (李鵬)	√	√
Mr. Weng Jianxing (翁建興)	√	√
Non-executive Directors		
Mr. Zhuang Wei (莊巍)	√	√
Mr. Qian Cheng (錢程)	√	√
Ms. Hui Ying (惠穎) (Resigned on 22 March 2018)	√	√
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)	√	√

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, and all Directors and Supervisors have confirmed that they have complied with the Code of Conduct throughout the period from the Listing Date to 31 December 2017.

Independent Non-executive Directors

During the year ended 31 December 2017, the Group at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors are independent in accordance with the independence guidelines.

Directors' Responsibility for the Financial Statements

The Board acknowledged its responsibility of preparing the financial statements for the year ended 31 December 2017 of the Company.

The Board is responsible for the clear and fair assessment report for the quarterly, interim and annual reports and other disclosures according to the GEM Listing Rules and other regulatory requirements. The senior management has provided the Board with all necessary explanations and information for the Board to make an implementation assessment of the Company's financial data and position and for the Board's consideration and approval.

Chairman of the Board and General Manager

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer of a listed company should be separate and should not be performed by the same individual.

Mr. Zhuang Wei is the Chairman and primarily responsible for providing leadership to the Board and overseeing the Group's overall strategic planning and management. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practices. With the support of the company secretaries of the Company, the Chairman is also responsible for ensuring that the Directors receive, in a timely manner, adequate information, which must be accurate, clear, complete and reliable, and appropriate briefing on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner.

Mr. Li Peng is the general manager of the Company and responsible for Group's day-to-day management, operations and business development. The general manager focuses on implementing objectives, polices and strategies approved by the Board.

AUDITOR'S REMUNERATION

The remuneration paid/payable to the Company's external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2017 is set out below:

Type of services provided by external auditors	Amount of fees (HKD)
Audit services	800,000
Non-audit service	100,000
Total	900,000

Non-audit service includes review service for the period ended 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period from the Listing Date to 31 December 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

INFORMATION DISCLOSURE

Regarding the disclosure of inside information and internal control measures, the Company understands its duties under the GEM Listing Rules and the Securities and Futures Ordinance ("**SFO**"), and adheres to the important principle of timely publication of the inside information. The Company abides by the "Guide on disclosure of inside information" published by the Securities and Futures Commission of Hong Kong (the "**SFC**"), and has developed a complete system of internal procedures and information disclosure policy for processing and publication of information in order to ensure the timely, accurate and appropriate disclosure of relevant information to the public and regulatory authorities.

The Company is required to disclose inside information as soon as reasonably practicable in accordance with SFO and the GEM Listing Rules. The Company conducts its affairs with close regard to the "Guidelines on Disclosure of inside Information" issued by the SFC. The Company also included in its information disclosure polices a strict prohibition on the unauthorised use of confidential or inside information. The Board will determine further escalation and appropriate handling the dissemination of inside information.

Board Diversity Policy

The Board has adopted a board diversity policy on 28 May 2017, setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. 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. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

Selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The Nomination Committee is responsible for reviewing the policy, developing and reviewing measurable objectives for implementing the policy and monitoring the progress on achieving these measurable objectives. The nomination committee shall review this policy and the measurable objectives at least annually, and as appropriate, to ensure the continued effectiveness of the Board.

Financial, business and family relationship among members of the Board

There is no financial, business, family or other significant relationship among the members of the Board.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Directors take decisions objectively in the joint interests of the Company and Shareholders. The Board has delegated to the general manager, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board Committees and has delegated to these Board Committees various responsibilities as set out in their respective terms of reference. Further details of these committees are set out in section headed "Board Committees" in this annual report.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have access to all the information of the Company as well as the services and advice of the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interest of the Company and the Shareholders at all times. The CG Code requires directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer. Directors have agreed to disclose their commitments to the Company in a timely manner and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Company has arranged appropriate liability insurance coverage for directors in relation to legal proceedings against directors.

CORPORATE GOVERNANCE FUNCTIONS

The Board is also responsible for performing the corporate governance duties including:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct applicable to employees and Directors; and
- to review the Company's compliance with CG Code and disclosure in the corporate governance report in the annual report of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

As a financial services company, the Group faces a variety of risks in the daily business operations, 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 the 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 the finance leasing and factoring businesses. The Group believes this enhances the risk management capability in that the overall portfolio risk would be less vulnerable to the cyclicality and market conditions of a single industry. The Group continues to monitor and review the operation and performance of the risk management system, and to improve the system from time to time to adapt to the changes in market conditions and regulatory environment.

The Board is the highest level of the risk management system, and is ultimately responsible for the overall risk management. During the year ended 31 December 2017, the Board conducted a review of the effectiveness of the risk management and internal control systems of the Group, including the adequacy of resources used for the Group's accounting principal and financial report, staff qualifications and experience, training programmes, financial budget and financial account of the Group, and policies of the risk management and internal control systems. The Board considered the risk management and internal control systems effective and adequate in all material aspects in both design and operations.

The Company established the internal audit function to perform annual financial review and risk management and assessment on internal control system.

During the Reporting Period, The Group has engaged Baker Tilly Hong Kong Risk Assurance Limited ("**Baker Tilly Hong Kong**") to conduct a review on the effectiveness of the Group's risk management and internal control for the year ended 31 December 2017. Such review covered material controls, including financial, operational and compliance controls and it did not reveal any significant defects. Baker Tilly Hong Kong has reported major findings and areas for improvement to the Board. Relevant recommendations made by Baker Tilly Hong Kong have been properly followed up by the Group to further enhance its internal control policies, procedures and practices.

The Company periodically reviews each position of the operating departments and other functional departments to identify, analyse and evaluate the risks. The risk assessment results and the proposed internal control measures are submitted to the senior management of the Company and general manager for review and approval. The senior management and general manager are also responsible for supervising the effectiveness of implementation and future execution of the risk control measurement.

COMMUNICATION WITH SHAREHOLDERS

Where the Company convenes a general meeting, a notice of the meeting in written form or in electronic form by posting on the website of the Stock Exchange and the website of the Company, shall be given not less than 45 days before the date of the meeting to notify all of the Shareholders in the Shareholders' register of the matters to be considered and the date and venue of the meeting to be held. Any Shareholder intending to attend the meeting shall deliver to the Company a reply slip reply showing his/her intention to attend at least 20 days before the meeting.

Shareholders' Rights to Propose Resolutions

When the Company convenes a general meeting, more than two Independent Non-executive Directors, and the Supervisory Committee, Shareholders severally or jointly holding more than 3% of the total number of shares shall have the right to propose resolutions. When the Company convenes an annual general meeting, Shareholders severally or jointly more than 10% of the total number of shares shall have the right to extraordinary resolutions in writing to the Company's head office in the PRC at 3001, Shenzhen International Culture Building, Futian Road, Futian District, Shenzhen, Guongdong, PRC and the Company shall include the matters therein falling within the scope of functions and powers of the general meeting into the agenda of such meeting. The Board of shall give a written reply stating its agreement or disagreement to the convening of the extraordinary general meeting within10 days after receiving the proposal in accordance with the laws, administrative regulations and the Articles of Association. If the Board agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be issued within 5 days after the date of the resolution of the Board. If the Board disagrees to convene the extraordinary general meeting or does not give any written reply within 10 days after receiving the proposal, In such case, the Supervisory Committee may convene and preside over the meeting. Shareholders individually or jointly holding more than 10% of the shares of the Company are entitled to request the Supervisory Committee in writing to convene an extraordinary general meeting.

Shareholders' Right to Requisite a Meeting

Shareholders requisitioning an extraordinary general meeting or class meeting of Shareholders shall abide by the following procedures:

(a) Shareholders individually or jointly holding more than 10% of shares of the Company are entitled to request the Board in writing to convene an extraordinary general meeting. The Board shall, in accordance with the requirements of laws, administrative regulations and the Articles of Association, reply with a written opinion to state whether it agrees or disagrees to convene an extraordinary general meeting within 10 days upon receipt of the request.

(b) If the Board agrees to convene the extraordinary general meeting, it shall issue a notice of convening the Shareholders' general meeting within 5 days upon after the date of the resolution of the Board. Any changes made to the original proposal in the notice shall be agreed by the relevant Shareholders. If the Board disagrees to convene the extraordinary general meeting, or does not reply within 10 days upon receipt of the proposal, Shareholders individually or jointly holding more than 10% of the shares of the Company are entitled to request the Supervisory Committee in writing to convene an extraordinary general meeting.

(c) If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall issue a notice of convening the Shareholders' general meeting within 5 days upon receipt of the proposal. Any changes made to the original proposals in the notice shall be agreed by the relevant Shareholders. If the Supervisory Committee does not issue the notice of general meeting within the prescribed period, it shall be deemed as the Supervisory Committee not convening and not holding the Shareholders' general meeting. Then the Shareholders individually or jointly holding more than 10% of the shares of the Company for more than 90 consecutive days are entitled to convene and hold the meeting by themselves.

Inquiry and Communication of Shareholders

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The chairman of the Board, non-executive Director, independent non-executive Directors, and the chairmen of all Board Committees (or their delegates) will make themselves available at general meetings to meet Shareholders and answer their enquiries.

The AGM will be held on Tuesday, 15 May 2018.

To promote effective communication, the Company maintains a website at www.fyleasing.com, where up-to-date information and updates on the Company's business operations and development, financial information, corporate governance practices and other information are available for public access. The Company and the Board value the views and the inputs of Shareholders and investors. The Company welcomes suggestions from investors and Shareholders in relation to the development of the Company to the Company via email or telephone.

CHANGE IN CONSTITUTIONAL DOCUMENTS

An amended and restated Articles of Association of the Company was adopted on 18 April 2017 and took effect from the Listing Date. Save as disclosed herein, the Company has not made any changes to its constitutional documents during the year ended 31 December 2017. An up-to-date version of the Articles of Association is available on the Company's website and the Stock Exchange's website.

COMPETING INTERESTS

None of the Directors, Supervisors 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.

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, save for the compliance adviser agreement entered into between the Company and Dongxing Securities dated 14 September 2016, 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.

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

Hong Kong, 22 March 2018

REPORT OF THE DIRECTORS

The Board is pleased to present the report of the Directors of the Company for the year ended 31 December 2017 to the Shareholders.

PRINCIPAL ACTIVITIES

The Group is a financial services company principally engaged in financial leasing, provision of factoring, advisory services and trading of medical equipment in the PRC.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the aggregated sales of the Group to the top five customers accounted for 34.57% (2016: 29.27%) of the total income of the Group, and the sales of the Group to the largest customer accounted for 10.71% (2016: 9.24%).

For the year ended 31 December 2017, the aggregated purchases of the Group from the top five suppliers accounted for 20.08% (2016: 51.87%) of the total income of the Group, and the purchases of the Group from the largest supplier accounted for 5.89% (2016: 15.76%).

During the year ended 31 December 2017, none of the Directors, their close associate or any Shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in any of the top five customers and suppliers of the Group.

MAJOR SUBSIDIARIES

Particulars of major subsidiaries of the Company are set out in note 25 to the consolidated financial statements.

FINANCIAL HIGHLIGHTS

The annual results highlights of the Company and its subsidiaries for the year ended 31 December 2017 and the latest three financial years are set out on page 4 in this annual report.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2017 as at that date are set out in the consolidated financial statements on page 77 in this annual report.

BUSINESS REVIEW AND PERFORMANCE

A review of the business of the Group during the year ended 31 December 2017 and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 5 to 6 of this annual report. A discussion on the key financial performance indicators of the Group for year ended 31 December 2017 is provided in the Management Discussion and Analysis on pages 7 to 15 of this annual report. The review and discussion thereof form part of this Report of the Directors.

INDUSTRY FACTORS

The continued market-oriented reform of the PRC financial industry, increasing customer demand for customized leasing products and services, and favorable government policies have brought important opportunities to the leasing industry. Leveraging our experienced management, clear strategic planning, prudent risk management and internal control procedures, we believe we will be able to seize such opportunities and achieve sustainable business growth.

RESERVES

Details of movements in reserves of the Group during the year ended 31 December 2017 are set out in the consolidated statement of changes in equity in this annual report and details of reserves distributable to Shareholders are set out in note 26 to the consolidated financial statements.

PROPERTIES, PLANT AND EQUIPMENT

Details of movements in properties, plant and equipment of the Group for the year ended 31 December 2017 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

The overseas-listed foreign share (the "**H Shares**") of the Company were successfully listed on GEM of the Stock Exchange on 23 May 2017. The Company issued an aggregate of 89,840,000 H Shares by way of public offering. From the Listing Date to 22 March 2018 (“**Latest Practical Date**”), there was no change in share capital of the Company.

DIVIDEND

The Board proposed the payment of the Final Dividend for the year ended 31 December 2017 of RMB0.02 per ordinary share (tax inclusive) (2016: RMB nil).

CUSTOMER SATISFACTION

The Directors regard customer satisfaction as one of most important factors for success, During the Reporting Period, the Group did not have any case of customer complaint on record. As at 31 December 2017, the Group had a total of 933 customers, representing an increase of approximately 243.01% compared with 272 customers during the same period of last year.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained the prescribed public float under Rule 11.23 of the GEM Listing Rules during the period from the Listing Date to the date of this report.

COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS

Each of Hong Kong Shanshan Resources Company Limited ("**Shanshan HK**"), Shanshan, Shanshan Group, Ningbo Yonggang Clothing Investment Co., Ltd. ("**Ningbo Yonggang**"), Shanshan Holding, Ningbo Qinggang Investment Co., Ltd. ("**Qinggang Investment**"), Ms. Zhou Jiqing and Mr. Zheng Yonggang, being the controlling shareholders of the Company (the "**Controlling Shareholders**"), has confirmed to the Company that it/she/he has complied with the non-competition undertakings by it/her/him to the Company during the period from the Listing Date to the date of this report. The independent non-executive Directors have reviewed the compliance and enforcement of the non-competition undertakings and have confirmed that all the undertakings thereunder have been complied by each of the Controlling Shareholders.

CONTRACTS OF SIGNIFICANCE

During the Reporting Period, save as disclosed in the paragraph headed "Related party transactions" in this report, there had been no contract of significance between the Company or any of its subsidiary and a controlling shareholder (as defined in the GEM Listing Rules) of the Company or any of its subsidiary.

DIRECTORS AND SUPERVISORS

The following table set forth the information relating to the Directors and the Supervisors during the year and up to the date of this report.

Name	Age	Position	Appointment date
Mr. Li Peng (李鵬)	54	Executive Director and general manager	28 September 2012
Mr. Weng Jianxing (翁建興)	40	Executive Director and risk management director	9 June 2016
Mr. Zhuang Wei (莊巍)	51	Non-executive Director and chairman of the Board	28 September 2012
Mr. Qian Cheng (錢程)	44	Non-executive Director	28 September 2012
Ms. Hui Ying (惠穎) (Resigned on 22 March 2018)	36	Non-executive Director	9 June 2016
Mr. Sun Luran (孫路然)	25	Non-executive Director	12 April 2016
Mr. Fung Che Wai Anthony (馮志偉)	49	Independent non-executive Director	21 April 2017
Mr. Hon Leung (韓亮)	35	Independent non-executive Director	21 April 2017
Mr. Liu Shengwen (劉升文)	41	Independent non-executive Director	21 April 2017
Mr. Tian Xiuju (田秀舉)	30	Chairman of the Supervisory Committee	11 August 2015
Mr. Liu Bing (劉兵)	45	Employee representative Supervisor	7 July 2015
Mr. Zhu Xiaodong (朱曉東)	45	Supervisor elected as the representative of the Shareholders	11 August 2015

Ms. Hui Ying resigned as a non-executive Director effective from 22 March 2018 to pursue other business interests which require more of her dedication. For details, please refer to the announcement of the Company dated 22 March 2018.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of the Directors, Supervisors and senior management of the Group are set out on pages 16 to 22 in this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors of the Company has entered into a service contract with the Company for a term of three years effective from the date of appointment.

The Company has not entered into/executed any service contract/letter of appointment with any Director or Supervisor which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS AND SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

None of the Directors and Supervisors or their associated entities had any beneficial interests, directly or indirectly, in any transactions, arrangements or contracts of significance (except service contracts) concerning the business of the Group entered into with the Company or any of its controlling companies or subsidiaries in 2017.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors and management of the Group is currently in force and was in force throughout the financial year. Throughout the year, the Company has maintained appropriate directors and management liability insurance cover providing indemnity against liabilities, including liability in respect of legal actions against the Directors and management of the Group, thereby sustained or incurred arising from or incidental to execution of duties of his/her offices.

EQUITY-LINKED AGREEMENTS

Save for the Scheme of the Company as set out in this annual report, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2017.

REMUNERATION OF DIRECTORS AND SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and five highest paid individuals for the year ended 31 December 2017 are set out in note 13 to the consolidated financial statements. The remuneration of the Directors and Supervisors is subject to Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties and responsibilities, the recommendations of the Remuneration Committee and the performance and results of the Group. No Directors, or any of their respective associates, was involved in deciding his/her own remuneration for the year ended 31 December 2017.

Emoluments paid or payable to members of senior management who are not directors were within the following band:

	2017 RMB	2016 RMB
Nil to HK$1,000,000	3	3

No Director, Supervisor, and Senior management has waived or has agreed to waive any emoluments during the year ended 31 December 2017.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors and Supervisors of the Company had any interest in any business which was in competition or was likely to compete, directly or indirectly with the business of the Company and its subsidiaries.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2017.

BANK AND OTHER BORROWINGS

Details of bank and other borrowings of the Group as at 31 December 2017 are set out in note 21 to the consolidated financial statements.

MAJOR RISKS AND UNCERTAINTIES

Details of relevant risk factors are set out in the section headed "Risk Factors" in the prospectus dated 10 May 2017 (the "**Prospectus**").

COMPLIANCE WITH LAWS AND REGULATIONS

The Group persists in maintaining good corporate governance and operating in compliance with the laws and integrity through abidance by relevant laws and regulations, industry regulations and business ethics. For the year ended 31 December 2017 and up to the date of this annual report, the Company had not been and were not a party to any material legal, arbitral or administrative proceedings, and the Company was not aware of any pending or threatened legal, arbitral or administrative proceedings against the Company or any of the Directors which could have a material adverse effect on the Company's operations or financial condition.

MATERIAL LEGAL PROCEEDINGS

For the year ended 31 December 2017, to the best information, knowledge and belief of the Directors after making all reasonable enquiries, the Company was not involved in any legal litigation or arbitration of material importance in which it served as a defendant.

RELATED PARTY TRANSACTIONS

Finance leasing service to Longding Huayuan

On 20 December 2015, the Company entered into a finance leasing agreement with Beijing City Longding Huayuan Property Development Co., Ltd. (北京市龍鼎華源房地產開發有限責任公司) ("**Longding Huayuan**") (as supplemented by supplemental agreements dated 20 December 2015 and 25 May 2016, respectively) (the "**Finance Leasing Agreement**"), pursuant to which the Company agreed to purchase certain elevators and intelligent security system (the "**Equipments**") from the equipment supplier and lease the Equipments to Longding Huayuan for a term of 35 months commencing from 24 December 2015, being the date of payment of the first instalment of the purchase price of the Equipments from the Company to the equipment supplier, and for a term of 30 months commencing from 23 March 2016, being the date of payment of the second instalment of the purchase price of the Equipments from the Company to the equipment supplier. The total amount payable by Longding Huayuan under the Finance Leasing Agreement is RMB8,516,870, the of which RMB7,520,040 being the repayment of the purchase price of the Equipments paid by the Company to the equipment supplier, approximately RMB144,838.52 being the VAT payable for the finance lease income and the remaining balance of RMB851,991.45 being the finance lease income (exclusive of VAT) payable by Longding Huayuan to the Company under the Finance Leasing Agreement. Upon settlement of the entire amount of finance lease receivable under the Finance Leasing Agreement, the ownership of the Equipments will be transferred to Longding Huayuan. Accordingly, the transactions contemplated under the Finance Leasing Agreement constitutes continuing connected transactions for the Company under chapter 20 to the GEM Listing Rules.

Since (i) the applicable percentage ratios (other than the profits ratio) calculated with reference to the annual transaction amount contemplated under the Finance Leasing Agreement for each of the three years ending 31 December 2017, 2018 and 2019 is less than 5% and the annual transaction amount for one or more of each of the three years ending 31 December 2017, 2018 and 2019 is less than HK$3,000,000 and (ii) the transaction contemplated under the Finance Leasing Agreement is conducted on normal commercial terms, the transaction under the Finance Leasing Agreement will be fully exempt from the reporting, announcement and the independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

The Directors, including the independent non-executive Directors, consider that the continuing connected transaction contemplated under the Finance Leasing Agreement and the annual cap for each of the three financial years ending 31 December 2017, 2018 and 2019 is fair and reasonable, and that such transaction has been entered into in the ordinary and usual course of the business of the Group, on normal commercial terms, is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Factoring service to Longding Huayuan

On 9 October 2017, Shan Shan Fullin Factoring Co., Ltd. (杉杉富銀商業保理有限公司) ("**Fullin Factoring**"), a wholly-owned subsidiary of the Company, entered into a factoring agreement (the "**Factoring Agreement**") with Longding Huayuan, pursuant to which Fullin Factoring has agreed to provide the accounts receivable factoring services for Longding Huayuan for a term of three years commencing from the effective date with a facility in the factoring principal amount of RMB41,800,000 (equivalent to approximately HK$49,193,833).

Longding Huayuan is a non-wholly owned subsidiary of Dayuan Tiandi, a substantial Shareholder of the Company who is interested in 80,000,000 domestic shares, representing approximately 22.26% of the total number of issued Shares as at the date of this report, and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Factoring Agreement constitutes continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

Such transaction was entered into in the ordinary and usual course of business of Fullin Factoring and will generate revenue and cashflow stream from the factoring interest and management fees received. Its terms, including the credit limit, the interest rate and the proposed annual caps therefor, were agreed between Fullin Factoring and Longding Huayuan after arm's length negotiations between the parties and are on normal commercial terms. Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of such transaction are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Save as disclosed above, the Company did not enter into any related party transaction, connected transaction or continuing connected transaction during the year ended 31 December 2017.

The Directors (including independent non-executive Directors) have reviewed the above continuing related party transactions and confirmed that it has been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement with terms which are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 20.54 of the GEM Listing Rules, the Board has engaged the auditor of the Company to carry out procedures in relation to the related party transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the work performed, the auditors of the Company have provided a letter to the Board reporting that:

(i) nothing has come to their attention that causes the auditors of the Company to believe that the related party transactions have not been approved by the Board;

(ii) nothing has come to their attention that causes the auditors of the Company to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and have exceed the cap;

(iii) nothing has come to their attention that caused the auditors of the Company to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group.

During the Reporting Period, the Directors confirm that the Company has complied with the disclosure requirements (if any) under Chapter 20 of the GEM Listing Rules.

DONATION

No charitable and other donations were made by the Group during the year ended 31 December 2017 (2016: HK$ nil).

SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

As a financial service provider, the Group does not involve in business that will generate air, water and land pollutions which are regulated by the applicable laws and regulations in the PRC. No hazardous waste was produced by the Group in its course of business for the year ended 31 December 2017. The Group complies with the relevant laws and regulations in environmental protection and impact on the environment has always been a major focus of the Group.

The Group is committed to the long-term sustainability of its businesses and the communities with which it engages. The Group pursues this business approach by managing the business prudently and executing management decisions with due care and attention.

PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to propose new issues to its existing Shareholders in proportion to their shareholdings.

PENSION SCHEME

According to applicable PRC laws and regulations, the Company has made contributions to the social security fund for its employees based on a certain percentage of Standard salaries.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events that may affect the business operation and/or the financial position of the Group subsequent to 31 December 2017.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters, which include the review of the consolidated annual results of the Group for the year ended 31 December 2017.

AUDITOR

The financial statements have been audited by BDO Limited who has remained as the Company's auditor for each of the preceeding three year since the Listing Date and will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

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 31 December 2017, to the best knowledge of the Directors, the following persons or corporations (other than Directors, Supervisors or chief executive of the Company) had or 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 Division 2 and 3 of Part XV of the Securities and Future 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 held in the relevant class shares of the Company (1)	Percentage (approximate)	Number of shares held in the total share capital of the Company (1)	Percentage (approximate)
Shanshan HK (2) (3) (4) (5)	Unlisted foreign shares	Beneficial owner	149,500,000 (L)	100%	149,500,000 (L)	41.60%
Shanshan (2)	Unlisted foreign shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Shanshan Group (3)	Unlisted foreign shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Ningbo Yonggang (4)	Unlisted foreign shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Shanshan Holding (5)	Unlisted foreign shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%

Name of Shareholder	Class of shares	Nature of interest	Number of shares held in the relevant class shares of the Company (1)	Percentage (approximate)	Number of shares held in the total share capital of the Company (1)	Percentage (approximate)
Qinggang Investment (6)	Unlisted foreign shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Mr. Zheng Yonggang (7)	Unlisted foreign shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Ms. Zhou Jiqing (7)	Unlisted foreign shares	Interest of a controlled corporation	149,500,000 (L)	100%	149,500,000 (L)	41.60%
	Domestic shares	Interest of a controlled corporation	2,000,000 (L)	1.67%	2,000,000 (L)	0.56%
Dayuan Tiandi (8)	Domestic shares	Beneficial owner	80,000,000 (L)	66.67%	80,000,000 (L)	22.26%
Mr. Zhao Dehua(8)	Domestic shares	Interest of a controlled corporation	80,000,000 (L)	66.67%	80,000,000 (L)	22.26%
Mr. Gong Liang(8)	Domestic shares	Interest of a controlled corporation	80,000,000 (L)	66.67%	80,000,000 (L)	22.26%
KKC Capital SPC – KKC Capital High Growth Fund Segregated Portfolio(9)	H Shares	Beneficial owner	9,408,000 (L)	10.47%	9,408,000 (L)	2.62%
KKC Capital Limited(10)	H Shares	Investment manager	9,408,000 (L)	10.47%	9,408,000 (L)	2.62%
Avia Asset Management Limited(11)	H Shares	Investment manager	9,408,000 (L)	10.47%	9,408,000 (L)	2.62%
Mr. Chiu Wai Lap(11)	H Shares	Investment manager	9,408,000 (L)	10.47%	9,408,000 (L)	2.62%

Name of Shareholder	Class of shares	Nature of interest	Number of shares held in the relevant class shares of the Company [1]	Percentage (approximate)	Number of shares held in the total share capital of the Company [1]	Percentage (approximate)
Tiger Capital Fund SPC – Tiger Global SP[12]	H Shares	Beneficial owner	13,718,000 (L)	15.27%	13,718,000 (L)	3.82%
A Plus Capital Management Limited[12]	H Shares	Investment manager	13,718,000 (L)	15.27%	13,718,000 (L)	3.82%
Full House Asset Management Company Limited[13]	H Shares	Investment manager	17,118,000 (L)	19.05%	17,118,000 (L)	4.76%

Notes:

(1) The letter "L" denotes the person's long position in the shares. As at 31 December 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. (上海杉杉創暉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 62.96% 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 17.14% and indirectly held 62.96% 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 Yonggang and Ms. Zhou Jiqing 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, 9,408,000 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, 9,408,000 H Shares were held by KKC Capital Limited as investment manager.

(11) According to the information available on the website of the Stock Exchange, 9,408,000 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, 17,118,000 H Shares were held by Full House Asset Management Company Limited as investment manager.

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any other person or corporation which had any interest or short position in the shares or underlying shares of the Company which had to be required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of the Part XV of the SFO, or is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or interested in any share option in connection with such capital.

Interests and short positions held by Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2017, none of the Directors, Supervisors and chief executives 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.

BUSINESS OBJECTIVES SET OUT IN THE PROSPECTUS OF THE COMPANY

In order to continue the rapid growth, the Group intends to continue the following strategies in 2017.

1. During the Reporting Period, the Group continued developing the finance leasing business in traditional industries such as the electronics and fast-moving consumer goods industries and also focused and intensified the efforts in developing in the medical, alternative energy and transportation industries without compromising the risk management and asset quality.

2. The Group continued to expand the finance leasing and factoring businesses and improve the market share as a non-bank financial services provider. As at 31 December 2017, the Group had over 933 finance leasing customers in various industries.

3. The Group has provided training programs for the management team and business and risk management managers to enhance their industry knowledge and keep them abreast of updates to the industries.

4. The Group has upgraded the information technology systems to more closely monitor and control the condition of assets, improve the financing project management and enhance the overall asset monitoring of the Company.

5. As at 31 December 2017, the Group has entered into two framework cooperation agreements with different equipment suppliers and other financial services companies for the finance leasing business.

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

Shenzhen, PRC, 22 March 2018

In 2017, the Supervisory Committee executed its supervising function earnestly, safeguarded the rights and interests of Shareholders and the Company and carried out its work in a diligent and proactive manner pursuant to the provisions of the Company Law of the PRC, the Articles of Association, the rules of procedures of the Supervisory Committee and the GEM Listing Rules.

The Supervisory Committee comprises three members. The chairman of the Supervisory Committee of the Company is Mr. Tian Xiuju. Mr. Liu Bing and Mr. Zhu Xiaodong.

I. MEETINGS OF THE SUPERVISORY COMMITTEE

As at 31 December 2017, the Supervisory Committee held three meetings in total. Such meetings were held in compliance with the requirements of relevant regulations and the Articles of Association of the Company and with proper service of notice and quorum. Major matters considered and reviewed by the Supervisory Committee include:

- Review of the interim report for 2017 and the third quarterly report for 2017.
- Review of the financial budget plan for 2016, the resolution on profit and dividend distribution plan for 2016 and the financial budget proposal for 2017.
- Considering and approving the work report of the Supervisory Committee for 2016.

As at 31 December 2017, members of the Supervisory Committee attended and observed all general meetings and Board meetings in accordance with laws and monitored the matters considered at the Board meetings and general meetings and the compliance with laws and regulations of procedures. During the Reporting Period, there was no incidence that the Supervisors made representations to the Directors or sued the Directors on behalf of the Company.

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS

1. Financial report

The 2017 financial report of the Company prepared under the Hong Kong Financial Reporting Standards has been audited by BDO Limited and BDO Limited has issued an unqualified audit report. The financial report fairly and truly reflects the Company's financial position as at 31 December 2017 and the financial performance and cash flow in 2017.

2. Related party transaction

The Supervisory Committee reviewed the related party transactions between the Company and its related parties during the Reporting Period and considered that the related party transactions were in compliance with relevant requirements of the Stock Exchange and applicable laws and the considerations for the related party transactions were reasonable, open and fair and no matters that were detrimental to the interests of the Company or its Shareholders as a whole were identified.

3. Internal control

During the Reporting Period, the Company continued to strengthen and improve the construction of its internal control system. The comprehensiveness and effectiveness of the Company's internal control were continuously improved. The Supervisory Committee was not aware of any material defect in the Company's internal control system or its implementation.

4. Implementation of the resolutions of general meetings

The Supervisory Committee had no objection to all such reports and resolutions submitted by the Board to general meetings for consideration and approval in 2017. The Supervisory Committee supervised the implementation of the resolutions of general meetings and considered that the Board had prudently implemented the resolutions of general meetings.

5. Operations in Compliance with Laws and Regulations

During the year ended 31 December 2017, the operations of the Company were normal and reasonable and were in compliance with applicable laws, regulations, rules and the Articles of Association. The Supervisory Committee was not aware of non-compliance with laws, regulations, the Articles of Association or behaviors that were detrimental to the interests of the Company and the Shareholders as a whole committed by the Directors and senior management of the Company in discharging their duties.

FY Financial (Shenzhen) Co., Ltd.
Supervisory Committee
22 March 2018

SCOPE AND LIMITATION OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In accordance with the disclosures requirements under the "comply or explain" provisions of the GEM Listing Rules Appendix 20 "Environmental, Social and Governance Reporting ("**ESG**") Guide" ("**ESG Guide**") of the GEM Listing Rules, this environmental, social and governance report (the "**ESG Report**") covers the overall performance of the Group in environmental, social and governance aspects during the period from 1 January 2017 to 31 December 2017. The ESG Guide content index that refers to in this ESG Report is set out in the Appendix to this ESG Report on pages 53 to 71 of this report.

The Group highly values the importance of making appropriate disclosure of corporate information to all investors and Shareholders and believes that high level of transparency is the key to building confidence with the investors. Therefore, in this ESG Report, it highlighted the sustainable achievements in the following areas to give the stakeholders a better understanding of what the Group has done to protect the environment and promote social harmony:

ESG Aspects	Issues
Environment	– Emission
	– Use of resources
	– Production of waste
Employment and labour practices	– Employment
	– Health and safety
	– Development and training
	– Labour standard
Operating practices	– Supply chain management
	– Product liability
	– Anti-corruption
Community	– Community investments

For details about corporate governance, please refer to the "Corporate Governance Report" set out in pages 23 to 35 of this report.

INFORMATION AND FEEDBACK

For details about the financial performance and corporate governance of the Group during the Reporting Period, please visit the website of the Company at http://www.fyleasing.com/and this report.

The Group highly values your opinions. Should you have any suggestion or feedback regarding the ESG Report and the performance of the Group on sustainability, please contact the Group by e-mail at fysz@fyleasing.com.

INFORMATION ON STAKEHOLDERS

Stakeholders	Possible Incidental Issues	Communication and Response
The Stock Exchange	Compliance with the GEM Listing Rules, publishing of announcements in a timely and accurate manner	Meetings, trainings, seminars, programmes, website update and announcements
Governments	Compliance with laws and regulations, social welfare and prevention of tax evasion	Interactions and visits, government inspections, tax returns and other information
Suppliers	Payment schedule, supply stability	Site investigation
Investors	Corporate governance system, business strategies and performance, investment return	Organization and participation of conferences, visits and interviews, general meetings, provision of financial reports or business updates for investors, press and analysts
Media	Corporate governance, environmental protection and human rights	Posting of newsletters on the company website
Customers	Product/service quality, fair and reasonable pricing, value of service	Site visits and after-sale services
Employees	Rights and benefits, employee salaries, training and development, working hours, working environment, protection for the labour force and work safety	Organization of team activities, trainings, interviews, issue of staff manual and internal memorandum
Community	Environmental, employment and community development, social welfare	Organization of community activities, employees volunteering activities and community welfare, sponsorship and donations

This ESG Report was approved by the Board of Directors on 22 March 2018.

ENVIRONMENTAL

The operation of the Group has limited impact on the environment. The main business of the Group is finance leasing and provision of factoring and advisory services, which is not the main cause of environmental pollution. Moreover, the business of the Group does not involve industrial activities and thus the total amount of emission, resources used and waste produced is low.

However, the Group understands that it is the responsibility of all corporations to ensure that emission of pollutants and consumption of resources are minimized and carbon footprints are produced. For such purpose, the Group has identified the following goals to reduce consumption of resources:

Goals

– Reducing emission of carbon dioxide

– Reducing consumption of resources

– Reducing production of waste

During the Reporting Period, the Group was in compliance with the rules and regulations related to environmental protection and did not identify any violations that were related to environmental protection and had significant impact on the Group.

EMISSION

There were mainly three types of greenhouse gases emissions of the Group during the current fiscal year, including (but not limited to) direct emission from vehicles, direct emission from air conditioners in offices and indirect emissions from aircrafts when the employees went for business trips.

As at 31 December 2017, the Group had two vehicles which travelled 39,998 km in total. Total emission of nitrogen oxides and sulfur dioxide amounted to 35,398.23 g/km and 56.87 g/km respectively. Particle emission amounted to 33,91.83 g/km while carbon dioxide emission amounted to 9,283.15 kg. As per the nature of business of the Group, all employees took public transport to customers' companies and vehicles of the Group were used only in special cases. The vehicles were monitored and inspected by the system on a regular basis to keep them in the best conditions in order to increase fuel consumption efficiency and ensure road safety.

The employees took aircrafts for business trips for 572 times and the total carbon dioxide from air travel amounted to 64,332.2 kg. The Group has adopted a policy of emission reduction and the employees only took aircrafts for business trips when necessary. Normally, the Group arranges phone or video conference instead of face-to-face meetings to reduce emissions from transportation.

For air conditioning in offices, the Group encourages the employees to set the air conditioners at the most comfortable temperature and switch them off when it is not necessary so as to reduce emission of greenhouse gases. The Group has also put notices at eye-catching areas in the offices to remind our employees about energy saving in the course of business.

USE OF RESOURCES

The Group has always been promoting sustainability by assuming the social responsibility of environmental protection in the course of business and, on the premise of minimizing the impact on the environment, creating unlimited possibilities with limited resources. In this regard, the Group attaches great importance to employees' environmental awareness, thus has put forth a number of initiatives with the goal of "green office", educating employees about how to fully utilize the resources and save energy. The Group aims at maximizing the efficiency of our resources in commercial aspect while eliminating waste and contributing to the society in social aspect.

The Group also embraces its responsibility in environmental protection throughout the course of office administration and daily operation. Apart from adhering to the principle of recycling and reducing use, the Group is committed to creating green offices to minimize the impact on the environment. In light of the nature of the business of the Group, the consumption of energy, electricity, water and other natural resources in the offices are limited. Power consumed by the Group for the current fiscal year amounted to 67,022 kWh and total carbon dioxide emission amounted to 24,942 kg, mainly due to daily consumption in the offices.

Below are measures taken by the Group in saving energy:

- Adopting double-sided printing and promoting use of recycled paper;
- Switching off unused lights and electric appliances to reduce energy consumption;
- Keeping the room temperature at a comfortable level and switching off the air conditioners when not necessary;
- Switching off the air conditioners and lights after office hour and when they are not in use;
- Requiring employees to turn their computers and other devices to the sleep mode or switch them off when leaving the office (including visiting clients and having lunch); and
- Conducting regular maintenance for office equipment (such as air conditioners, computers, lights, refrigerators and paper shredders) to ensure normal operation.

As per the business nature of the Group, water consumption is very limited, mainly daily water consumption by the employees in offices during business hours. The domestic sewage of the Group does not include hazardous wastewater and is directly discharged to the municipal sewer pipeline. In order to reduce wastewater, employees of the Group are encouraged to save water. In the Reporting Period, water consumption caused by the financial leasing business in Shenzhen and Beijing Shan Shan Medical Technology Development Co., Ltd. ("**Beijing Medical**") amounted to 503.9 m^3 due to the environmental protection culture.

DATA ON GREENHOUSE GAS EMISSION

KPI 1.2 & 2.1		Unit	Data
Scope 2	Vehicles	39,998 km	CO_2: 9,283.15 kg
	Power consumption	67,022 kWh	CO_2: 24,942 kg
Scope 3	Business trips by aircrafts	572 times	CO_2: 64,332.2 kg
Total			**Total CO_2: 98,557.35 kg**

PRODUCTION OF WASTE

Solid waste of the Group is mainly produced in the daily operation of the offices, including daily paper consumption, office paper waste and food waste made by employees. All domestic waste is collected and disposed by the property management office of the office building on a regular basis.

The Group is committed to reduce waste production. The Group encourages the employees to recycle stationery and reduce waste with an aim to prevent waste production at the initial stage. Moreover, the Group has adopted a digital operation method to centralize all documents and regularly educates its employees about environmental protection. For example, the employees are required to print double-sided and reuse paper printed single-sided in order to save and reduce the use of paper and other natural resources. Permission is also required for printing in the offices for statistical and adjustment purposes on the use of paper, so that resource utilization can be enhanced.

The Group has established appropriate measures for disposal of computers and related products such as printers and toner cartridges. Unused digital products are transferred or reused while obsolete accessories and used toner cartridges are collected by third party companies for recycling.

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

SOCIAL

Employment and Labour Practices

The Group regards its employees as the cornerstone of its development, and an integral part to its sustainable development. Therefore, the Group attaches high importance to the training and welfare of its employees, and are committed to providing a working environment of job satisfaction to its employees. The Group puts much efforts to ensure the statutory rights of its employees be protected and its strict compliance with a series of labour law of the PRC, including the PRC Labour Contract Law, the PRC Labour Law, the Social Insurance Law of the PRC and Regulations on the Labor Management of the Foreign-Funded Enterprises. The Group provides competitive remuneration and good promotion opportunities to facilitate career development of its employees.

Goal

1. To attract, train, motivate and retain suitable talents

During the Reporting Period, the Group strictly complied with labour laws of the PRC and relevant regulations, and had not been involved in any event of breach of laws and regulations relating to employment relationship, which had a significant impact on the Group.

Employment

The human resources policies of the Group strictly comply with the applicable labour laws and regulations of the PRC, including the PRC Labour Law, the PRC Labour Contract Law and the Social Insurance Law of the PRC, to protect its employees' interests. The asset management department of the Group has also engaged qualified lawyers in the PRC to closely monitor updates of the laws and relevant regulatory requirements to ensure its compliance with relevant regulations.

The Group has formulated its staff manual and management system of human resources according to relevant labour regulations, covering human resources policies and working conditions, such as recruitment and promotion procedures, trainings, performance appraisals, remuneration and benefits, working hours, vacations and other leaves (marriage leave, compassionate leave, maternity leave).

Employee structure

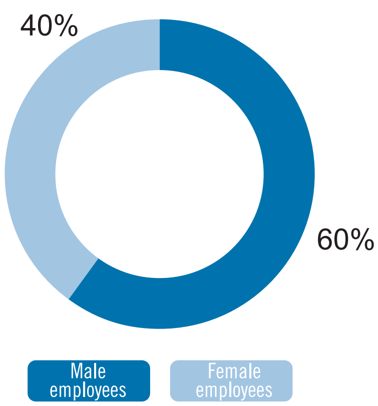
As of 31 December 2017, the Group had a total of 101 employees, with the employee structure as follows:

Age Group	Male employee	Female employee	Total
18 to 25	4	11	15
26 to 35	34	28	62
36 to 45	11	5	16
46 to 55	6	1	7
56 to 65	1	0	1
Total	56	45	101*

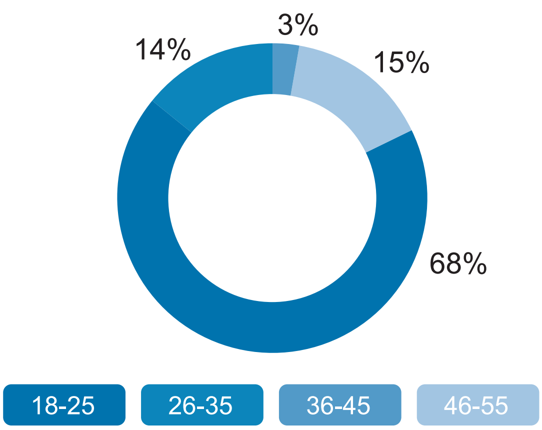
* All employees are permanent staff.

A total of 65 employees left the Group in 2017, with statistics of such employees as follows:

Turnover Rate by Gender



Turnover Rate by Age Group



To attract and retain talents

The Group upholds the operational philosophy of optimally using all available talents and resources and sticks to the employment principle based on the abilities and morality of an employee. Main criteria for employment includes morality, knowledge, abilities and track record of employees so as to make best use of and retain talents.

The Group provides employees with fair and equitable remuneration and benefits based on employees' personal track record, experience and market benchmark. The Group has formulated a set of performance appraisal mechanism, in which appropriate remuneration adjustment is made annually based on job performance of an employee to reduce turnover rate. To effectively evaluate and optimise the career life for its employees, the Group also assists employees to analyse their personal career development direction according to their own conditions and guide them to complete the employees' career development planning form to establish goals and strategies of their career life.

Benefits and Vacation

To enhance the sense of belongings of employees, foster good working morale and strengthen cohesion within the Group, the Group provides various benefits to employees, including contribution to five types of insurance and one pension fund, and subsidies on lunch, birthday, transportation and communication and others.

In addition to formulation of reasonable working and rest time according to local employment laws and system, provision of statutory holidays and paid annual leave, the Group also provides additional holidays such as marriage leave, maternity leave and bereavement leave.

Furthermore, the Group organises a series of employee activities annually, helping employees to integrate into the corporate culture of the Group. Meanwhile, relevant training programs are also designed at the request of various departments so as to enhance employees' job skills and promote their job satisfaction.

Inclusion

The Group is determined to creating a fair and equitable working environment where all employees will be treated equally and no discrimination or harassment in workplace will be tolerated. No differential remuneration package is provided based on employees' sex, age, marriage status, race, religious belief or other factors irrelevant to the job. If an employee thinks he/she is being treated unfairly, he/she can report and reflect to human resources department. Various departments will also implement internal control. The Group will issue a written warning to any employee in violation of the regulations of the Group if any unfair case is found or verified; such employees will be subject to termination of employment if the violation is serious.

Health and Safety

Due to the nature of the business of the Group, the employees mainly work in office and their possibility of sustaining work injuries is limited. No serious work injury incident occurred in the Group during the Reporting Period. As for laws and regulations of the PRC in relation to the occupational health standards and safe production, the Group did not record any major non-compliance during the reporting year. The Group maintains work-related injury insurance for all employees in accordance with the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) as well as other laws and regulations of the PRC.

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

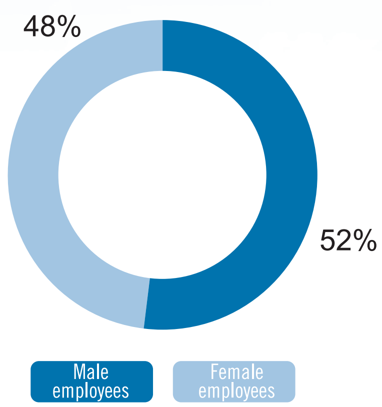
- to maintain obstruction-free emergency access in workplace;
- to provide a workplace with adequate illumination and moderate temperature;
- to restrict smoking in workplace; and
- to conduct safety inspection and training of fire prevention regularly.

Development and Training

The Group always puts great emphasis on talent training and believes that employees' skill and experience are essential to promoting the long-term development of the Group. Continuing education is one of the effective ways to maintain employees' competiveness in the industry. Therefore, the Group annually formulates annual training plan with an aim to enhance employees' performance through effective training, counselling and in-service development. Total training hours were 154.5, and the average training hours for each male and female employee were 52.7 and 56 respectively.The trainings cover various topics, including but is not limited to, factoring business knowledge, asset management, business process, qualification training for secretaries of the board of listed issuers and internal control training for new employees.

The Group organises vocational guidance activities at irregular intervals and make full disclosure of information relating to career development in the Group through various channels. The Group identifies suitable positions and career paths for employees through an analysis of employees and the Group's positions in order to increase employees' competitiveness. The administration and human resources department formulates various action and measures required to achieve employees' career goals based on their own conditions, such as participation in various human resources development and training activities of the Group, development of their networking, participation in courses outside working hours and acquisition of relevant knowledge and skills.

Distribution of Employees who Receive Training by Gender



Criteria of employment

The Group endeavours to protect human rights, creating a workplace of respect, sincerity and fairness for its employees and customers, and comply with all relevant laws and regulations.The laws and regulations in relation to employment and labor that have a significant impact on the Group include the Labor Law of the PRC (《中華人民共和國勞動法》) and the Labor Contract Law of the PRC(《中華人民共和國勞動合同法》). The Group did not record any major non-compliance during the reporting year.

The Group prohibits the use of forced labour and child labour, and lists important notes of recruitment process in policies and procedure of human and administration department. The Group has stringent requirements for shortlisting employees. In recruiting candidates for positions below management level, the Group requests job applicants to provide identity card, academic certificate of their highest level, professional certificates and employment separation certificate regarding their former jobs for verifying their identity.

If the management of the Group finds illegal employment of child labour or forced labour within the Group, their employment contract will be terminated immediately by the Group. After inquiry into the cause and finding out persons held responsible, the Group will impose appropriate punishment on those in violation of the regulations. No employment of forced labour and child labour occurred in the Group during the Reporting Period.

Operational practices

Supply Chain Management

Objectives

1. To purchase goods from creditworthy suppliers and ensure such suppliers provide good products that meet the standards of the Group

The Group believes that establishment of sustainable supply chain and facilitation of interaction and communication with suppliers and bankers will improve the confidence of customers and other stakeholders on the Group. Therefore, the Group only maintains long-term cooperative relationship with medical suppliers and bankers of good creditworthiness, sound reputation, quality product and service, good track record and eligibility. The Group's purchasing scope mainly covers medical equipment, office supplies and accessories etc. Currently our main suppliers are mostly from mainland China and then Hong Kong and Japan. Focusing on establishing close cooperation relationship with its suppliers, the Group has been working together with its suppliers to reduce their impact on the environment from their production processes while ensuring their provision of quality products and services.

Although most of its medical suppliers are designated by customers, the Group has formulated written policies and guidance to monitor suppliers' performance regularly in order to track their service quality more effectively. The Group will cease cooperation with suppliers who fail to meet the its service quality standards. During the Reporting Period, the Group did not have any supplier that failed to meet such service quality standards.

Product liability

Objectives

– To protect customers' information

– To keep customers free of worries

The Directors and management team have extensive experience in the financing services industry. The Group provides customized financial leasing services tailored for customers who are in need of relevant equipment in their business operations. In addition, the Group provides its customers with financing and accounts receivable management as well as consulting services. The Group has an experienced and stable management team that allows us to deliver reliable and efficient services to our customers.

In addition, the Group places strong emphasis on the confidentiality of customers' information. Although there are no existing laws and regulations governing privacy in the PRC, in order to gain confidence from customers and lower the risk of revealing confidential information by the employees, the Group has established an internal documentation management system, including administrative measures for information privacy and implementing rules for information privacy management, which specifies the right procedures for the employees to handle the information of the Company and the customers, so as to enhance the regulatory mechanism and prevent the leakage of customers' information.

- employees must have a sense of confidentiality and definitely do not ask, say or look at anything that they should not;
- talking about or transmitting the Company's confidential matters in public places, via public telephones or public network platforms is strictly prohibited;
- without the consent of the meeting organizers, employees may not take photos, record or reproduce the confidential matters, and strict punishment will be imposed once discovered;
- may not throw away drafts, first drafts or outdated documents at discretion. If there is no retention value, such documents should be destroyed in a timely manner. Such documents should be treated as final drafts and be handled according to confidentiality principles and requirements;
- documents containing sensitive information of the customers or the Company should be kept by specified personnel of each department. Unless necessary, such information should not be transmitted to other departments.

Moreover, the Group requires employees to sign confidentiality agreements, which strictly require employees to follow the rules regarding confidentiality management and the relevant system established by the Group to perform their confidentiality responsibilities, so as to protect the interest of the Group. Confidentiality agreements specify the content and scope that the staff should keep confidential, their confidentiality responsibilities and liabilities for breach of contract. If employees disclose or reproduce any trade secrets of the Group without the Group's consent and authorization, the Company will dismiss the employees and reserve the right to institute legal proceedings.

Anti-corruption

Objectives

– No bribery, extortion and fraud

– Anti-corruption and anti-money laundering

All the businesses operated by the Group are in compliance with the national and local laws and regulations regarding the prevention of bribery, extortion, fraud and money laundering, including the Prevention of Bribery Ordinance, the SFO of Hong Kong and the Guideline on Anti-Money Laundering and Counter-Terrorist Financing issued by the SFC. The Group requires its employees to strictly follow the requirements of the aforesaid ordinances, in order to prevent behaviours such as bribery, extortion, fraud and money laundering.

Besides, the Group has established internal administrative rules regarding anti-corruption, and implemented a comprehensive mechanism to strictly monitor each employee, ensuring no employee has any behaviour that violates the discipline, rules and laws, such as behaviour for gaining personal interests, bribery, extortion, fraud and money laundering. The Group is determined in combating corruption and contribute in building a corruption-free society. If there are any suspicious cases, employees can report to the management in absolute secrecy, and such cases will be passed to the relevant department for investigation.

With a view to protecting the Group's interest, the Group requires employees to strictly follow the code of conduct listed in the employee manual. The Group also provides relevant training to employees regularly with an aim to enhance their awareness on anti-corruption, money laundering and other illegal acts.

During the Reporting Period, there was no legal action against the Group or the employees of the Group for corruption.

Community Investment

The Group deeply understands the importance of giving back to the society, as such, the Group uses the best endeavors in providing help. The Group encourages employees to participate in community activities, and to contribute to the sustainability of a harmonious society.

HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

Key performance indicators (KPIs)	ESG Report	Section containing disclosures	Remarks
A.Environmental			
Aspect A1: Emissions			
General Disclosure		Environmental	
Information on:			
(a) the policies; and			
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.			
A1.1 The types of emissions and respective emissions data		Emissions	
A1.2 Greenhouse gas emissions in total		Emissions	
A1.3 Total hazardous waste produced		Not applicable	During the course of business, the Company did not produce any chemical or medical- related hazardous waste.
A1.4 Total non-hazardous waste produced		Not applicable	During the course of business, the Company did not produce a large amount of non-hazardous waste, therefore, it did not include the data of non-hazardous waste in the calculation this time.
A1.5 Description of measures to mitigate emissions and results achieved		Emissions	
A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved		Waste production	

Key performance indicators (KPIs)	ESG Report	Section containing disclosures	Remarks
A.Environmental			
Aspect A2: Use of Resources			
General Disclosure		Environmental	
Policies on the efficient use of resources, including energy, water and other raw materials.			
A2.1	Direct and/or indirect energy consumption by type	Use of resources	
A2.2	Water consumption in total and intensity	Use of resources	As the office building of the Group located in Room 1208, Tower 1, The Exchange Mall, Heping District, Tianjin does not charge any water charges, Tianjin Fuyin and Fullin Factoring. are unable to calculate its water consumption, therefore, it is unable to disclose the relevant data.
A2.3	Description of energy use efficiency initiatives and results achieved	Use of resources	
A.2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Use of resources	
A2.5	Total packaging material used for finished products	Not applicable	As a provider of finance lease services and factoring and advisory services, the Group does not provide any tangible products.
Aspect A3: The Environment and Natural Resources			
General Disclosure		Environmental	
Policies on minimising the issuer's significant impact on the environment and natural resources.			
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Use of resources	

Key performance indicators (KPIs)	ESG Report	Section containing disclosures	Remarks
B. Social			
Aspect B1: Employment			
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 compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Employment	
B1.1 Total workforce by gender, employment type, age group and geographical region		Employment	
B1.2 Employee turnover rate by gender, age group and geographical region		Employment	
Aspect B2: Health and Safety			
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 providing a safe working environment and protecting employees from occupational hazards.		Health and safety	
B2.1 Number and rate of work-related fatalities		Not applicable	During the Reporting Period, the Group had no serious work-related injury.
B2.2 Lost days due to work injury		Not applicable	
B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored		Health and safety	

Key performance indicators (KPIs)	ESG Report	Section containing disclosures	Remarks
B. Social			
Aspect B3: Development and Training			
General Disclosure		Development and training	
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.			
B3.1 The percentage of employees trained by gender and categorization of employees		Development and training	
B3.2 The average training hours completed per employee by gender and categorization of employees		Development and training	
Aspect B4: Labour Standards			
General Disclosure		Labour standards	
Information on:			
(a) the policies; and			
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.			
B4.1 Description of measures to review employment practices to avoid child and forced labour		Labour standards	
B4.2 Description of steps taken to eliminate such practices when discovered		Labour standards	
B. Social			
Aspect B5: Supply Chain Management			
General Disclosure		Supply chain management	
Policies on managing environmental and social risks of the supply chain.			
B5.1 Number of suppliers by geographical region		Not applicable	
B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored		Supply chain management	

Key performance indicators (KPIs)		ESG Report	Section containing disclosures	Remarks
B. Social				
Aspect B6: Product Responsibility				
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 health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.			Product liability	As a provider of finance services, the Group was not involved in health and safety and labeling issues. In addition, the Group did not place any advertisement during the reporting year.
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons		Not applicable	As a provider of finance services, the Group was not involved in any recall procedures therefore, such indicator is not applicable.
B6.2	Number of products and service related complaints received and how they are dealt with		No disclosure is required	
B6.3	Description of practices relating to observing and protecting intellectual property rights		Product liability	
B6.4	Description of quality assurance process and recall procedures		Not applicable	As a provider of finance services, the Group was not involved in any assurance process and recall procedures therefore, such indicator is not applicable.
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored		Product liability	

Key performance indicators (KPIs)	ESG Report	Section containing disclosures	Remarks
B. Social			
Aspect B7: Anti-corruption			
General Disclosure		Anti-corruption	
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.			
B.7.1 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		Not applicable	During the Reporting Period, there was no legal action against the Group and the employees of the Group for corruption.
B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored		Anti-corruption	
Aspect B8: Community Investment			
General Disclosure		Community investment	
Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.			
B8.1 Focus areas of contribution		No disclosure is required	
B8.2 Resources contributed to the focus area		No disclosure is required	

TO THE SHAREHOLDERS OF FY FINANCIAL (SHENZHEN) CO., LTD.
(富銀融資租賃(深圳)股份有限公司)
(incorporated in the PRC with limited liability)

We have audited the consolidated financial statements of FY Financial (Shenzhen) Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 77 to 136 which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for year then, 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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.

Allowance for impairment of accounts receivable

The Group's accounts receivable consists of lease receivables, lease interest receivables, factoring receivables and accounts receivable, and accounted for 94.98% of the Group's total assets. The assessment of impairment of accounts receivable is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management. The Group assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant and then recognises both collective and individual impairment allowances of accounts receivable based comprehensively on historical loss data, current financial conditions of the debtors, external market information and other relevant factors.

The disclosures of the allowance for impairment of accounts receivable and the related credit risk are included in notes 15 and 33(a) to the consolidated financial statements.

Our response:

We performed independent credit reviews of accounts receivable on a sample basis, considering the credit profiles of the debtors, guarantors and the collaterals, as well as external evidence and factors, to assess whether management's identification of impaired accounts receivable was appropriate. We adopted a risk-based sampling approach in our tests of the allowances for impairment of accounts receivable. We selected samples considering size and risk factors for our tests on the reasonableness of grading and measurement of impairment. We assessed management's forecast of future repayments and current financial conditions of the debtors, based on historical experience, value of collaterals (if any) and observable external data, etc. We also evaluated the parameters and assumptions used in the collective impairment measurement.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in this 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.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards 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.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with the terms of our 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.

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 the Audit Committee 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.

We also provide the Audit Committee 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 the directors, 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.

BDO Limited
Certified Public Accountants
Ng Wai Man
Practising Certificate no. P05309

Hong Kong, 22 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB	2016 RMB
Revenue	7	**122,739,198**	76,047,487
Direct costs		**(44,362,671)**	(10,451,224)
Gross profit		**78,376,527**	65,596,263
Other income and gains	7	**2,838,184**	2,277,136
Operating expenses		**(12,223,289)**	(7,903,396)
Administrative expenses		**(25,266,648)**	(18,721,255)
Impairment loss on accounts receivable, net		**(4,907,614)**	(7,990,994)
Listing expenses		**(9,400,117)**	(8,691,306)
Profit before income tax	8	**29,417,043**	24,566,448
Income tax expense	9	**(8,728,034)**	(8,397,240)
Profit and total comprehensive income for the year		**20,689,009**	16,169,208
Earnings per share:	10		
Basic		**0.06**	0.06
Diluted		**0.06**	0.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB	2016 RMB
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	14	**610,441**	821,559
Accounts receivable	15	**588,345,948**	476,402,577
Deferred tax assets	16	**4,772,528**	4,150,647
		593,728,917	481,374,783
Current assets			
Accounts receivable	15	**674,951,626**	432,711,434
Prepayments, deposits and other receivables	17	**26,392,929**	32,290,337
Cash and cash equivalents	18	**35,007,495**	40,918,934
		736,352,050	505,920,705
Current liabilities			
Other payables and accruals	19	**60,652,839**	54,358,525
Receipts in advance	20	**2,711,801**	360,061
Tax payables		**4,016,526**	1,749,669
Interest-bearing bank and other borrowings	21	**694,305,147**	500,916,459
		761,686,313	557,384,714
Net current liabilities		**(25,334,263)**	(51,464,009)
Total assets less current liabilities		**568,394,654**	429,910,774

	Notes	2017 RMB	2016 RMB
Non-current liabilities			
Receipts in advance	20	**3,200,769**	70,454
Deposits from finance lease customers and suppliers	22	**140,950,616**	120,555,582
		144,151,385	120,626,036
Net assets		**424,243,269**	309,284,738
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	**359,340,000**	269,500,000
Reserves	26	**64,903,269**	39,784,738
Total equity		**424,243,269**	309,284,738

On behalf of Directors

LI Peng (李鵬)

WENG Jianxing (翁建興)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital RMB	Merger reserve* RMB (note 26(a))	Capital reserve* RMB (note 26(b))	Statutory reserve* RMB (note 26(c))	(Accumulated loss) / Retained profits* RMB	Total equity 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 year	—	—	—	—	16,169,208	16,169,208
Appropriation to statutory reserve	—	—	—	1,976,284	(1,976,284)	—
At 31 December 2016 and 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 year	—	—	—	—	20,689,009	20,689,009
Appropriation to statutory reserve	—	—	—	3,129,490	(3,129,490)	—
Transactions wth owners:						
Issuance of H Shares	89,840,000	—	13,951,150	—	—	103,791,150
Share issue expenses	—	—	(9,521,628)	—	—	(9,521,628)
	89,840,000	—	4,429,522	3,129,490	17,559,519	114,958,531
At 31 December 2017	359,340,000	1,582,035	31,096,839	5,708,426	26,515,969	424,243,269

* The aggregate balances of these reserve amounting of RMB64,903,269 (2016: RMB39,784,738) are included as reserves in the consolidated statement of financial position.

	Note	2017 RMB	2016 RMB
Cash flows from operating activities			
Profit before income tax		**29,417,043**	24,566,448
Adjustments for:			
Bank interest income		**(105,335)**	(81,740)
Depreciation of plant and equipment		**266,729**	303,380
Interest income from available-for-sale financial assets		**(519,230)**	(9,643)
Interest income from short-term investments		**(382,627)**	—
Impairment losses on accounts receivable, net		**698,927**	7,990,994
Loss on modification of accounts receivable		**629,912**	—
Loss on disposal of plant and equipment		**5,316**	493
Operating profits before working capital changes		**30,010,735**	32,769,932
Increase in accounts receivable		**(355,512,403)**	(135,516,562)
Decrease in prepayments, deposits and other receivables		**5,897,409**	14,894,647
Increase/(decrease) in other payables and accruals		**6,294,314**	(4,455,296)
Increase/(decrease) in receipts in advance		**5,482,056**	(605,188)
Increase in deposits from finance lease customers and suppliers (non-current portion)		**20,395,034**	12,170,541
Cash used in operations		**(287,432,855)**	(80,741,926)
Interest received		**105,335**	81,740
Income tax paid		**(7,083,059)**	(10,963,094)
Net cash used in operating activities		**(294,410,579)**	(91,623,280)
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)**	(96,900,000)
Proceeds from disposal of available-for-sale financial assets		**1,702,507,000**	96,900,000
Purchase of short-term investments		**(532,405,000)**	—
Proceeds from disposal of short-term investments		**532,405,000**	—
Interest received from available-for-sale financial assets		**519,430**	9,643
Interest received from short-term investments		**382,627**	—
Proceeds from disposal of plant and equipment		**2,300**	360
Purchases of plant and equipment		**(63,227)**	(42,782)
Net cash generated from investing activities		**840,930**	45,752,471

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 RMB	2016 RMB
Cash flows from financing activities			
Decrease in amount due to an intermediate holding company		—	(322,377,868)
Decrease in amounts due to shareholders		—	(9,324,627)
Proceeds from issuance of H shares		103,791,150	—
Share issue expenses		(9,521,628)	—
Proceeds from interest-bearing bank and other borrowings	28	584,400,000	500,000,000
Repayment of interest-bearing bank and other borrowings		(391,011,312)	(100,340,875)
Net cash generated from financing activities		287,658,210	67,956,630
Net (decrease)/increase in cash and cash equivalents		(5,911,439)	22,085,821
Cash and cash equivalents at beginning of year		40,918,934	18,833,113
Cash and cash equivalents at end of year		35,007,495	40,918,934
Analysis of cash and cash equivalents:			
Cash at banks and in hand		35,007,495	7,918,934
Highly liquid invesments		—	33,000,000
		35,007,495	40,918,934

1. CORPORATE INFORMATION

The Company was established in the 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 oversea-listed foreign share ("H Shares") have been listed on 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 and the supply of medical equipment in the PRC.

At the date of this report, in opinion of the directors, the Company's ultimate parent is Ningbo Qinggong Investment Co., Ltd.（寧波青剛投資有限公司）, a company established in the PRC with limited liability.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective on 1 January 2017

In the current year, 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
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the cash flow statement, note 28.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(a) Adoption of new/revised HKFRSs – effective on 1 January 2017 *(Continued)*

Annual Improvements to HKFRSs 2014-2016 Cycle - Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related amendments[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance contract[4]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
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 40	Transfers of Investment Property[1]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Annual Improvements 2015-2017 cycle	Amendments to HKFRS3, HKFRS11, HKFRS12 and HKFRS23[2]

Notes:

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2021

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Further information about those HKFRSs that are expected to be relevant to the Group is as follows:

HKFRS 9 (2014) - Financial Instruments

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Currently, all the Group's financial assets are classified and measured at amortised cost, and they are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. So, the Group does not expect the adoption of HKFRS 9 to have material impact on the classification and measurement of its financial assets.

The Group anticipates that the application of HKFRS 9 may impact on amounts reported in respect of the Group's financial assets and liabilities. In particular, the new impairment requirements may result in earlier recognition of credit losses.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 15 - Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

Amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, they do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 16 - Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 29(a), the Group's total future minimum lease payments under non-cancelable operating leases as at 31 December 2017 are RMB3,619,826 (2016: RMB1,266,324). The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

3. BASIS OF PREPARATION

(a) Statemet of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules.

3. BASIS OF PREPARATION *(Continued)*

(b) Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under the historical cost basis.

The consolidated financial statements have been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 31 December 2017. The directors consider this basis of preparation is appropriate having regard to the following factors:

(i) A consistent profit arising from steady growth in finance leasing and factoring businesses.

(ii) Bank loans with carrying amount of RMB220,247,843 as at 31 December 2017 that were contractually due for repayment after one year pursuant to the repayment schedule included in the loan agreement, with repayment on demand clause, has been classified as current liabilities as at 31 December 2017 in accordance with Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause. Taking into account the Group's financial position and the securities underlying the loans, the directors believe that that bank will not exercise its discretionary rights to demand immediate repayment. The directors believe that the bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Based on the above, the directors are satisfied that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements and it is appropriate to prepare the consolidated financial statements on a going concern basis.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and its subsidiaries.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Office equipment	5 years
Motor vehicles	8 years
Leasehold improvements	Over the lease terms

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount (note 4(m)).

The gain or loss on disposal of an item of plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Leasing

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

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 assets are consumed.

(e) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset is acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus direct transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sales of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers and also incorporated other types of contractual and monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

The Group assesses, at the end of the reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss on loans and receivables are recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Financial instruments *(Continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including other payables and accruals, amounts due to shareholders, amount due to a fellow subsidiary amount due to an intermediate holding company, and interest-bearing bank and other borrowings and deposits from finance lease customers and suppliers, which are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measures reliably, on the following bases:

(i) finance leases income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease;

(ii) service income is recognised when the service have been rendered and the revenue can be reasonably estimated and receipts in advance is recorded as liability when the payments have been made in advance by customers for services yet to be rendered as at each of the reporting dates and recognised as income when the services have been rendered and the revenue can be reasonably estimated;

(iii) revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customers.

(iv) commission income is recognised when the transaction on which the commission is calculated is completed.

(v) interest income, which mainly includes factoring income and bank interest income, is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets; and

(vi) grants from the government are recgonised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

(g) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Guarantee fee expense

Guarantee fee expenses is recognised over the contract period on a time apportionment basis.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amount of cash and are subject to an insignificant risks of change in value.

(j) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of Reporting Period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of Reporting Period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they related to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "**Functional Currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

(l) Employee benefits

(i) Retirement benefit costs

The employees of the Group which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. This Group is required to contribute certain percentage of employees' salaries to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

(ii) Short-term employee benefits

Short term employee benefits are employee benefits other than termination benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. Short term employee benefits are recognised in the year when the employee render the related service.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amount of its plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an 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 as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgment, 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 differ from these estimates.

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

In addition to information disclosed elsewhere in the consolidated financial statements, other key sources of estimation uncertainty that have significant risks of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Provision for bad and doubtful receivables

Provision for bad and doubtful receivables is made based on the assessment of the recoverability of loans and receivables. The identification of doubtful receivables requires management's judgement and estimates. The management measures and monitors the asset quality of the receivables portfolio by classifying the receivables using the 5-category classification system by referring to guidelines promulgated by the China Banking Regulatory Commission relating to asset quality for financial institutions under its regulation. Based on the guidelines, receivables classified in the first two categories of the five categories, i.e., pass and special mention are regarded as performing assets as no objective evidence of impairment exists individually and they are collectively assessed for impairment; while receivables in the remaining three categories, i.e., substandard, doubtful and loss, are regarded as non-performing assets and are measured for impairment individually since objective evidence of impairment exists individually for such receivables. Where the actual outcome or expectation in future is different from the original estimate, these differences will have an impact on the carrying amounts of the receivables and doubtful debt expenses/write-back of in the period in which such estimate is made.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY *(Continued)*

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the consolidated financial statements:

- **Classification between finance leasing and operating leasing**

  Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in expenses recognition by the lessee, with the asset remaining recognised by the lessor).

  Situations that would normally lead to a lease being classified as finance lease including the following:

  (a) The lease transfers ownership of the asset to the lessee by the end of the lease term;

  (b) The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and, at the inception of the lease, it is reasonably certain that the option will be exercised;

  (c) The lease term is for the major part of the economic life of the asset, even if title is not transferred;

  (d) At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;

  (e) The lease assets are of a specialised nature such that only the lessee can use them without major modification being made.

- **Income tax**

  Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

6. SEGMENT INFORMATION

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- The financial and advisory business comprises (a) direct finance leasing; (b) sale-leaseback; (c) factoring; (d) advisory services and (e) customer referral.
- The trading operation business comprises primarily import and domestic trade of medical equipment, as well as the provision of maintenance services primarily within the medical equipment industry.

	Financial and advisory business		Trading operation business		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB	RMB	**RMB**	RMB	**RMB**	RMB
Revenue from external customers	**97,897,982**	76,047,487	**24,841,216**	—	**122,739,198**	76,047,487
Inter-segment revenue	**—**	—	**—**	—	**—**	—
Reportable segment revenue	**97,897,982**	76,047,487	**24,841,216**	—	**122,739,198**	76,047,487
Reportable segment profit	**36,384,995**	33,257,754	**2,432,165**	—	**38,817,160**	33,257,754
Interest revenue	**1,004,957**	91,383	**2,235**	—	**1,007,192**	91,383
Interest expense	**22,380,822**	9,786,751	**—**	—	**22,380,822**	9,786,751
Depreciation	**261,380**	303,380	**4,899**	—	**266,729**	303,380
Impairment loss on accounts receivable, net	**4,775,615**	7,990,994	**132,000**	—	**4,907,615**	7,990,994
Income tax expense	**8,289,318**	8,397,240	**438,716**	—	**8,728,034**	8,397,240
Reportable segment assets	**1,301,478,285**	987,295,488	**28,602,682**	—	**1,330,080,967**	987,295,488
Reportable segment liabilities	**905,393,917**	678,010,750	**443,781**	—	**905,837,698**	678,010,750
Additions to non-current assets	**63,227**	42,782	**—**	—	**63,227**	42,782

6. SEGMENT INFORMATION *(Continued)*

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

	2017 RMB	2016 RMB
Profit/(loss) before income tax		
Reportable segment profit	**38,817,160**	33,257,754
Listing expenses	**(9,400,117)**	(8,691,306)
Consolidated profit before income tax	**29,417,043**	24,566,448

	2017 RMB	2016 RMB
Assets		
Reportable segment assets	**1,330,080,967**	987,295,488
Unallocated corporate assets	**—**	—
Consolidated total assets	**1,330,080,967**	987,295,488

	2017 RMB	2016 RMB
Liabilities		
Reportable segment liabilities	**905,837,698**	678,010,750
Unallocated corporate liabilities	**—**	—
Consolidated total liabilities	**905,837,698**	678,010,750

(c) Geographic information

The Company incorporated 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.

(d) Information about major customers

Revenue from one customer of the Group's trading operation business segment amounted to RMB13,144,302 which represent 10% or more of the Group's revenue. No customer contributed over 10% of the Group's revenue in the year ended 31 December 2016.

7. 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:

	2017 RMB	2016 RMB
Revenue		
Finance lease income	**71,123,010**	45,396,217
Factoring income	**6,815,761**	11,837,756
Advisory service fee income	**15,977,994**	19,138,409
Sale of goods	**24,841,236**	—
Commission income	**4,043,171**	—
Business tax and surcharge	**(61,974)**	(324,895)
	122,739,198	76,047,487
Other income and gains		
Bank interest income	**105,335**	81,740
Interest income from available-for-sale financial assets	**519,230**	9,643
Interest income from short-term investments	**382,627**	—
Recharge of insurance premium (note (a))	**1,048,942**	795,877
Government grant (note (b))	**473,291**	906,939
Others	**308,759**	482,937
	2,838,184	2,277,136

Notes:

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

(b) The subsidiary of the Company obtained and recognised a local government grant of RMB473,291 as income during the year ended 31 December 2017. The subsidiary is obligated to ensure its operation does not violate any law and regulations of the country and local district, and strive for meeting certain level of the revenue and total tax paid for the years of 2016 under the terms of this government grant.

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2017 RMB	2016 RMB
Auditors' remuneration*	**761,080**	264,091
Cost of borrowing included in cost of sales:	**22,402,592**	10,451,224
– Interest expenses on interest-bearing bank and other borrowings***	**19,713,917**	6,404,856
– Arrangement fee for corporate guarantee***	**—**	361,644
– Bank charges and other expenses	**21,770**	302,829
– Interest charge on amount due to an intermediate holding company***	**2,666,905**	3,381,895
Cost of inventories sold	**21,960,079**	—
Depreciation of plant and equipment**	**266,729**	303,380
Operating lease rentals in respect of land and buildings	**1,389,063**	1,400,927
Loss on modification of accounts receivable	**629,912**	—
Exchange losses	**840,255**	—
Loss on disposal of plant and equipment	**5,316**	493
Employee benefit expenses (note 12)	**21,912,776**	15,938,328

* Auditors' remuneration for the year ended 31 December 2016 was related to the fees for statutory audit services paid to the auditors of respective group companies.

** Depreciation charges are recognised in the consolidated statements of comprehensive income as administrative expenses for the year.

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

9. INCOME TAX EXPENSE

	2017 RMB	2016 RMB
Income tax		
– Current year	**10,109,925**	8,233,025
– (over)/under-provision in prior years	**(760,010)**	89,055
Deferred tax (note 16)		
– (Credited)/charged for the year	**(621,881)**	75,160
Income tax expense	**8,728,034**	8,397,240

The Company and its subsidiaries are incorporated in the PRC 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 current and prior year.

The income tax expense for the year can be reconciled to the profit before income tax in the consolidated statement of comprehensive income as follows:

	2017 RMB	2016 RMB
Profit before income tax	**29,417,043**	24,566,448
Tax on profit before income tax, calculated at 25%	**7,354,261**	6,141,612
Tax effect of non-deductible expenses	**2,350,029**	2,172,827
Tax effect of non-taxable income	—	(12,500)
Tax effect of tax losses and other temporary difference not recognised	**(13,921)**	64,141
Utilisation of tax losses previsouly not recognised	**(202,325)**	—
(Over)/under-provision in respect of prior years	**(760,010)**	89,055
Other	—	(57,895)
Income tax expense	**8,728,034**	8,397,240

10. 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 year of RMB20,689,009 (2016: RMB16,169,208) and the weighted average of 324,388,548 shares (2016: 269,500,000 shares) in issue during the year ended 31 December 2017.

Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the year ended 31 December 2017 and 2016, and hence the diluted earnings per share is the same as basic earnings per share.

11. DIVIDENDS

No dividends were paid or declared during the year ended 31 December 2017 (2016: nil). The Directors recommend the payment of the final dividend of RMB0.02 per share (tax inclusive) in respect of the year ended 31 December 2017 (2016: nil). These financial statements do not reflect this dividend payable as the final dividend was proposed after the date of statement of financial position and will be accounted for in equity as an appropriation of retained profits in the year ending 31 December 2018 when approved at the forthcoming annual general meeting.

12. EMPLOYEE BENEFIT EXPENSES

	2017 RMB	2016 RMB
Staff costs (including directors' emoluments (note 13(a)) comprise:	**14,550,907**	11,395,843
Salaries, allowances and benefits in kind	**4,294,990**	2,129,259
Discretionary bonuses	**3,066,879**	2,413,226
Contributions to defined contribution retirement plan	**21,912,776**	15,938,328

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments of each of the directors for the year are set out below:

Year ended 31 December 2017

	Fees RMB	Salaries, allowances and benefits in kind RMB	Discretionary bonuses RMB	Contribution to defined contribution retirement plan RMB	Total RMB
Executive directors					
Mr. Li Peng	—	429,590	180,000	71,936	681,526
Mr. Weng Jianxing	—	481,250	122,400	70,798	674,448
Non-executive directors					
Mr. Zhuang Wei	—	—	—	—	—
Ms. Hui Ying	—	—	—	—	—
Mr. Qian Cheng	—	—	—	—	—
Mr. Sun Luran	—	—	—	—	—
Independent non-executive directors					
Mr. Fung Che Wei, Anthony	70,672	—	—	—	70,672
Mr. Liu Shengwen	70,672	—	—	—	70,672
Mr. Hon Leung	70,672	—	—	—	70,672
Total	212,016	910,840	302,400	142,734	1,567,990

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' emoluments *(Continued)*

Year ended 31 December 2016

	Fees RMB	Salaries, allowances and benefits in kind RMB	Discretionary bonuses RMB	Contribution to defined contribution retirement plan RMB	Total RMB
Executive directors					
Mr. Li Peng	—	426,390	—	54,414	480,804
Mr. Weng Jianxing	—	447,057	112,252	63,785	623,094
Non-executive directors					
Mr. Zhuang Wei	—	—	—	—	—
Ms. Hui Ying	—	—	—	—	—
Mr. Qian Cheng	—	—	—	—	—
Mr. Sun Luran	—	—	—	—	—
Total	—	873,447	112,252	118,199	1,103,898

The three independent non-executive Directors were appointed with effect from 21 April 2017 and received RMB212,016 during the year.

(b) Supervisors

The emoluments of each supervisors during the reporting period are set out below：

	Salaries, allowances and benefits in kind RMB	Discretionary bonuses RMB	Contribution to defined contribution retirement plan RMB	Total RMB
2017				
Mr. Liu Bing	380,130	106,116	63,359	549,605
Mr. Tian Xiu Ju	121,444	25,660	21,669	168,773
Mr. Zhu Xiao Dong	—	—	—	—
Total	501,574	131,776	85,028	718,378

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Supervisors *(Continued)*

	Salaries, allowances and benefits in kind RMB	Discretionary bonuses RMB	Contribution to defined contribution retirement plan RMB	Total RMB
2016				
Mr. Liu Bing	336,270	93,168	52,678	482,116
Mr. Tian Xiu Ju	85,056	6,000	18,138	109,194
Mr. Zhu Xiao Dong	—	—	—	—
Total	421,326	99,168	70,816	591,310

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2017 included 2 (2016: 2) directors of the Company respectively and their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 individuals for 31 December 2017 and 2016 respectively are as follows:

	2017 RMB	2016 RMB
Salaries, allowances and benefits in kind	**1,198,110**	1,053,700
Discretionary bonuses	**470,116**	313,168
Contribution to defined contribution retirement plan	**290,934**	192,785

The emoluments of each of the above non-director highest paid individuals during the year were all within the band of nil to HK$1,000,000.

(d) During the year, no emoluments were paid by the Group to the directors or supervisors or highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the year.

(e) Emoluments paid or payable to members of senior management who are not directors were within the following band:

	2017 RMB	2016 RMB
Nil to HK$1,000,000	**3**	3

14. PLANT AND EQUIPMENT

	Office equipment RMB	Motor vehicles RMB	Leasehold improvements RMB	Total RMB
Cost				
At 1 January 2016	942,772	715,176	270,000	1,927,948
Additions	42,782	—	—	42,782
Disposals	(1,498)	—	—	(1,498)
At 31 December 2016 and 1 January 2017	984,056	715,176	270,000	1,969,232
Additions	63,227	—	—	63,227
Disposals	(15,870)	—	—	(15,870)
At 31 December 2017	1,031,413	715,176	270,000	2,016,589
Accumulated depreciation				
At 1 January 2016	399,652	220,286	225,000	844,938
Charge for the year	171,666	86,714	45,000	303,380
Disposals	(645)	—	—	(645)
At 31 December 2016 and 1 January 2017	570,673	307,000	270,000	1,147,673
Charge for the year	180,014	86,715	—	266,729
Disposals	(8,254)	—	—	(8,254)
At 31 December 2017	742,433	393,715	270,000	1,406,148
Net carrying value				
At 31 December 2017	288,980	321,461	—	610,441
At 31 December 2016	413,383	408,176	—	821,559

15. ACCOUNTS RECEIVABLE

	2017 RMB	2016 RMB
Finance lease receivables	**1,189,396,413**	974,740,986
Less: unearned finance income	**(100,680,896)**	(100,638,800)
Present value of minimum lease payment (note (a))	**1,088,715,517**	874,102,186
Factoring receivables (note (b))	**168,962,931**	51,614,411
Trade receivables (note (c))	**24,841,236**	—
Subtotal of accounts receivable	**1,282,519,684**	925,716,597
Less: Provision for finance lease receivables (note (a))	**(16,437,270)**	(15,045,114)
Provision for factoring receivables (note (b))	**(2,652,840)**	(1,557,472)
Provision for trade receivables (note (c))	**(132,000)**	—
	1,263,297,574	909,114,011

Analysis for reporting purpose as:

	2017 RMB	2016 RMB
Current assets	**674,951,626**	432,711,434
Non-current assets	**588,345,948**	476,402,577
	1,263,297,574	909,114,011

15. ACCOUNTS RECEIVABLE *(Continued)*

As at 31 December 2017, included in accounts receivable amounted to RMB44,288,800 (2016: RMB5,558,851) were trade balances due from related companies with details as follows:

The Group

Name of related parties	Note	Amount outstanding At 1 January RMB	At 31 December RMB	Maximum amount outstanding during the year RMB
2016				
Longding Huayuan#	27(a)			
Finance lease receivable		13,259,910	5,598,037	13,259,910
Less: Collective impairment allowance		(66,300)	(39,186)	
		13,193,610	5,558,851	

Name of related parties	**Note**	**Amount outstanding At 1 January RMB**	**At 31 December RMB**	**Maximum amount outstanding during the year RMB**
2017				
Longding Huayuan#	**27(a)**			
Finance lease receivable		**5,598,037**	**2,670,487**	**5,598,037**
Factoring receivable		**—**	**41,846,006**	**41,846,006**
Less: Collective impairment allowance		**(39,186)**	**(227,693)**	
		5,558,851	**44,288,800**	

\# 北京市龍鼎華源房地產開發有限責任公司 (Bejing City Longding Huayuan Property Development Co. Ltd.) ("Longding Huayuan") is a wholly-owned subsidiary of Beijing City Dayuan Tiandi Property Development Co., Ltd 北京市大苑天地房地產開發有限公司 ("Dayuan Tiandi"), which is one of the substantial shareholders of the Company.

15. ACCOUNTS RECEIVABLE *(Continued)*

Notes:

(a) The effective interest rates of the above finance lease ranged mainly from 0.69% to 17.57% per annum as at 31 December 2017 (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 end of the reporting periods, is as follows:

	2017 RMB	2016 RMB
Finance lease receivables:		
Within one year	**676,274,401**	449,593,306
In more than one year but not more than five years	**513,122,012**	525,147,680
	1,189,396,413	974,740,986
Present value of minimum lease payments:		
Within one year	**609,860,907**	396,473,136
In more than one year but not more than five years	**478,854,610**	477,629,050
	1,088,715,517	874,102,186

The credit quality analysis of finance lease receivables as at the end of reporting periods, is as follows:

	2017 RMB	2016 RMB
Neither past due nor impaired	**1,042,000,089**	831,717,350
Past due but not individually impaired	**5,459,312**	1,607,872
Past due and individually impaired	**41,256,116**	40,776,964
	1,088,715,517	874,102,186
Less: Collective impairment allowance	**(7,305,817)**	(5,794,960)
Individual impairment allowance	**(9,131,453)**	(9,250,154)
	1,072,278,247	859,057,072

15. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

As at 31 December 2017, amounted to RMB19,885,343 (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 end of reporting periods.

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

	2017 RMB	2016 RMB
Less than one month	**631,070**	307,686
More than one month but less than three months	**1,033,404**	424,186
More than three months but less than one year	**2,300,838**	876,000
More than one year but less than two years	**1,494,000**	—
	5,459,312	1,607,872

Management reviews and assesses for impairment individually based on customers' repayment history and the values of the assets pledged. As at 31 December 2017, aggregate carrying amounts of RMB5,459,312 (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. As at 31 December 2017, collective impairment allowance of RMB139,197 (2016: RMB30,427) were provided on past due but not individually impaired finance lease receivables.

As at 31 December 2017, included in the individual impairment allowance are individually impaired finance lease receivables with aggregate balances of RMB9,131,453 (2016: RMB9,250,154) of which the customers are in financial difficulties.

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

	2017 RMB	2016 RMB
At the beginning of the year	**15,045,114**	14,185,980
Impairment loss recognised for the year (note)	**4,071,595**	8,382,351
Write off	**(2,679,439)**	(7,523,217)
At the end of the year	**16,437,270**	15,045,114

Note: Included in the impairment loss recognised during the year ended 31 December 2017 was mainly a loss of RMB2,288,089 arising on early settlement of three finance lease contracts with a debtor. During the year, 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.

15. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(a) *(Continued)*

As part of its normal business, the Group entered into a finance lease receivable factoring arrangement (the "Arrangement") and transferred certain finance lease receivables to an independent third party and a state-owned commercial bank in the PRC (the "Factors") during the years ended 31 December 2017 and 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 one 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:

	2017 RMB	2016 RMB
Carrying amount of assets (note 21(c) and (b))	**502,343,857**	221,542,693
Carrying amount of associated liabilities (note 21(b))	**454,091,152**	196,498,959
For those liabilities that have recourse only to the transferred assets:		
Fair value of assets	**502,343,857**	221,542,693
Fair value of associated liabilities	**(454,091,152)**	(196,498,959)
Net position	**48,252,705**	25,043,734

The ownership of the remaining finance lease receivables from the Arrangement occurred during the year ended of 31 December 2015 were transferred back to the Company on 14 March 2016 due to the repayment of the associated borrowings during the year ended 31 December 2016.

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

	2017 RMB	2016 RMB
Less than one month	**79,510,461**	1,333,300
More than one month but less than three months	**26,891,200**	23,215,449
More than three months but less than one year	**44,725,841**	20,095,270
More than one year but less than two years	**15,182,589**	5,412,920
	166,310,091	50,056,939

The effective interest rates of the above factoring ranged mainly from 8.7% to 14% per annum during the year (2016: 7% to 14.5% per annum).

As at 31 December 2017, the Group hold collateral with a carrying amount of RMB263,303,666 (2016: RMB131,695,417) over these balances.

15. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(b) *(Continued)*

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

	2017 RMB	2016 RMB
Neither past due nor impaired	158,052,388	44,644,019
Less than one month past due	—	—
Past due for more than one month but less than one year	4,000,000	—
Past due for more than one year but less than two years	4,257,703	5,412,920
	166,310,091	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 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 reporting period, the Group's factoring receivables were individually determined to be impaired. Movements in provision for impairment of factoring receivables for the year are as follows:

	2017 RMB	2016 RMB
At the beginning of the year	1,557,471	2,948,829
Impairment loss/(recovery) recognised for the year	1,095,369	(391,357)
Write off	—	(1,000,000)
At the end of the year	2,652,840	1,557,472

15. ACCOUNTS RECEIVABLE *(Continued)*

Notes: *(Continued)*

(c) The ageing analysis of accounts receivable (trade) is as follows:

	2017 RMB	2016 RMB
Less than one month	15,213,675	—
More than one month but less than three months	846,322	—
More than three months but less than one year	2,538,964	—
More than one year but less than two years	6,110,275	—
	24,709,236	—

The following is an ageing analysis based on due dates of trade receivables which are past due but not individually impaired, as at the end of reporting periods, is as follows:

	2017 RMB	2016 RMB
Neither past due nor impaired	9,495,561	—
Less than one month past due	15,213,675	—
	24,709,236	—

The trade receivables do not contain impaired assets. 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 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 end of reporting dates, the Group's trade receivables were individually determined to be impaired. Movements in provision for impairment are as follows:

	2017 RMB	2016 RMB
At the beginning of the year	—	—
Impairment loss/(recovery) recognised for the year	132,000	—
Write off	—	—
At the end of the year	132,000	—

16. DEFERRED TAX ASSETS

Details of the deferred tax assets recognised and movements as follows:

	Allowance for impairment losses RMB
At 1 January 2016	4,225,807
Charged to profit or loss	(75,160)
At 31 December 2016 and 1 January 2017	4,150,647
Credited to profit or loss	621,881
At 31 December 2017	4,772,528

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 RMB	2016 RMB
Prepayments	**2,345,759**	3,256,647
Value-added tax recoverable	**22,431,469**	26,217,040
Other deposits	**517,654**	400,230
Other receivables	**1,098,047**	2,416,420
	26,392,929	32,290,337

The directors of the Company considered the fair values of other receivables approximate to their fair values.

18. CASH AND CASH EQUIVALENTS

	2017 RMB	2016 RMB
Cash at bank and in hand	35,007,495	7,918,934
Highly liquid investments	—	33,000,000
	35,007,495	40,918,934

As at 31 December 2017, the Group has cash and bank balances denominated in RMB amounted to approximately RMB34,813,366 (2016: RMB7,918,934), which are deposited with banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks in the PRC that are authorised to conduct foreign exchange business.

Bank balances earn interest at floating rates based on daily bank deposit rates and are deposited with creditworthy banks.

Highly liquid investments represented capital guaranteed short-term investments in a stated-owned commercial bank in the PRC made on 30 December 2016 with a fixed interest rate of 1.5% per annum.

The directors of the Company considered that the fair values of the cash and cash equivalents are not materially different from their carrying amounts because of the short maturity period on their inception.

19. OTHER PAYABLES AND ACCRUALS

	2017 RMB	2016 RMB
Accruals	**4,295,931**	5,227,626
Deposits from finance lease customers (note 22)	**50,309,428**	40,660,782
Deposits from suppliers (note 22)	**601,840**	530,340
Other payables	**4,829,643**	3,935,830
Others	**615,997**	4,003,947
	60,652,839	54,358,525

As at 31 December 2017, other payables include payables to equipment suppliers of RMB3,495,000 (2016: RMB1,198,900) in relation to certain finance lease arrangements conducted by the Group. Others mainly include premium received from customers for insurance arrangement on behalf of customers.

The directors of the Company considered the carrying amounts of other payables and accruals approximate to their fair values.

20. RECEIPTS IN ADVANCE

	2017 RMB	2016 RMB
Current portion	**2,711,801**	360,061
Non-current portion	**3,200,769**	70,454
	5,912,570	430,515

Receipts in advance represent the advanced receipts on finance lease and factoring arrangements.

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017 RMB	2016 RMB
Secured		
– Bank loans (note (a) and (b))	—	196,498,959
Guaranteed		
– Bank loans (note (a) and (b))	240,213,996	—
Secured and guaranteed		
– Bank loans (note (a) and (b))	454,091,151	—
Unsecured		
– Entrusted loan (note (a) and (c))	—	304,417,500
	694,305,147	500,916,459

At the end of each reporting period, total current and non-current interest-bearing bank and other borrowings were scheduled to repay as follows:

	2017 RMB	2016 RMB
On demand or within one year	474,057,304	380,691,742
More than one year, but not exceeding two years	154,825,372	71,265,974
More than two years, but not exceeding five years	65,422,471	48,958,743
	694,305,147	500,916,459

21. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

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 was to breach 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. Further details of the Group's management of liquidity risk are set out in note 33(b). As at 31 December 2017, none of the covenants relating to drawn down facilities had been breached (2016: None).

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

- Finance lease receivable with the carrying amount of RMB502,343,857 (note 15(a)) as at 31 December 2017 (2016: RMB221,542,693).
- The Company's intermediate holding company has guaranteed certain of the Group's bank loans up to RMB620,000,000 (2016: RMB Nil).

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

	2017 RMB	2016 RMB
Fixed rates bank loans	**4.75%-5.13%**	4.75%

(c) Entrusted loan represented 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.The entrusted loan amounting RMB 300,000,000 has been settled in the year 2017.

(d) As at 31 December 2017, the Group has obtained banking facilities of RMB960,000,000 (2016: RMB400,000,000) of which RMB694,305,147 (2016: RMB196,498,959) had been utilised by the Group. As at 31 December 2017, the Group has unutilised banking facilities of RMB265,694,853 (2016: RMB203,501,041) available for draw down.

As at 31 December 2017, the Group's banking facilities of RMB520,000,000 (2016: RMB200,000,000) were secured by the finance lease receivables with the carrying amount of RMB502,343,857 (2016: RMB221,542,693).

The directors of the Company 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.

22. DEPOSITS FROM FINANCE LEASE CUSTOMERS AND SUPPLIERS

Deposits from customers and suppliers represent security pledged to the Group for the corresponding finance lease customers. The amount of customer's and supplier's deposits of which the finance leases are expected to be expired after twelve months from the end of reporting period is included under non-current liabilities. The balance on customer's and supplier's deposits of which the finance leases are expected to be expired within twelve months from the end of reporting period is included in "other payables and accruals" under current liabilities.

	2017 RMB	2016 RMB
Current liabilities		
Deposits from finance lease customers	50,309,428	40,660,782
Deposits from suppliers	601,840	530,340
	50,911,268	41,191,122
Non-current liabilities		
Deposits from finance lease customers	130,325,139	104,283,707
Deposits from suppliers	10,625,477	16,271,875
	140,950,616	120,555,582

As at 31 December 2017, included in deposits from finance lease customers from non-current liabilities amounted to RMB752,004 (2016: RMB752,004) was trade balances due to a related company, Longding Huayuan.

23. 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 31 December 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 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.

24. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2017 RMB	2016 RMB
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment		342,659	445,362
Interests in subsidiaries		260,047,260	90,047,260
Accounts receivable		477,246,511	476,402,577
Deferred tax assets		4,109,318	3,761,279
		741,745,748	570,656,478
Current assets			
Accounts receivable		595,031,737	386,654,495
Prepayments, deposits and other receivables		22,295,993	29,700,177
Amount due from a subsidiary		12,397,515	—
Cash and cash equivalents		34,209,243	39,978,189
		663,934,488	456,332,861
Current liabilities			
Other payables and accruals		59,830,021	52,510,610
Receipts in advance		1,868,128	30,598
Amounts due to subsidiaries		175,291,707	35,500,000
Tax payables		3,909,109	1,599,199
Interest-bearing bank and other borrowings		594,305,147	500,916,459
		835,204,112	590,556,866
Net current liabilities		(171,269,624)	(134,224,005)
Total assets less current liabilities		570,476,124	436,432,473
Non-current liabilities			
Receipts in advance		1,224,538	46,704
Deposits from finance lease customers and suppliers		140,017,016	120,555,582
		141,241,554	120,602,286
Net assets		429,234,570	315,830,187
EQUITY			
Share capital	23	359,340,000	269,500,000
Reserves	26	69,894,570	46,330,187
Total equity		429,234,570	315,830,187

On behalf of Directors

LI Peng (李鵬)

WENG Jianxing (翁建興)

25. PRINCIPAL SUBSIDIARIES

Details of the subsidiaries are as follows:

Name	Form of business structure	Place of incorporation/ operation and principal activity	Issued and paid up capital	Percentage of ownership interests
杉杉富銀商業保理有限公司 Shan Shan Fullin Factoring Co., Ltd. ("Fullin Factoring")	Corporation	Provision of factoring services in the PRC	Renminbi ("RMB") 50,000,000	100
北京杉杉醫療科技發展有限公司 Beijing Shan Shan Medical Technology Development Co., Ltd. ("Beijing Medical")	Corporation	Supply of medical equipment in the PRC	RMB 33,710,000	100
天津富銀租賃有限公司 Tianjin Fuyin Leasing Co., Ltd	Corporation	Provision of finance leasing in the PRC	RMB 170,000,000	100

26. RESERVES

The nature and purposes of reserves within equity are as follows:

(a) Merger reserve

The merger reserve of RMB33,710,000 was initially recognised in the consolidated statements of changes in equity for the carrying amount of share capital of Beijing Medical, a subsidiary of the Group pursuant to the business combination under common control. On 23 April 2014, Beijing Medical was acquired by the Company for a consideration of RMB32,127,965, which the same amount was debited to the merger reserve.

(b) Capital reserve

The capital reserve of the Company represents the difference of the shares issued at premium over par value, net of share issue expenses.

26. RESERVES *(Continued)*

(c) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the Company incorporated in the PRC now comprising the Group, i.e. the PRC Operational Entity, it is required to appropriate 10% of the annual net profits of the PRC Operational Entity, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserve fund before distributing any net profit. When the balance of the statutory reserve fund reaches 50% of the registered capital of the PRC Operational Entity, any further appropriation is at the discretion of shareholders. The statutory reserve fund can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory reserve fund after such issue is no less than 25% of registered capital.

The Group

Details of the movements on the Group's reserves for the years ended 31 December 2017 and 2016 are presented in the consolidated statements of changes in equity.

The Company

	Capital reserve RMB	Statutory reserve RMB	(Accumulated losses)/ retained profits RMB	Total RMB
At 1 January 2016	26,667,317	602,652	6,171,886	33,441,855
Profit and total comprehensive income for the year	—	—	12,888,332	12,888,332
Appropriation to statutory reserve	—	1,976,284	(1,976,284)	—
As at 31 December 2016 and 1 January 2017	26,667,317	2,578,936	17,083,934	46,330,187
Profit and total comprehensive income for the year	—	—	19,134,861	19,134,861
Appropriation to statutory reserve	—	3,129,490	(3,129,490)	—
Transaction with owners				
Issuance of H Shares	13,951,150	—	—	13,951,150
Share issue expenses	(9,521,628)	—	—	(9,521,628)
As at 31 December 2017	31,096,839	5,708,426	33,089,305	69,894,570

27. RELATED PARTY TRANSACTIONS

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

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

Name	Related party relationship	Type of transaction	Transaction amount 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	**2,666,905**	3,381,895
Longding Huayuan	Common shareholder (note i)	Finance lease income	**325,819**	434,672
		Advisory service fee income	—	162,538
		Factoring income	**47,625**	—

Notes:

(i) Longding Huayuan is a wholly-owned subsidiary of Dayuan Tiandi, one of the substantial Shareholder of the Company.

(ii) Arrangement fee represents the guarantee fee for corporate guarantee provided by the intermediate holding company. No such expenses was paid to the intermediate holding company at 2017.

(b) Members of key management comprise only of the directors whose emoluments are set out in note 13.

28. NOTE SUPPORTING CASH FLOW STATEMENT

Reconciliation of liabilities arising from financing activities:

	Interest-bearing bank and other borrowings RMB
At 1 January 2017	500,916,459
Changes from cash flows:	
Proceeds from new bank loans	584,400,000
Repayment of bank loans	(387,221,751)
Repayment of bank interest	(3,789,561)
At 31 December 2017	694,305,147

29. COMMITMENTS

(a) Operating lease commitments

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

	2017 RMB	2016 RMB
Within one year	1,342,122	1,144,946
In the second to fifth years	2,277,704	121,378
	3,619,826	1,266,324

The Group leases a number of premises under operating leases. The leases run for an initial period of 1 to 3 years in 2016 and 6 months to 3 years in 2017. The above lease commitments only include commitments for basic rental and none of the lease includes any contingent rental.

29. COMMITMENTS *(Continued)*

(b) Capital commitments

	2017 RMB	2016 RMB
Commitments for the acquisition of property, plant and equipment:		
– Contracted for but not yet incurred:	**410,000**	410,000

30. CONTINGENT LIABILITIES

At the end of reporting period, the Group does not have any significant contingent liabilities.

31. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern; and

(ii) to provide an adequate return to equity holders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher owners' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The directors of the Company also balance its overall capital structure through the payment of dividends or issue new shares. No changes were made in the objectives, policies or processes during the year.

The Group sets the amount of equity in proportion to its overall financing structure. The equity-to-overall financing ratios at the end of reporting period were as follows:

	2017 RMB	2016 RMB
Total equity	**424,243,269**	309,284,738
Overall financing		
– Interest-bearing bank and other borrowings	**694,305,147**	500,916,459
Equity-to-overall financing ratio	**0.61**	0.62

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 shareholders through optimisation of the debt and equity balance. The Group's overall strategy remained unchanged throughout the year.

32. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities as defined in note 4(e):

	2017 RMB	2016 RMB
Financial assets		
Loans and receivables:		
Accounts receivable	**1,263,297,574**	909,114,011
Other receivables and deposits	**1,615,701**	2,816,650
Cash and cash equivalents	**35,007,495**	40,918,934
	1,299,920,770	952,849,595
Financial liabilities		
Financial liabilities measured at amortised cost:		
Other payables and accruals	**9,125,574**	9,163,456
Deposits from finance lease customers and suppliers (non-current portion)	**140,950,616**	120,555,582
Interest-bearing bank and other borrowings	**694,305,147**	500,916,459
	844,381,337	630,635,497

33. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk, currency risk and fair value risk. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

As at the end of reporting period, 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 statements of financial position.

In order to minimise the credit risk in relation to accounts 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 management of the Group reviews the recoverable amount of each individual receivable at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Most of the Group's pledged bank deposits and cash and cash equivalents are held in major reputable financial institutions in the PRC, which management believes are of high credit quality.

The Group's concentration of credit risk on the account receivable as at 31 December 2017 included five major counterparties accounting for 24% (2016: 41%) of the accounts receivable respectively. The Group has closely monitored the recoverability of the advances to 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 geographic risk on revenue which is generated mostly from customers located in the PRC. The Group has closely monitor the business performance of these customers in the PRC and will considered diversifying its customers base as appropriate.

33. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

Lessees of the Group are from different industries as follows:

Present value of minimum lease payment

	2017 RMB	%	2016 RMB	%
Medical	**175,623,667**	**16**	191,436,768	22
Transportation	**244,509,278**	**22**	53,927,650	6
Electronics	**141,759,426**	**13**	82,918,915	9
Fast-moving consumer goods	**217,862,320**	**20**	232,673,097	27
Alternative energy	**170,733,506**	**16**	208,411,391	24
Others	**138,227,320**	**13**	104,734,365	12
	1,088,715,517	**100**	874,102,186	100
Less: Provision for finance lease receivables	**(16,437,270)**		(15,045,114)	
	1,072,278,247		859,057,072	

Factoring receivable of the Group are from different industries as follows:

	2017 RMB	%	2016 RMB	%
Manufacturing	**23,043,828**	**14**	38,576,295	75
Medical	**80,173,369**	**47**	9,140,000	18
Real estate leasing	**62,095,210**	**37**	—	N/A
Wholesale and retails	**3,650,524**	**2**	3,898,116	7
	168,962,931	**100**	51,614,411	100
Less: Provision for factoring receivables	**(2,652,840)**		(1,557,472)	
	166,310,091		50,056,939	

As the customers of the Group are widely dispersed and are engaged in different industries, and the Group has closely monitored the market trend of these industries in the PRC and the business performance of its customers to ensure the timely collection of the accounts receivable, there is no significant credit risk concentration within the Group.

33. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. The management of the Company is satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future in the normal course of business.

The following table details the remaining contractual maturities at the end of reporting period of the Group's and Company's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which Group and the Company can be required to pay. The table includes both interest and principal cash flows.

	Carrying amount RMB	Total contractual undiscounted cash flow RMB	On demand RMB	Within 1 months to 3 months RMB	4 to 12 months RMB	1 to 2 years RMB	Over 2 years RMB
At 31 December 2017							
Other payables and accruals	9,125,574	9,125,574	9,125,574	—	—	—	—
Deposits from finance lease customers and suppliers	191,861,884	191,861,884	—	12,424,296	38,486,972	85,049,294	55,901,322
Interest-bearing bank and other borrowings (note)	694,305,147	694,305,147	694,305,147	—	—	—	—
Total liabilities	895,292,605	895,292,605	703,430,721	12,424,296	38,486,972	85,049,294	55,901,322
At 31 December 2016							
Other payables and accruals	9,163,456	9,163,456	9,163,456	—	—	—	—
Deposits from finance lease customers and suppliers	161,746,704	161,746,704	—	7,572,481	33,618,641	48,226,092	72,329,490
Interest-bearing bank and other borrowings (note)	500,916,459	500,916,459	500,916,459	—	—	—	—
Total liabilities	671,826,619	671,826,619	510,079,915	7,572,481	33,618,641	48,226,092	72,329,490

Note: Bank and other borrowings with a repayment on demand clause are included in the "On demand" time band in the above maturity analysis. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the lenders will exercise its discretionary right to demand immediate repayment. The directors believe that such bank loans will be repaid between 1 to 3 years after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements. The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements.

33. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

The Group

	Carrying amount RMB	Total contractual undiscounted cash flow RMB	Within 1 year RMB	Over 1 year RMB
At 31 December 2017	**694,305,147**	**731,542,556**	**501,860,512**	**229,682,044**
At 31 December 2016	500,916,459	526,801,405	400,755,279	126,046,126

(c) Interest rate risk

Interest rate risk means the risk on the fluctuation of fair value on future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing the risk of changes in market interest rate, and fixed interest rate instruments will result in the Group fair value interest rate risk.

Other than cash and cash equivalents (note 18), accounts receivable (note 15) and interest-bearing bank and other borrowings (note 21), the Group does not have any other significant interest-bearing financial assets and liabilities. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group's interest rate risk arises primarily from the floating rate cash and cash equivalent. Cash and cash equivalent at floating rates expose the Group to cash flow interest rate risk. Interest-bearing bank and other borrowings at fixed rates expose the Group to fair value interest rate risk.

At 31 December 2017, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would increase the Group's profit for the year (through the impact on the Group's cash and cash equivalents which are subject to floating interest rate) by approximately RMB131,280 (2016: RMB29,660). For a general decrease of 50 basis points in interest rates, with all other variables held constant, there would be an equal and opposite impact on the Group's profit for the year. No impact would be on other components of consolidated equity in response to the general increase/decrease in interest rates.

33. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Interest rate risk *(Continued)*

The sensitivity analysis as above has been determined assuming that the change in interest rates had occurred at each of reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents the management's assessment of a reasonably possible change in interest rates over the period until the next reporting date.

The measures to manage interest rate risk have been followed by the Group for the year and are considered to be effective.

(d) Currency risk

The Group mainly operates and invests in the PRC with most of the transactions denominated and settled in RMB. No foreign currency risk has been identified since all the financial assets and financial liabilities are denominated in RMB, which is the Functional Currency of the Company and the subsidiaries in the PRC to which these transactions relate.

(e) Fair value risk

The fair value of financial assets and financial liabilities is determined based on discounted cash flow analysis. The directors of the Company considered that, due to their short term nature, the carrying amount of the financial assets and financial liabilities at amortised cost in the consolidated statement of financial position approximates to their fair values.

34. SUBSEQUENT EVENTS

Except as disclosed elsewhere in the consolidated financial statements, no significant events took place subsequent to 31 December 2017.

35. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the directors on 22 March 2018.