



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

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

Stock code : 8223

## SHARE OFFER



Sole Sponsor



Sole Bookrunner



Joint Lead Managers



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## IMPORTANT

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IMPORTANT: If you are in any doubt about any of the contents in this prospectus, you should obtain independent professional advice.



# ZIYUANYUAN HOLDINGS GROUP LIMITED

## 紫元元控股集團有限公司

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

### LISTING ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

**Number of Offer Shares : 100,000,000 Shares**  
**Number of Public Offer Shares : 10,000,000 Shares (subject to reallocation)**  
**Number of Placing Shares : 90,000,000 Shares (subject to reallocation)**  
**Offer Price : Not more than HK\$1.00 per Share and expected to be not less than HK\$0.60 per Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**  
**Nominal value : HK\$0.10 per Share**  
**Stock code : 8223**

#### Sole Sponsor



#### Sole Bookrunner



#### Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents in this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents in this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies" in Appendix V in this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents in this prospectus or any other documents referred to above.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The Offer Price is expected to be fixed by agreement between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or about Thursday, 28 June 2018 or such later date as may be agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters). The Offer Price will be not more than HK\$1.00 per Offer Share and is expected to be not less than HK\$0.60 per Offer Share unless otherwise announced. The Sole Bookrunner (for itself and on behalf of the Underwriters) may, with our consent, reduce the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, notice of the reduction in the Offer Price range will be published on the website of our Company at [www.ziyugroup.com](http://www.ziyugroup.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares" in this prospectus. If, for any reason, the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price, the Share Offer (including the Public Offer) will not proceed and will lapse.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Public Offer Shares, are subject to termination by the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Public Offer — Grounds for termination of the Public Offer Underwriting Agreement" in this prospectus. It is important that you refer to that section for details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the U.S. and may not be offered, sold, pledged, or transferred within the U.S., except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. securities law.

25 June 2018

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## CHARACTERISTICS OF GEM

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

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

*The principal means of information dissemination on GEM is by publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on companies listed on GEM.*

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## EXPECTED TIMETABLE

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2018<sup>(1)</sup>

Public Offer commences and **WHITE** and **YELLOW**

Application Forms available from . . . . . 9:00 a.m. on Monday, 25 June

Application lists of the Public Offer open<sup>(2)</sup> . . . . . 11:45 a.m. on Thursday, 28 June

Latest time to lodge **WHITE** and **YELLOW** Application

Forms and to give **electronic application instruction** to

HKSCC<sup>(3)</sup> . . . . . 12:00 noon on Thursday, 28 June

Application lists of the Public Offer close<sup>(2)</sup> . . . . . 12:00 noon on Thursday, 28 June

Expected Price Determination Date<sup>(4)</sup> . . . . . Thursday, 28 June

Announcement of the final Offer Price, the level of indication

of interest in the Placing, the level of applications in the

Public Offer, the basis of allocation of the Public Offer

Shares to be published on the website of our Company at

**www.ziyygroup.com** and the website of the Stock Exchange

at **www.hkxnews.hk** on or before . . . . . Friday, 6 July

Results of allocations in the Public Offer (with successful

applicants' identification document numbers, where

applicable) to be available through a variety of channels as

described in the section headed "How to Apply for Public

Offer Shares — 10. Publication of results" of this

prospectus on or before . . . . . Friday, 6 July

Results of allocations in the Public Offer will be

available at **www.tricor.com.hk/ipo/result** with a

"search by ID" function . . . . . Friday, 6 July

Despatch/Collection of share certificates in respect of wholly

or partially successful applications pursuant to the Public

Offer on or before<sup>(5)(7)</sup> . . . . . Friday, 6 July

Despatch/Collection of refund cheques in respect of wholly or

partially successful applications or wholly or partially

unsuccessful applications pursuant to the Public Offer on or

before<sup>(6)(7)</sup> . . . . . Friday, 6 July

Dealings in the Shares on GEM to commence at . . . . . 9:00 a.m. on Monday, 9 July

*Notes:* \_\_\_\_\_

(1) In this prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates.

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## EXPECTED TIMETABLE

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- (2) If there is a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 28 June 2018, the application lists will not open or close on that day. For further information, please refer to the subsection headed “How to Apply for Public Offer Shares — 9. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
- (3) Applicants who apply by giving electronic application instructions to HKSCC should refer to the subsection headed “How to Apply for Public Offer Shares — 5. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
- (4) The Price Determination Date is expected to be on Thursday, 28 June 2018 (or such later date as maybe agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters)). If the Sole Bookrunner (for itself on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, the Share Offer will not become unconditional and will lapse.
- (5) Share certificates for the Offer Shares are expected to be issued on or before Friday, 6 July 2018 but will only become valid certificates of title provided that the Share Offer becomes unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms before 8:00 a.m. on the Listing Date. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.
- (6) Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.
- (7) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques and share certificates (as applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Friday, 6 July 2018. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to our Hong Kong Branch Share Registrar.

Applicants who apply with **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques (where relevant) in person but may not collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post and at the own risk of the applicants shortly after the expiry of the time for collection at the date of despatch of refund cheque as described in the subsection headed “How to Apply for Public Offer Shares — 13. Despatch/Collection of share certificates and refund monies” in this prospectus.

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## **EXPECTED TIMETABLE**

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For details of the structure of the Share Offer, including the conditions of the Share Offer, and the procedures for application for the Public Offer Shares, you should read the sections headed “Structure and Conditions of the Share Offer” and “How to Apply for Public Offer Shares” in this prospectus, respectively.

If the Public Offer does not become unconditional or is terminated in accordance with its terms, the Public Offer will not proceed. In such case, our Company will make an announcement as soon as practicable thereafter.

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*This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than Offer Shares offered by this prospectus. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell, or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances.*

*You should rely only on the information contained in this prospectus to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of our or their respective directors, advisers, officers, employees, agents or representatives, or any other person or party involved in the Share Offer.*

*The contents on the website at [www.ziyygroup.com](http://www.ziyygroup.com) which is the official website of our Company do not form part of this prospectus.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus (including the appendices hereto, which constitute an integral part of this prospectus) in its entirety before you decide to invest in the Offer Shares.*

*There are risks associated with any investment in the Offer Shares. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read this section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the section headed "Definitions" and "Glossary of Technical Terms" in this prospectus.*

### OVERVIEW

We are engaged in providing equipment-based finance leasing services to SME customers in the printing and logistics industries in the PRC. We have a short operating history with the commencement of our finance leasing business in 2014. Since inception, we have focused our efforts on providing finance leasing services to the printing and logistics industries in various provinces, municipalities, and autonomous regions in the PRC, where we have established connections with industry players and gained operational expertise. For FY2015, FY2016 and FY2017, our revenue derived from Guangdong province accounted for approximately 92.0%, 61.1% and 53.1% of our total revenue for the same period, respectively. Our finance lease offering comprises direct finance leasing and sale-leaseback. The PRC printing equipment finance leasing market has growth opportunities. Seeing the tremendous capital need from SMEs in the printing industry in China, our co-founders and our Controlling Shareholders, Mr. Zhang and Mr. Zhang Junwei, have seized such opportunity and expanded our business in this market. Mr. Zhang, Mr. Zhang Junwei and certain members of our senior management had no relevant experience in the finance leasing industry prior to joining our Group. Although Mr. Zhang and Mr. Zhang Junwei did not possess relevant experience in the finance leasing industry before establishing our Group, they have subsequently acquired experience required for their roles of more than three years through their involvements in our Group's business.

Leveraging on our operational experience and practical knowledge in delivering finance leasing services to customers in the printing industry, we have further expanded our business to provide finance leasing services to customers which purchase and operate commercial vehicles for logistics purpose. We have taken full advantages of the characteristics of a relatively small financing amount, quick completion time and relatively low costs in relation to vehicle leasing business. Moreover, our diversified customer base consists of SME customers in our target industries of printing and logistics in China. As at 31 December 2017, we provided services to approximately 292 SMEs in these two industries across 24 provinces, municipalities and autonomous regions in the PRC.

We recorded revenue growth during the Track Record Period. Our revenue increased by approximately 173.1% from approximately RMB10.8 million for FY2015 to approximately RMB29.5 million for FY2016, and further increased by approximately 76.6% to approximately RMB52.1 million for FY2017. Our net finance lease receivables also increased by approximately 171.5% from approximately RMB98.4 million as at 31 December 2015 to approximately RMB267.2 million as at 31 December 2016, and further increased by approximately 26.1% to approximately RMB337.0 million as at 31 December 2017. Our significant revenue growth during the Track Record Period were mainly attributable to the following reasons: (i) we have capitalised on and benefited from the growing financing needs in the PRC printing and logistics industries as a result of industry-wide growth; and (ii) we have developed and expanded our customer base effectively through our sales and marketing activities, including conducting site visits to the customers, attending industrial exhibitions and trade fairs, developing business cooperative relationships with intermediaries and automobile dealers who refer to us equipment purchasers with financing needs.

Furthermore, we have established effective risk management and internal control procedures which are tailored to the characteristics of our business operations. Our comprehensive risk management system coordinated among our various departments and risk management committee have enabled us to identify any potential default of our customers and take remedial actions to enhance the security of leased assets at an early stage. Our non-performing assets amounted to nil, nil, and approximately RMB6.1 million for FY2015, FY2016 and FY2017, respectively. Up to the Latest

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## SUMMARY

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Practicable Date, eight customers defaulted in lease payments. We subsequently recovered lease payments from five customers of them, and have initiated court proceedings against two customers of them for debt recovery. The remaining one customer is in the course of repaying outstanding lease payments and other fees in accordance with the repayment schedule agreed with us.

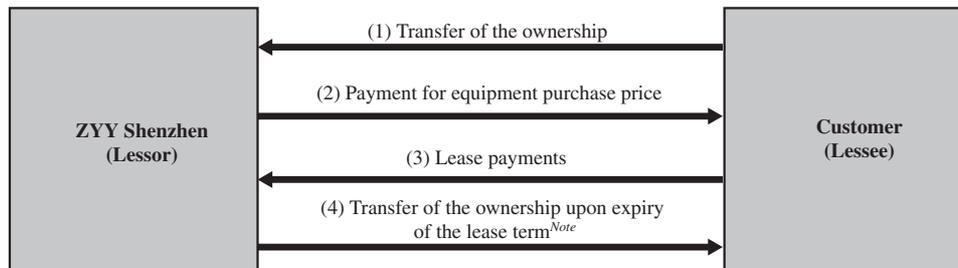
After the Listing, we will cease obtaining financing from our Controlling Shareholders. In the future, we will seek to finance our business through diversified funding sources, such as raising funds from capital markets, corporate bonds and borrowings from banks or other financial institutions. Our Directors expect the listing status will provide our Company a better access to the capital markets, enabling us to secure banking facilities with more favourable terms. However, if we increase our bank borrowings to fund our capital needs in the future, our interest expense will be increased as a result and our net interest margin may be adversely affected. Please refer to the subsection headed “Risk Factors- Risks Relating to Our Business- We may increase our bank borrowings in the future due to the cessation of loans from our Controlling Shareholders, resulting in our increased finance costs and we may not be able to transfer our costs effectively to our customers” of this prospectus for details.

### OUR BUSINESS MODEL

During the Track Record Period, we primarily provided finance leasing services to our SME customers in our target industries of printing and logistics. We classified our finance leasing services into two categories: (i) sale-leaseback; and (ii) direct finance leasing. During the Track Record Period and up to the Latest Practicable Date, there was no change in our business focus. Please refer to the subsection headed “Business — Business Model” in this prospectus for further disclosure.

#### Sale-leaseback

Sale-leaseback involves leasing of used equipment which was owned by our customer and sold to us prior to a finance leasing transaction. Sale-leaseback transactions accounted for approximately 100.0%, 94.1% and 90.3% of our total revenue for FY2015, FY2016 and FY2017, respectively. A typical sale-leaseback transaction involves two parties, namely lessor and lessee. The relationship between the two parties is illustrated in the following diagram:



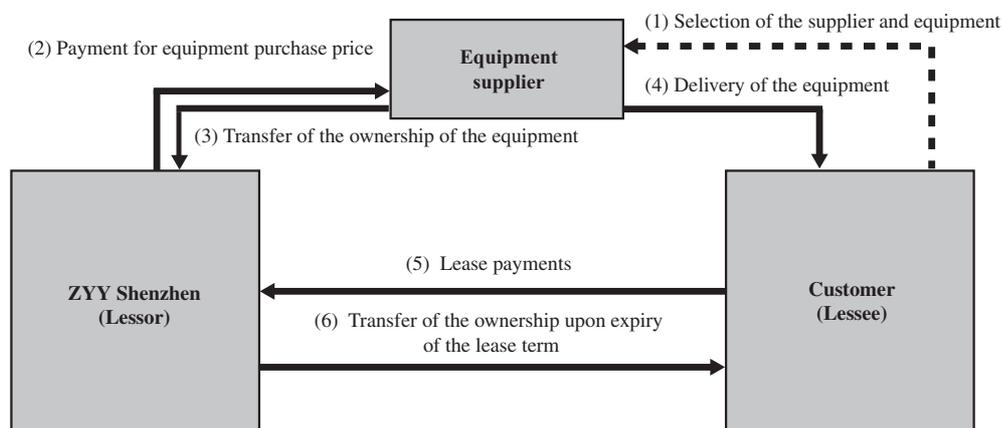
*Note:* \_\_\_\_\_

During the Track Record Period, we provided services to customers in the logistics industry under the sale-leaseback model only. For a sale-leaseback transaction with logistics customers, the ownership of leased vehicle remains with the customer throughout the finance leasing term. In addition, we also enter into a separate security agreement with the customer in order to obtain security interest over the leased vehicle.

## SUMMARY

### Direct Finance Leasing

Direct finance leasing involves leasing of new equipment acquired by us from an equipment supplier prior to a finance leasing transaction. Direct finance leasing transactions accounted for approximately nil, 5.9% and 9.7% of our total revenue for FY2015, FY2016 and FY2017, respectively. A typical direct finance leasing transaction involves three parties, namely lessor, lessee and equipment supplier. The relationship among the three parties is illustrated in the following diagram:



### COVERAGE RATIO

The following table sets out our range of coverage ratio during the Track Record Period. Please refer to the subsection headed “Business — Our Finance Lease Agreements — Summary of Key Terms of Finance Lease Agreement” in this prospectus for further disclosure.

	Year ended 31 December		
	2015	2016	2017

#### Newly signed finance leases

Range of coverage ratio of individual lease <sup>(1)</sup>	1.00-5.26	1.00-7.45	1.00-3.53
Aggregate total coverage ratio <sup>(2)</sup>	1.86	1.85	1.78

*Notes:*

- (1) The coverage ratio of individual lease is calculated as the leased asset value (book value) at the beginning of lease term divided by the relevant finance lease receivable at the beginning of lease term netting off deposit.
- (2) The aggregate total coverage ratio is calculated as, for all newly signed leases during the year, the aggregate amount of leased asset values (book value) at the beginning of relevant lease terms divided by the aggregate amount of relevant finance lease receivables at the beginning of lease terms netting off deposits.

	As at 31 December		
	2015	2016	2017

#### Outstanding finance lease receivable as at year end

Range of coverage ratio of individual lease <sup>(1)</sup>	1.26-11.44	1.15-24.69	1.26-685.24
Aggregate total coverage ratio <sup>(2)</sup>	2.62	2.76	3.45

*Notes:*

- (1) The coverage ratio of individual lease is calculated as the leased asset value (net value) divided by the relevant finance lease receivable before impairment allowance as at the year-end netting off deposit.
- (2) The aggregate total coverage ratio is calculated as, for all outstanding leases as at the year-end, the aggregate amount of leased asset values (net value) divided by the total finance lease receivable before impairment allowance as at the year-end netting off the total amount of relevant deposits.

## SUMMARY

### PRICING POLICY

Our revenue consists entirely of income from our finance leasing business. We do not set a defined range for interest rates charged by us to our customers, nor specify a fixed interest rate in the finance lease agreement. Instead, we stipulate a lump sum amount for the lease payment payable by a customer in instalments (general 24 months to 48 months) under each finance lease agreement, without dividing principal from interest for each instalment. After evaluating each finance leasing transaction and relevant customer profile, our business development department calculates such lump sum amount of lease payment. Our internal rate of return is generally higher than comparable interest rates of bank borrowings. For further details of our pricing policy, please refer to the subsection headed “Business — Pricing Policy” in this prospectus.

### OUR CUSTOMERS

Our customer base comprises entirely SMEs concentrated on the printing industry and logistics industry in the PRC. During the Track Record Period, our five largest customers by revenue are all SMEs in the PRC printing industry. We develop and expand our customer base through direct sales and marketing, referrals by intermediaries and automobile dealers, as well as referrals by existing customers. For further details of our customers, see the subsection headed “Business — Customers” in this prospectus.

### OUR FINANCE LEASING AGREEMENTS

The following table sets forth the number and value of our finance leasing agreements by length of lease for the years/dates indicated:

	Year ended/As at 31 December											
	2015				2016				2017			
	Number of newly signed financial leasing agreements during the year	Value	Number of financial leasing agreements in progress as at end of the year	Value	Number of newly signed financial leasing agreements during the year	Value	Number of financial leasing agreements in progress as at end of the year	Value	Number of newly signed financial leasing agreements during the year	Value	Number of financial leasing agreements in progress as at end of the year	Value
	<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>	
<b>Length of lease</b>												
- Less than 2 years	1	1,500	1	1,500	3	3,975	3	3,975	—	—	1	2,500
- More than 2 years but less than 3 years	25	16,330	27	18,050	124	60,290	144	72,169	65	58,806	179	113,795
- More than 3 years to 4 years	43	93,530	51	106,900	91	203,580	138	301,560	90	220,803	209	482,783
<b>Total</b>	<u>69</u>	<u>111,360</u>	<u>79</u>	<u>126,450</u>	<u>218</u>	<u>267,845</u>	<u>285</u>	<u>377,704</u>	<u>155</u>	<u>279,609</u>	<u>389</u>	<u>599,078</u>

The average term of our finance leasing agreements for FY2015, FY2016 and FY2017 was approximately 2.64, 2.48 and 2.54 years, respectively.

## SUMMARY

Up to the Latest Practicable Date, we have completed the full cycle of 85 finance lease agreements (the “**Completed Agreements**”). The following table sets forth the maturity profile of the Completed Agreements for the years indicated:

	Year ended 31 December											
	2014			2015			2016			2017		
	Number of the Completed Agreements entered during the year	Value	Proportion	Number of the Completed Agreements entered during the year	Value	Proportion	Number of the Completed Agreements entered during the year	Value	Proportion	Number of the Completed Agreements entered during the year	Value	Proportion
	<i>RMB'000</i>	%		<i>RMB'000</i>	%		<i>RMB'000</i>	%		<i>RMB'000</i>	%	
<b>Matured by</b>												
-31 December 2015	—	—	—	—	—	—	—	—	—	—	—	—
-31 December 2016	2	1,720	12.6	4	4,050	9.0	—	—	—	—	—	—
-31 December 2017	6	11,950	87.4	20	11,880	26.3	3	1,725	8.1	—	—	—
-As at the Latest Practicable Date	—	—	—	13	29,200	64.7	37	19,464	91.9	—	—	—
<b>Total</b>	<u>8</u>	<u>13,670</u>	<u>100.0</u>	<u>37</u>	<u>45,130</u>	<u>100.0</u>	<u>40</u>	<u>21,189</u>	<u>100.0</u>	<u>—</u>	<u>—</u>	<u>—</u>

### OUR LENDERS

Due to our business nature as a finance leasing services provider, we do not have major suppliers. During the Track Record Period, we entered into framework agreements with an independent third party securities firm and an independent third party finance leasing company which have provided financing to us in the aggregate amount of RMB300.0 million and RMB100 million, respectively through financial assets sold under the repurchase agreements. We sold our finance lease receivables and agreed to repurchase them later at the agreed date and price. In addition, we have entered into credit facility agreements during the Track Record Period in order to seek additional financing. Please refer to the subsections headed “Business — Lenders” and “Financial Information — Recent Development” for further details on the recent development of financings.

### OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths will enable us to compete effectively in the finance leasing industry in the PRC: (i) we have accumulated experience from providing finance leasing services in PRC printing and logistics industries and benefit from the historical growth and future financing needs in these target industries; (ii) we provide accessible and flexible solutions to our SME customers bridging their financing needs; (iii) we have implemented prudent risk management measures and internal control processes; and (iv) we are committed to enhancing our operational management and customer service capability through our OA System. For details of our competitive strengths, please refer to the subsection headed “Business — Our Competitive Strengths” in this prospectus.

### OUR BUSINESS STRATEGIES

We plan to continue to strengthen our key market player position in the finance leasing industry in China and enhance our overall competitiveness and market share. We intend to achieve our objectives by adopting the following key business strategies: (i) further strengthen our market position and expand our business in our target industries in China; (ii) further strengthen our risk management capabilities and enhance our OA System; and (iii) explore our new target industries for strategic development in China, in particular, the PRC medical device industry. We intend to identify customers in the PRC medical device industry mainly by establishing business cooperative relationships with medical equipment manufacturers and distributors in various parts of China. For our planned medical device finance leasing business, we will replicate the existing business model and risk management

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## SUMMARY

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system, under which we have successfully operated in the PRC printing and logistics industries, with necessary customisations and adjustments for the new industry. We are conducting market researches and employee trainings in relation to the PRC medical device industry at this exploratory stage so as to prepare our entry into the industry when suitable market opportunities arise, and we have adequate funds and resources available after the Listing. For details of our business strategies, please refer to the subsection headed “Business — Our Business Strategies” in this prospectus.

### COMPETITIVE LANDSCAPE

According to the Frost & Sullivan Report, the top two players dominate the PRC printing equipment finance leasing market, whereas each of the other top three players held a small market share, in terms of New Contract Volume in 2017. Our Group had a market share of approximately 1.6% in the printing equipment finance leasing market in term of New Contract Volume in 2016 in China. According to the Frost & Sullivan Report, the PRC transportation equipment finance leasing market remains highly fragmented. The market share of ZYY Shenzhen in the PRC transportation equipment finance leasing market in 2017 is relatively small, less than 0.01% in terms of New Contract Volume. Please refer to the subsection headed “Industry Overview — Competitive Landscape of the PRC Finance Leasing Market” in this prospectus for further details.

### OUR SHAREHOLDING STRUCTURE

Our ultimate Controlling Shareholders, namely Mr. Zhang and Mr. Zhang Junwei, have taken the leading roles in the decision making, operation and management of ZYY Shenzhen since its establishment. On 24 February 2017, they entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert in respect of each member of our Group from the incorporation dates of the respective member of our Group and continue as at and after the date of the Concert Parties Confirmatory Deed. Please refer to the section headed “History and Reorganisation” in this prospectus for further disclosure.

Immediately following the completion of the Share Offer and the Capitalisation Issue, by virtue of the Concert Parties Confirmatory Deed, Mr. Zhang (through Hero Global) and Mr. Zhang Junwei (through Icon Global) will be in aggregate interested in 75.0% of our enlarged issued share capital. Accordingly, Mr. Zhang, Mr. Zhang Junwei and their respective holding companies, namely Hero Global and Icon Global, are collectively considered as our Controlling Shareholders. None of the Controlling Shareholders, our Directors and their respective close associates is interested in any business which competes, or may compete, directly or indirectly, with the business of our Group, or would otherwise require disclosure under Rule 11.04 of the GEM Listing Rules. For details on our Controlling Shareholders, please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus.

### SUMMARY OF FINANCIAL PERFORMANCE

The following tables summarise the consolidated financial information of our Group during the Track Record Period, which are extracted from the Accountants’ Report as set out in Appendix I to this prospectus. The summary financial data should be read in conjunction with the consolidated financial information in the Accountants’ Report as set out in Appendix I to this prospectus.

## SUMMARY

### Key Information in Our Consolidated Statements of Profit or Loss

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	10,807	29,546	52,060
Interest income and other investment gain	50	104	17
Exchange gain/(loss), net	156	99	(47)
Staff costs	(2,815)	(4,875)	(6,528)
Impairment losses on finance lease receivable	(930)	(2,075)	(5,526)
Impairment losses on other receivable	—	—	(379)
Other operating expenses	(2,961)	(3,268)	(5,900)
Listing expenses	—	(4,225)	(8,907)
Finance costs	(3,349)	(7,770)	(8,848)
Profit before taxation	958	7,536	15,942
Taxation	(278)	(2,319)	(6,377)
Profit and total comprehensive income for the year	<u>680</u>	<u>5,217</u>	<u>9,565</u>

Our Group's revenue increased from FY2015 to FY2016, and further increased for FY2017, mainly attributable to new finance lease agreements entered in FY2016 to FY2017 as a result of business expansion of our Group. Moreover, our impairment loss on finance lease receivable increased from FY2015 to FY2016, and further increased in FY2017, which was mainly attributable to an increase in collective impairment allowance as a result of an increase in finance lease receivable due to our business growth and an increase in individual impairment allowance as a result of non-performance assets for FY2017. Please refer to the subsections headed "Financial Information — Principal Components of Results of Operations" and "Financial Information — Year to Year Comparison of Results of Operations" in this prospectus for further discussion on our Group's results of operation during the Track Record Period.

The following table sets out a breakdown of our Group's revenue by customer's industry for the years indicated below:

Revenue	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Printing	10,825	99.3	27,235	92.0	44,269	85.0
Logistics	77	0.7	2,366	8.0	7,791	15.0
Sub-total	<u>10,902</u>	<u>100.0</u>	<u>29,601</u>	<u>100.0</u>	<u>52,060</u>	<u>100.0</u>
Sales related taxes	(95)		(55)		—	
Revenue after sales related tax	<u>10,807</u>		<u>29,546</u>		<u>52,060</u>	

Revenue from the PRC printing industry continues to be our largest revenue contributor. The increase in revenue derived from the PRC printing industry over the Track Record Period was mainly attributable to the increasing demand for printing equipment in China and our efforts in securing new customers in this industry. Revenue from the logistics industry increased as a result of our efforts in securing new customers and expanding into Guangzhou, Guangdong province to strengthen our foothold in this industry.

## SUMMARY

### Net Interest Margin

Please refer to the subsection headed “Financial Information — Net Interest Margin” in this prospectus for further discussion on our Group’s net interest margin and other financial ratios during the Track Record Period.

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest income <sup>(1)</sup>	10,902	29,601	52,060
Interest expenses <sup>(2)</sup>			
Interests on financial assets sold under repurchase agreements	(2,528)	(4,628)	(373)
Imputed interests on interest-free deposits from finance lease customers	(821)	(3,142)	(7,276)
Interest on bank borrowings repayable within one year	—	—	(1,199)
Net interest income <sup>(3)</sup>	<u>7,553</u>	<u>21,831</u>	<u>43,212</u>
Interest income yield <sup>(4)</sup>	16.9%	16.5%	15.6%
Interest expense rate <sup>(5)</sup>	8.8%	10.6%	8.9%
Net interest spread <sup>(6)</sup>	8.1%	5.9%	6.7%
Net interest margin <sup>(7)</sup>	11.7%	12.2%	13.0%

*Notes:*

- (1) Revenue derived from our finance leasing business excluding sales related tax.
- (2) Interest expense is the finance cost of our finance leasing business.
- (3) Net interest income is calculated by subtracting interest income by interest expense.
- (4) Calculated by dividing interest income by the average monthly total balance of interest-earning assets.
- (5) Calculated by dividing interest expense by the average monthly total balance of interest-bearing liabilities.
- (6) Calculated as the difference between the interest income yield and the interest expense rate.
- (7) Calculated by dividing net interest income by the average monthly balance of total interest-earning assets.

### Key Information in Our Consolidated Statements of Financial Position

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	56,057	141,617	155,325
Current assets	151,033	143,554	196,583
Current liabilities	<u>72,966</u>	<u>128,849</u>	<u>78,095</u>
Net current assets	78,067	14,705	118,488
Non-current liabilities	16,052	49,062	63,462
Capital and reserves			
Share capital	118,093	87	88
Reserves	<u>(21)</u>	<u>107,173</u>	<u>210,263</u>
Total equity	118,072	107,260	210,351

Please refer to the section headed “Financial Information” in this prospectus for further discussion on our Group’s consolidated statements of financial position during the Track Record Period.

## SUMMARY

### Key Information in Our Consolidated Statements of Cash Flows

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating cash flows before movements in working capital	5,209	17,374	30,872
Net cash used in operating activities	(64,116)	(118,225)	(16,608)
Net cash (used in) from investing activities	(90,658)	90,832	300
Net cash from financing activities	154,018	23,841	15,933
Net decrease in cash and cash equivalents	(756)	(3,552)	(375)
Cash and cash equivalents at beginning of the year	7,265	6,402	2,683
Effect of foreign exchange rate changes	(107)	(167)	16
Cash and cash equivalents at end of the year representing bank balances and cash	<u>6,402</u>	<u>2,683</u>	<u>2,324</u>

Please refer to the subsection headed “Financial Information — Liquidity and Capital Resources” in this prospectus for further discussion on our Group’s cash positions during the Track Record Period.

### Key Financial Ratios

	For the year ended 31 December		
	2015	2016	2017
Net profit margin <sup>(1)</sup>	6.3%	17.7%	18.4%
Return on equity <sup>(2)</sup>	0.4%	4.9%	4.5%
Return on total assets <sup>(3)</sup>	0.2%	1.8%	2.7%

	As at the year ended 31 December		
	2015	2016	2017
Current ratio <sup>(4)</sup>	2.1 times	1.1 times	2.5 times
Gearing ratio <sup>(5)</sup>	35.5%	12.3%	4.0%
Debt to equity ratio <sup>(6)</sup>	49.6%	11.5%	3.0%

#### Notes:

- (1) Net profit margin is calculated by dividing net profit by revenue for the relevant year and multiplying the resulting value by 100.0%.
- (2) Return on equity is calculated by the net profit attributable to the owners of the Company for each reporting year during the Track Record Period divided by the total equity as at the end of each reporting year during the Track Record Period and multiplied by 100.0%.
- (3) Return on total assets is calculated by the net profit attributable to the owners of the Company for each reporting year during the Track Record Period divided by the total assets as at the end of each reporting year during the Track Record Period and multiplied by 100.0%.
- (4) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting year during the Track Record Period.
- (5) Gearing ratio is calculated based on the interest-bearing bank borrowings and financial assets sold under repurchase agreements divided by the total equity plus bank borrowings and financial assets sold under repurchase agreements as at the end of each reporting year during the Track Record Period and multiplied by 100.0%.
- (6) Debt to equity ratio is calculated based on the net debt (all interest-bearing debt net of cash and cash equivalents) divided by the total equity at the end of a given year and multiplied by 100.0%.

For details, please refer to the subsection headed “Financial Information — Key Financial Ratios” in this prospectus for further discussion on our Group’s key financial ratios during the Track Record Period.

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## SUMMARY

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### LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing, primarily consisting of fees paid and payable to professional parties and underwriting commission, is approximately HK\$29.2 million, including approximately HK\$9.8 million which is directly attributable to the issue of the Offer Shares is expected to be accounted for as a deduction from equity upon the Listing. The remaining amount of approximately HK\$19.4 million, which cannot be so deducted, will be charged to profit or loss. Out of the approximately HK\$19.4 million that will be charged to profit or loss, nil, HK\$5.3 million and HK\$11.1 million have been charged for the years ended 31 December 2015, 2016 and 2017 respectively, and approximately HK\$3.0 million is expected to be incurred for the year ending 31 December 2018.

### RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period, we have continued to extend our client base in the PRC printing and logistics industry. From 31 December 2017 up to the Latest Practicable Date, we entered into 42 new finance lease agreements with customers in the PRC printing industry with an aggregate value of approximately RMB111.9 million and five new finance lease agreement with customers in the logistics industry with an aggregate value of approximately RMB3.7 million. As at the Latest Practicable Date, we have entered into 242 finance lease agreement with customers in the PRC printing industry with an aggregate value of approximately RMB576.9 million and 139 finance lease agreements with customers in the PRC logistic industry with an aggregate value of approximately RMB86.3 million. During the Track Record Period and up to the Latest Practicable Date, we have completed the full cycle of 85 finance lease agreements, under which we fully collected receivables from our customers upon expiry of relevant lease terms. The revenue recognised for these 50 financial lease agreements amounted to approximately RMB16.6 million. On 2 January 2018, we entered into a credit facility agreement with a bank, pursuant to which the bank agreed to grant a new credit facility of RMB30.0 million.

Save for the professional fees of approximately HK\$3.0 million estimated to be incurred in connection with the Listing, which will be recorded in our consolidated financial information as expenses for the year ending 31 December 2018, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position, or prospects of our Group since 31 December 2017, being the date to which the latest audited consolidated financial statements of our Group were made up.

### MAIN LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the Measures for Supervision and Administration of Finance Leasing Enterprises (《融資租賃企業監督管理辦法》) and the Comments in Response to Some Regulatory Issues about Medical Devices Leasing (《關於融資租賃醫療器械監管問題的答覆意見》) and other relevant laws and regulations, the finance leasing companies must satisfy the following requirements: (i) employ professionals and senior management personnel who possess appropriate professional qualifications and not less than three years' experience in the finance leasing industry, leasing industry and/or the operation and management of financial institutions; (ii) a finance leasing enterprise shall, within 15 working days after the end of each quarter, submit the statistics on and summary of its operation in the preceding quarter, the statistics on and summary of its operation in the preceding year, as well as its financial and accounting report audited by an audit body for the preceding year, prior to 30 April of each year. In addition, a medical device finance leasing enterprise shall obtain the medical devices operation license for operating the Class III medical devices.

### LITIGATION AND REGULATORY COMPLIANCE

Other than the five legal proceedings we initiated during the period from November 2016 to November 2017, no member of our Group, was engaged in any litigation, arbitration or claim of material importance, and our Directors and senior management are not aware of any litigation, arbitration or claim by or against our Group, pending or threatened during the Track Record Period. We have been in compliance with such applicable laws, rules and regulations in all material aspects; and we had obtained all required licenses, approvals and permits from the relevant authorities that are required for our business operations, and such licenses, approvals and permits remained in full effect during the Track Record Period and up to the Latest Practicable Date. Please refer to the subsection "Business — Approval and Compliance" in this prospectus for further disclosure.

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## SUMMARY

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### SHARE OFFER STATISTICS

The Share Offer comprise the following: (i) the Public Offer of initially 10,000,000 Shares in Hong Kong; and (ii) the Placing of initially 90,000,000 Shares, subject, in each case, to reallocation the basis as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus. The following table sets out certain offering related data, assuming that the Share Offer has been completed:

	<b>Based on the Offer Price of HK\$0.60 per Offer Share</b>	<b>Based on the Offer Price of HK\$1.00 per Offer Share</b>
Market capitalisation at the Listing ( <i>in HK\$ million</i> )	HK\$240.0	HK\$400.0
Unaudited pro forma adjusted net tangible assets per Share	HK\$0.76	HK\$0.85

Please refer to Appendix II — Unaudited Pro Forma Financial Information in this prospectus for further details.

### FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive approximately HK\$50.8 million net proceeds from the Share Offer after deducting underwriting commission and other estimated expenses paid and payable by us in connection with the Share Offer, assuming an Offer Price of HK\$0.80 per Share, being the mid-point of the indicative Offer Price range. We intend to use the net proceeds we receive from the Share Offer for the following purposes:

<b>Approximate percentage and amount of net proceeds</b>	<b>Utilised by period ending</b>	<b>Intended applications</b>
approximately 88.6%, or HK\$45.0 million	31 December 2018	Developing our existing finance leasing business in the PRC printing and logistics industries
approximately 6.9%, or HK\$3.5 million	31 December 2020	Expanding our business in these two industries in northern and eastern parts of China
approximately 2.2%, or HK\$1.1 million	31 December 2020	Exploring new target industries for our finance leasing business
approximately 2.3%, or HK\$1.2 million	31 December 2020	Funding our general working capital needs

We intend to use approximately HK\$45.0 million to develop our existing finance leasing business in the PRC printing and logistic industries. Based on the printing finance lease agreements on hand as at the Latest Practicable Date, the loan amounts to be provided and the equipment to be acquired under these agreements, our Directors expect to use the net proceeds from the Share Offer to acquire 20 printing equipment. The number and types of logistics equipment to be acquired by using the proceeds will be determined based on the requests of our future customers.

We also intend to use approximately HK\$1.1 million to explore new industries for our finance leasing business, where approximately HK\$0.7 million will be used to prepare our Group at the exploratory stage for our planned entry into the PRC medical device industry as well as to gain a good understanding of relevant risk management measures during the period from the Latest Practicable Date to 31 December 2019, with the implementing steps, including but not limited to, market research, business development and employee training. The remaining amount of approximately HK\$0.35 million will be utilised by 31 December 2020 to explore other target industries to be identified by us in the future.

For further details, please refer to the section headed “Futures Plans and Use of Proceeds” in this prospectus.

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## SUMMARY

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### **DIVIDEND AND DISTRIBUTABLE RESERVES**

Our Company has no fixed dividend policy. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to our Shareholders' approval. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial condition, working capital, capital requirements and other factors our Board may deem relevant. We will re-evaluate our dividend policy annually. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year. As at the Latest Practicable Date, our Company has no distributable reserves available for distribution to our Shareholders.

### **RISK FACTORS**

There are risks associated with your investment in the Offer Shares, among which, the relatively material risks are (i) we have a short operating history. Most of our finance lease transactions have not gone through the full cycle and the historical default record of our finance lease agreements may not be indicative of our future default rate. Therefore, we only have limited experience in enforcing our security rights over the collateral or guarantee and/or foreclosing the leased assets; (ii) any adverse change in the limited number of industries which our lessees operate will have a direct effect on their abilities to make lease payments; (iii) our credit evaluation process may not be sufficient to discover all material information about our customers, or to detect customer fraud; (iv) our risk management system and internal control policies may not be effective in mitigating our risk exposure; and (v) substantially all of our income is subject to volatile performance of SMEs. You should read the entire section headed "Risk Factors" in this prospectus carefully before you decide to invest in the Offer Shares.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following terms and expressions have the following meanings set forth below. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.*

“Accountants’ Report”	the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I in this prospectus
“Acting in concert”	has the same meaning ascribed thereto under the Takeovers Code
“Application Form(s)”	<b>WHITE</b> Application Form(s) and <b>YELLOW</b> Application Form(s), individually or collectively, as the context so requires, any of them, which is used in relation to the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on 12 June 2018 and be effective on the Listing Date, as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)” or “close associate(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Board of Directors” or “Board”	the board of Directors of our Company
“Business Day”	any day (excluding a Saturday, or a Sunday or a public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business to the public
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issuance of 298,990,000 Shares to be made upon the capitalisation of sums standing to the credit of the share premium account of our Company referred to in the Subsection headed “Statutory and General Information — A. Further Information about Our Company and Our Subsidiaries — 3. Resolutions in writing of our Shareholders passed on 12 June 2018” in Appendix IV to this prospectus
“Cayman Companies Law” or “Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time.
“CBRC”	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS at a direct clearing participant or a general clearing participant

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## DEFINITIONS

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“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or the “PRC”	the People’s Republic of China which, for the purpose of this prospectus and for geographical reference only and except where the context requires otherwise, reference in this prospectus only to “China” or the “PRC” does not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
“Company”	Ziyuanyuan Holdings Group Limited (紫元元控股集團有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 28 October 2016
“Concert Parties Confirmatory Deed”	the confirmatory deed dated 24 February 2017 entered into by our ultimate Controlling Shareholders, namely Mr. Zhang and Mr. Zhang Junwei, to acknowledge and confirm, among other things, that they are parties acting in concert in relation to our Group, details of which are set out in the subsection headed “History and Reorganisation — Parties Acting in Concert” in this prospectus
“connected person(s)” or “core connected person(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“connected transaction”	has the same meaning ascribed thereto under the GEM Listing Rules

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## DEFINITIONS

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“Controlling Shareholders”	has the meaning ascribed thereto under the GEM Listing Rules and for the purpose of this prospectus, unless the context requires otherwise, refers to Mr. Zhang, Mr. Zhang Junwei and their respective holding companies, namely Hero Global and Icon Global
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 12 June 2018 entered into by each of our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries), the particulars of which are set out in the subsection headed “D. Other Information — 1. Tax and Other Indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 12 June 2018 given by our Controlling Shareholders and Mr. Liu in favour of our Company (for ourselves and as trustee for our subsidiaries), which contains certain non-competition undertakings, the particulars of which are set out in the subsection headed “Relationship with Controlling Shareholders — Non-competition Undertaking” in this prospectus
“Director(s)”	the director(s) of our Company
“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) passed by the National People’s Congress of the PRC on 16 March 2007 and taking effect on 1 January 2008, as amended, supplemented and/or otherwise modified from time to time
“Enterprise Income Tax” or “EIT”	enterprise income tax of the PRC
“Executive Director(s)”	the executive Director(s) of our Company
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (弗若斯特沙利文(北京)諮詢有限公司上海分公司), a consulting firm that provides market research and analysis, an independent third party
“Frost & Sullivan Report”	an industry report prepared by Frost & Sullivan
“FY2015”	the financial year ended 31 December 2015
“FY2016”	the financial year ended 31 December 2016
“FY2017”	the financial year ended 31 December 2017
“GEM”	GEM operated by the Stock Exchange

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## DEFINITIONS

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“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange, as amended, modified and/or supplemented from time to time
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”, “our”, “we” or “us”	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require) or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guoyuan Capital” or “Sole Sponsor”	Guoyuan Capital (Hong Kong) Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as set out in the SFO, and the Sole Sponsor for the Listing
“Hero Global”	Hero Global Limited, a company incorporated in the BVI with limited liability on 26 October 2015, which is wholly-owned by Mr. Zhang
“HKD” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards issued by HKICPA
“HKICPA”	the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“HK Lixin”	HK Lixin Trade Co., Limited (香港立信貿易有限公司), a company incorporated in Hong Kong with limited liability on 6 March 2013, an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Hong Kong” or “HK”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

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## DEFINITIONS

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“Honor Global”	Honor Global Holding Limited (榮耀全球控股有限公司), a company incorporated in the BVI with limited liability on 28 October 2016, a direct wholly-owned subsidiary of our Company
“Huafang Consultancy”	Shenzhen Huafang Management Consulting Limited* (深圳市華方管理諮詢有限公司), a company incorporated in the PRC with limited liability on 6 September 2015, an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Icon Global”	Icon Global Holding Limited (標緻全球控股有限公司), a company incorporated in the BVI with limited liability on 18 October 2016, which is wholly-owned by Mr. Zhang Junwei
“Independent Non-executive Director(s)”	the independent non-executive Director(s) of our Company
“independent third party(ies)”	a person(s) or company(ies) and their ultimate beneficial owner(s), who/ which is or are, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, independent of and not connected with our Company and our connected persons (as defined in the GEM Listing Rules)
“Joint Lead Managers”	Guoyuan Capital (Hong Kong) Limited, Future Land Resources Securities Limited and Brilliant Norton Securities Company Limited
“Latest Practicable Date”	15 June 2018, being the latest practicable date for ascertaining certain information in this prospectus before its publication
“Listing”	the listing of the Shares on GEM by way of Share Offer
“Listing Committee”	the listing sub-committee of the board of directors of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or around 9 July 2018, on which the Shares are listed on the Hong Kong Stock Exchange and from which dealing in the Shares first commences on the GEM
“Memorandum”	the amended and restated memorandum of association of our Company adopted on 12 June 2018 and be effective on the Listing Date, and as amended from time to time, a summary of which is set out in Appendix III in this prospectus
“MOC”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Liu”	Mr. Liu Zhiyong (劉智勇), an Executive Director

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## DEFINITIONS

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“Mr. Zhang”	Mr. Zhang Junshen (張俊深), an Executive Director, the chairman of our Board, the chief executive officer and one of our Controlling Shareholders
“Mr. Zhang Junwei”	Mr. Zhang Junwei (張俊偉), the younger brother of Mr. Zhang, a Non-executive Director and one of our Controlling Shareholders
“Ms. Shen”	Ms. Shen Qingli (沈清麗), a Non-executive Director
“Ms. Tang”	Ms. Tang Yiping (湯怡萍), the spouse of Mr. Zhang
“NDRC”	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
“Non-executive Director(s)”	the non-executive Director(s) of our Company
“Offer Price”	the offer price for each Offer Share (exclusive of any brokerage fee, SFC transaction levy and Stock Exchange trading fee), which will be not more than HK\$1.00 per Offer Share and is expected to be not less than HK\$0.60 per Offer Share, such price to be determined on or before the Price Determination Date
“Offer Shares”	the Public Offer Shares and the Placing Shares
“PBOC”	The People’s Bank of China (中國人民銀行), the central bank of the PRC
“Placing”	the conditional placing by the Placing Underwriters of the Placing Shares on behalf of our Company with professional, institutional and other investors in Hong Kong for cash at the Offer Price, as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	90,000,000 new Shares initially being offered by our Company for subscription under the Placing subject to reallocation, as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing and expected to be entered into by, among others, our Company and the Placing Underwriters on or about the Price Determination Date
“PRC Contract Law”	Contract Law of the People’s Republic of China (《中華人民共和國合同法》)

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## DEFINITIONS

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“PRC government”	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context requires, any of them
“Price Determination Agreement”	the agreement to be entered into between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around 28 June 2018 or such later date as may be agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters), on which the Offer Price is determined for the purpose of the Share Offer
“Principal Share Registrar”	Estera Trust (Cayman) Limited
“prospectus”	this prospectus being issued in connection with the Share Offer
“province”	a province or, where the context requires, a provincial level autonomous region or municipality under the direct administration of the central government of the PRC
“Public Offer”	the offer by our Company of the Public Offer Shares for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions stated herein and in the Application Forms, details of which are described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Shares”	the 10,000,000 new Shares initially offered by our Company for subscription at the Offer Price pursuant to the Public Offer subject to reallocation, as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters for the Public Offer whose names are set out in the subsection headed “Underwriting — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 22 June 2018 relating to the Public Offer entered into by, among others, our Company and the Public Offer Underwriters
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation of entities comprising our Group for the purposes of Listing, details of which are set out in the subsection headed “History and Reorganisation — Reorganisation” in this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC

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## DEFINITIONS

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“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商管理總局)
“SAIC Trademark Office”	Trademark Office of The State Administration for Industry and Commerce of the People’s Republic of China (中華人民共和國國家工商管理總局商標局)
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
“Share(s)”	ordinary shares of HK\$0.10 each in the share capital of our Company
“Shareholder(s)”	holder(s) of our Share(s)
“Share Offer”	the Public Offer and the Placing
“Shenzhen AIC”	Market Supervision Commission of Shenzhen Municipality (深圳市市場監督管理局)
“Shenzhen MQSC”	Market and Quality Supervision Commission of Shenzhen Municipality (深圳市市場和質量監督管理委員會)
“Shenzhen Suhao”	Shenzhen Suhao Investment Limited* (深圳市蘇豪投資有限公司), a company incorporated in the PRC with limited liability on 8 October 2003, which is owned as to 78.0% by ZYY Holdings and 22.0% by a company indirectly controlled by a relative of Ms. Shen
“Sole Bookrunner”	Future Land Resources Securities Limited
“sq. ft.”	square feet
“sq. m.”	square metres
“State Council”	State Council of the PRC (中華人民共和國國務院)
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules and section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules

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## DEFINITIONS

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“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemental and/or otherwise modified from time to time
“Track Record Period”	the three financial years ended 31 December 2017
“Trademark Assignment and License Agreement”	the trademark assignment and license agreement entered into by ZYY Shenzhen and ZYY Holdings on 28 March 2017
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“USD” or “US\$”	the lawful currency of the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended
“VAT”	value-added tax
“Zhuojunye Investment”	Shenzhen Zhuojunye Investment Limited* (深圳市卓駿業投資有限公司), a company incorporated in the PRC with limited liability on 18 May 2011 and is wholly owned by Mr. Zhang Junwei
“ZYY Holdings”	Shenzhen Ziyuanyuan Investment Holdings Limited* (深圳市紫元元投資集團有限公司), a company incorporated in the PRC with limited liability on 18 May 2011, with 40.0% equity interest owned by Mr. Zhang and 60.0% equity interest owned by Zhuojunye Investment
“ZYY Shenzhen”	Ziyuanyuan (Shenzhen) International Finance Leasing Company Limited* (紫元元(深圳)國際融資租賃有限公司), a company incorporated in the PRC with limited liability on 28 May 2014, an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“%”	per cent

*In this prospectus, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language which are marked with “\*” are for identification purposes only.*

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## GLOSSARY OF TECHNICAL TERMS

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*In this prospectus, unless the context otherwise requires, explanations and definitions of certain terms used in this prospectus in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not correspond to stand industry meaning or usage of these terms.*

“aggregate financing to the real economy”	aggregate amount of financing that non-financial enterprises and households raise from the financial system at the end of a certain period
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over a certain time period
“downstream customer industry”	the industry that customers of some goods and services are engaged in
“industrial equipment”	equipment used for industrial production purposes
“Leverage Ratio Limits”	maximum debt to equity ratio permitted by the relevant authority
“New Contract Volume”	the total value of receivables in respect of new finance lease agreements signed during a certain period
“non-performing assets”	finance lease receivables having objective evidence of impairment as a result of one or more events that occur after initial recognition and that event has an impact on the estimated future cash flows of finance lease receivables that can be reliably estimated
“non-performing assets ratio”	the percentage of non-performing assets over the present value of minimum lease payment receivables
“OA System”	an office automatic system for our Group’s business use
“One Belt One Road strategy”	a development strategy and framework proposed by Chinese president Xi Jinping, aiming to promote connectivity and cooperation between China and the rest of Eurasia and consisting of the land-based “Silk Road Economics Belt” and sea-based “Maritime Silk Road”
“outstanding balance”	total outstanding balance of finance lease agreements at the end of a certain period
“printing equipment”	leased equipment for our printing customers, typically including printing, packaging and die cutting equipment

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## GLOSSARY OF TECHNICAL TERMS

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“SME”	small and medium-sized enterprises, including micro, small and medium-sized enterprises under the classification by the Ministry of Industry and Information of the PRC
“transportation equipment”	vehicles and/or equipment used to take people or goods from one place to another

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## FORWARD-LOOKING STATEMENTS

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This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future.

These forward-looking statements include, without limitation, statements relating to:

- our business and our operating strategies and plans for developing our businesses;
- our ability to implement such strategies and plans, and the expected timetable of such implementation;
- changes in global economic, market and business conditions in the areas we operate in;
- changes in the regulatory environment as well as the general industry outlook in the areas we operate in;
- our financial condition and our ability to reduce costs;
- our dividend distribution plans; and
- other risk factors discussed in this prospectus as well as other factors beyond our control

The words “aim”, “anticipate”, “believe”, “contemplate”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “schedule”, “seek”, “should”, “target”, “will”, “would” the negatives forms of these terms, as well as similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to the intentions of our Company or those of any of our directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

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## RISK FACTORS

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*Any investment in our Shares involves various risks. You should carefully read and consider all of the information set out in this prospectus and, in particular, the risks and uncertainties described below, before deciding to make any investment in our Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that almost all of our operations are conducted in the PRC and are governed by a legal and regulatory environment which in some respects differs from those that prevail in other countries. Our business, financial conditions or results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties and you may lose part or all of your investment as a result.*

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to the industry; (iii) risks relating to conducting business in the PRC; (iv) risks relating to the Share Offer and our Shares; and (v) risks relating to this prospectus.

### RISKS RELATING TO OUR BUSINESS

**We have a short operating history. Most of our financial lease transactions have not gone through the full cycle and the historical default record of our finance lease agreements may not be indicative of our future default rate. Therefore we only have limited experience in enforcing our security rights over the collateral or guarantee and/or foreclosing the leased assets**

Our operating subsidiaries were only established in 2014. Up to the Latest Practicable Date, only 85 of our financial lease transactions were completed and most of our financial lease transactions have not gone through the full cycle. For FY2015, FY2016 and FY2017, there were two, two and four customers defaulted under the relevant financial lease agreements, respectively. Given our short operating history and our relatively low default rates, we only have limited experience in enforcing our security rights over the collateral or guarantee and/or foreclosing the leased assets.

However, the historical trend of the default record of our financial lease agreements is a mere indication of our past performance and may not be indicative of our default rate in the future. We may not be able to maintain similar levels of default rates in the future, especially when there is a downturn in the PRC printing or logistic industry, or the negative economic conditions in China arise. We cannot guarantee that we could enforce our security rights over the collaterals in a timely manner due to our lack of related experience. Should we fail to enforce our security rights or foreclose leased assets in a timely manner, the amount which we may recover could be significantly reduced.

Furthermore, the evaluation of our business prospects might be difficult given our short operating history. For FY2015, FY2016 and FY2017, our revenue was approximately RMB10.8 million, RMB29.5 million and RMB52.1 million, respectively. The substantial increase in our income during the Track Record Period was primarily attributed to the increase in our new customers. However, we may not be able to achieve similar results or growth in the future. Our operating expenses and finance costs are also expected to increase mainly because of the expansion of our finance leasing services. As a result, our results during the Track Record Period may deviate from those in the future and may not be a reference to our future operation performance.

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## RISK FACTORS

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### **Any adverse change in the limited number of industries which our lessees operate will have a direct effect on their abilities to make lease payments**

Our SME customers are in the PRC printing and the logistics industries. We expect that our customers will continue to be concentrated in these two industries in the near future. We cannot assure you that there will be sufficient demand for their products and services, enabling them to make lease payments to us in a timely manner, or at all. Any industry wide effect would negatively affect our customers' ability to make lease payments and could have a material and adverse effect on our business, prospects, financial condition and results of operations.

### **Our credit evaluation process may not be sufficient to discover all material information about our customers, or to detect customer fraud**

Our credit evaluation primarily depends on customer due diligence. Although we have developed various credit risk management measures, we cannot assure you that such measures are sufficient to discover all material information about our customers, or to detect customer fraud. Our risk management department conducts due diligence work on our customers: collect relevant information and documents of our customers, conduct on-site inspections to understand the business status of our customers, and to the extent possible, cross-validate the information provided by our customers. However, the documents or information provided by our customers during our due diligence process may not be complete, accurate or reliable. For example, the accounting records or other financial information of our customers might not have been well maintained, their business operation processes and procedures might not have been properly documented, if at all, and they may not have sufficient internal controls as the larger corporate entities would have. Lack or inadequacy of information may not only result in additional efforts and costs on our customer due diligence, but also undermine its effectiveness. We cannot assure you that our customer due diligence will uncover all material information necessary to make a fully informed decision, nor can we assure you that our due diligence efforts will be sufficient to detect fraud committed by our customers. If we fail to perform thorough due diligence or discover customer fraud or intentional deceit, the quality of our credit evaluation may be compromised. Any failure to effectively measure and limit the credit risk associated with our finance lease receivable portfolio could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, we may be unable to monitor our customers' actual use of the financing we provided, or verify if our customers have other undisclosed contingent liability or borrowings. We may not be able to detect our customers' suspicious or illegal transactions (such as money laundering activities) in our business, which may cause us to suffer financial and/or reputational damage as a result.

### **Our risk management system and internal control policies may not be effective in mitigating our risk exposure**

Our business is subject to risks that our customers may default on their repayment obligations. If our customers delay or default on their payments, we may have to make additional provision for impairment, write off the relevant receivables, and/or incur additional legal costs in order to enforce our collaterals, which in turn may adversely affect our financial condition, results of operations and growth prospects. As at 31 December 2017, we made additional provision for impairment for customers who delayed or defaulted on payments amounting to approximately RMB3.0 million. Our risk management system and internal control policies may not be effective in mitigating our credit risk exposure and maintaining the quality of our lease receivables portfolio. We are only able to rely on publicly available resources and our internal resources to assess credit risks associated with a particular customer. Such assessment may not be based on complete, accurate or reliable information

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## RISK FACTORS

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of the customer for our decision-making. The quality of our lease receivables portfolio may deteriorate for a variety of reasons, including those factors beyond our control, such as a slowdown in the growth rate of the PRC economy, a recurrence of the global credit crisis, or other adverse macroeconomic trends, which may cause operational, financial and liquidity problems for our customers, thereby affecting their ability to make timely lease payments. If the level of our impaired lease receivables increases, our business, financial condition and results of operations may be adversely affected.

Furthermore, our risk management system and internal control policies may not be effective in mitigating our exposure to other types of risks. Some risk management and internal control measures are formulated based upon industry practice, historic market behaviour and past events. As such, we may not be able to adequately identify or estimate our future risk exposures, which could be significantly greater than our estimates based on our past experience and historical data. Furthermore, as we enter into new industry sectors, approach new customers or develop additional product and service offerings, we may not be in a position to adequately identify and predict future risk exposures. Moreover, the management of operational, legal or regulatory risks requires us to develop and implement various sets of policies and procedures, as well as to accurately record and verify a large number of transactions and events. Such system and procedures may not be fully effective. Any failure of our risk management systems and internal control procedures or any failure to identify applicable risks, may have a material adverse effect on our results of operations and financial condition.

### **Substantially all of our income is subject to volatile performance of SMEs**

Our business relies heavily on SMEs to generate income. SMEs may be subject to significant variations in operating results because they often engage in rapidly evolving and volatile businesses and industries, which require additional capital to support their operations and expansion or to strengthen their competitive position. Without additional capital, they may have a weaker financial position or be adversely affected by changes in the business cycle. Our SME customers may have weak accounting controls and lack the expertise and resources to prepare accurate audited financial statements on which we rely to evaluate their creditworthiness. Various factors, such as the failure to meet its business plan, as well as a downturn in its industry and negative economic conditions, may affect an SME's ability to meet its payments to us. Accordingly, SMEs may pose greater risks of default as compared with large enterprises.

### **Our income is transaction based and non-recurring in nature and any decrease in the number of transactions would affect our operations and financial results**

Our business model is transaction based under which customers make lease payments for our finance leasing services under a specific transaction. Our contracts with customers are non-recurring in nature which may create uncertainty as to our future revenue. We have no guarantee either to maintain business relationships with existing customers and secure current transactions, or seek new transactions with new customers on a continuous basis. As such, our financial condition and results of operations may be materially and adversely affected.

### **We may not be able to enforce our rights to the leased assets and collaterals or guarantees and realise their value, or the value of the leased assets and collaterals or guarantees may not be sufficient to cover related finance lease receivables**

During the Track Record Period, all of our printing finance leasing transactions (where the ownership of leased equipment is transferred to us upon commencement of the relevant lease) are

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## RISK FACTORS

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secured by joint and several guarantees from our customers (and their legal representatives, shareholders and associated companies), whereas all of our logistics finance leasing transactions (where the ownership of leased vehicles remains with the customer throughout the relevant lease terms) are secured by such vehicles as collaterals. In the event that our lessees have any material default on lease payments, we are entitled to enforce our security rights over any collateral or guarantee and/or repossess the assets underlying our leases and realise their value. During the Track Record Period, eight customers defaulted in lease payments, among which we subsequently recovered lease payments from five customers through (i) disposals of relevant leased assets to independent third parties, (ii) full payments from customers or (iii) legal proceedings, but have not recovered lease payments from the remaining three customers at the Latest Practicable Date. As a result, we have classified these three defaulted lease payments as non-performing assets. For further details on the non-performing asset recovery procedure, please refer to the subsection headed “Risk Management and Operation — Credit Risk Management — Asset Recovery — Non-performing Assets Recovery Process” in this prospectus. Among these five recovered transactions, there were two transactions where we repossessed and arranged disposal for the underlying leased assets to independent third parties. For these two transactions, it took us 27 days and 39 days respectively to complete the asset repossession and disposal process. Based on our prior experience, we expect that it takes no more than 45 days for us to repossess the underlying leased assets and arrange disposals when a customer defaults. Our Group’s historical default rate during the Track Record Period may not be indicative of its future default rate. In addition, due to the differences in liquidity with respect to these leased assets, which are affected by their unique features and functions, as well as existing and potential demands from the market, we may not be able to effectively and timely repossess leased assets and arrange disposals. The procedures for realizing the value of leased assets or collaterals and the procedures for enforcing our rights over collaterals or guarantee, as well as the procedures for repossessing the asset underlying our leases are generally time-consuming. In practice it may be difficult to implement relevant steps. It is uncertain whether any judgment made by local courts would be enforceable due to uncertainties of the PRC legal system governing such enforcement. Moreover, even if we are able to repossess the assets underlying our leases and realise their value, we may be involved in disputes with the lessees relating to such arrangements.

Furthermore, although we regularly conduct post-leasing examinations on our leased assets and collaterals, their value may decline and may be materially and adversely affected by various factors, such as damages, losses, excess supply, devaluation or reduction in market demand, or fluctuation on economy conditions. Moreover, lessees may not take proper care of the leased assets, and some lessees may even dispose of the leased assets without our authorisation. Likewise, notwithstanding that we conduct regular review on the guarantors’ financial conditions, we cannot assure you that their financial conditions would not suddenly deteriorate. If there is material deterioration of their creditworthiness or financial conditions, the amount which we may recover under these guarantees could be significantly reduced. Any deterioration in the quality of leased assets or collaterals or impairment on the collectability of other receivables could materially and adversely affect our financial conditionals and results of operation.

**If we fail to match the relative maturities of our assets and liabilities, our liquidity and our ability to repay our borrowings and settle our outstanding liabilities may be impaired**

We manage our liquidity risk by regularly monitoring the relative maturities between our assets and liabilities and by taking the necessary measures to maintain an appropriate and prudent balance

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## RISK FACTORS

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of long-term and short-term funding sources. If we fail to match the relative maturities of our assets and liabilities, or between our borrowings and our lease receivable, net liquidity shortfalls may result, and we may not be able to meet our financial liabilities as they fall due. Such liquidity shortfalls may also impair our ability to obtain sufficient additional financing.

**We may not be able to obtain sufficient funds on commercially acceptable terms to finance our operations or expansion plans, or at all**

Due to the capital-intensive nature of our business operation, we are required to secure a substantial amount of capital as well as ongoing funding to maintain and expand our lease receivables portfolio. We primarily fund our operations and expansions through cash flow from operating activities, capital contributions from our Controlling Shareholders, financial assets sold under repurchase agreements and bank borrowings during the Track Record Period. In the future, it is expected that we will need additional financing from commercial banks and financial institutions for our business operations and expansions. We cannot assure you that we will obtain sufficient funds from commercial banks and financial institutions with commercially acceptable terms due to the changes of economic environment or our financial conditions in the future. If sufficient financing is not available to meet our future needs, or cannot be obtained on commercially acceptable terms, we may not be able to refinance our existing lease receivable portfolio, fund the current operation and/or future expansion of our business, develop and provide new services to our customers, or compete effectively in the relevant market, which could have adverse effects on our business, prospects, financial condition and results of operations.

**We may increase our bank borrowings in the future due to the cessation of loans from our Controlling Shareholders, resulting in our increased finance costs and we may not be able to transfer our costs effectively to our customers**

Our finance costs consist of (i) interest incurred on financial assets sold under repurchase agreements; (ii) imputed interest expense on interest-free deposits from finance lease customers; and (iii) interest on bank borrowings. We recorded finance costs of approximately RMB3.3 million, RMB7.8 million and RMB8.8 million for FY2015, FY2016 and FY2017, respectively. We will cease obtaining financing from our Controlling Shareholders after the Listing. We may increase our bank borrowings to fund our capital needs in the future, and our interest expense and finance costs will increase as a result of the cessation of loans from our Controlling Shareholders after the Listing. In addition, our net interest income is also impacted by whether we can adjust the interest rates we charge our customers in response to the increased interest expense. If we fail to effectively transfer our finance cost to our customers in a timely manner, our net interest spread and net interest margins may decrease, and as a result, our profitability and results of operations would be adversely affected.

**We experienced net cash outflow from operating activities for FY2015, FY2016 and FY2017**

We had net cash outflow from our operating activities of approximately RMB64.1 million, RMB118.2 million and RMB16.6 million for FY2015, FY2016 and FY2017, primarily attributable to an increase in finance lease receivables and an increase in deposits from finance lease customers as a result of new finance lease agreements entered in each year as we expanded our business in China. We cannot assure you that we will not experience any period of net cash outflow from operating

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## RISK FACTORS

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activities in the future. To some extent, our liquidity in the future will depend on our ability to maintain adequate cash inflows from operating activities. Should there be any significant deterioration in the quality of our loan and account receivables portfolio, our liquidity and our cash flows from operating activities could be materially and adversely affected.

### **We rely on our key management and our ability to attract and retain qualified personnel**

We depend on the continued efforts of our senior management team for our success. Mr. Zhang as Executive Director as well as our senior management (namely Ms. Li Xiangying, Mr. Mou Peng, Mr. Yu Hongfeng and Mr. Du Dejun) play important roles in our operations. Each of them has experience in the finance leasing or banking industry in China, and collectively they possess a deep understanding of our customers, their respective industries and the laws regulating our business. Therefore, they play a vital role in formulating and implementing appropriate strategies for our success. However, we cannot assure you that any of our key management members will not voluntarily terminate his or her employment with us or leave his or her position due to other reasons beyond our control. The loss of services of any of our key management members, could impair our ability to operate and make it difficult to implement our business and growth strategies. We may not be able to replace such persons within a reasonable period of time or with another person of equivalent expertise and experience, which may severely disrupt our business operations.

Our continued success also depends on our ability to attract and retain qualified personnel to manage our existing operations and future growth. Qualified individuals are in high demand and we may not be able to successfully attract, assimilate or retain all the personnel we need with the required industry expertise. We may also need to offer higher compensation and other benefits to attract and retain key personnel, and we cannot assure you that our compensation and benefits payments will not increase unpredictably or at a greater rate than our revenues. Our failure to attract and retain qualified personnel and any increase in staffing costs to retain such personnel could have a negative impact on our ability to maintain our competitive position and expand our business, and may also have a material adverse effect on our business, prospects, financial condition and results of operations.

### **We may not be familiar with new regions or markets we enter into and may not be successful in expanding our business there**

Since our inception we have established business relationships with customers in various parts of China. While we continue to expand our business and enter into other regions or new markets in the future, we may be unable to replicate our current success in other regions or new markets. We may enter into markets in which we have limited experience. As we are not familiar with the local businesses and regulatory environment of new market, we may have difficulty to obtain licenses required for our entry into a new industry in China, or fail to attract a sufficient number of customers due to our limited presence in that new market. In addition, we may be unable to hire and train additional qualified and experienced personnel for our new operations. Furthermore, the competitive conditions in new markets may be different from those in our existing markets, which could make it difficult for us to operate profitably in these new markets. If we are unable to manage these and other difficulties in our expansion in the PRC, our prospects and results of operations may be adversely affected.

Furthermore, as we continuously adjust our business strategies in response to the changing market and evolving customer needs, our business initiatives often lead us to offer new services. As it is possible that we do not have the adequate capital resources or lack the relevant experience or

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expertise or otherwise, we may not be able to successfully introduce new services to address our customers' needs. We may also be unable to obtain regulatory approvals for our new services. Furthermore, our new services may involve increased and unperceived risks and the relevant sales may not be as profitable as we anticipated, or at all. If we are unable to introduce new service that address the needs of our customers or achieve the intended results for our new services, our business, financial condition, results of operations and prospects may be materially and adversely affected.

### **The value of our deferred tax assets may not be realisable if our actual profits are less than our projected profits in the future**

As at 31 December 2015, 2016 and 2017, we had deferred tax assets of approximately RMB1.0 million, RMB3.8 million and RMB4.3 million respectively, primarily representing deductible temporary differences arising from finance lease income and allowances for bad and doubtful debts. For details on the movements of our deferred tax assets during the Track Record Period, please refer to note 25 to the Accountants' Report in Appendix I to this prospectus. We determine the probability of the realisation of deferred tax assets, primarily by using significant judgments and estimates with respect to historical operating results and expectations of future earnings. If our estimates and assumptions regarding future taxable income or tax liability are not accurate, such as any changes to tax laws and regulations applicable to us, or if we fail to recover such deferred tax assets, our results of operations and financial condition would be adversely affected under such circumstance.

### **Disruptions to our information technology system may adversely affect our operations and financial condition**

Our business operations are dependent on the ability of our information technology system to accurately process transactions in a timely manner. The proper functioning of our financial control, risk management, accounting, customer service and other data processing systems is critical to our business and our ability to compete effectively. Our OA System has integrated business processes and financial systems, covering customer data, loan processing and substantially most steps of our operational workflow. We have also established our back-up systems in cloud server to carry on principal functions in the event of system failures. However, we cannot assure you that our operations will not be materially disrupted if our OA Systems fails due to, among other things, fire, natural disasters, power outage, software faults, computer virus attacks, conversion errors due to system upgrades or security breaches. Any disruption to any of our information technology system could adversely affect our business, prospects, financial condition and results of operation.

### **We may not have adequate insurance coverage to cover potential liabilities or losses**

We have obtained insurance coverage in respect of leased printing equipment. Customers in the PRC logistics industry purchase insurance coverage for leased transportation equipment by themselves. While we do not directly control the business operations of our lessees, by virtue of holding the ownership rights of leased assets in respect of printing finance leasing transactions, and holding the security interests over leased vehicles in respect of logistics finance leasing transactions, we may be held strictly liable for losses resulting from the operation of our leased assets. We cannot assure you that there would not be any major losses resulting from the operation of our leased assets. Furthermore, the insurance coverage maintained by us, or our customers, may not be sufficient to cover all claims that may be asserted against us in relation to the operation of the leased assets by our

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customers. Inadequate insurance coverage or default by our customers in fulfilling their indemnification or insurance obligations in relevant finance leasing transactions would reduce our proceeds from these transactions, in the event that we were sued by, and were required to make payments, to claimants.

In addition, we also face various risks in connection with our businesses and may lack adequate insurance. In line with general practice in the PRC, we do not maintain business operation insurance or business interruption insurance. As a result, our insurance coverage may be inadequate to cover such losses, which could adversely affect our business, prospects, financial condition and results of operations.

### **Certain customers settled their lease payments with us through their related parties during the Track Record Period and we may be subject to potential risks**

During the Track Record Period, while a majority of our Group's customers made lease payments to us directly, a portion of them procured their related parties, such as the ultimate owners or legal representatives of the customers, the spouse or children (or a friend for an isolated case) of such ultimate owners or legal representatives, or employees of the customers (collectively, the "Customers' Related Parties"), to make lease payments on behalf of the customers (the "Customers' Related Party Payments"). For FY2015, FY2016 and FY2017, five, 32 and 62 out of 62, 153 and 215 printing customers, and two, 31 and 50 out of 14, 88 and 109 logistics customers, settled their lease payments through the Customers' Related Parties, respectively. Revenue from Customers' Related Party Payments represented approximately 5.4%, 13.1% and 13.1% of our Group's total revenue for FY2015, FY2016 and FY2017, respectively. Please refer to the subsection headed "Business — Customers — Settlement Arrangements" in this prospectus for further details of the Customers' Related Party Payments.

Given that the Customers' Related Parties are not under the obligations to make lease payments directly to us, the Customers' Related Parties may claim against us for return of funds. As advised by our PRC legal advisers, we may be also subject to risks of money laundering under the Criminal Law of the PRC (中華人民共和國刑法) if we (i) clearly know that the Customers' Related Party Payments represent proceeds and/or gains obtained from drug-related crimes, crimes committed by criminal organisations, crimes of terrorism, smuggling, bribery and corruption, crimes undermining the financial order of society and financial fraud; and (ii) commit certain acts for the purpose of covering up or concealing the source and nature of the above proceeds or gains.

While we have implemented series of measures to disallow Customers' Related Party Payments, we cannot assure you that the Customers' Related Party Payments during the Track Record Period will not be subject to claims for return of funds or expose us to risks of money laundering. If we are faced with claims for return of funds or suspected of having committed money laundering, our reputation, business, results of operations and financial condition may be materially and adversely affected.

### **We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties**

Fraud or other misconduct by employees (such as unauthorised business transactions and breaches of our internal policies and procedures) or third parties (such as breach of law) may be difficult to detect and prevent. This could subject us to financial loss, sanctions imposed by governmental authorities, or damages to our reputation. Our risk management system, OA System and

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internal control procedures are designed to monitor our operations and overall compliance. However, we may be unable to identify non-compliance or suspicious transactions in a timely manner, or at all. Furthermore, the precautions we take to prevent and detect such activities may not be effective. Hence, there exists the risk that fraud or other misconduct may have previously occurred but was undetected, or may occur in the future. This may have a material adverse effect on our business, financial condition and results of operations.

**Failure to obtain, renew, or retain license, permits or approvals, or failure to comply with applicable laws and regulations, may affect our ability to conduct our business**

We are subject to a series of licensing and regulatory requirements within the PRC finance leasing industry. For instance, pursuant to the Measures for Supervision and Administration of Finance Leasing Enterprises (《融資租賃企業監督管理辦法》), a finance leasing enterprise shall, within 15 working days after the end of each quarter, submit the statistics on and summary of its operation in the preceding quarter, the statistics on and summary of its operation in the preceding year, as well as its financial and accounting report audited by an audit body for the preceding year, prior to 30 April of each year. In addition, the medical device finance leasing enterprises shall obtain the medical devices operation license for operating the Class III medical devices. Please refer to the section headed “Regulations” in this prospectus for more details. These licensing and regulatory requirements are subject to changes in the political or economic policies in the PRC. We cannot assure you that we will be able to satisfy all relevant regulatory requirements. As a result, we may be unable to retain, obtain or renew any existing or additional licenses, permits or approvals in the future, or we may be unable to fully comply with applicable laws and regulations. Failure to do so may materially and adversely affect our business, prospects, financial condition and results of operations.

**We may be involved in legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result**

We may be involved in disputes with the lessees relating to our finance lease agreements and other security arrangements. These disputes may lead to legal or other proceedings against us, which result in substantial costs to our business, damages to our brand and reputation, and a diversion of resources and our senior management’s attention. In addition, we may have disagreement with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavourable decrees against us.

During the Track Record Period and up to the Latest Practicable Date, we were involved in five legal proceedings in which ZYY Shenzhen acted as the plaintiff against the customers who defaulted in payments under the relevant finance lease agreements. Please refer to the subsection headed “Business — Legal Proceedings” in this prospectus for further details on the legal proceedings involved.

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### **Our provisions for impairment allowances on finance lease receivables may not be adequate to cover future credit losses**

We make provisions for impairment allowances on finance lease receivables in accordance with the HKFRSs. However, our provision for impairment losses on finance lease receivables and prepayments for equipment leasing may not be adequate to cover future credit losses, and we may need to increase our provisions for impairment. Our total impairment allowances on finance lease receivable amounted to approximately RMB0.9 million, RMB3.0 million and RMB8.5 million as at 31 December 2015, 2016 and 2017, respectively. We incurred no actual losses in relation to these impairment allowances on finance lease receivables. The amount of such provisions is determined on the basis of our internal provisioning procedures and guidelines with our management's consideration of certain other factors. Our provisions for impairment losses on receivables from finance lease receivables and prepayments for equipment leasing may prove to be inadequate, if adverse changes occur in the PRC economy, or if other events adversely affect specific customers, industries or markets. Under such circumstances, we may need to make additional provisions for impairment losses on our finance lease receivables and prepayments for equipment leasing, which may adversely affect our business, financial condition, results of operations and prospects.

### **The application of HKFRS 9 and its amendments may affect the classification and measurement of our financial assets and financial liabilities**

The application of HKFRS 9 and its amendments may affect the amounts reported in respect of our financial assets. The HKICPA, which is responsible for developing and revising accounting standards in Hong Kong, issued HKFRS 9 and its amendments in 2009, 2010, 2013 and 2014, which took effect on 1 January 2018. HKFRS 9 replaces the information related with classification, measurement and derecognising of financial assets and financial liabilities under HKAS 39, and gives rise to substantial changes in the classification and measurement of financial assets and financial liabilities. The application of HKFRS 9 will have an impact on amounts reported in respect of our financial assets (e.g. impairment on accounts receivable) resulting from early provision of credit losses based on the expected credit loss model. Our Company assessed and quantified the financial impact on the finance lease receivable of our Group as at 1 January 2018 upon the application of the expected credit loss model of HKFRS 9. Based on the assessment by our Directors, the accumulated amount of impairment loss to be recognised by our Group as at 1 January 2018 would not be materially different from the accumulated amount recognised under HKAS 39 as at 31 December 2017. For further details, please refer to note 3 in the Accountants' Report in Appendix I in this prospectus.

### **The future development and implementation of anti-money laundering laws in China may increase our obligation to supervise and report transactions with our customers, thereby increasing our compliance efforts and costs and exposing us to criminal or administrative sanctions for non-compliance**

We believe, based on the advice from our PRC legal advisers, that we are not currently subject to PRC anti-money laundering laws and regulations and are not required to establish specific identification and reporting procedures relating to anti-money laundering. The PRC laws and regulations relating to anti-money laundering have evolved significantly in recent years and may continue to develop. In the future, we may be required to supervise and report transactions with our customers for anti-money laundering or other purposes, which may increase our compliance efforts and costs.

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### RISKS RELATING TO THE INDUSTRY

#### **We operate in an increasingly competitive market**

The financial services industry is an increasingly competitive industry, we cannot assure you that we will be able to sustain our competitive advantage or effectively implement our business strategies. Our competitors comprise mainly independent leasing companies as well as bank-affiliated leasing companies, which are all similarly involved in the finance leasing business. Competition from such entities may result in certain developments in our industry, business and operating environment, such as downward competitive pressure on interest rates charged to customers, expansion by existing competitors, adoption by our competitors of innovative financial services or comparatively effective branding efforts, any of which may have a material adverse impact on our business, financial condition and results of operations.

Furthermore, upon China's accession to the World Trade Organisation in 2001, the PRC leasing industry entered a phase of rapid development and both foreign and domestic players have entered into the industry. We believe the PRC finance leasing industry is likely to face increased competition along with the development of the PRC's financial market. If we are unable to compete successfully against current and future participants in the industry, our business, prospects, and financial condition and results of operations may be materially and adversely affected.

#### **An increase in the interest rates would increase our financing costs as well as reduce demand for our leasing services and our net income**

We expect to continue to incur an amount of interest expenses relating to our borrowings from our lenders. Accordingly, changes in interest rates have affected and will continue to directly and immediately affect our financing costs and, ultimately, our profitability and results of operations, if we cannot increase the interest rate charged to our clients by the same amount. As we obtain a substantial portion of our funding from our lenders, any significant change in the prevailing interest rates in the domestic markets could have a material adverse effect on our business, prospects, financial condition and results of operations.

#### **Fluctuations in equipment prices in our downstream customer industries may adversely affect our operations and business**

We currently provide finance leasing services to customers in the industries which we believe to have sustainable growth potential. We cannot assure you that the demand for finance leasing services in these downstream customer industries will remain sustainable. Rapid increases in equipment prices may reduce overall demand and, accordingly, reduce our ability to generate new contracts. Moreover, reductions in equipment prices may also affect our ability to recover the related finance lease receivables due to the increasing likelihood of default by our customers. In particular, the price at which we are able to sell a certain asset underlying the relevant finance lease agreement may be lower than the price at which we acquired it. In the event that we are required to recover a material portion of our lease receivables but are only able to do at values substantially below their acquisition prices, this could have a material adverse effect on our business, results of operations and financial condition.

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### **RISKS RELATING TO CONDUCTING OPERATIONS IN THE PRC**

#### **Changes in the economic, political and social conditions in the PRC may have a material adverse effect on our business, results of operations and financial condition**

Substantially all of our assets are located in the PRC and substantially all of our income is derived from our operations in the PRC. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political, social conditions, government policies and legal developments in the PRC.

The economy of the PRC differs from those most developed countries in many respects, including but not limited to its economic structure, level of government involvement and level of development and allocation of resources. As a result of these differences, our business may not develop in the same way or at the same rate as might be expected if the PRC economy were similar to those of developed countries. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. The PRC government has implemented economic reform measures emphasizing responsiveness to market forces in the development of the PRC economy. However, the PRC government continues to play a significant role in regulating industries by imposing industrial policies. Furthermore, despite the implementation of such reform measures, changes in the PRC's political and social condition, laws, regulations, policies and diplomatic relationships with other countries could have an adverse effect on our business, financial condition or results of operations.

#### **Any slowdown in the PRC economy may affect the industries in which we operate**

Most of our revenue is derived from the provision of finance leasing services. We rely primarily on increasing domestic demand to achieve growth in our revenue. Such demand is materially dominated by the overall growth in the PRC economy, the development and growth of our downstream customer industries and our finance leasing industry, as well as the relevant policy support from the PRC and local governments. Any deterioration of these downstream customer industries, which results in the deterioration of financial conditions of our customers in these industries, could affect our business (such as deterioration of the quality of our existing finance lease receivables and our ability to generate new leases), thereby materially and adversely affecting our business, prospects, financial condition and results of operations. Furthermore, any slowdown or recession in the PRC economy may affect our ability to secure new leases, and may increase the default rate on our existing finance lease agreements and our ability to obtain sufficient financing, which may in turn have a material adverse effect on our business, prospects, financial condition and results of operations.

#### **The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares**

Our PRC subsidiaries receive all of their revenue in Renminbi. Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations.

Current foreign exchange regulations have reduced the PRC government's foreign exchange control on routine transactions under the current account, including trade and service-related foreign

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exchange transactions and payment of dividends. Under the existing foreign exchange regulations in the PRC, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, we cannot assure you that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future.

### **Fluctuations in the value of the Renminbi could have an adverse effect on our business, results of operations and financial condition**

The value of Renminbi may fluctuate due to a number of factors. Under the current policy, the Renminbi is pegged against a basket of currencies, determined by the PBOC. There has been significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in a further appreciation of Renminbi against the U.S. dollar or other foreign currencies. However, we cannot predict if or when any further reforms of China's exchange rate system will occur. Since our income and profits are denominated in Renminbi, any appreciation of Renminbi will also increase the value of, and any dividends payable on, our Shares in foreign currency terms. Conversely, any depreciation of Renminbi, which has occurred from time to time, will decrease the value of, and any dividends payable on, our Shares in foreign currency terms. There are limited instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. Any unfavourable movement in the exchange rate of the RMB against the Hong Kong dollar may adversely affect the value of our distribution. In addition, any unfavourable movement in the exchange rate of the RMB against other foreign currencies may also lead to an increase in our costs, which could adversely affect our business, financial condition and results of operations.

### **Uncertainties with respect to the PRC legal system could have a material adverse effect on our operations**

We conduct our business primarily through our subsidiary in China. Our operations in China are governed by PRC laws and regulations. The PRC legal system is based on statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations continue to evolve and there are a limited number of published decisions concerning them, which are normally not binding, their interpretation and enforcement involves uncertainties. In addition, the PRC legal system is based partly on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. Even if the agreements generally provide for arbitral proceedings for disputes arising out of the agreements to be in another jurisdiction, it may be difficult for us to obtain effective enforcement in the PRC of an arbitral award obtained in that jurisdiction.

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**We may be subject to PRC income taxes on our worldwide income or be required to withhold PRC income tax on dividends payable to our Shareholders, and your gains from selling our Shares may be subject to PRC income tax if we are deemed to be a PRC tax resident**

The EIT Law provides that enterprises established outside of China whose “de facto management bodies” are located in China are considered PRC “tax resident enterprises” and will generally be subject to the uniform 25.0% PRC enterprise income rate on their global income. Under the implementation rules to the EIT Law, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and other assets of an enterprise, however, the circumstances under which an enterprise’s “de facto management body” would be considered to be located in China are currently unclear. The circular on Issues about the Determination of Chinese-controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (the “**Circular No. 82**”) promulgated on 22 April 2009 and amended on 29 December 2017, provides that certain foreign enterprises controlled by a PRC company or a PRC company group will be classified as “resident enterprises” if the following are located or resident in China: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, company seal, and minutes of board meetings and shareholders’ meetings; and half or more of the senior management or directors having voting rights.

We may be deemed to be a PRC resident enterprise if the related criteria under Circular No. 82 are referred to and applied to us by the PRC tax authorities. If we or any of our overseas subsidiaries is considered a PRC tax resident enterprise for PRC tax purposes, a number of unfavourable PRC tax consequences could follow. First, our Company or our overseas subsidiary will be subject to the uniform 25.0% enterprise income tax rate as to our global income as well as tax reporting obligations. Second, we cannot assure you that such dividends, which would normally qualify as “tax-exempted income” under applicable rules, will not be subject to a 10.0% withholding tax, as the PRC taxation authorities, which enforce the withholding tax, have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC tax purposes. Finally, dividends payable by us to our investors that are non-resident enterprises and gain on the sale of our Shares may become subject to PRC withholding tax, if such dividends and gains are regarded by PRC tax authorities to be sourced from China.

**PRC tax laws on dividend distribution may adversely affect our operating results and dividends payable by us to our foreign investors and gains on the sale of our Shares may be subject to withholding taxes under PRC tax laws**

Under the PRC EIT Law, a withholding income tax at the rate of 20.0% is applicable to dividends derived from sources within the PRC paid by foreign-invested enterprises to their non- PRC parent companies. However, pursuant to the implementation rules of the PRC EIT Law, a reduced withholding income tax rate of 10.0% shall be applicable in such case. In addition, due to the *Arrangement between China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income*, signed on 21 August 2006 (the “**Hong Kong Tax Treaty**”) (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), where a “Beneficiary Owner” is a company incorporated in Hong Kong, it will be subject to withholding income tax at a rate of 5.0% on dividends it receives from its PRC subsidiaries if it holds a 25.0% or more interest in that particular PRC subsidiary, or 10.0% if it holds less than

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a 25.0% interest in that subsidiary. In addition, the State Administration of Taxation promulgated a tax notice on 3 February 2018 which became effective on 1 April 2018 (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》(國家稅務總局公告2018年第9號)) (the “**Circular No. 9**”). According to the Circular No. 9, if an applicant has the status as a “Beneficiary Owner”, but the competent tax authority finds it necessary to apply the principal purpose test clause in the tax treaties or the general anti-tax avoidance rules stipulated in domestic tax laws, the general anti-tax avoidance provisions shall apply. It is unclear whether Circular No. 9 applies to dividends from our PRC subsidiaries paid to us through our Hong Kong subsidiaries. It is possible, however, that under Circular No. 9, the Hong Kong subsidiaries would not be considered as the “beneficial owner” of any such dividends, and that such dividends would as a result be subject to income tax withholding at the rate of 10.0% rather than the favourable 5.0% rate applicable under the Hong Kong Tax Treaty.

Furthermore, pursuant to Announcement of the State Administration of Taxation on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》, the “**Announcement No.37**”), where a non-PRC resident enterprise (the “**Indirect Transfer**”), the withholding agent shall report the Indirect Transfer to the relevant PRC tax authority. On 3 February 2015, SAT issued the Circular on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-resident Enterprise (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》, the “**Circular No. 7**”), which provides that the voluntary reporting obligation shall be born by the transferor or transferee (including the underlying PRC transferee). If the Indirect Transfer is subject to EIT, the transferee has an obligation to withhold tax from the sale proceeds, unless the transferor reports the transaction to relevant PRC tax authority under Circular No.7. The EIT payable is 10.0% of the equity transfer income if the transferor is a non-PRC resident.

Whether Circular No.7 would apply to the Indirect Transfer of equity interests in PRC resident enterprise that has been undertaken or may be undertaken by the Group depends on the ultimate determination of the PRC tax authority. However, it is currently unclear how the relevant PRC tax authorities will implement or enforce above and Circular No.7 and whether such EIT on equity transfer income will be subject to any further change resulting in any materially adverse impact on the Group.

**It may be difficult to effect service upon, or to enforce judgments against us or the Directors or senior management residing in China, in connection with judgments obtained from courts other than PRC courts**

Substantially all of our Directors and members of our senior management reside in China. Almost all of our assets and most of the assets of our Directors and the members of our senior management are located within China. Moreover, China does not have treaties with most other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards. As a result, recognition and enforcement in China of the judgment of a non-PRC court in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. Judgments obtained in a Hong Kong court may be enforced in China, provided that certain conditions are satisfied. However, there are uncertainties as to the outcome of any applications to recognise and enforce such judgments in China.

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Furthermore, China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, or most other European countries or Japan. Hence, the recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

### **RISKS RELATING TO THE SHARE OFFER AND OUR SHARES**

#### **There has been no prior public market for our Shares, and the liquidity, market price and trading volume of our Shares may be volatile**

Prior to the Listing, there was no public market for our Shares. The indicative range of the Offer Price was determined as a result of negotiations between us and the Sole Bookrunner (for itself and on behalf of the Underwriters). The Offer Price may differ significantly from the market price for the Shares after the Listing.

We have applied for the listing of and permission to deal in our Shares on GEM. However, even if approved, being listed on GEM does not guarantee that an active trading market for our Shares will develop following the Share Offer or that our Shares will always be listed and traded on GEM. We cannot assure you that the Listing will result in the development of an active and liquid public trading market for the Shares or that the market price of our Shares will not decline below the Offer Price.

The price and trading volume of our Shares may be highly volatile. The market price of the Shares may fluctuate significantly and rapidly as a result of the following factors, among other things, some of which are beyond our control:

- variations in our revenue, earnings and cash flows;
- announcements of new investments, strategic alliances or acquisition;
- fluctuations in market prices of our services;
- changes in securities analysts' analysis of our financial performance;
- concentration of shareholding in the hands of small number of investors;
- addition or departure of our key personnel;
- our involvement in litigation; and
- general economic and stock market conditions in Hong Kong and across the globe.

#### **Shareholders' equity interest may be diluted**

We may need to raise additional funds in future to finance expansion of or new developments relating to our existing operations or investment in the future. If additional funds are raised through

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the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of the then existing Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

### **Future sale of the Shares or major divestment of the Shares by our Controlling Shareholders or substantial shareholders of our Company could adversely affect the Share price**

We cannot assure you that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. The sale of a significant number of Shares by our Controlling Shareholders or substantial shareholders in the public market after the Listing, or the perception that such sale may occur, could adversely affect the market price of the Shares. Except as otherwise described in the section headed “Underwriting” in this prospectus and the restrictions set out by the GEM Listing Rules, there is no restriction imposed on our Controlling Shareholders or substantial shareholders of our Company to dispose of their shareholdings. Any major disposal of Shares by any of our Controlling Shareholders or substantial shareholders of our Company may cause the market price of the Shares to fall. In addition, these disposals may make it more difficult for our Group to issue new Shares in the future at a time and price that our Directors deem appropriate, thereby limiting our ability to raise capital.

### **We cannot assure you that we will declare or distribute any dividend in the future**

The decision to pay dividends will be considered in light of the factors such as the results of operations, financial conditions and other factors deemed relevant. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. We cannot assure you that we will be able to declare or distribute any dividend. Our future declarations of dividends will be at the absolute discretion of our Board.

## **RISKS RELATING TO THIS PROSPECTUS**

### **You should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in press articles, other media and/or research reports regarding us, our business, our industry and the Share Offer**

You should rely solely upon the information contained in this prospectus in making your investment decision regarding the Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or appropriateness of any forecasts, projections, views or opinions expressed by the press, other media and/or research analysts regarding the Shares, the Share Offer, our Group, our business or our industry. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, projections, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

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## RISK FACTORS

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**Certain information, forecasts and statistics contained in this prospectus are derived from publicly available official sources, which have not been verified by us**

This prospectus contains information, forecasts and statistics related to, among other things, the PRC, the PRC economy and the monetary policies in the PRC. Such information, forecasts and statistics have been derived from various publicly available government and official sources. We believe that the sources of such information, forecasts and statistics are appropriate sources for such information, forecasts and statistics and have taken reasonable care in the extraction and reproduction of such information, forecasts and statistics. We have no reason to believe that such information, forecasts or statistics are false or misleading in any material respect or that any fact has been omitted that would render such information, forecasts or statistics false or misleading in any material respect. However, we have not independently verified such information, forecasts and statistics and no representation is given as to their correctness, reliability or accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the information, forecasts and statistics in this prospectus may be inaccurate or may not be comparable to information, forecasts and statistics produced with respect to other economies. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case in other jurisdictions. Therefore, you should not unduly rely upon the information, forecasts and statistics contained in this prospectus.

**This prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for periods of time to which such statements relate**

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim,” “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “going forward,” “intend,” “ought to,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, those set forth in “Forward-Looking Statements.”

Subject to the requirements of the GEM Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

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## WAIVERS AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

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In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the GEM Listing Rules:

### JOINT COMPANY SECRETARIES

According to Rules 5.14 and 11.07(2) of GEM Listing Rules, we must appoint a company secretary who satisfies the requirements under Rule 5.14 of the GEM Listing Rules. According to Rule 5.14 of the GEM Listing Rules, we must appoint as our company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary.

Note 1 to Rule 5.14 of the GEM Listing Rules sets out the academic or professional qualifications considered to be acceptable by the Stock Exchange:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance(Chapter 50 of the Laws of Hong Kong)).

Note 2 to Rule 5.14 of the GEM Listing Rules sets out the factors that the Stock Exchange considers when assessing “relevant experience”:

- (a) length of employment with the issuer and other issuers and the roles he played;
- (b) familiarity with the GEM Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;
- (c) relevant trainings taken and/or to be taken in addition to the minimum requirements under Rule 5.15 of the GEM Listing Rules which require an issuer’s company secretary to take no less than 15 hours of relevant professional trainings in each financial year; and
- (d) professional qualifications in other jurisdictions.

We have appointed Ms. Li Xinpei (李新培) (“**Ms. Li**”) and Mr. Tang Chi Chiu (鄧志釗) (“**Mr. Tang**”) as joint company secretaries of our Company on 13 February 2017 and 21 February 2017, respectively. Ms. Li joined our Group in August 2014 as administration officer of ZYY Shenzhen. She is currently the assistant to the general manager in ZYY Shenzhen. She has approximately four years of experiences in company secretarial and administration practice with a thorough understanding of the internal administration and business operations of our Group. Ms. Li, however, does not possess the specified qualifications required by Rule 5.14 of the GEM Listing Rules.

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## WAIVERS AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

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As a result, we have appointed Mr. Tang, who meets the requirements under Rule 5.14 of the GEM Listing Rules, as joint company secretary of the Company to provide guidance to and assist Ms. Li in discharging her duties of a company secretary for an initial period of three years commencing from the Listing Date. For the details on the background of Ms. Li and Mr. Tang, please refer to the subsection headed “Directors, Senior Management and Employees — Joint Company Secretaries” in this prospectus.

Given the important role of the company secretary in the corporate management of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the GEM Listing Rules and other relevant laws and regulations, we will make the following arrangements:

- ***Work arrangement between the joint company secretaries.*** Apart from discharging the functions in his role as one of the joint company secretaries, Mr. Tang will guide and assist Ms. Li to enable Ms. Li to acquire the relevant company secretary experience as required under Rule 5.14 of the GEM Listing Rules and to become familiar with the requirements of the GEM Listing Rules. Given Mr. Tang’s relevant experience as a company secretary, he will be able to provide necessary guidance, direction and support to Ms. Li from time to time by way of training and to explain to both Ms. Li and our Company the relevant provisions and requirements under the GEM Listing Rules and other applicable Hong Kong laws and regulations. Mr. Tang is expected to work closely with Ms. Li and will maintain regular contact with Ms. Li and our Directors and senior management;
- ***Training and legal advice.*** We will ensure that Ms. Li has access to relevant training and support to familiarise herself with the GEM Listing Rules and the duties required of a company secretary of an issuer listed on the Stock Exchange. Furthermore, both Ms. Li and Mr. Tang will seek advice from our Hong Kong legal advisers and other professional advisers as and when required. We will also ensure that both Ms. Li and Mr. Tang will have no less than 15 hours of relevant professional training in each financial year, in accordance with the requirements under Rule 5.15 of the GEM Listing Rules.
- ***Authorised representatives.*** Our Company has appointed Mr. Zhang and Mr. Tang as authorised representatives pursuant to Rule 5.24 of the GEM Listing Rules who will act as our Company’s principal communication channels with the Stock Exchange.
- ***Compliance adviser.*** We have appointed Guoyuan Capital as our compliance advisor pursuant to Rule 6A.19 of the GEM Listing Rules, which will act as our Company’s additional channel of communication with the Stock Exchange, and provide professional guidance and advice to our Company and our joint company secretaries as to compliance with the GEM Listing Rules and all other applicable laws and regulations.
- ***Evaluation of qualifications and experience.*** Prior the expiry of the three-year period commencing from the Listing Date, the qualifications or experience of Ms. Li will be evaluated to determine if she has acquired the qualifications or experience required under Rule 5.14 of the GEM Listing Rules. Ms. Li is expected to demonstrate to the Stock Exchange’s satisfaction that she, having had the benefit of Mr. Tang’s assistance for three years, would then have acquired the “relevant experience” within the meaning of Note 2 to Rule 5.14 of the GEM Listing Rules.

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## WAIVERS AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

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Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rules 5.14 and 11.07(2) of the GEM Listing Rules in relation to the appointment of Ms. Li and Mr. Tang as our joint company secretaries.

Such waiver will be revoked immediately if Mr. Tang ceases to provide such assistance. At the end of the three years period, we will liaise with the Stock Exchange to enable it to assess whether Ms. Li, having had the benefit of Mr. Tang's assistance for three consecutive years, will have acquired relevant experience within the meaning of Note 2 to Rule 5.14 of the GEM Listing Rules so that a further waiver will not be necessary.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS IN THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Cap. 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purposes of giving information with regard to our Group. Our Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

### **INFORMATION ON THE SHARE OFFER**

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, representatives, agents, employees or officers (where applicable) or any other parties involved in the Share Offer. Neither the delivery of this prospectus, nor any subscription or acquisition made under it, shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Further information regarding the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" and the procedures for applying for the Public Offer Shares are set out in the section headed "How to Apply for Public Offer Shares" in this prospectus and in the relevant Application Forms.

### **UNDERWRITING**

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants in the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer. The listing of, and permission to deal in, the Shares on the Stock Exchange is sponsored by the Sole Sponsor and the Share Offer is managed by the Sole Bookrunner and the Joint Lead Managers. The Public Offer is fully underwritten by the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement. The Placing is expected to be fully underwritten by the Placing Underwriters pursuant to the Placing Underwriting Agreement and is subject to our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) agreeing on the Offer Price. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) by the Price Determination Date, the Share Offer will not become unconditional and will lapse.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### RESTRICTION ON SUBSCRIPTION OF THE OFFER SHARES

Each person acquiring the Offer Shares under the Public Offer will be required to confirm, or be deemed by his/her/its acquisition of the Offer Shares to have confirmed that he/she/it is aware of the restrictions on offers of the Offer Shares described in this prospectus and the relevant Application Forms.

No action has been taken to permit any offering of the Offer Shares or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. This prospectus and/or the Application Forms may not be used for the purpose of, and does not constitute, any offer or invitation, nor is it circulated to invite to solicit offers in any jurisdiction other than Hong Kong or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the related Application Forms and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective investors for the Offer Shares should inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

### APPLICATION FOR LISTING ON THE GEM

Our Company has applied to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue and as otherwise described herein on GEM.

No part of the share or loan capital of our Company is listed, traded or dealt in on any stock exchange and save as disclosed in the paragraph above, no such listing or permission to deal is being or proposed to be sought.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for our Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Share Offer or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the total issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules). A total of 100,000,000 Offer Shares, representing 25% of the enlarged issued share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue will be made available under the Share Offer.

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisers for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for our Shares to be admitted into CCASS.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscription for, purchasing, holding, disposing of or dealing in or exercising any rights attached to our Shares. It is emphasised that none of our Group, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, representatives, agents, affiliates, or advisers or any other person or party involved in the Share Offer accepts responsibility for the tax effects or liabilities resulting from your subscription for, purchase, holding, disposal of or dealing in or exercising any rights attached to our Shares.

### **HONG KONG SHARE REGISTER AND STAMP DUTY**

All Shares issued pursuant to applications made in the Share Offer are freely transferable and will be registered on our Company's branch register of members to be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Our principal register of members will be maintained in the Cayman Islands by our Company's principal share registrar, Estera Trust (Cayman) Limited, at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

Dealings in our Shares registered in the branch register of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to our Shareholders listed on the Hong Kong branch register of our Company, by ordinary post, at the shareholders' risk, to the registered address of each shareholder.

### **STRUCTURE OF THE SHARE OFFER**

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### ROUNDING

In this prospectus, where information is presented in hundreds, thousands, ten thousands, millions, hundred millions or billions, certain amounts of less than one hundred, one thousand, ten thousand, one million, a hundred million or a billion, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million, hundred million or billion, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth or hundredth of a percent. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding. Accordingly, the total of each column of figures as presented may not be equal to the sum of the individual items.

### EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in HK\$ and USD have been translated, for the purpose of your convenience and illustration only, into RMB, and vice versa, in this prospectus at the following rate:

HK\$1.00 = RMB0.80

USD1.00 = RMB6.51

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

### LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail.

In this prospectus, if there is any inconsistency between the Chinese name of the entities or enterprises established in the PRC, PRC nationals, PRC government entities or PRC laws, rules and regulations and the like and their English translations, the Chinese names shall prevail. English translations of names of entities or enterprises established in the PRC and PRC laws, rules and regulations and the like are unofficial translations for identification purposes only.

### COMMENCEMENT OF DEALING IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on Monday, 9 July 2018. Shares will be traded in board lots of 4,000 Shares each.

The stock code for the Shares is 8223. Our Company will not issue any temporary document of title.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Zhang Junshen (張俊深)	22H, China Fenghuang Tower 2, 2008 Shennan Avenue, Futian District, Shenzhen, the PRC	Chinese
Mr. Liu Zhiyong (劉智勇)	5D, Building 2, Yunding Cuifeng Hua Yuan, Futian District, Shenzhen, the PRC	Chinese
<i>Non-executive Directors</i>		
Mr. Zhang Junwei (張俊偉)	111, Building 8, No. 1 Eco-court Xiangmihu, 1089 Xiangmei Road, Futian District, Shenzhen, the PRC	Chinese
Ms. Shen Qingli (沈清麗)	18-108 Municipal Compound, 7024 Hongli West Road, Futian District, Shenzhen, the PRC	Chinese
<i>Independent Non-executive Directors</i>		
Mr. Chan Chi Fung Leo (陳志峰)	Flat B, 21/F, Tsui King Court, 18 Water Street, Sai Ying Pun, Hong Kong	Chinese
Mr. Li Zhensheng (李鎮生)	1201, Building Two, Yitian Haoyuanju, Fuqiang Road, Futian District, Shenzhen, the PRC	Chinese
Mr. Chow Siu Hang (周兆恒)	Flat 2, 4/F., Block B, Garden Vista, 11-13 On King Street, Shatin, New Territories, Hong Kong	Chinese

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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For further information, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

### PARTIES INVOLVED IN THE SHARE OFFER

**Sole Sponsor**

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

**Sole Bookrunner**

**Future Land Resources Securities Limited**  
Flat B, 20/F, Guangdong Investment Tower,  
148 Connaught Road Central,  
Sheung Wan, Hong Kong

**Joint Lead Managers**

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

**Future Land Resources Securities Limited**  
Flat B, 20/F, Guangdong Investment Tower,  
148 Connaught Road Central,  
Sheung Wan, Hong Kong

**Brilliant Norton Securities Company Limited**  
Suite 804, 8/F,  
Jubilee Centre, 46 Gloucester Road,  
Wanchai,  
Hong Kong

**Legal advisers to our Company**

*as to Hong Kong law*

**Miao & Co.**  
**(in association with Han Kun Law Offices)**  
2001-02 Hutchison House,  
10 Harcourt Road,  
Central,  
Hong Kong

*as to PRC law*

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

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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	<p><i>as to Cayman Islands law</i></p> <p><b>Appleby</b> 2206-19 Jardine House, 1 Connaught Place, Central, Hong Kong</p>
<b>Legal advisers to the Sole Sponsor and the Underwriters</b>	<p><i>as to Hong Kong law</i></p> <p><b>Sidley Austin</b> 39/F, Two Int'l Finance Centre, Central, Hong Kong</p>
	<p><i>as to PRC law</i></p> <p><b>Global Law Office</b> Unit B-C, 26/F of Tower 5, Dachong International Center, No.39 Tonggu Road, Nanshan District, Shenzhen, the PRC</p>
<b>Auditor and reporting accountant</b>	<p><b>Deloitte Touche Tohmatsu</b> (<i>Certified Public Accountants</i>) 35/F One Pacific Place, 88 Queensway, Admiralty, Hong Kong</p>
<b>Industry consultant</b>	<p><b>Frost &amp; Sullivan</b> Room 1018, Tower B, Green Land Center, 500 Yunjin Road, Shanghai, the PRC</p>
<b>Receiving bank</b>	<p><b>Industrial and Commercial Bank of China (Asia) Limited</b> 33/F., ICBC Tower, 3 Garden Road, Central, Hong Kong</p>

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## CORPORATE INFORMATION

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<b>Registered office in the Cayman Islands</b>	Sertus Incorporations (Cayman) Limited Sertus Chambers, Governors Square, Suite #5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands
<b>Principal place of business in the PRC</b>	Unit A-01, 10th Floor, Block A, China Investment International Commerce Centre, 1061 Xiangmei Road, Futian District, Shenzhen city, Guangdong province, the PRC
<b>Place of business in Hong Kong registered under Part 16 of the Companies Ordinance</b>	Suite No. 2909, 29th Floor of Office Tower of Skyline Tower, No. 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong
<b>Company website</b>	<a href="http://www.ziyygroup.com">www.ziyygroup.com</a>
<b>Joint company secretaries</b>	<b>Mr. Tang Chi Chiu (鄧志釗), CPA (practising)</b> Room A, 21/F., 128 Wellington Street, Central, Hong Kong  <b>Ms. Li Xinpei (李新培)</b> 2/F, Building 14, Zhusheng Garden, No.78 Zizhu 6 <sup>th</sup> Road, Futian District, Shenzhen, the PRC
<b>Authorised representatives (for the purpose of the GEM Listing Rules)</b>	<b>Mr. Zhang Junshen (張俊深)</b> 22H, China Fenghuang Tower 2, 2008 Shennan Avenue, Futian District, Shenzhen, the PRC  <b>Mr. Tang Chi Chiu (鄧志釗)</b> Room A, 21/F., 128 Wellington Street, Central, Hong Kong

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## CORPORATE INFORMATION

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<b>Audit committee</b>	Mr. Chan Chi Fung Leo ( <i>Chairman</i> ) Ms. Shen Qingli Mr. Li Zhensheng
<b>Remuneration committee</b>	Mr. Li Zhensheng ( <i>Chairman</i> ) Mr. Zhang Junwei Mr. Chan Chi Fung Leo
<b>Nomination committee</b>	Mr. Zhang Junshen ( <i>Chairman</i> ) Mr. Li Zhensheng Mr. Chan Chi Fung Leo
<b>Principal share registrar and transfer office</b>	<b>Estera Trust (Cayman) Limited</b> P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands
<b>Hong Kong Branch Share Registrar</b>	<b>Tricor Investor Services Limited</b> Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
<b>Compliance adviser</b>	<b>Guoyuan Capital (Hong Kong) Limited</b> 22/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
<b>Principal banks</b>	<b>Guangdong Huaxing Bank Co., Ltd. Shenzhen Branch</b> 1-2/F, Block B, Rongchao Commercial Centre, 6003 Yitian Road, Futian District, Shenzhen, the PRC  <b>Agricultural Bank of China Limited Shenzhen Central Branch</b> 1/F, Zhuoyue Building, 98 Fuhua No.1 Road, Futian District, Shenzhen, the PRC

## INDUSTRY OVERVIEW

*The information and statistics set forth in this section and elsewhere in this prospectus have been derived from the Frost & Sullivan Report, which was commissioned by us and independently prepared by Frost & Sullivan in connection with the Share Offer. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading in any material respect or that any fact has been omitted that would render such information and statistics false or misleading. However, the information has not been independently verified by us, the Sole Sponsor, the Joint Lead Managers, the Underwriters, any of the respective directors, officers, employees, advisers, agents or representatives or any other party involved in the Share Offer and no representation is given as to its accuracy. Except as otherwise stated, all the data and forecast in this section are derived from the Frost & Sullivan Report.*

### THE PRC FINANCE LEASING MARKET

#### Definition of Finance Leasing

Finance leasing refers to a type of lease which the lessor is typically the legal owner of the asset during the lease, while the lessee has operating control over the asset and assumes substantial economic risk. Under such agreement, finance leasing provides a financing channel for the lessee to purchase a certain type asset. Finance leasing consists of direct lease and sales-leaseback.

#### Classification of Finance Leasing Companies

There are three types of finance leasing companies in the PRC, namely CBRC approved, domestic-funded and foreign-funded. The below table summarises their characteristics:

Type	Supervision institution	Promoter qualification	Registered capital requirement	Leverage Ratio Limits	Related business operation
CBRC approved finance leasing enterprises	<ul style="list-style-type: none"> <li>• CBRC</li> </ul>	<ul style="list-style-type: none"> <li>• Commercial bank</li> <li>• Large-scale enterprise</li> <li>• Overseas finance leasing company</li> </ul>	<ul style="list-style-type: none"> <li>• at least RMB100.0 million</li> </ul>	<ul style="list-style-type: none"> <li>• 12.5</li> </ul>	<ul style="list-style-type: none"> <li>• Finance leasing</li> <li>• Investing in fixed income securities</li> <li>• Consulting services</li> <li>• Issuing bonds and asset securitisation after CBRC's approval</li> </ul>
Domestic-funded leasing enterprises	<ul style="list-style-type: none"> <li>• MOC</li> </ul>	<ul style="list-style-type: none"> <li>• Chinese domestic enterprise</li> <li>• Natural person</li> </ul>	<ul style="list-style-type: none"> <li>• at least RMB170.0 million</li> </ul>	<ul style="list-style-type: none"> <li>• 10.0</li> </ul>	<ul style="list-style-type: none"> <li>• Finance leasing</li> <li>• Operating leasing</li> <li>• Consulting services for leasing transactions</li> </ul>
Foreign-funded leasing enterprises	<ul style="list-style-type: none"> <li>• MOC</li> </ul>	<ul style="list-style-type: none"> <li>• One of the promoters should be foreign company, enterprise or other economic organisation</li> </ul>	<ul style="list-style-type: none"> <li>• Nil</li> </ul>	<ul style="list-style-type: none"> <li>• 10.0</li> </ul>	<ul style="list-style-type: none"> <li>• Finance leasing</li> <li>• Operating leasing</li> <li>• Consulting and guaranteeing services for leasing transactions</li> </ul>

*Source: Frost & Sullivan*

The registered finance leasing companies in China increased rapidly from 369 in 2011 to 9,090 in 2017, with a CAGR of 70.6%. Mainly driven by the establishment of free-trade-zone and relevant favourable policies in the PRC, the number of foreign-funded leasing companies experienced the fastest growth, from 283 in 2011 to 8,745 in 2017, with a CAGR of 77.1%. Our major operating subsidiary, ZYY Shenzhen, has been formed and operating as a foreign-funded leasing company in the PRC since May 2014.

## INDUSTRY OVERVIEW

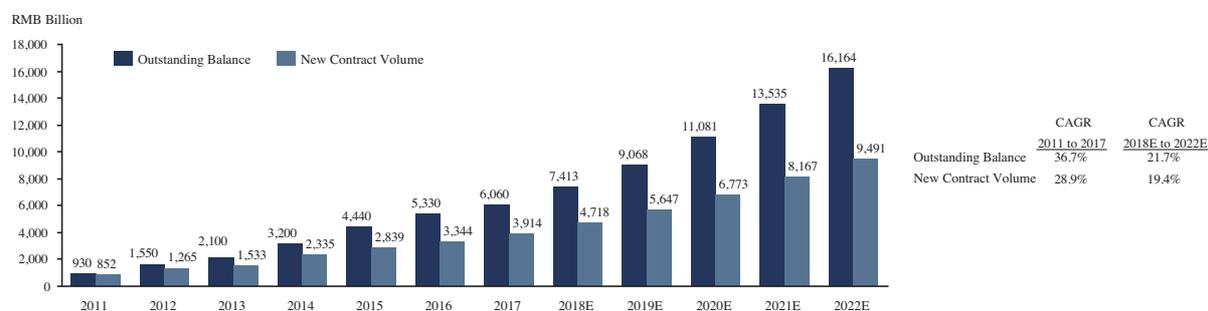
### Growth Drivers

According to the Frost & Sullivan Report, the key growth drivers for the PRC finance leasing market include the following:

- *Development of SMEs and transformation of non-banking financing structure.* There are tens of millions of SMEs in China. With their rapid development, such SMEs have difficulties to obtain loans under the current financing system of traditional banks. Sources of aggregate financing to the real economy is currently undergoing substantial changes, driving up the significant development of non-banking financing in China. Finance leasing is a new emerging force in non-banking financing structure, whose main service targets are SMEs. It effectively complements the bank-based financing system and boosts the economic growth.
- *Low penetration rate leaving immense market development space.* Despite the rapid growth of the PRC finance leasing market in recent years, the penetration rate of China's finance leasing is merely 7.0% in 2017, which is much lower than that of developed countries (for instance, penetration rate of the United Kingdom was 35.2% in 2017), thus leaving immense market development space. The penetration rate of the PRC finance leasing market is expected to reach more than 10.0% by 2022.
- *Increasing capital investment.* More banks and companies invest and participate in finance leasing business. The total registered capital of finance leasing companies increased from RMB195.5 billion in 2011 to RMB3,203.1 billion in 2017, with a CAGR of 59.4%. Significant increase in capital inflows are expected to stimulate the growth of finance leasing market in China in the near future.
- *Favourable policy support and better industry regulation.* The State Council has introduced a series of preferential policies to encourage the development of the PRC finance leasing industry in recent years. Local governments have also actively promulgated detailed measures to implement these policies. All these efforts contribute to a better regulation system and a healthy development for the PRC finance leasing industry.
- *Promising prospect of internationalisation by PRC finance leasing companies.* The PRC and local governments encourage domestic finance leasing companies to accelerate the speed of internationalisation and to carry out international mergers and acquisitions, primarily due to the potential international market opportunities offered by One Belt One Road strategy and the establishment of free trade zones.

### Market Size

The chart below sets forth the historical and projected outstanding balance of the PRC finance leasing market from 2011 to 2021:



*Note:* Outstanding balance of finance leasing refers to the total outstanding finance lease agreement at the end of a period of time.

*Source:* China Leasing Alliance, and Frost & Sullivan

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## INDUSTRY OVERVIEW

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According to the Frost & Sullivan Report, the total outstanding balance of the PRC finance leasing market was RMB6,060.0 billion by the end of 2017, representing approximately 3.5% of the total amount of financing to the real economy in the PRC, which was RMB174.6 trillion in 2017. Moreover, the penetration rate of finance leasing in United Kingdom, United States and Germany in 2017 was 35.2%, 21.7% and 16.8%, respectively. The PRC, United Kingdom, United States and Germany all have large-size financing leasing markets in the world. The penetration rate of the PRC finance leasing market was only 7.0% in 2017.

### Market Development Trend

According to the Frost & Sullivan Report, due to the following factors as well as market growth drivers, the potential for market growth is expected to be significant:

- *Continuous industry growth.* Due to the improvement of industry regulation system and the simplification of declaration procedure for finance leasing company, the number of newly-established finance leasing companies is expected to increase rapidly in China.
- *Diversified business scope.* Due to the introduction of national supportive policy, the PRC finance leasing industry will continue its fast growth in the fields of aircraft, vessel, machinery and equipment. Meanwhile, finance leasing is expected to expand into certain public sectors, such as agricultural machinery, science and technology, culture, education, sanitation and new energy.
- *Diversified financing channels.* Finance leasing companies have principally raised funds through bank loan. They are also encouraged to be closely connected with publicly-listed companies, trust companies and insurance companies for business cooperation. They further resort to internet financing as well as asset securitisation for fund-raising.

### Entry Barriers

According to the Frost & Sullivan Report, the barriers to entry for the PRC finance leasing market consist of the following:

- *Strong and sustainable capital funding capabilities.* Generally a finance leasing company must have strong and sustainable capital funding capabilities and principally raises capital through bank loan and other borrowings. Lacking of credit record, new comers usually have no access to cheap financing sources, thus becoming less competitive in the market.
- *Rigorous qualification barrier.* Several polices such as in Measures for the Administration of Finance Leasing Companies (《金融租賃公司管理辦法》) and Announcement of Relevant Problems of Engaging Finance Leasing Industry (《商務部國家稅務總局關於從事融資租賃業務有關問題的通知》) regulate the background of professionals and the experience of senior executives for different types of finance leasing companies. Only companies meeting all the requirements can be approved by government authorities.
- *Customer resources.* Finance leasing market pioneers have accumulated considerable customer base and built long-lasting customer relationships basing on their in-depth industry knowledge and extensive experience. Under the direct leasing model, a large volume of business is introduced by equipment manufacturers which prefer established finance leasing companies with a good record in order to ensure that they can get payments safely and timely.

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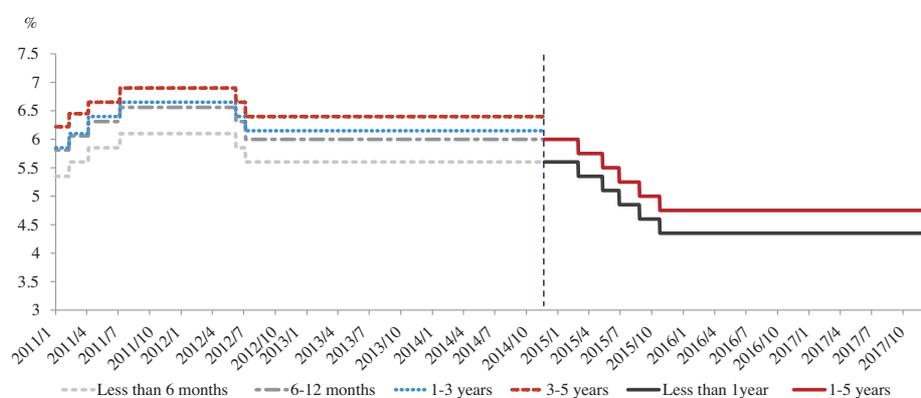
## INDUSTRY OVERVIEW

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### Cost of Capital

According to the Frost & Sullivan Report, the PBOC sets the benchmark interest rate which is the minimum rate of return for investing in a non-Treasury security. PBOC realises its objectives of monetary policies by adjusting the relevant benchmark interest rates which are the primary benchmark for bank loans. The changes in benchmark interest rates directly affect the capital cost of finance leasing companies which rely on external debt financing as well as the interest rate to be charged for new leasing contracts. Generally the interest rates of bank loans for SMEs are on average approximately 30.0% higher than the relevant benchmark interest rates. Since 2012 China has entered into an interest-rate cutting cycle as the PRC government takes measures to stimulate economic growth. This has led to the decreasing interest rates in respect of assets and liabilities of finance leasing companies in the PRC.

The chart below sets forth the historical information of PBOC benchmark interest rates from 2011 to 2017:



Source: PBOC, Frost & Sullivan

Note: The prior five-term levels of PBOC benchmark interest rate was changed to the revised three-term levels in November 2014.

## COMPETITIVE LANDSCAPE OF THE PRC FINANCE LEASING MARKET

### Market Competitive Structure

According to the Frost & Sullivan Report, the competitive structure of the PRC finance leasing market consists of the following:

- *Companies within the PRC banking-system.* Such type of finance leasing company is a wholly owned subsidiary corporation of banks. As at 31 December 2017, there were only 69 such type of finance leasing companies in the PRC. Due to large capital scale and abundant sources of funds, such type of finance leasing companies usually prefer larger deals.
- *Equipment manufacturer.* Such type of finance leasing company is established by the large manufacturers of construction machinery and transportation equipment and other subjects of finance leasing.
- *Third-party provider.* Such type of finance leasing company is an independent third-party finance leasing company, accounting for most finance leasing companies in China. They are relatively smaller in capital scale and thus mainly serve SMEs. ZYY Shenzhen is a third-party finance leasing provider.

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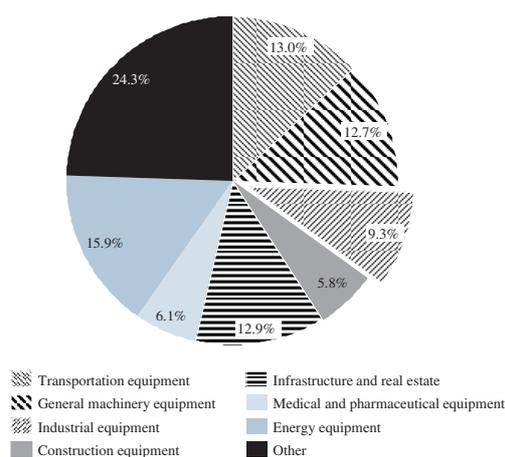
## INDUSTRY OVERVIEW

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### Downstream Customer Industry

According to the Frost & Sullivan Report, the PRC finance leasing market generally serves downstream customer industries which include industrial equipment, transportation equipment, general machinery equipment, construction equipment, infrastructure and real estate, as well as medical and pharmaceutical equipment. Printing equipment belongs to the category of industrial equipment. Leased printing equipment accounted for over 12.0% of leased industrial equipment property in 2016 in China.

The chart below sets forth a breakdown of the PRC finance leasing market by downstream customer industry:



Source: NBS, Frost & Sullivan

Note: The market size is in terms of the total value of finance leasing assets. Finance leasing companies under the supervision of CBRC are not included.

### The PRC Printing Equipment Finance Leasing Market

The PRC printing industry includes printing of books, newspapers and other print publications, as well as packaging and decoration. Benefiting from the development of economy and cultural market in China, the total output of printing industry in China has increased with a CAGR of 5.9% from 2011 to 2016. Moreover, the PRC printing industry is highly fragmented. There are a large number of small and medium-sized printing companies in China, which often rely on customers in surrounding areas by taking price advantage due to low transportation costs.

The increasing demand for printing equipment and instruments in China has driven up fixed-asset investments in the printing industry, which increased from RMB80.6 billion in 2011 to RMB164.5 billion in 2017 with a CAGR of 12.6% from 2011 to 2017 and is expected to increase with a CAGR of 5.8% from 2018 to 2022. Such increase in fixed-asset investment in the printing industry has contributed to the growth of the PRC printing equipment financing leasing market during the same period.

### Growth Drivers

According to the Frost & Sullivan Report, the key growth drivers for the PRC printing equipment finance leasing market include the following:

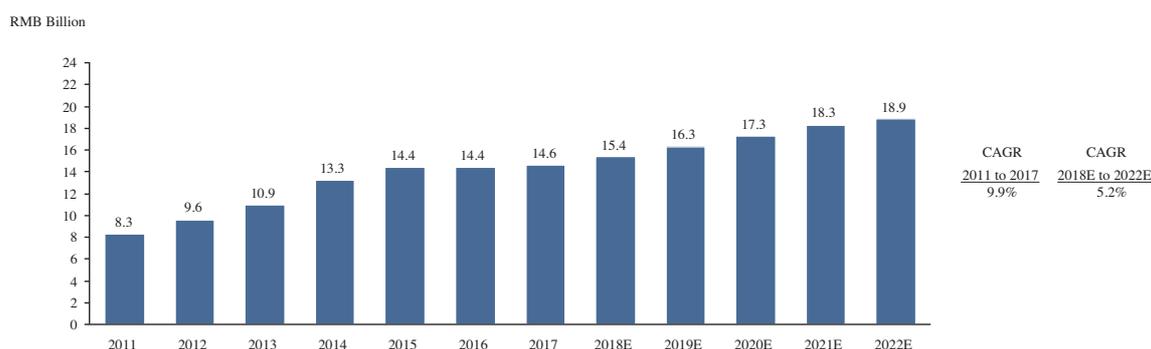
- *High purchase prices of imported printing equipment.* A large gap remains between the quality of imported printing equipment and that of domestic printing equipment. Small printing companies are usually unable to afford the purchase price in one lump-sum and have to seek financial support.

## INDUSTRY OVERVIEW

- *Equipment upgrade due to environment protection requirements.* New regulations provide more strict requirements on the environmental impact of printing equipment in order to save energy and reduce emissions of volatile organic compounds and heavy metals. Printing equipment upgrade demand stimulates the printing equipment finance leasing industry.
- *Difficulty to obtain financing through traditional channels.* Lacking long-term credit record, small printing companies in China have difficulty to obtain funds in traditional ways such as bank loans and corporate bonds. Finance leasing becomes an efficient way for small printing companies to solve their funding problems.

### Market Size and Outlook

The chart below sets forth the historical and projected New Contract Volume of the PRC printing equipment finance leasing market from 2011 to 2022:



Source: Frost & Sullivan

According to the Frost & Sullivan Report, the growth of the New Contract Volume of the PRC printing equipment finance leasing market slowed down between 2015 and 2017, as the PRC printing industry was adversely affected by the tightened environmental requirements, such as the limitation on emission of volatile organic compounds, and as well as the rapidly increasing prices of paper. Given that unqualified enterprises for the enhanced environmental requirements in the PRC printing industry have been gradually forced out and the price of paper started to decrease in the second half of 2017, the printing equipment finance leasing market in China is expected to continue to increase with a CAGR of 5.2% from 2017 to 2022, as a result of the following factors: (i) increasing demand for package printing driven by consumption-related industries; (ii) upgrading of printing equipment supply as the new requirements for digital printing and green printing equipment has been promulgated; and (iii) increasing uses of finance leasing by SMEs in their purchases of printing equipment.

### Competitive Landscape

The table below sets forth an overview of our competitors in the PRC printing equipment finance leasing market:

Company name	Category	New Contract Volume (in 2017) (RMB Million)	Market share
Competitor A	Third-party category	3,560.9	24.3%
Competitor B	Third-party category	2,637.7	18.0%
Competitor C	Banking-system category	259.1	1.8%
Competitor D	Third-party category	240.0	1.6%
ZYY Shenzhen	Third-party category	230.8	1.6%
Others		7,702.0	52.7%
<b>Total Market Size</b>		<b>14,630.5</b>	<b>100.0%</b>

Source: Company Interview, Printing & Printing Equipment Industries Association of China, Frost & Sullivan

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## INDUSTRY OVERVIEW

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According to the Frost & Sullivan Report, Competitor A and Competitor B dominate the PRC printing equipment finance leasing market, whereas each of the other top three players held a small market share, in terms of New Contract Volume in 2017.

- *Competitor A.* The company was established in 1991 and is among the PRC's leading financial services providers. It provides customers with customised finance leasing services for printing and packaging equipment, medical equipment, transportation equipment and other industrial equipment. The company is listed on the Hong Kong Stock Exchange.
- *Competitor B.* The company was established in 2005. It is the leading leasing company in Taiwan with a market share of 42.5%. Its main financial services consist of equipment leasing, sale-and-leaseback, instalment and factoring. The company provides customers with finance leasing services for printing and packaging equipment, medical facilities, transportation equipment and industrial equipment. It is a wholly-owned subsidiary of a company listed on the Taiwan Stock Exchange.
- *Competitor C.* The company was established in 2005. As part of an international bank group, it is a foreign-funded finance leasing company. The company provides customers with finance leasing services for printer equipment, transportation equipment, medical equipment and industrial equipment.
- *Competitor D.* The company was established in 2004. It offers customer-oriented and innovative financial services to customers across various industries including printing, transportation and logistics, infrastructure, education, and healthcare.

### **The PRC Transportation Equipment Finance Leasing Market**

The PRC logistics industry consists of transportation, warehousing and postal services. In this industry, fixed-asset investments are mainly made in construction and installation projects, as well as related equipment (such as transportation equipment, cargo handling equipment, processing and distribution equipment). The fixed-asset investment in the PRC logistics industry increased from RMB3,231.8 billion in 2011 to RMB6,118.6 billion in 2017 with a CAGR of 11.2% from 2011 to 2017 and is expected to increase with a CAGR of 7.6%, from 2018 to 2022.

Transportation equipment mainly includes equipment for land, water and air transportation. According to the Frost & Sullivan Report, purchases of transportation equipment generally contribute to approximately 10.0% to 15.0% of the total fixed-asset investments in the PRC logistics industry, and purchases of road transportation equipment accounted for approximately 30.0% to 40.0% of those of transportation equipment from 2011 to 2017.

The logistics industry will benefit from the increasing commodity consumption in the new development trend of PRC's domestic consumption based economy, especially the thriving e-commerce business. With growing demand for transportation equipment and increasing penetration of finance leasing, the PRC transportation equipment finance leasing market is expected to keep increasing in the next few years.

### **Growth Drivers**

According to the Frost & Sullivan Report, the key growth drivers for the PRC transportation equipment finance leasing market include the following:

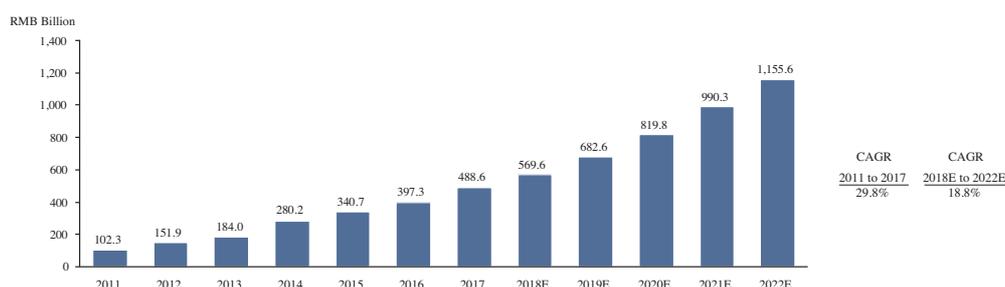
- *Rapid growth in e-commerce in China.* The rapid growth in e-commerce in the PRC stimulates the demand for transportation equipment as well as the development of logistics industry. New demand for transportation equipment from logistic companies in the PRC provides market opportunities for the PRC transportation equipment finance leasing industry.

## INDUSTRY OVERVIEW

- *Development of standardised transportation equipment.* New demand emerges due to the development of standardised transportation equipment, especially in the PRC logistics industry. Such demand stimulates development of the PRC transportation equipment finance leasing market.
- *Difficulty to obtain loans through traditional channels.* A large number of small to medium logistic companies have emerged in recent years and they need new transportation equipment. Lacking long-term credit records to meet the strict requirements under bank loan policies, these logistic companies cannot get access to traditional bank loans easily. Thus, finance leasing provides an efficient financing channel for these companies.

### Market Size and Outlook

The chart below sets forth the historical and projected New Contract Volume of the PRC transportation equipment finance leasing market from 2011 to 2022:



Source: Frost & Sullivan

According to the Frost & Sullivan Report, the PRC transportation equipment finance leasing market is expected to keep increasing in the next few years driven by the growing demand for transportation equipment and increasing penetration of finance leasing.

### Competitive Landscape

According to the Frost & Sullivan Report, the PRC transportation equipment finance leasing market remains highly fragmented. The market share of ZYY Shenzhen in 2017 is relatively small, less than 0.01% in terms of New Contract Volume.

### Loan to Value, Coverage Ratio and Non-performing Asset Ratio

The chart below sets forth the loan to value ratios and the coverage ratios of our competitors in the PRC finance leasing market from 2015 to 2017:



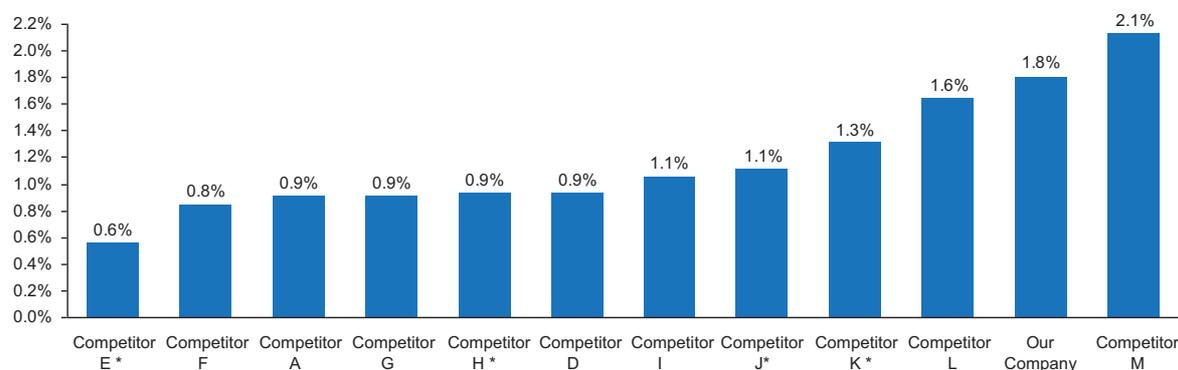
Source: Frost & Sullivan

Notes:

- (1) Loan to value ratio is calculated as the finance lease receivables divided by relevant leased/collateralised asset value at the end of certain period. Loan to value ratio is a financial ratio used by leasing companies to express the ratio of a loan to the value of an asset purchased. The higher the loan to value ratio, the riskier the loan is for a leasing company.
- (2) Coverage ratio is the reciprocal of the loan to value ratio. The coverage ratio is a financial ratio used by leasing companies to express the ratio of net leased asset value to the value of the total finance lease receivable. The higher the coverage ratio, the higher of the value of the leased asset can be realised to fulfil its outstanding to a leasing company.
- (3) The ratios of competitors marked with \* are based on the financial data for the first half of 2017.

## INDUSTRY OVERVIEW

The chart below sets forth the non-performing asset ratios of our competitors in the PRC finance leasing market in 2017:



Source: Frost & Sullivan

Notes:

- (1) Non-performing asset refers to the finance lease receivable with high possibility to default. Generally, finance leasing companies adopt a multi-category asset classification system based on a series of criteria. A commonly used system is the five-category system which classifies assets into “Pass”, “Special Mention”, “Substandard”, “Doubtful” and “Loss”, and the last three categories are identified as non-performing assets. The selection of criteria for asset classification may be different between companies.
- (2) The non-performing asset ratio for financial leasing companies is the ratio of non-performing asset to the financial leasing contract balance, reflecting the quality and risk of contract balance of financial leasing companies. A higher non-performing asset ratio reflects the deteriorated quality of the lease receivables portfolio.
- (3) the ratios of competitors marked with \* are based on the financial data for the first half or first three quarters of 2017.

According to the Frost & Sullivan Report:

- *Competitor E.* The company was established in 2007 with a registered capital of USD 1.1 billion. It is the largest leasing company headquartered in Shanghai and one of the aviation leasing leaders in China.
- *Competitor F.* The company was established in 1985. It is a state-owned non-bank financial institution specializing in the finance leasing business as approved by the CBRC. The company provides different kinds of customised finance leasing services to a large number of enterprises. It provides customers with finance leasing services for printing equipment, pharmaceutical machinery, construction machinery and education facilities.
- *Competitor G.* The company was established in 2012. It is engaged in finance leasing activities and also provides operating lease and trust loans.
- *Competitor H.* The company was established in 2005. It is the leading finance leasing company in Taiwan with a market share of 42.5%. Its main financial services consist of equipment leasing, sale-and-leaseback, installment and factoring. The company provides customers with finance leasing services for printing and packaging equipment, medical facilities, transportation equipment and industrial equipment. It is a wholly-owned subsidiary of a company listed on the Taiwan Stock Exchange.
- *Competitor I.* The company was established in 2012. It provides finance leasing services in the industries of wind power, medical, shipping, railway, chemical and energy.
- *Competitor J.* The company’s predecessor was founded in 1984. It provides finance leasing services in the industries of aircraft, transportation, energy, ship, construction machinery, commercial property, chemical, electronics, and papermaking.
- *Competitor K.* The company’s predecessor was founded in 1986. It mainly provides customised financial solutions through equipment-based finance leasing business.
- *Competitor L.* The company was established in 2011. It provides finance leasing services for customers from various industries including logistics, infrastructure, equipment manufacture, and energy.
- *Competitor M.* The company was established in 1993. It provides finance leasing services for aircraft, aircraft engines and other aviation products in China. It also provides services for leasing ships, railway locomotives, other types of transport equipment, production and electrical equipment, as well as communications, printing, medical, mechanical and research equipment.
- *Competitor N.* The company was established in 2003. The company is a leading online automobile retail transaction platform in China. It also provides finance leasing services for automobiles.

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## INDUSTRY OVERVIEW

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- *Competitor O.* The company was established in 2012. It provides medical equipment finance leasing, factoring, and advisory services.

### Our Competitive Advantages

According to the Frost & Sullivan Report, the competitive edges of our Group include the following:

- *Quality services to customers in the printing industry.* We have a good understanding of the PRC printing equipment finance leasing industry and have capacities in providing quality services to customers in the printing industry.
- *Expansion into the transportation equipment finance leasing market.* Taking full advantages of the characteristics of a relatively small financing amount, quick completion time and relatively low costs with respect to logistics leasing business, we have expanded our business in this market.
- *Rapidly growing, diversified customer base.* We provide a quick response and effective loan application review process after we complete customer credit assessments. Our customer base expanded from approximately 14 customers in Guangdong province as at 1 January 2015 to approximately 292 customers across 24 provinces, municipalities and autonomous regions in the PRC as at 31 December 2017.
- *Effective risk management measures.* Our risk management system is tailored to the characteristics of our business operations, with a focus on managing risks through comprehensive customer due diligence and selection, independent information review, as well as a multi-level approval process.

Please refer to the subsection headed “Business — Our Competitive Strengths” in this prospectus for further details.

### SOURCES OF INFORMATION

We have commissioned Frost & Sullivan, a market research and consulting company and an independent third party, to conduct an analysis of, and to report on the PRC’s finance leasing industry. The Frost & Sullivan Report has been prepared by Frost & Sullivan independent of our influence. The fee payable to Frost & Sullivan for preparing the Frost & Sullivan Report is RMB840,000, which we consider reflects market rates for similar services. Frost & Sullivan is an independent market research and consulting firm since 1961, providing services of industry research and analysis, growth strategy consulting and corporate training in various industries, including finance leasing industry.

Our Directors are of the view that the information set forth in this section is reliable and not misleading as the information was extracted from the Frost & Sullivan Report and Frost & Sullivan is an independent professional consulting company with extensive experience in their profession. Frost & Sullivan conducts both primary and secondary research through various resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analysing data from various publicly available data sources, such as National Bureau of Statistics of China and industry associations. The methodology used by Frost & Sullivan is based on information gathered from multiple levels and allows such information to be cross-referenced for reliability and accuracy. On such basis we consider the data and statistics to be reliable.

### ASSUMPTIONS

The Frost & Sullivan Report contains a variety of market projections which were produced with the following key assumptions: (i) the overall social, economic and political environment in the PRC are expected to remain stable in the forecast period; (ii) the PRC economy and industry development is likely to maintain a steady growth in the next decade; (iii) related industry key drivers are likely to drive the growth of the PRC finance leasing industry in the forecast period, such as significant SMEs’ demand for equipment and machinery, low penetration rate, increasing capital investment, favourable government policy support, and internationalisation of PRC finance leasing companies; and (iv) there is no any extreme force majeure or industry regulation in which the market may be affected dramatically or fundamentally. The reliability of the Frost & Sullivan Report may be affected by the accuracy of the foregoing assumption and factors.

The Frost & Sullivan Report is mainly focused on the PRC market, being the main jurisdiction in which our business are located. Our Directors confirm that after taking reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

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## REGULATIONS

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### OVERVIEW

We engage in providing finance leasing services in the PRC and thus are subject to various laws and regulations of the PRC. The key laws and regulations that are material to our operations are discussed below.

### LAWS AND REGULATIONS RELATING TO ENTERPRISES

#### Company Law of the PRC

The Company Law of the PRC (中華人民共和國公司法) (the “**Company Law**”), was adopted in 1993, and the latest version of the Company Law took effect on 1 March 2014. The Company Law is the basic law that generally regulates the establishment, operation and management of corporate entities in China, such as ZYY Shenzhen and Huafang Consultancy.

### LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

#### Provisions for Guiding the Foreign Investment Direction

On 11 February 2002, the State Council promulgated the Provisions for Guiding the Foreign Investment Direction (《指導外商投資方向規定》) (the “**Guiding Provisions**”). According to the Guiding Provisions, industries in the PRC are classified into four categories: “permitted foreign investment industries”, “encouraged foreign investment industries”, “restricted foreign investment industries” and “prohibited foreign investment industries”. The “encouraged foreign investment industries”, “restricted foreign investment industries” and “prohibited foreign investment industries” are stipulated in the Catalogue of Industries for Guidance of Foreign Investment. Those industries which do not fall within any of these three categories are regarded as “permitted foreign investment industries”, which are not stipulated in the Catalogue of Industries for Guidance of Foreign Investment.

#### Catalogue of Industries for Guidance of Foreign Investment

On 28 June 2017, the MOC and the NDRC jointly promulgated the Catalogue of Industries for Guidance of Foreign Investment (2017 Revised) (《外商投資產業指導目錄(2017年修訂)》) (the “**Catalogue 2017**”) which became effective on 28 July 2017. The finance leasing industry does not fall in any of the “restricted foreign investment industries” or “prohibited foreign investment industries”.

#### Laws on Foreign Invested Enterprises and the Decision on Modifying the Four Laws including the Law on Foreign-funded Enterprises of the PRC

Law of PRC on Wholly Foreign-owned Enterprises (中華人民共和國外資企業法), which was promulgated on 12 April 1986 and latest amended on 3 September 2016, and the Implementation Rules of Law of PRC on Wholly Foreign-owned Enterprises (中華人民共和國外資企業法實施細則), govern the establishment, approval, registered capital requirement and day-to-day operational matters of wholly foreign-owned enterprises in China such as ZYY Shenzhen.

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## REGULATIONS

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Law of PRC on Sino-Foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法), which was promulgated on 8 July 1979 and latest amended on 3 September 2016, and the Implementation Regulations of Law of PRC on Sino-Foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法實施條例) govern the establishment, approval, registered capital requirement and day-to-day operational matters of Sino-foreign equity joint ventures in China, such as ZYY Shenzhen.

On 3 September 2016, the Decision on Modifying the Four Laws including the Law on Foreign-funded Enterprises of the People's Republic of China (《關於修改〈中華人民共和國外資企業法〉等四部法律的決定》) was adopted, which stipulates that for enterprises not subject to special access administrative measures which the State Council separately stipulates, the establishment and alteration formalities of such enterprises shall be under the record-filing administration process replacing the prior approval administration process. On 8 October 2016, the NDRC and the MOC further issued the No.22 Announcement of 2016 (《中華人民共和國國家發展和改革委員會中華人民共和國商務部公告2016年第22號》), which clarifies that as approved by the State Council, the special access measures shall only be implemented on industries which, as listed in the Guidance 2015, are prohibited industries, restricted industries and encouraged industries.

### **The Interim Administrative Measures for the Record-filing Administration of the Establishment and Alteration of Foreign-invested Enterprises**

On 8 October 2016, the MOC promulgated the Interim Measures for the Record-filing Administration of the Establishment and Alteration of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) (the “**Record-Filing Measures**”) which were subsequently amended on 30 July 2017. The Record-Filing Measures apply to enterprises not subject to the special access measures, which provide in detail that, the foreign-invested enterprise may file its establishment or any alteration within 30 days through a comprehensive administration online system. Investments from Hong Kong, Macao and Taiwan special administrative regions where the special access measures are not required will be administrated in accordance with the Record-Filing Measures. In addition, the Measures also stipulates that Hong Kong and Macao service providers shall complete record-filing in accordance with the Administrative Measures for the Record-filing of Investment in the Mainland by Hong Kong and Macao Service Providers (for Trial Implementation) (《港澳服務提供者在內地投資備案管理辦法(試行)》).

We are primarily engaged in finance leasing business through ZYY Shenzhen, an indirectly wholly-owned subsidiary of our Company. The finance leasing industry is not subject to the special access measures and shall be only subject to the record-filing administration process in accordance with the Record-Filing Measures.

## **LAWS AND REGULATIONS RELATING TO FINANCE LEASING**

### **Measures for Supervision and Administration of Finance Leasing Enterprises**

On 18 September 2013, the MOC promulgated the Measures for Supervision and Administration of Finance Leasing Enterprises (《融資租賃企業監督管理辦法》) (the “**Measures for Finance Leasing Enterprises**”) to strengthen the regulation over both domestic and foreign-invested finance leasing enterprises.

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Pursuant to the Measures for Finance Leasing Enterprises, a finance leasing company shall have the senior management, such as the general manager, the deputy general manager and risk control supervisor, with not less than three years' experience in the finance leasing industry, leasing industry and/or the operation and management of financial institutions.

According to the Measures for Finance Leasing Enterprises, the MOC and the provincial-level commerce authorities are in charge of the supervision and administration of finance leasing enterprises. A finance leasing enterprise shall, according to the requirements of the MOC, report the relevant data in a timely and truthful manner through the National Finance Leasing Enterprise Management Information System (全國融資租賃企業管理信息系統). Specifically, a finance leasing enterprise shall, within 15 working days after the end of each quarter, submit the statistics on and summary of its operation in the preceding quarter, and statistics on and summary of its operation in the preceding year as well as its financial and accounting report (including appended notes thereto) audited by an audit body for the preceding year prior to 30 April of each year. In the event of change of name, relocation to another region, increase or decrease of registered capital, change of organisational form, adjustment of ownership structure or other changes, a finance leasing enterprise shall report to the competent provincial-level commerce authority in advance. A foreign-invested finance leasing enterprise that undergoes the said changes shall go through approval and other procedures according to relevant provisions. A finance leasing enterprise shall, within 5 working days after the change of registration procedure with the SAIC authority, log into the National Finance Leasing Enterprise Management Information System to modify the above information.

The Measures for Finance Leasing Enterprises explicitly stipulate the business scope of the finance leasing enterprise. A finance leasing enterprise may conduct its finance leasing activities by way of direct lease, sublease, leaseback, leveraged lease, trust lease and joint lease within the limits of applicable laws, regulations and rules. A finance leasing enterprise shall take finance leasing and other leasing businesses as its main business, and may be engaged in the purchase of leased property, disposal of the residual value of and maintenance of leased property, lease transaction consultancy and security services, assignment of amount receivables to a third party institution, receiving the lease deposit and other businesses approved by the approving authority in relation to finance leasing and leasing business. A finance leasing enterprise shall not be engaged in deposit taking, offering of loans, entrusted loans, and without the approval of competent authority, shall not be engaged in inter-bank borrowing. A finance leasing enterprise shall not be allowed to carry out illegal fund-raising activities under the disguise of finance leasing in any circumstances.

The Measures for Finance Leasing Enterprises also requires the finance leasing enterprises to strengthen their internal risk controls, and establish good systems for classifying assets at risk, and adopting a credit appraisal system for lessees, an ex post recovery and disposal system and the risk alert mechanism. A finance leasing enterprise shall also establish an affiliated transaction management system, and exclude the persons related to the affiliated transactions from the voting or decision-making process for affiliated transactions where the lessee is an affiliate. In the event of any purchase of equipment from an affiliated production enterprise, the settlement price for such equipment shall not be apparently lower than the price offered by such enterprise to any third party purchase of such equipment or the equipment of the same batch. A finance leasing enterprise shall manage its assets under trust lease and assets under sublease separately and keep separate accounts therefor. A finance leasing enterprise shall strengthen the management of its major lessees, control the

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proportion of business with a single lessee and with lessees that are its affiliates, and pay attention to the prevention and diversification of operational risks. The Measures for Finance Leasing Enterprises also stipulates that the risky assets of a finance leasing enterprise shall not exceed 10 times of its total net assets.

The Measures for Finance Leasing Enterprises also contains regulatory provisions specifically focusing on a leaseback transaction. The subject matter of a leaseback transaction shall be those properties that can give play to its economic functions and produce continuous economic benefits. A finance leasing enterprise shall not accept any property to which a lessee has no title, or on which any mortgage has been created, or which has been sealed up or seized by any judicial organ, or whose ownership has any other defects, as the subject matter of a leaseback transaction. A finance leasing enterprise shall give adequate consideration to and objectively evaluate assets leased back, set purchasing prices for subject matter thereof with reference to a reasonable pricing basis in compliance with accounting principles, and shall not purchase any subject matter at a price in excess of the value thereof.

ZYY Shenzhen has established an effective risk control mechanism to limit its exposure especially in the sales-leaseback business in accordance with the Measures for Finance Leasing Enterprises.

### **Notice of the General Office of the MOC on Strengthening and Improving the Examination and Approval, and Administration over Foreign-invested Finance Leasing Companies**

Pursuant to the Notice of the General Office of the MOC on Strengthening and Improving the Examination and Approval, and Administration over Foreign-invested Finance Leasing Companies (《商務部辦公廳關於加強和改善外商投資融資租賃公司審批與管理工作的通知》) (the “**Notice**”), which was issued on 11 July 2013, foreign-invested finance leasing companies shall not be engaged in deposits, loans, entrusted loans, or inter-bank borrowing and equity investment unless relevant governmental authorities grant permissions. Foreign-invested finance leasing companies shall not provide director or indirect financing to local governmental financing companies which undertake public welfare projects in any forms in order to prevent fiscal and financial risks.

### **Guiding Opinion on Accelerating the Development of Finance Leasing Industry**

Guiding Opinion on Accelerating the Development of Finance Leasing Industry (《關於加快融資租賃業發展的指導意見》) (the “**Guiding Opinion**”) was promulgated by the General Office of the State Council on 31 August 2015. The main task of this Guiding Opinion is to accelerate the development of finance leasing industry in the following four aspects: system and mechanism reform, development in major fields, innovative development and industry supervision. According to the Guiding Opinion, there is no minimum registered capital limit for the subsidiary of a finance leasing company; the finance leasing company is allowed to be also engaged in factoring business which is related to its main business; private capital and independent third-party service providers are provided with supports incorporate a finance leasing company and the application for filing or obtaining a license for business transactions in medical devices for the finance leasing company are encouraged.

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### LAWS AND REGULATIONS SPECIFICALLY IN RELATION TO THE MEDICAL DEVICE INDUSTRY

#### Guiding Opinion on Promoting the Sound Development of the Pharmaceutical Industry

On 4 March 2016, the General Office of the State Council promulgated the Guiding Opinions on Promoting the Sound Development of the Pharmaceutical Industry (《關於促進醫藥產業健康發展的指導意見》), which encourages the cooperation among the medical devices enterprises and finance leasing enterprises, and provide the repayment instalment services to medical institutions of different ownership types for its large medical devices purchase.

#### Regulations on the Supervision and Administration on Medical Devices

The State Council promulgated the Regulations on the Supervision and Administration on Medical Devices (《醫療器械監督管理條例》) (the “**Regulations on Medical Devices**”) on 4 January 2000 and last amended on 4 May 2017 to regulate the registration, production, operation and the use of medical devices.

#### Measures for the Supervision and Administration of Medical Devices

On 30 July 2014, the China Food and Drug Administration (the “**CFDA**”) promulgated Measures for the Supervision and Administration of Medical Devices (《醫療器械經營監督管理辦法》) (the “**Measures of Medical Devices**”), which was effective on 1 October 2014, to regulate the administration and supervision of the operation of medical devices. The Regulations on Medical Devices and Measures of Medical Devices provided that the medical devices are classified into three categories by risk level: Class I, Class II and Class III. Enterprises engaged in operation of Class III medical devices shall submit relevant materials to the authorised food and drug administrations to apply for the medical device operation license.

#### Comments in Response to Some Regulatory Issues about Medical Device Leasing

According to the Comments in Response to Some Regulatory Issues about Medical Devices Leasing (《關於融資租賃醫療器械監管問題的答覆意見》), which were published by the CFDA on 1 June 2005, medical device finance leasing enterprises shall be categorised as the operation of medical devices. The financing leasing enterprises, which are engaged in the operation of medical devices, shall obtain the medical devices operation license or shall file with the CFDA at the municipal level in accordance with the Regulations on Medical Devices.

### PRC CONTRACT LAW

The National People’s Congress promulgated the PRC Contract Law (《中華人民共和國合同法》) on 15 March 1999 for regulating the civil contractual relationship among natural persons, legal persons and other organisations. Chapter 14 of the PRC Contract Law sets mandatory rules about finance lease agreements.

Under the PRC Contract Law, the finance lease agreements shall be in written format and shall include terms such as the name, quantity, specifications, technical performance and inspection method of leased object, lease term, composition, payment term, payment method and currency for lease payment and ownership of leased object upon expiration of the lease.

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With respect to the finance lease agreements, the lessor shall conclude a purchase contract based on the lessee's selections in respect of the seller and the leased property, and the seller shall deliver the leased property to the lessee as agreed. The lessee has the rights of a buyer when taking delivery of the leased property. Without the consent of the lessee, the lessor may not modify relevant particulars related to the lessee under the purchase contract which has been concluded based on the lessee's selections in respect of the seller and the leased property.

In respect of the usage and maintenance of the leased property, the lessee shall take due care of the leased property and use it properly. The obligation to maintain and repair the leased object while in the possession of the lessee shall be performed by the lessee. The lessor is not liable for injury to the body or damage to the property of a third party caused by the leased property while in the possession of the lessee. However, the ownership of the leased property vests in the lessor. If the lessee becomes bankrupt, the leased property does not become part of the property available for distribution in the bankruptcy. If the leased property fails to meet the requirements stipulated by the parties or is not fit for the purpose for which it is to be used, the lessor shall not be liable, unless the lessee selected the leased property in reliance on the technical ability of the lessor or the lessor interfered in the selection of the leased property.

The lessor and the lessee may stipulate in which party the ownership of leased property shall be vested upon expiration of the lease. If parties have not stipulated in which party the ownership of leased property shall be vested upon expiration, or if such stipulation is not clear, or if the ownership cannot be determined in accordance with the PRC Contract Law, the ownership of the leased object shall be vested in the lessor. In the event that the parties have stipulated that the ownership of the leased property shall be vested upon the lessee upon expiration of the lease, and the lessee has already paid most of the leased payments but is unable to pay the remaining balance, when the lessor terminates the contract and repossesses the leased property on those grounds, the lessee may demand a partial refund given that the value of the leased property repossessed exceeds the leased payments and any other expenses owed by the lessee.

### **LAWS AND REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS**

#### **Copyright Law of PRC**

On 7 September 1990, the Standing Committee of the National People's Congress adopted the Copyright Law of PRC (《中華人民共和國著作權法》), which was latest amended on 26 February 2010. The Copyright Law of PRC provides that the Chinese citizens, legal persons or other organizations enjoy, in accordance with Copyright Law of PRC, the copyright of the works, such as oral works, written works, photographic works, computer software, etc. whether published or not.

#### **Regulations on Computer Software Protection and Measures for the Registration of Computer Software Copyright**

On 20 December 2001, the State Council of PRC promulgated Regulations on Computer Software Protection (《計算機軟件保護條例》), which was latest amended on 30 January 2013. Pursuant to Regulations on Computer Software Protection, Chinese citizens, legal persons or other organizations enjoy, in accordance with Regulations on Computer Software Protection, the copyright in the software which they have developed, whether published or not. A software copyright owner

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shall enjoy the right of divulcation, the right of signature, the right of alteration, the right of reproduction, the right of distribution, the right of rental, the right of communication through information network, etc. A software copyright owner may register with the software registration institution recognised by the copyright administration department of the State Council.

In order to implement the Regulations on Computer Software Protection, General Administration of Press and Publication (including National Copyright Administration) promulgated the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which governs the application for registration, examination and approval and public announcement of software registration of the computer software.

### LAWS AND REGULATIONS ON TAXATION

#### Enterprise Income Tax

According to the Enterprise Income Tax Law (《企業所得稅法》) which was promulgated by the National People's Congress on 16 March 2007 and latest amended on 24 February 2017 as well as its implementation rules, an unified enterprise income tax rate of 25.0% is applied equally to both domestic enterprises and foreign invested enterprises excluding non-resident enterprise.

#### VAT

##### *Interim Regulations on Value-added Tax*

Pursuant to the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on 13 December 1993 and subsequently amended on 10 November 2008, and became effective on 1 January 2009 and amended on 6 February 2016 and amended on 19 November 2017 and its implementation rules promulgated by the Ministry of Finance on 25 December 1993, amended on 15 December 2008 and 28 October 2011 respectively, taxpayers engaging in sale of goods, provision of processing services, repairs and replacement services or importation of goods within PRC shall pay value-added tax at rate of 13.0% or 17.0%.

##### *Circular No. 36*

On 23 March 2016, the Ministry of Finance and the SAT jointly promulgated the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in lieu of Business Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) (the “**Circular No. 36**”) which was latest amended on 1 January 2018.

Upon approval of the State Council, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner as at 1 May 2016, and all taxpayers of business tax engaged in the industries of building, real estate, financial and life services shall be included in the scope of pilot program with regard to payment of VAT in lieu of business tax. The tax rate applicable to interest derived from tangible assets leasing service is 17.0%; the tax rate applicable to interest derived from financial sale-leaseback and interest income is 6.0%; the tax rate applicable to consultation services is 6.0%.

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Appendix 2 to the Circular No. 36, Provisions on Matters relating to the Pilot Program of the Collection of Value-added Tax in lieu of Business Tax (《營業稅改徵增值稅試點有關事項的規定》), states that for the taxable activities of a pilot taxpayer prior to the date when the taxpayer is included in the Pilot Program, if supplementary tax is required to be paid due to taxation inspection or other reasons, business tax shall be paid in accordance with relevant policies. In addition, under Appendix 3, Provisions on Transit Policies for the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《營業稅改徵增值稅試點過渡政策的規定》), where general taxpayers among the pilot taxpayers approved by the PBOC, China Banking Regulatory Commission and the MOC to engage in finance leasing services further provide asset finance leasing services and asset finance sale-and-leaseback services, the amount of value-added tax collected at a rate of more than 3.0% shall be immediately refunded upon collection.

### **Income Tax on Share Transfer of Non-resident Enterprise**

#### *Circular No. 7*

Pursuant to Circular No.7 promulgated by the SAT and came into effect on 3 February 2015 and latest amended on 29 December 2017, where a non-resident enterprise indirectly transfers properties such as equity in Chinese resident enterprises without any reasonable commercial purposes with the aim of avoiding to pay enterprise income tax, such indirect transfer shall be reclassified as a direct transfer of equity in Chinese resident enterprise in accordance with Article 47 of the EIT Law. Indirect transfer of Chinese taxable properties shall mean transactions of non-resident enterprises which are carried out through transfer of equity of enterprises abroad that directly or indirectly hold Chinese taxable properties (not including the Chinese resident enterprises registered abroad, hereinafter referred to as “**enterprises abroad**”) and other similar equities (hereinafter referred to as “**equity**”) and cause the concrete results same as or similar to that of direct transfer of Chinese taxable properties, including the circumstance that the restructuring of non-resident enterprises causes changes of shareholders of enterprises abroad. Non-resident enterprises that indirectly transfer Chinese taxable properties are referred to as equity transferor.

According to the Circular No. 7, indirect transfer of Chinese taxable properties that meets all of the following conditions shall be deemed as having a reasonable commercial purpose:(1) the equity relationship of the parties involved in the transfer falls under one of the following circumstances: (i) equity transferor directly or indirectly owns more than 80.0% of the equity of the equity transferee; (ii) equity transferee directly or indirectly owns more than 80.0% of the equity of the equity transferor; or (iii) more than 80.0% of the equity of both equity transferor and equity transferee is owned by the same party. If more than 50.0% (not including 50.0%) of the value of the equity of an enterprise abroad is directly or indirectly from the real estate in the PRC, the proportions referred to in items (i), (ii) and (iii) above shall be 100.0%. The aforesaid equity indirectly held shall be calculated based on the product of the shareholding ratios of all enterprises in the shareholding chain; (2) compared with the same or similar indirect transfer occurred without this indirect transfer, the burden of taxation in the PRC will not be reduced on the indirect transfer that may occur again after this indirect transfer; and (3) equity transferee pays all the equity transfer consideration with its equity or equity of enterprises controlled by it (not including equity of listed enterprises).

### **Enterprise Accounting Codes No. 21 — Leasing**

The Ministry of Finance promulgated the Enterprise Accounting Codes No. 21- Leasing (《企業會計準則第21號租賃》) (the “**Codes**”) on 15 February 2006 to regulate the accounting and information

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disclosure about finance leasing and operating leasing. Under the Codes, leasing means an agreement to transfer the use rights of an asset to another party for a specified period in return for a rental payment. These Codes do not apply to the leasing of land-use rights or buildings through operating lease or the licensing of films, video tapes, scripts, writings, patents and copyrights, and the impairment losses of long-term credits formed by the finance leasing of a lessor.

In respect of any leasing, the Codes require the lessor and the lessee to classify the category of leasing (finance leasing vs. operating leasing) at the commencement of a lease. The Codes also set out factors to be considered in such classification. The accounting treatment of finance leasing and operating leasing to be applied to the lessor and the lessee are specified in separate sets of detailed provisions in the Codes. The lessor and the lessee are also required to comply with several disclosure requirements in respect of the finance leasing transaction in the notes of their respective balance sheets. In addition, they are required to disclose each sale-leaseback transaction as well as the important terms of relevant sale-leaseback contracts.

### LAWS AND REGULATIONS ON FOREIGN EXCHANGE

#### **Circular No. 37 and Circular No. 13**

On 4 July 2014, the SAFE released the Notice of the SAFE on Relevant Issues concerning Foreign Exchange Administration for Overseas Investment and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**Circular No. 37**”). Pursuant to Circular No. 37, a PRC resident should apply to the SAFE for foreign exchange registration of overseas investments before it makes capital contribution to an special purpose vehicle (the “**SPV**”) using his or her legitimate domestic or offshore assets or interests. SPVs mean offshore enterprises directly established or indirectly controlled by domestic residents for the purpose of investment and financing by utilizing the domestic or offshore assets or interests they legally hold. Control means that a PRC resident acquires the management right, right to earnings or decision-making rights of an SPV through acquisition, trust, holding equity interest through nominees, voting rights, repurchase or convertible bonds. Following any significant change in a registered offshore SPV, such as capital increase, reduction, equity transfer or swap, consolidation or division involving domestic resident individuals, the domestic individuals shall amend the registration with the SAFE. Where an SPV intends to repatriate the funds raised after completion of the offshore financing to the PRC, it shall comply with relevant PRC regulations on foreign investment and foreign debt management. A foreign-invested enterprise established through return investment shall complete relevant foreign exchange registration formalities according to the prevailing foreign exchange administration regulations on foreign direct investment and truthfully disclose information on the actual controller of its shareholders. Where a domestic resident fails to go through relevant foreign exchange registration as required, fails to truthfully disclose information on the actual controller of the enterprise involved in the return investment or otherwise makes false commitments, the foreign exchange control authority may order them to take remedial actions, issue a warning, and impose a fine of less than RMB300,000 on an institution or less than RMB50,000 on an individual.

On 13 February 2015, the SAFE issued the Circular on Further Simplifying and Improving Policies for Foreign Exchange Administration for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**Circular No. 13**”), which came into effect on 1 June 2015. Pursuant to Circular No. 13, a domestic resident who makes capital contribution to a SPV using his or her legitimate domestic or offshore assets or interests is no longer required to apply to the SAFE

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for foreign exchange registration of overseas investments. Instead, he or she shall apply to banks in the place where the assets or interests of such domestic enterprise are located (in case such domestic resident individually makes capital contribution to the SPV using his or her legitimate domestic assets or interests) or banks in place where his or her permanent residence is registered (in case such domestic resident individually makes capital contribution to the SPV using his or her legitimate offshore assets or interests). However, if no foreign exchange registration of overseas investments was made before capital contribution to an SPV in accordance with the above, the PRC resident shall apply to the SAFE to make up for such registration.

Mr. Zhang and Mr. Zhang Junwei, the ultimate beneficial owners of the Company, are PRC residents and therefore are subject to the requirements under Circular No. 37 and Circular No. 13. As advised by the PRC legal advisers, Mr. Zhang (in respect of Hero Global) and Mr. Zhang Junwei (in respect of Icon Global) have completed their Circular No. 37 Registration on 18 February 2016 and 10 November 2016, respectively, in accordance with the then effective and applicable SAFE regulations.

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## HISTORY AND REORGANISATION

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### OVERVIEW

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 28 October 2016. Since its incorporation, our Company has been an investment holding company with no business operations. Pursuant to the Reorganisation, as more particularly described in the paragraph headed “Reorganisation” in this section, our Company has become the holding company of our Group for the purpose of the Listing.

As at the Latest Practicable Date, the subsidiaries of our Company comprised Honor Global, HK Lixin, ZYY Shenzhen and Huafang Consultancy. For further details of the subsidiaries of our Company, please refer to the subsection headed “Our Subsidiaries” in this section.

### Our Founders and Early History

Prior to the establishment of our Group, our Controlling Shareholders, Mr. Zhang and his younger brother, Mr. Zhang Junwei, through ZYY Holdings and its subsidiaries, had invested in and operated primarily property investment and development businesses in the PRC. Since 2011, Mr. Zhang has served as the general manager of ZYY Holdings and was responsible for overseeing the corporate finance matters, and therefore has acquired relevant knowledge and established business connections within the financial industry.

In 2013, Mr. Zhang noticed a large number of finance leasing companies have emerged in Shenzhen, mainly as a result of the establishment of the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (深圳市前海深港現代服務業合作區) (the “**Qianhai Zone**”) and its favorable policies for the finance leasing industry. Meanwhile, SMEs in the PRC have difficulty in obtaining funds through traditional means such as bank loans and finance leasing becomes an efficient way for them to solve their funding problems. Considering the growth potential within China’s finance leasing services, Mr. Zhang together with Mr. Liu Zhiyong (劉智勇), our Executive Director, decided to conduct in-depth market researches on the finance leasing industry. Mr. Zhang visited several finance leasing companies and industrial associations, and communicated with, and acquired practicable knowledge, from risk management personnel, equipment valuers, legal practitioners and other professionals who have operational experience in the finance leasing industry. Based on the market research report prepared by Mr. Zhang, ZYY Holdings decided to invest in the finance leasing industry.

In 2014, Mr. Zhang approached his business partner, Mr. Ng Yuen Sing Aaron (吳元星) (“**Mr. Ng**”), an independent third party of our Group, to set up our finance leasing business. On 8 April 2014, Mr. Ng acquired the entire share capital of HK Lixin from Mr. Lu Zhouping (盧周平) at a consideration of HK\$10,000. In May 2014, HK Lixin (as the investment vehicle of Mr. Ng) and ZYY Holdings jointly establish ZYY Shenzhen to carry on our finance leasing business. During the years of 2014 and 2015, the capitals injected by ZYY Holdings into ZYY Shenzhen amounted to approximately US\$1.49 million and US\$12.01 million respectively, which were financed through funds accumulated from the business operation of ZYY Holdings. Mr. Ng was a passive investor and was not involved in the daily management and operation of our Group. In December 2015, Mr. Ng decided to dispose his shares in HK Lixin to Hero Global, a company wholly owned by Mr. Zhang, as Mr. Ng wanted (i) to realise his investments in HK Lixin to explore other potential business opportunities; and (ii) to focus on his other personal businesses. Since then, Mr. Zhang and Mr. Zhang Junwei, through Hero Global and ZYY Holdings, have held and controlled all the equity interest in ZYY Shenzhen.

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## HISTORY AND REORGANISATION

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### Building-up of Our Management Team

Realising the importance of a competent management team for establishment of the new business, Mr. Zhang commenced the selection of qualified management personnel in 2014. In March 2014, Mr. Zhang identified and recruited Mr. Mou Peng (牟鵬) (“**Mr. Mou**”), our risk department manager, to assist on the preparation works for the establishment of our Group. Having worked at Shenzhen branch of the Postal Savings Bank of China Co., Ltd. from 2008 to 2012, Mr. Mou gained extensive experience in client due diligence and post-loan management. Based on his expertise in the banking risk management system, Mr. Mou formulated the risk management policies and related internal control measures for our Group.

In July 2014, Mr. Zhang further recruited Mr. Lan Wei (藍偉) (“**Mr. Lan**”), our business development manager, to supervise the business development department of ZYY Shenzhen. Mr. Lan has approximately five years of working experience at Far East Leasing Co., Ltd (遠東國際租賃有限公司), a renowned finance leasing company and he was responsible for business development in the printing industry in the southern regions of the PRC. Mr. Lan played an important role in building our finance leasing business and establishing our presence in the finance leasing market. At the inception stage of our Group, Mr. Lan assisted in the building up our business development department and introduced key sales and marketing personnel to join our Group, including Mr. Du Dejun (杜德君) and Mr. Xie Xin (謝昕). He also provided training to the sales and marketing personnel, and made them familiar with the PRC finance lease industry.

By the end of 2014, our business development department has grown into a team of six members and we have a total of 14 employees.

Following our expansion into the transportation equipment finance leasing market, Mr. Zhang and Mr. Lan began to recruit talents with relevant experience to enhance our management’s industry expertise. Since August 2015, they identified and recruited two project managers in our business development department, namely (i) Mr. Tian Zhenjiang (田振江), who then possessed six years of experience in selling and marketing automobiles; (ii) Mr. Li Songmin (李嵩旻), who then had experience in approval of car loans and customer development; and a manager in our risk management department, namely, Mr. Zhang Xicai (張喜才), who then had experience in the client due diligence and credit assessment work.

As at 31 December 2015, our total employees grew to 27, with ten staff in our business development department and nine staff in our risk management department.

As at 31 December 2016, our total employees grew to 35, with ten staff in our business development department and 13 staff in our risk management department.

Over the years, our business development department has grown into a relative stable team. They have gained a good understanding of customers’ characteristics and demands, as well as accumulated expertise and knowledge of finance leasing transactions. In November 2017, we promoted Mr. Du as the deputy business development manager based on his performance and contributions. In January 2018, Mr. Lan resigned and Mr. Du temporarily took up the supervisory role of our business development department. In April 2018, we have also recruited Mr. Yu Hongfeng (于洪峰) (“**Mr. Yu**”) as a replacement of Mr. Lan. Mr. Yu has around six years of experience in the finance leasing industry.

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## HISTORY AND REORGANISATION

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Mr. Yu held management positions in several finance leasing companies in the past. Mr. Yu then took over the overall supervisory role of our business development department. As at the Latest Practicable Date, our Directors are of the view that the departure of Mr. Lan has no material impact on the operation of our Group.

As at the Latest Practicable Date, we had 36 employees in total, with 14 staff in our business development department and ten staff in our risk management department. Among the 14 staff in our business development department, apart from Mr. Yu and Mr. Du, nine staff members were designated to develop the printing equipment financial leasing market and three staff members were designated to develop the transportation equipment finance leasing market.

### Development of Our Business

Considering (i) the growth of the printing industry due to the development of economy and cultural market in China; and (ii) Mr. Lan's experience and his established business network in the printing equipment finance leasing market, our Group has identified this industry as our target market to commence our business. We carried out sales and marketing activities mainly by approaching potential customers through telephone calls and personal meetings. Further, we approached and gradually established business relationship with intermediaries within the printing industry, who may refer to us equipment purchasers which had financing needs. In September 2014, we successfully provided our finance leasing services to our first customer in the printing industry.

As at 31 December 2014, ZYY Shenzhen provided finance leasing services to 13 SME customers within the printing industry in Guangdong province where the aggregate value amounted to approximately RMB22.5 million. Based on our accumulated experience in Guangdong province, we further expand to other regions in the PRC in June 2015.

As our operation in the printing industry was successful, Mr. Zhang began to look for other target market in order to further expand our business. As confirmed by Mr. Zhang, he frequently participated in forums and talks organized by finance leasing industry associations, through which he noticed that there is an established market for transportation equipment finance leasing services in Guangdong province. There are clusters of logistics companies located in the Pearl River Delta Region with strong demands for commercial vehicles. Since these logistic companies cannot gain access to traditional bank loans easily, it is very common for them to obtain funding through finance leasing. Thus, Mr. Zhang identified and decided to expand our business into the logistic finance leasing market in 2015. In accordance with this business strategy, we recruited talents with experience within the logistic industry. In addition, Mr. Mou tailored our risk management system to accommodate the characteristics of the logistic industry. Our business development staff approached our target customers directly and established relationships with automobile dealers and intermediaries within the logistic industry so as to secure business referrals from them. In October 2015, we successfully provided our finance leasing services to our first customer in the logistic industry.

As at 31 December 2015, ZYY Shenzhen provided finance leasing services to (i) 60 SME customers within the printing industry where the aggregate value amounted to approximately RMB121.1 million; and (ii) 14 SME customers within the logistic industry where the aggregate value amounted to approximately RMB5.4 million. Our customer base expanded to five provinces as well as the municipalities of Beijing and Shanghai.

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## HISTORY AND REORGANISATION

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As at 31 December 2016, ZYY Shenzhen provided finance leasing services to (i) 142 SME customers within the printing industry where the aggregate value amounted to approximately RMB318.7 million and (ii) 87 SME customers in the logistic industry where the aggregate value amounted to approximately RMB59.1 million.

As at 31 December 2017, ZYY Shenzhen provided services to approximately 292 SMEs in these two industries across 24 provinces, municipalities and autonomous regions in the PRC.

### BUSINESS MILESTONES

The following table sets forth a chronology of the significant business milestones in our Group's history:

<u>Year</u>	<u>Major development and achievement</u>
<b>2014</b>	<ul style="list-style-type: none"><li>• Mr. Zhang carried out the market researches on the finance leasing industry and noticed that there was a good growth potential for finance leasing services as an alternative and efficient corporate financing channel to SMEs under the prevailing economic conditions of the PRC.</li><li>• Mr. Zhang has selected and recruited qualified management personnel for our Group, including Mr. Mou Peng, who has over nine years of work experience in risk management, Mr. Lan, who has approximately eight years of finance leasing industry experience.</li><li>• ZYY Shenzhen was incorporated in the PRC in May 2014.</li><li>• We commenced our business and provided finance leasing services to our first customer in the printing industry in Guangdong Province in September 2014.</li><li>• As at 31 December 2014, ZYY Shenzhen provided finance leasing services to 13 SME customers in the printing industry in Guangdong provinces with the aggregate value of approximately RMB22.5 million.</li><li>• As at 31 December 2014, our total employees grown to 14, with six staff members in our business development department and three staff members in our risk management department.</li></ul>
<b>2015</b>	<ul style="list-style-type: none"><li>• We entered into a finance leasing agreement with the first customer located outside Guangdong province in June 2015, thereby expanding our operation geographically to other regions in the PRC.</li><li>• We expanded to the logistic industry and provided finance leasing services to the first customer in the logistic industry in October 2015.</li><li>• As at 31 December 2015, we provided finance leasing services to 60 SME customers in the printing industry with the aggregate value of approximately RMB121.1 million and 14 SME customers in the logistic industry with the aggregate value of approximately RMB5.4 million.</li></ul>

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## HISTORY AND REORGANISATION

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<u>Year</u>	<u>Major development and achievement</u>
	<ul style="list-style-type: none"><li>As at 31 December 2015, our total employees grew to 27, with 10 staff members in our business development department and nine staff members in our risk management department. Among the 10 staff members in our business development department, apart from Mr. Lan who was responsible for the overall supervision of the business development department, and Mr. Du Dejun, whose main responsibilities include the development of our printing equipment finance leasing business, five staff members were designated to develop the printing finance equipment leasing market and the remaining three staff members were designated to develop the transportation equipment finance leasing market.</li></ul>
<b>2016</b>	<ul style="list-style-type: none"><li>We obtained the permit for medical device operation (醫療機械經營許可證) from the Shenzhen MQSC in October 2016.</li><li>As at 31 December 2016, we provided finance leasing services to 142 SME customers in the printing industry with the aggregate value of approximately RMB318.7 million and 87 SME customers in the logistic industry with the aggregate value of approximately RMB59.1 million.</li><li>As at 31 December 2016, our total employees grew to 35, with 10 staff members in the business development department and 13 staff members in the risk management department. Among the 10 staff members in our business development department, apart from Mr. Lan who was responsible for the overall supervision of our business development department, and Mr. Du Dejun, whose main responsibilities include the development of our printing equipment finance leasing business, five staff members were designated to develop the printing equipment finance leasing market and the remaining three staff members were designated to develop the transportation equipment finance leasing market.</li></ul>
<b>2017</b>	<ul style="list-style-type: none"><li>Our customer base expanded to approximately 292 SME customers in our target industries of printing and logistics across 24 provinces, municipalities and autonomous regions in China as at 31 December 2017.</li></ul>

### OUR SUBSIDIARIES

#### HK Lixin

HK Lixin was incorporated in Hong Kong on 6 March 2013 with the share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Upon its incorporation, HK Lixin allotted and issued 10,000 fully paid ordinary shares to Mr. Lu. Mr. Lu was an employee of Shenzhen Suhao (a subsidiary of ZYY Holdings) and an independent third party of our Group. He incorporated HK Lixin at the direction of Mr. Zhang in March 2013 to pursue overseas investment opportunities. From March 2013 to April 2014, HK Lixin has no operating business as no practical investment project was identified during such period.

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## HISTORY AND REORGANISATION

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On 8 April 2014, Mr. Lu transferred 10,000 ordinary shares in HK Lixin to Mr. Ng at a consideration of HK\$10,000. Subsequently on 10 April 2014, HK Lixin allotted and issued additional 49,990,000 shares fully paid to Mr. Ng at the subscription price of HK\$1.00 per share. To the best knowledge of our Directors after making all reasonable enquiries, the subscription price of such shares was funded by the income of Mr. Ng's other business. On 28 May 2014, HK Lixin and ZYY Holdings jointly set up ZYY Shenzhen. Since then, HK Lixin became a 55.0% shareholder of ZYY Shenzhen.

On 28 December 2015, as Mr. Ng wants (i) to realise his investments in HK Lixin to explore other potential business opportunities; and (ii) to focus on his other personal business, he transferred the entire issued share capital of HK Lixin to Hero Global (the "**Lixin Transfer**") at a consideration of HK\$36.0 million, which was determined after arm's length negotiation with Mr. Zhang taking into account the net asset value of HK Lixin (mainly consist of the value of HK Lixin's 55.0% equity interest in ZYY Shenzhen) amounted to approximately HK\$35.39 million as at 30 September 2015. After completion of the Lixin Transfer on 28 December 2015, the consideration for the Lixin Transfer was later settled on 16 February 2016 by the set-off of prior indebtedness owed by Mr. Ng to Mr. Zhang Shengjie (張勝階), the father of Mr. Zhang and Mr. Zhang Junwei, as mutually agreed by Mr. Ng, Mr. Zhang and Mr. Zhang Shengjie.

As at the Latest Practicable Date, HK Lixin was an investment holding company and had no other operating business.

### **ZYY Shenzhen**

ZYY Shenzhen was incorporated in the PRC on 28 May 2014 as a sino-foreign equity joint venture by HK Lixin and ZYY Holdings, which hold 55.0% and 45.0% of the equity interests in ZYY Shenzhen respectively.

ZYY Shenzhen had the initial registered share capital of US\$10,000,000. On 5 August 2014, a board resolution of ZYY Shenzhen was passed to increase the registered capital of ZYY Shenzhen to US\$30,000,000. Such capital increase was approved respectively by the Management Bureau of Qianhai Shenzhen — Hong Kong Modern Service Industry Cooperation Zone of Shenzhen (深圳市前海深港現代服務業合作區管理局) on 3 September 2014 and by the Shenzhen AIC on 12 September 2014, which has been paid up as at 29 July 2016. On 29 May 2018, a board resolution of ZYY Shenzhen was passed to increase the registered capital of ZYY Shenzhen to US\$50,000,000. Such capital increase was approved respectively by the Management Committee of China (Guangdong) Pilot Free Trade Zone Qianhai & Shekou Area of Shenzhen (中國(廣東)自由貿易試驗區深圳前海蛇口片區管理委員會) on 31 May 2018 and by the Shenzhen AIC on 1 June 2018. From the commencement of our operation in 2014, ZYY Shenzhen is the operating subsidiary of our Group providing finance leasing services to our customers.

### **Huafang Consultancy**

Huafang Consultancy was established in the PRC by ZYY Shenzhen on 6 September 2015. Huafang Consultancy's registered share capital is RMB2,000,000, which has yet to be paid up.

Huafang Consultancy commenced business in September 2015. During the Track Record Period, Huafang Consultancy provided certain customer due diligence services, such as conducting customer interviews, on site visits and investigating customers' financial situation. As we consider (i) the customer due diligence process is an integral part of our operational flow, and (ii) having such

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## HISTORY AND REORGANISATION

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customer due diligence process conducted by a separate entity would incur unnecessary costs and delays in coordinating the works between Huafang Consultancy and ZYY Shenzhen, we transferred the customer due diligence functions from Huafang Consultancy to ZYY Shenzhen in May 2016. Since then, Huafang Consultancy has no operating business generating income.

### Honor Global

Honor Global was incorporated as an investment holding company in the BVI on 28 October 2016 as part of the Reorganisation. For further details of Honor Global, please refer to the subsection headed “History and Reorganisation — Reorganisation — Incorporation of Honor Global” in this prospectus.

### PARTIES ACTING IN CONCERT

On 24 February 2017, our ultimate Controlling Shareholders, namely Mr. Zhang and Mr. Zhang Junwei entered into the Concert Parties Confirmatory Deed to acknowledge and confirm:

- (1) that among each of them that they are parties acting in concert with respect to each member of our Group (the “**Relevant Companies**”) from the respective incorporation dates of the Relevant Companies and up to the date of the Concert Parties Confirmatory Deed; and
- (2) that for so long as they remain interested (either directly or indirectly) in the share capital of the Relevant Companies:
  - (i) they shall act in concert and collectively for all material management affairs and the arrival and/or execution of all commercial decisions, including but not limited to financial and operational matters of the Relevant Companies;
  - (ii) they shall give unanimous consent, approval or rejection on any other material issues and decisions in relation to the business of the Relevant Companies;
  - (iii) they shall cast unanimous vote collectively for or against all resolutions in all meetings and discussions of the Relevant Companies and if they cannot reach agreement on any resolutions or discussion, such matters shall be finally decided by Mr. Zhang;
  - (iv) they shall cooperate with each other to obtain and maintain the consolidated control and the management of the Relevant Companies; and
  - (v) one party shall obtain written consent from other party to the Concert Parties Confirmatory Deed in advance of purchasing, selling, pledging or creating any right to acquire or dispose of any shares of any of the Relevant Companies.

In light of the concert parties arrangement detailed above, the group consisting of Mr. Zhang and Mr. Zhang Junwei and the companies wholly owned by each of them for holding the Shares, namely Hero Global and Icon Global respectively, is a group of Controlling Shareholders collectively interested in and entitled to exercise their control over an aggregate of 75.0% of the issued share capital of our Company after completion of the Capitalisation Issue and the Share Offer.

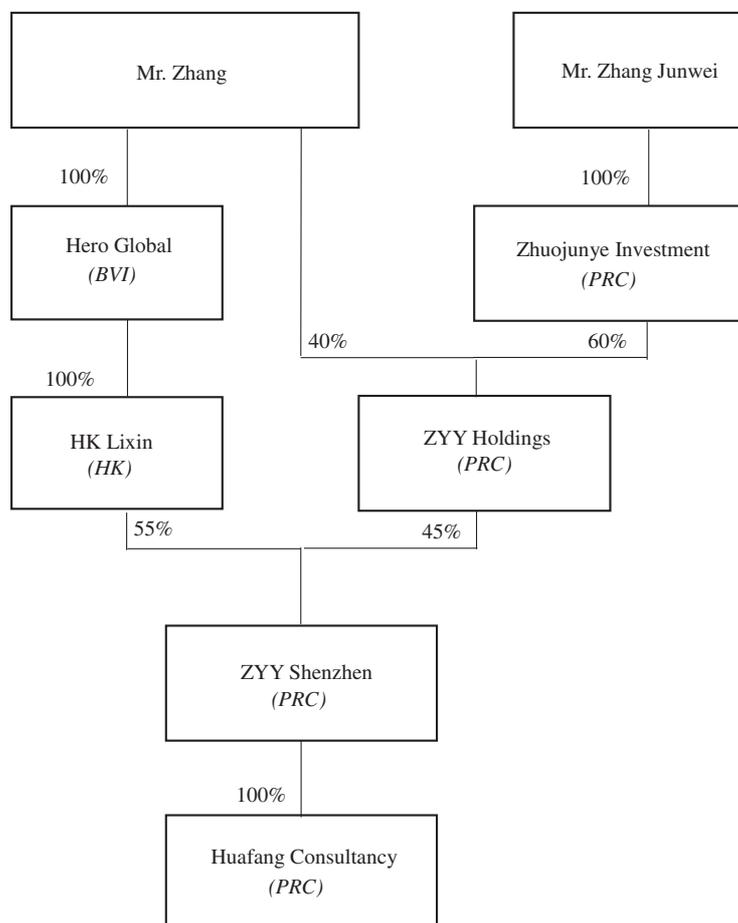
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## HISTORY AND REORGANISATION

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### GROUP STRUCTURE BEFORE REORGANISATION

The following is the shareholding structure of our Group immediately before the Reorganisation:



### REORGANISATION

We reorganised our corporate structure in preparation for the Listing. Following the Reorganisation, our Company became the holding company of our Group. The steps of Reorganisation are set out below:

#### Incorporation of Icon Global

On 18 October 2016, Icon Global was incorporated in the BVI to serve as an investment holding company of Mr. Zhang Junwei. Upon incorporation, Icon Global was authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each and it allotted and issued 100 fully paid shares to Mr. Zhang Junwei at par value.

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## HISTORY AND REORGANISATION

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### **Incorporation of our Company**

On 28 October 2016, our Company was incorporated as an exempted company with limited liability in the Cayman Islands with the initial authorised share capital of HK\$380,000 divided into 3,800,000 Shares of par value HK\$0.10 each. Upon its incorporation, our Company allotted and issued one Share fully paid at par to the initial subscriber, an independent third party. On the same day, such fully-paid Share was transferred to Hero Global at par.

On 22 March 2017, our Company was registered as a non-Hong Kong company pursuant to part 16 of the Companies Ordinance.

### **Incorporation of Honor Global**

On 28 October 2016, Honor Global was incorporated in the BVI to serve as an intermediary holding company of our Group. Upon its incorporation, Honor Global was authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. Upon its incorporation, Honor Global allotted and issued 50,000 fully paid shares to our Company for cash at par value.

### **Acquisition of 100.0% issued share capital of HK Lixin by Honor Global through Share Swap**

On 4 November 2016, Honor Global entered into a share transfer agreement with Hero Global to acquire the 100.0% of issued share capital of HK Lixin as part of the Reorganisation. The consideration of such acquisition was satisfied by the allotment and issue of 729,999 Shares by our Company to Hero Global credited as fully paid at the direction of Mr. Zhang on 4 November 2016. The acquisition of 100% issued share capital of HK Lixin by Honor Global has been properly and legally completed and settled. Upon completion of the acquisition, HK Lixin became a wholly-owned subsidiary of Honor Global and our Company became the holding company of our Group.

### **Acquisition of 45.0% Equity Interest in ZYY Shenzhen by HK Lixin and Share Allotment to Icon Global**

On 12 December 2016, as part of the Reorganisation, HK Lixin entered into a share transfer agreement with ZYY Holdings to acquire 45.0% equity interest in ZYY Shenzhen at a consideration of RMB24,000,000. The consideration was determined on the basis that the said share transfer was made solely for the purpose of the Reorganisation and the equity interest of ZYY Shenzhen would remain owned by our Controlling Shareholders before and after the said share transfer. The consideration was settled by cash on 16 December 2016. On 22 December 2016, the aforesaid transaction was completed and ZYY Shenzhen obtained a new business license. Upon completion of the acquisition, ZYY Holding was excluded from our Group and ZYY Shenzhen ceased to be a sino-foreign equity joint venture and was converted to a wholly foreign owned enterprise owned by HK Lixin. ZYY Shenzhen has properly fulfilled the filing requirements under the Interim Measures for the Recordation Administration of the Formation and Modification of Foreign-Funded Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) with respect to the share transfer and obtained a new business license from the competent local branch of SAIC. As advised by our PRC legal advisers, the acquisition of 45.0% equity interest in ZYY Shenzhen by HK Lixin has been properly and legally completed.

On 23 December 2016, our Company allotted and issued 270,000 fully paid Shares to Icon Global at par value.

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## HISTORY AND REORGANISATION

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### **Capitalisation of an Amount Due to a Shareholder**

Pursuant to a deed of novation and capitalisation dated 31 May 2017 entered into among Hero Global, HK Lixin and our Company, our Company allotted and issued 10,000 fully paid Shares, to Hero Global at the subscription price of approximately RMB25,525,000, which was satisfied by capitalisation of an amount due by our Company to Hero Global of approximately RMB25,525,000.

### **Increase of Authorised Share Capital of our Company**

On 12 June 2018, the authorised share capital of the Company has been increased from HK\$380,000 divided into 3,800,000 Shares of par value HK\$0.10 each to HK\$100,000,000 divided into 1,000,000,000 Shares of par value HK\$0.10 each by the creation of additional 996,200,000 Shares of par value HK\$0.10 each to rank pari passu in all respects with the existing Shares.

As advised by our Company's PRC legal advisers, we have complied with the relevant PRC laws and regulations in material aspects with respect to each step of the Reorganisation.

Please also refer to the subsection headed "Relationship with Controlling Shareholders — Excluded Business of Our Controlling Shareholders" for detailed disclosure on certain companies which our Controlling Shareholders are interested in and have been excluded from our Group.

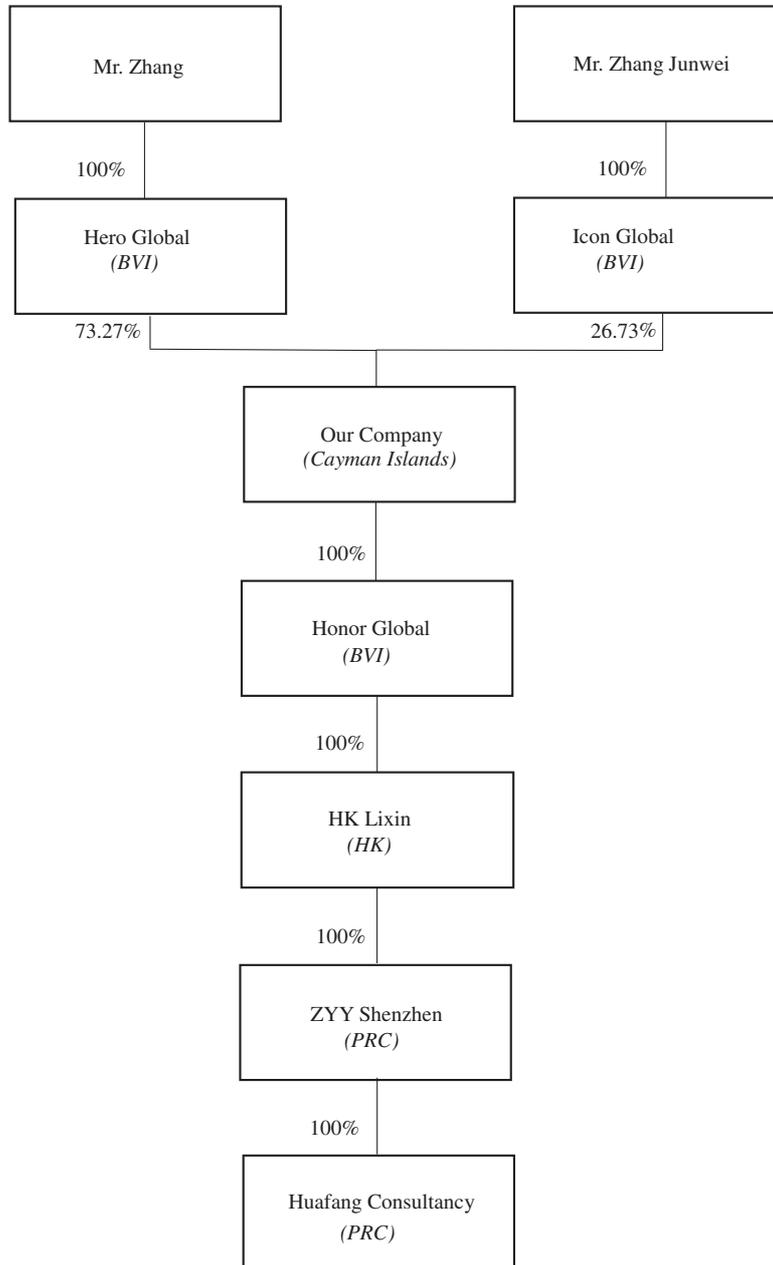
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## HISTORY AND REORGANISATION

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### GROUP STRUCTURE AFTER REORGANISATION AND BEFORE LISTING

The following is the shareholding structure of our Group immediately after completion of the Reorganisation but immediately before the completion of the Share Offer and the Capitalisation Issue:



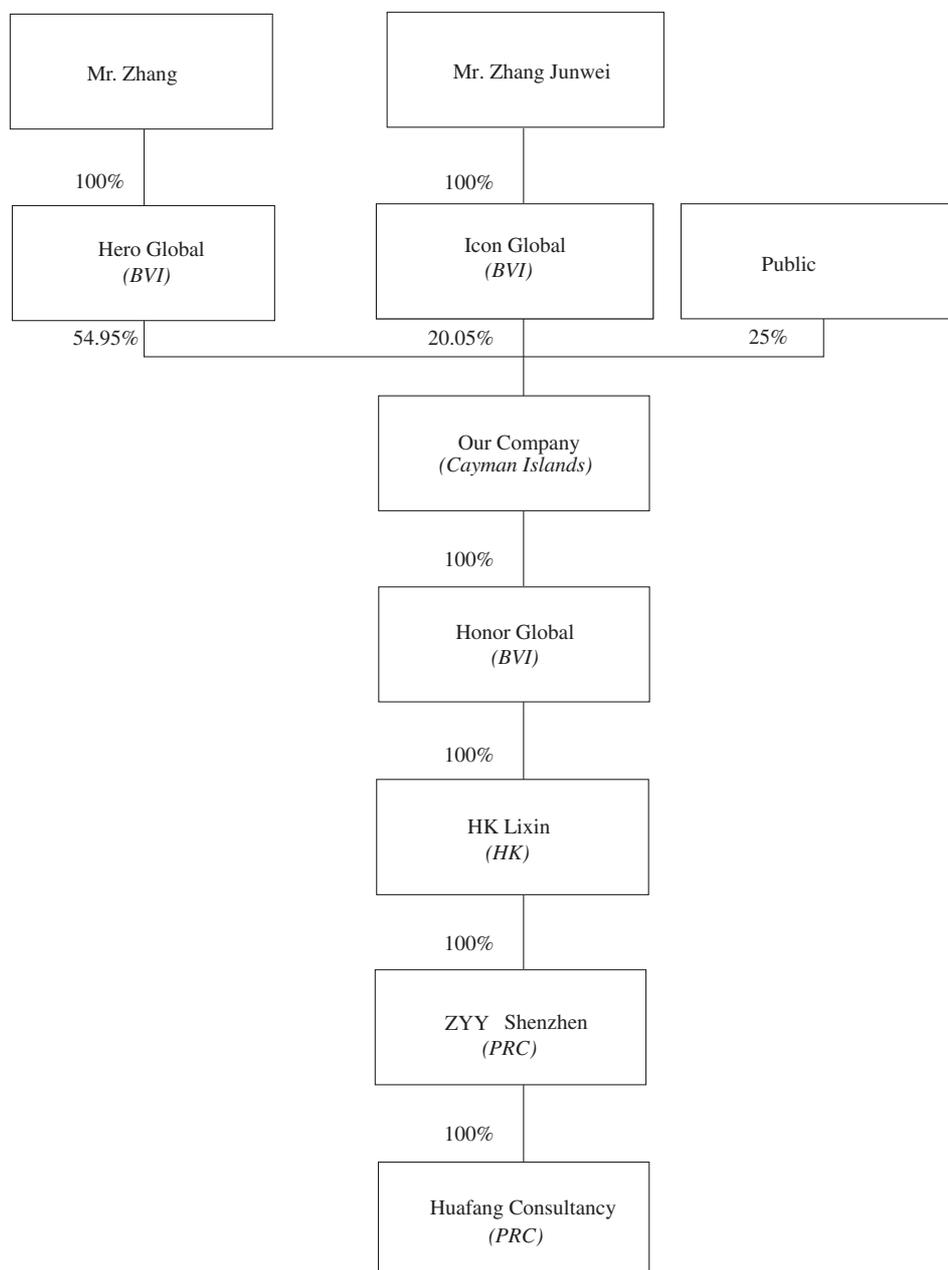
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## HISTORY AND REORGANISATION

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### GROUP STRUCTURE AFTER REORGANISATION AND AFTER SHARE OFFER AND CAPITALISATION ISSUE

The following is the shareholding structure of our Group immediately after the completion of the Share Offer and the Capitalisation Issue:



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## HISTORY AND REORGANISATION

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### PRC REGULATORY REQUIREMENTS

#### Circular No. 37 and Circular No. 13

Pursuant to Circular No. 37 and Circular No. 13, a domestic resident who makes capital contribution to a SPV using his or her legitimate domestic or offshore assets or interests shall apply for foreign exchange registration to banks in the place where the assets or interests of such domestic enterprise are located or to banks in the place where his or her permanent residence is registered (the “**Circular 37 Registration**”). SPVs mean offshore enterprises directly or indirectly established or controlled by domestic residents for the purpose of investment and financing by utilizing the domestic or offshore assets or interests they legally hold. For details on Circular No. 37 and Circular No. 13, please refer to the subsection headed “Regulations — Laws and Regulations on Foreign Exchange — Circular No. 37 and Circular No. 13” in this prospectus.

Mr. Zhang and Mr. Zhang Junwei, the ultimate beneficial owners of our Company, are PRC residents and therefore are subject to the requirements under Circular No. 37 and Circular No. 13. As advised by the PRC legal advisers, Mr. Zhang (in respect of Hero Global) and Mr. Zhang Junwei (in respect of Icon Global) have completed their Circular 37 Registration on 18 February 2016 and 10 November 2016, respectively, in accordance with the then effective and relevant SAFE regulations.

#### M&A Rules

On 8 August 2006, six PRC governmental and regulatory agencies, including the MOC and the SAIC, promulgated the Regulation on the Merger and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”) which became effective on 8 September 2006 and was revised on 22 June 2009. Pursuant to Article 11 of the M&A Rules, where a domestic individual person intends to take over his/her related domestic company in the name of an offshore company which he/she lawfully has established or controls, such takeover shall be subject to the examination and approval of the MOC. Where a foreign investor purchases the equity interest of a domestic foreign-invested enterprise or subscribes for the increased capital of a domestic foreign-invested enterprise, it shall be subject to the current laws, administrative regulations on foreign-invested enterprises and the relevant provisions on alteration in investors’ equity interest of foreign-invested enterprise. As ZYY Shenzhen was established as a domestic foreign-invested enterprise, the M&A Rules do not apply to ZYY Shenzhen.

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## BUSINESS

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### OVERVIEW

We are engaged in providing equipment-based finance leasing services to SME customers in the printing and logistics industries in the PRC. Since the commencement of our finance leasing business in 2014, we have focused our efforts on providing finance leasing services to the printing and logistics industries in various provinces, municipalities, and autonomous regions in the PRC, where we have established connections with industry players and gained operational expertise. Our finance lease offering comprises direct finance leasing and sale-leaseback. The PRC printing equipment finance leasing market has growth opportunities. Seeing the capital need from SMEs in the printing industry in China, our co-founders and our Controlling Shareholders, Mr. Zhang and Mr. Zhang Junwei, have seized such opportunity and expanded our business in this market.

Leveraging on our operational experience and practical knowledge in delivering finance leasing services to customers in the printing industry, we have further expanded into the transportation equipment finance leasing market in China, focusing on provision of finance leasing services to customers who purchase and operate commercial vehicles for logistics purpose. We have taken full advantages of the characteristics of a relatively small financing amount, quick completion time and relatively low costs in relation to vehicle leasing business.

Our diversified customer base consisting of SME customers in our target industries of printing and logistics in China has also been growing. We provided services to approximately 74 SME customers in these two industries in five provinces as well as the municipalities of Beijing and Shanghai as at 31 December 2015. Our customer base expanded to approximately 292 SME customers in these two industries across 24 provinces, municipalities and autonomous regions in China as at 31 December 2017. Going forward, we intend to further develop our finance leasing business by targeting new industries which we believe have stable income streams, strong government supports and sustainable drives for growth.

We recorded revenue growth during the Track Record Period. Our revenue increased by 173.1% from approximately RMB10.8 million for FY2015 to approximately RMB29.5 million for FY2016, and further increased by 76.6% to approximately RMB52.1 million for FY2017. Our net finance lease receivables also increased by 171.5% from approximately RMB98.4 million as at 31 December 2015 to approximately RMB267.2 million as at 31 December 2016, and further increased by 26.1% to approximately RMB337.0 million as at 31 December 2017. Furthermore, we have established effective risk management and internal control procedures which are tailored to the characteristics of our business operations. Our comprehensive risk management system coordinated among our various departments and risk management committee have enabled us to identify any potential default of our customers and take remedial actions to enhance the security of leased assets at an early stage. Our non-performing assets amounted to nil, nil, and approximately RMB6.1 million for FY2015, FY2016 and FY2017, respectively. During the Track Record Period and up to the Latest Practicable Date, eight customers defaulted in lease payments. We subsequently recovered lease payments from five customers of them, and have initiated court proceedings against two customers of them for debt recovery. The remaining one customer is in the course of repaying outstanding lease payments and other fees in accordance with the repayment schedule agreed with us.

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## BUSINESS

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### OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths enable us to compete effectively in the finance leasing industry in the PRC.

**We have accumulated experience from providing finance leasing services in the PRC printing and logistics industries and benefit from the historical growth and future financing needs in these target industries**

Under our existing business model, we are committed to providing finance leasing services to SME customers strategically in the PRC printing and logistics industries. We believe these industries will provide growing customer base and stable revenue streams to our business. Furthermore, the printing equipment under our finance leasing transactions has a life cycle of over 20 years and an average asset depreciation rate of 6.1% per annum (calculated based on purchase price of new equipment, useful lives and scrap value), which enable us to preserve a high scrap value of leased assets and maintain a low risk exposure in our printing finance leasing business. For the logistic finance leasing industry, the leased vehicles generally require a relatively small amount of funds, which allow us to fully utilise unused capital, generate interest income and broaden our sources of revenue.

Leveraging on our accumulated experience and operational expertise in these two industries, as well as our practical knowledge of our SME customers' characteristics and demands, together with our streamlined loan application review process, we have successfully expanded our customer base and achieved revenue growth by capitalising on the growth and financing needs in the PRC printing and logistics finance leasing markets. Our customer base expanded from approximately 14 customers in Guangdong province as at 1 January 2015 to approximately 292 customers across 24 provinces, municipalities and autonomous regions in China as at 31 December 2017. In particular, our Group's revenue from logistics finance leasing transactions in China (before deduction of sale related taxes) increased by approximately RMB2.3 million, or by 2,972.7%, from approximately RMB77,000 in FY2015 to approximately RMB2.4 million in FY2016, mainly attributable to revenue from 117 new finance lease agreements entered into with logistics customers during FY2016. Further, our Group's revenue from logistics finance leasing transactions increased by approximately RMB5.4 million, or by 225%, to approximately RMB7.8 million in FY2017, mainly attributable to revenue from 63 new finance leasing agreements entered into with logistics customers during FY2017.

In addition, revenue derived from recurring customers increased during the Track Record Period. Customers which entered into finance leasing transactions with our Group more than once during the Track Record Period have been classified as recurring customers. For FY2015, FY2016 and FY2017, revenue from six, 40 and 69 recurring customers amounted to approximately RMB1.9 million, RMB4.7 million and RMB13.3 million, which represented approximately 17.6%, 15.9% and 25.5% of our Group's total revenue for the same periods, respectively.

Based on the connections, knowledge and experience we have accumulated in the PRC printing and logistic industries, we believe we will continue to benefit from the historical growth and future financing needs in these target industries in the future.

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## BUSINESS

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### **We provide accessible and flexible solutions to our SME customers bridging their financing needs**

We provide customised finance leasing services that meet the individualised demands of SME customers in the PRC printing and logistics industries. SME customers have difficulty in gaining access to traditional bank loans due to the long-term credit records and other strict requirements under bank loan policies. We believe our finance leasing services provide a more accessible and flexible alternative source of financing for our SME customers, bridging their short to medium-term financing need. Compared with traditional bank loans, our finance leasing services offer SME customers a less rigid application process and a more flexible solution with respect to the interest rates, payment schedules and duration of loans. In accordance with our business strategy, our business development department has carried out sales and marketing activities with customers, intermediaries and automobile dealers in the PRC printing and logistics industries, as well as has participated in industrial exhibitions and trade fairs, across China. Our business development department designates sales personnel to be in charge of certain geographical regions in terms of customer calls and visits, as well as interactions with SMEs from time to time. Through our sales and marketing activities with industry participants as well as customers, our Group is able to acquire a better understanding of the SME customers' characteristics and financing needs in these two industries, which enables our business development department to offer different types of finance leasing packages tailored for customers' various financing needs. Our services are customised for a variety of printing equipment as well as commercial vehicles, whether they are brand new or used, without a threshold imposed on the business scale of SME customers, provided that the risk exposure and financial return of finance leasing transactions meet our internal standards.

Moreover, with the support of our qualified personnel and our OA system, our risk management department has developed a streamlined loan application review processes which improves the efficiency of loan approval and provides convenience to SMEs. In particular, because the logistics finance leasing transactions require a relatively small amount of funds, we have a simplified risk management process with less transaction due diligence works for most of logistics finance leasing transactions, which enables our Group to complete risk management processes quicker compared to printing finance leasing transactions. As a result, logistics finance leasing transactions involve less manpower and resources, as well as incur lower costs, compared to printing finance leasing transactions. In addition, our logistics SME customers are mostly based in Shenzhen and Guangzhou of Guangdong province which are in proximity to our key business operations. These customers purchase commercial vehicles from domestic suppliers in surrounding areas. Therefore, the entire process of a logistics finance leasing transaction from customer identification to transaction completion generally takes a relatively short period of time, compared to printing finance leasing transactions. Furthermore, in order to cultivate long-term relationships with SME customers, throughout the service period, our business development department assigns to each customer our dedicated staff members who follow up on the customer's request and provide necessary assistance. Our Directors believe that through providing customised finance leasing solutions, we are able to differentiate ourselves from our competitors and attract potential customers to enter into agreements with us.

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## BUSINESS

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### **We have implemented prudent risk management measures and internal control processes**

We have established prudent risk management and internal control procedures which are tailored to the characteristics of our business operations, as we enter into an increasing number of finance leasing agreements with customers. Please refer to the subsection headed “— Sustainability of Our Business — Risk Management System Tailored to the Characteristics of Our Business” in this section of the prospectus for further discussion. Our risk management system is implemented through comprehensive customer due diligence, multi-level approval and on-going monitoring processes. The continuous review process coordinated among our various departments and risk management committee also enables us to identify any potential default of our customers and take remedial actions to enhance the security of leased assets at an early stage. In addition, since we are entitled to the ownership rights of leased assets until lease payments are settled in full in respect of printing finance leasing transactions, and we obtain security interest over the leased vehicles in respect of logistics finance leasing transactions, we believe the extent of our credit risk exposure in the event of customer’s default is relatively low. As a result, our non-performing assets amounted to nil, nil and approximately RMB6.1 million for FY2015, FY2016 and FY2017 respectively, which illustrates the effectiveness of our risk management system.

### **We are committed to enhancing our operational management and customer service capability through our OA System**

Our OA System has integrated our business processes and financial systems through an online platform, covering customer data, loan processing and most steps of our transaction management workflow. We believe that we are able to enhance our capability in risk management and overall efficiency during the loan approval process and differentiate ourselves from our competitors through developing and implementing an advanced information technology system in accordance with our business needs. Since January 2016, we have been cooperating with an external computer software provider to develop our OA System and incorporating the risk management software for finance leasing transactions, in respect of which we own the relevant copyrights. The OA System allows us to promptly register each customer’s information and maintain an updated database regarding the status of our customers’ transactions with us. The features of data management in our OA System enable us to efficiently complete the work in the phases of customer credit assessment, project evaluation, drawdown of funds and post-drawdown management. Furthermore, tracking function of the OA System allows us to trace and follow up with both existing customers and potential customers. Under the OA System, we can monitor the payment progress of each customer, evaluate the performance of our employees, reduce the hassle of circulating physical documents and decrease the risk of human errors. We believe that these features of the OA System are important to enhance our efficiency in providing quality services to our customers and improving customer satisfaction, thereby strengthening their loyalty to our business. We will continue to expand the functionality of our OA System.

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### OUR BUSINESS STRATEGIES

We plan to continue to strengthen our key market player position in the finance leasing industry in China and leverage on our competitive advantages in customised service offering and prudent risk management as well as our OA system, to enhance our overall competitiveness and market shares. To generate investment returns for our shareholders and drive our sustainable growth in the future, we plan to adopt the following strategies:

#### **Further strengthen our market position and expand our business in our target industries in China**

We will persistently implement our business strategies and further strengthen our market position in our target industries of printing and logistics in China. As at the Latest Practicable Date, we provided finance leasing services to SME Customers across 25 provinces, municipalities and autonomous regions in China. We will develop our existing finance leasing business in the PRC printing and logistics industries by injecting more capital to satisfy funding requirements for such business, which would allow us to have more capital resources for offering financing solutions to our SME customers in these industries. In light of the sizable and increasing demands for our finance leasing services in China, we will focus on increasing our operation scale, expanding our sales network and broadening our customer base strategically in other regions in China, which will enable us to realise better economic efficiency as well as reduce risks arising from business concentration and region-specific risks. In order to expand our sales network and broaden our customer base strategically, we will enhance our collaborations with equipment suppliers, distributors and industry associations. Moreover, taking into account the significant market demands in northern and eastern parts of China, we will carefully research on the local conditions and replicate our successful business model in the new markets of these regions. We intend to invest more funds and resources in market researches, site visits to potential customers and collaborative activities with industry associations in the new markets. In order to expand our customer base and strengthen equipment supplier channels, we will establish a northern China operation centre (in Beijing, Tianjin or Qingdao) and an eastern China operation centre (in Hangzhou, Suzhou or Shanghai). For each operation centre, we plan to arrange five to six salespersons to carry out business development and marketing activities. Furthermore, we will maintain good relationships with our customers so as to enhance our customer referral rate. We will also continue to participate in the activities held by industry associations, in order to identify more potential customers and enhance our reputation in the finance leasing industry.

Moreover, we believe our growth is attributable to our ability to recruit, develop, motivate and retain our talented and professional workforce. In addition to recruiting new personnel, we will continue to focus on providing training and development programs to our workforce so as to enhance their technical expertise and industrial knowledge for our target industries. We will continue to improve our incentive-based compensation structure to help align employees' compensations with their contributions to our business. We will also continue to improve our human resources policies to attract, train, incentivise and retain employees. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further disclosure on relevant timeframe and estimated amounts to be spent.

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### **Further strengthen our risk management capabilities and enhance our OA System**

We intend to continue to strengthen our risk management capabilities. We will continue to focus on implementing an integrated and effective risk management system to protect the long-term interests of our Shareholders, customers and employees. We intend to proactively enhance our customer selection process as well as our credit assessment and approval procedures. In particular, we will implement effective criteria for customer selection. We will continue to provide professional trainings to our risk management team.

As our business expands, we expect to serve more customers and operate in more cities in China. To achieve these goals, we intend to further develop and utilise our big data analytics. In order to mitigate additional risks associated with our expansion, we will constantly upgrade our OA System to monitor our customers' business operations and financial performance more closely. We also intend to monitor and control the conditions of leased assets, improve our financing transaction management and enhance our overall asset management in a systematic manner. In addition, we will enhance our risk management capabilities to effectively manage illiquid assets and defaulted loans.

Moreover, we intend to continuously improve our asset quality and minimise our risk exposure through improving our customer base structure. We will continue to develop our relationships with SME customers which have well established connections with major equipment suppliers and are able to provide guarantees or security deposits for their finance leasing transactions with us.

### **Explore our new target industries for strategic development in China**

We will continue to focus on developing our business in our new target industries with high growth potential. When deciding whether to enter a particular industry, we assess the characteristic operation scale, financial performance of our target customers group in the new industry. In addition, we will internally conduct detailed discussions among our senior management and consult with external industry experts for an in-depth and thorough understanding of the new industry. Based on in-depth market research and comprehensive assessment of our new target industry in China, we will provide training and development programs to our employees to develop their industrial knowledge and advance their technical expertise for such industry. We may even further conduct on-site due diligence visits, prepare service proposals and launch new transactions with new customers in that industry. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further disclosure on relevant timeframes and estimated amounts to be spent.

We are in the preparation process for entering into the PRC medical device industry. As at the Latest Practicable Date, we have obtained the permit for medical device operation (醫療機械經營許可證) in China from the Shenzhen MQSC. Medical devices include instruments, apparatus, appliances, software, materials and other articles used in the medical and healthcare industries. According to the Frost & Sullivan Report, the New Contract Volume of the PRC medical device finance leasing market increased from RMB29.3 billion in 2011 to RMB110.6 billion in 2017, with a CAGR of 24.8%. The New Contract Volume of the PRC medical device finance leasing market is expected to increase from RMB132.9 billion in 2018 to RMB264.2 billion in 2022, with a CAGR of 18.8%. Such increase is primarily attributable to the continuous aging trend of chinese population, the growing demands for

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healthcare services and the favourable government policies in China. To capitalise on the great growth potential of the PRC medical device finance leasing market, we plan to expand our business operation in the following manners:

- *Customer identification.* We intend to identify customers in the medical device industry mainly by establishing business cooperations with medical equipment manufacturers and distributors in various parts of China, which we believe can provide our Group access to, and communication channels with, potential customers in this industry.
- *Assessment of the value and condition of each medical device.* We will evaluate the value and status of each medical devices by checking relevant invoices for purchase, verifying relevant purchase contracts and consulting with industry experts when necessary so as to ensure that the value of the medical devices can fully cover the amount of loan we will provide to customer.
- *Compliance with laws and regulations.* In order to ensure compliance with relevant laws and regulations, our risk management department has formulated internal operational manual and risk management policies in preparation for the planned medical device finance leasing business. In addition, our risk management department will also engage external legal advisers to provide advice on the compliance with relevant regulations and rules and conduct legal training and seminars relating to the PRC medical device industry for our employees on a regular basis. Furthermore, we will maintain regular communications with relevant authorities and industry associations and keep timely updated with changes in industry-related regulations and government policies.
- *Effective management of our new business.* For our planned medical device finance leasing business, we will replicate the existing business model and risk management system as we have successfully operated in the PRC printing and the logistics industries with necessary adjustments and customisations. We will clearly allocate and separate duties among different departments in the planned medical device leasing business and regularly review their financial performance. When appropriate, we will recruit staff with relevant experiences and industry knowledge in the medical device finance leasing market to enhance our management capabilities.

Our Group is conducting market research and providing employee trainings in relation to the PRC medical device industry at this exploratory stage to prepare our entry into the industry when suitable market opportunities arises and we will have adequate supply of funds and resources after the Listing.

Moreover, we plan to help our potential customers in the medical device industry assess their funding needs, future operating cash flow and debt serviceability with our goal of designing customised financing where a customer borrows the appropriate amount of funds necessary for its operations, draws down the financing funds in tranches only as and when needed and repays the finance lease on a pre-determined repayment schedule based on the customer's cash flow projections. We believe such approach could reduce the overall funding costs of the customer by minimising its idle cash and unnecessary borrowings.

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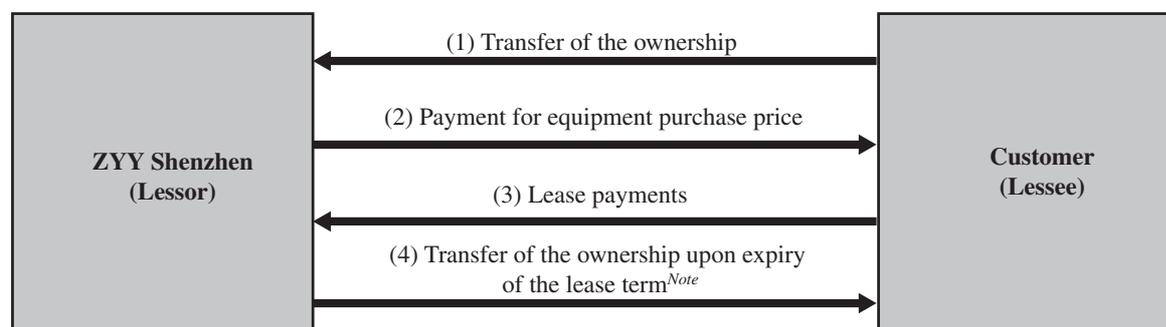
### BUSINESS MODEL

We primarily provide finance leasing services to our SME customers in our target industries of printing and logistics across 24 provinces, municipalities and autonomous regions in the PRC as at 31 December 2017. Our finance leasing business is categorised into two types: (i) sale-leaseback transactions; and (ii) direct finance leasing transactions. In a typical finance lease transaction, we offer finance leasing solutions and related ancillary services to customers (such as on-site visits for customer due diligence as well as preparation of credit assessment reports and transaction documents). During the Track Record Period and up to the Latest Practicable Date, we had not changed our business model.

#### Sale-leaseback

A typical sale-leaseback transaction involves two parties, namely lessor and lessee. In a sale-leaseback transaction, a customer (as lessee) sells the existing equipment to us, and then we (as lessor) lease the equipment back to the customer for its use. The customer repays us in the form of lease payments under the terms of the finance lease agreement. After the lessee has paid up all lease payments upon expiry of the lease term, we transfer the ownership of leased equipment back to the customer.

The relationship between the two parties is illustrated in the following diagram:



*Note:* \_\_\_\_\_

- (1) During the Track Record Period, we only provided services to customers in the PRC logistics industry under the sale-leaseback model. For those sale-leaseback transactions in the logistics industry, the ownerships of leased vehicles remain with customers throughout the finance leasing term. Accordingly, in addition to the finance leasing agreement, we entered into separate security agreements with those customers to get security interest over the leased vehicles as collaterals.

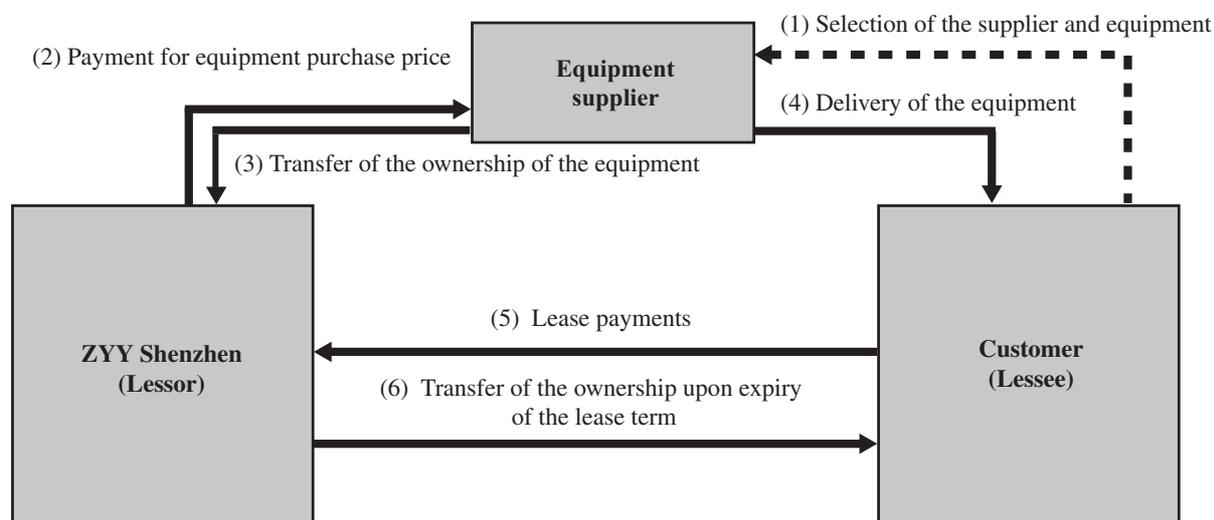
#### Direct Finance Leasing

A typical direct finance leasing transaction involves three parties, namely lessor, lessee and supplier. In a direct finance leasing transaction, when a customer (as lessee) needs financing to purchase certain equipment, we (as lessor) purchase such equipment from the supplier selected by the

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customer. We then lease the equipment to the customer for business use. The customer repays us in the form of lease payments under the terms of the finance lease agreement. After the customer has paid up all the lease payments upon expiry of the lease term, we transfer the ownership of leased equipment to the customer.

The relationship among the three parties is illustrated in the following diagram:



In a direct finance leasing transaction, we cooperate with a third party equipment supplier selected by a customer, from whom we purchase equipment to be leased to our customers. We have made the following internal policy about the approval criteria of third party equipment supplier in direct finance leasing transactions: (1) the equipment supplier shall possess qualifications to sell equipment as well as the capacity and authority to issue an invoice; and (2) in the event that the equipment provided by the equipment supplier is imported from overseas (either brand new or second-hand) and the equipment supplier is an importing agent, such equipment supplier shall be either a state-owned enterprise or a publicly listed company; or in the event that a domestic supplier provides the equipment, such supplier shall be either a manufacturer of such type of equipment or a trading agent which possesses relevant qualifications.

### Revenue Contribution

The following table sets forth a breakdown of our revenue by finance leasing transaction type for the years indicated:

Revenue	Year ended 31 December					
	2015		2016		2017	
	<i>RMB</i> ( '000)	%	<i>RMB</i> ( '000)	%	<i>RMB</i> ( '000)	%
Sale-leaseback	10,902	100.0	27,864	94.1	46,987	90.3
Direct finance leasing	—	—	1,737	5.9	5,073	9.7
Subtotal	10,902	100.0	29,601	100.0	52,060	100.0
Sales related taxes	(95)	—	(55)	—	—	—
<b>Revenue after sales related tax</b>	<u>10,807</u>	—	<u>29,546</u>	—	<u>52,060</u>	—

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Only sale-leaseback transactions are involved for logistics customers, whereas either sale-leaseback or direct finance leasing transactions are involved for printing customers.

Our sale-leaseback leasing business constituted our primary business during the Track Record Period, primarily attributable to the following reasons: (1) a direct finance leasing transaction involves a tri-partite negotiation and agreement among the lessor, lessee and supplier, and such process increases our costs (including costs for examining qualifications and assessing business credit of equipment suppliers, costs for negotiating and signing contracts with the equipment suppliers as well as costs in relation to risks arising from breaches by the equipment suppliers and relevant litigation costs); and (2) the equipment quality issues and delivery risk which may arise in a direct finance lease transaction can be avoided or minimised in a sale-leaseback transaction.

The proportion of direct finance leasing transactions out of our total revenue has increased since 2016 primarily attributable to new finance lease agreements entered each year as a result of rising demands from our printing customers.

### **SUSTAINABILITY OF OUR BUSINESS**

Although we have a short operating history and have not completed the full cycle of most of our finance lease transactions or gone through a complete bad debt cycle since establishment, which gives rise to uncertainty in future collection of our receivables, our Directors and the Sole Sponsor are of the view, that our business is sustainable based on the following factors and coupled with the competitive strengths and prudent risk management measures of our Group as disclosed in the subsections headed “Business — Our Competitive Strengths” and “Business — Reasons for Our Revenue Growth During the Track Record Period” in this prospectus.

#### **Collection of Finance Lease Receivables**

Regardless of our short operating history, during the Track Record Period and up to the Latest Practicable Date, we have completed the full cycle of 85 finance leasing agreements, under which we fully collected receivables from our customers upon expiry of lease terms. The revenue derived from these 85 finance leasing agreements accounted for approximately 51.5%, 22.7% and 6.8% of our total revenue for the FY2015, FY2016 and FY2017, respectively. As we enter into more finance leasing agreements with customers, our non-performing assets amounted to nil, nil, and approximately RMB6.1 million for FY2015, FY2016 and FY2017 respectively. We have established non-performing assets recovery procedures in line with industry practice to deal with any potential non-performing asset in the future. Please refer to the subsection headed “Risk Management and Operation — Credit Risk Management — Asset Recovery” in this prospectus for further discussion. Moreover, during the Track Record Period, eight customers defaulted in lease payments, among which we subsequently recovered lease payments from five customers thereunder, but have not recovered the lease payments for the remaining three customers as at the Latest Practicable Date. Please refer to the subsection headed “Business — Customers — Credit and Risk Management with regards to Five Largest Customers” and “Risk Management and Operation — Credit Risk Management Measures — Asset Recovery — Non-performing Assets Recovery Process” for further discussion.

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### **Risk Management System Tailored to the Characteristics of Our Business**

With respect to printing finance leasing transactions, we generally finance a customer at an amount less than 70.0% of the value of leased printing equipment. We obtain the ownership of leased printing equipment and further require our customers (and their legal representatives, shareholders and associated companies) to provide joint and several guarantees. In the event that a customer defaults to pay or seriously breaches any term of the underlying agreement, we have the right to immediately and unilaterally repossess such leased assets to realise their value and further enforce our rights over guarantees. We require the satisfaction of conditions precedent by the customer before any drawdown, including but not limited to the registration of finance leasing agreement and ancillary documents with the PBOC Credit Reference Centre.

With respect to logistics finance leasing transactions, we generally finance a customer at an amount less than 80.0% of the value of a leased vehicle. We obtain security interest over the leased vehicles as collaterals. In the event that our lessees have any material default on lease payments, we are entitled to enforce our security rights over any collateral and/or repossess the assets underlying our leases and realise their value. We require the satisfaction of conditions precedent by the customer before any drawdown, including but not limited to the registration of relevant vehicle as collaterals with local vehicle administrative offices.

At drawdown, we deduct a certain percentage of the net funding as deposit and customers draw down the remaining balance after commencement of the lease term. Upon expiry of the lease term, such deposit may serve as final lease payment(s) in one or several instalment(s).

### **Our Credit Risk Management Measures**

We have implemented credit risk management measures and internal control processes to diversify and mitigate our credit risks. The following summary illustrates our major credit risk management measures:

- *Due diligence.* Our risk management department conducts thorough due diligence on each customer as well as its substantial shareholders and proposed guarantors. Moreover, we evaluate each customer's creditworthiness and ability to generate stable and sustainable revenue.
- *Asset quality.* We evaluate the value and liquidity of assets under each finance leasing transaction and ensure the outstanding lease payments will be sufficiently covered by the value of leased assets.
- *Approval process.* We have a multi-layer review and approval system that enables us to thoroughly discuss the potential issues and risks associated with each finance leasing transaction.
- *Post-drawdown management.* Our post-drawdown management includes routine inspections, on-site inspections, daily supervision, as well as monthly review, of the collection status of finance lease receivable, repayment reminders, overdue collection and

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overdue warnings, and ongoing monitoring of leased assets. Our finance and accounting department conducts daily supervision by examining the daily log for each transaction, which includes the name, amount due and payable to our Group at relevant times, as well as the collection status of customers. In the event that the finance lease receivables are collected, our finance and accounting department marks the relevant collection status to be “normal repayment” and records the repayment date in the log. In the event that the finance lease receivables are not collected, our finance and accounting department notifies our business development department of such overdue payment, and our business department follows up with the relevant customers. The continuous review process coordinated among our various departments and risk management committee enables us to identify any potential default of our customers and take remedial actions to enhance the security of leased assets at an early stage.

Please refer to the subsection headed “Risk Management and Operation — Credit Risk Management” in this prospectus for further discussion.

### **Future Plan to Strengthen Our Risk Management Capabilities**

We intend to continue to strengthen our risk management capabilities through the following measures:

- proactively streamline our policies and enhance our customer selection process as well as our credit assessment and approval procedures;
- continue to provide professional trainings to our risk management team; and
- monitor and control the condition of leased assets, improve our financing transaction management and enhance our overall asset management through our OA System.

Please refer to the subsection headed “Business — Our Business Strategies” in this prospectus for further discussion.

### **Funding Capabilities**

During the Track Record Period, our funding sources include our own capital, cash generated from operating activities, shareholder’s contribution, bank borrowings and financial assets sold under the repurchase agreement. Our Group has a stable financing strategy and will not rely on our Controlling Shareholders for financing after the Listing.

On 28 June 2017, we have entered into a supplemental agreement to the framework agreement, signed on 20 March 2017 under which an independent third party securities company will provide financing to our Group in the aggregate amount of RMB300.0 million through financial assets sold under repurchase agreements within three years after the date of agreement (the “**Supplemental Agreement**”). The Supplemental Agreement further provides that the interest rate is fixed at a 50% markup of the PBOC’s interest rate and the repayment schedule is 365 days. In addition, under the Supplemental Agreement, the parties will perform due diligence and make assessment, taking into account various factors such as market conditions, in order to further determine the appropriate amount of funds and other terms for our financing needs. We are required to pledge the underlying

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financial assets with the financing party. Our Company has approached several other finance companies for similar arrangements for financing through finance assets sold under the repurchase agreements. The 50% markup of the PBOC's interest was within the range of interest rates offered by other finance companies for similar financing arrangement.

On 20 June 2017, we entered into a repurchase agreement with an independent third party finance leasing company to provide financing to our Group in the amount of RMB8.0 million through financial assets sold under the agreement. The repurchase price is 109% of the transfer price and the repayment schedule is 365 days. Moreover, on 20 July 2017, we entered into a framework agreement with such finance leasing company to provide financing to our Group in an aggregate amount of RMB100.0 million through financial assets sold under repurchase agreements within two years after the date of agreement. The parties agree that the transfer price of underlying financial assets will be mutually agreed between the purchaser and us from time to time with reference to the prevailing market interest rate and that the repurchase price will not be higher than 109% of the transfer price. The repayment schedule is 365 days unless an extension is mutually agreed by both parties. In the event that we apply to transfer our underlying financial assets to the purchaser, we may need to produce relevant documents relating to the financial assets for the purchaser's review. We undertake to repurchase the financial assets transferred to the purchaser and the purchaser has the discretion to require a deposit from us to secure our repurchase obligation under the relevant repurchase agreement.

On 7 August 2017, we entered into a credit facility agreement with a bank, pursuant to which the bank agreed to grant a credit facility of RMB26.0 million to us. Subsequent to the Track Record Period, we entered into a credit facility agreement with a bank on 2 January 2018, pursuant to which the bank agreed to grant a new credit facility of RMB30.0 million to us.

We will continue to maintain a diversified portfolio of funding sources and seek opportunities to lower our financing costs along with our business expansion. Furthermore, the estimated net proceeds from Share Offer presents a source of funding for us. After the Share Offer, as we become a public company, we expect to have better access to capital markets and therefore enhance our funding capabilities. Please refer to the subsections headed "Business — Lenders" and "Financial Information — Factors Affecting the Results of Operations and Financial Condition — Funding Capabilities" in this prospectus for further discussion.

### REASONS FOR OUR REVENUE GROWTH DURING THE TRACK RECORD PERIOD

Our Directors are of the view that our Group had revenue growth by serving SME customers in our target industries of printing and logistics in the PRC during the Track Record Period, mainly attributable to the following reasons:

#### **Growth Opportunities in the PRC Printing Equipment Finance Leasing Market**

We have capitalised on and benefited from the capital demands of SME customers across China. The PRC printing equipment finance leasing market has growth opportunities. According to the Frost & Sullivan Report, the New Contract Volume of this market grew from RMB8.3 billion in 2011 to RMB14.6 billion in 2017 with a CAGR of 9.9% during such period. Moreover, there are capital demands from SMEs in the printing industry in China. SMEs have difficulty in accessing to traditional

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bank loans due to the long-term credit records and other strict requirements under bank loan policies. Our finance leasing service becomes an efficient way for SME customers to solve their funding problems. Please refer to the subsection headed “Industry Overview — the PRC Finance Leasing Market” in the prospectus for further details.

### Development of Our Business

Seeing the capital demands from SMEs in the printing industry in China, our co-founders and our Controlling Shareholders, together with other management members, started to make preparation work and conducted market researches on the PRC finance leasing industry in 2014. Please refer to the subsection headed “History and Reorganisation — Overview” in this prospectus for further details on establishment of our Group. Our business development department started to develop our sales network and customer base in Guangdong province in 2014, and has further expanded into other parts of China since 2015. Meanwhile, our risk management department is mainly responsible for formulating and implementing risk management policies and rules, as well as conducting customer due diligence. Our operation scale has steadily grown to meet our customers’ demands.

The following table sets out the number of our employees by department as at the dates indicated:

	As at 31 December		
	2015	2016	2017
Risk management department . . . . .	9	13	11
Business development department . . . . .	10	10	14
Other departments . . . . .	<u>8</u>	<u>12</u>	<u>11</u>
<b>Total</b> . . . . .	<u><u>27</u></u>	<u><u>35</u></u>	<u><u>36</u></u>

During the Track Record Period, we have developed our business operation in two target industries with growth potential, namely the printing industry and the logistics industry.

### *Printing Industry*

Printing industry in the PRC includes printing of books, newspapers and other publications, as well as packaging and decoration materials. Printing industry is our primary target industry. Printing equipment has lower asset depreciation rate, longer life cycle and higher scrap value, preserving the high value of our finance leases, compared to other types of leased assets.

Despite that the printing equipment has a relatively low asset depreciation rate and a long life cycle, printing companies have a constant need for new printing equipment to expand their business scale due to the steadily growing demand for printing products, the rising market concentration as a result of the higher requirements on environmental protection as well as the improving quality of printing services. Printing companies also demand for upgrading their equipment to meet their consumers’ needs for green and digital printing. Therefore, they will likely continually acquire new equipment for their business operations. We have been providing finance leasing services to various printing companies since 2014.

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### *Logistics Industry*

The PRC transportation equipment finance leasing market has experienced rapid growth primarily attributable to the increasing road freight turnover of logistics industry and the flourishing e-commerce. According to the Frost & Sullivan Report, the New Contract Volume of the market increased from RMB102.3 billion in 2011 to RMB488.6 billion in 2017, with a CAGR of 29.8% during such period. Moreover, a large number of medium and small logistic companies have emerged in recent years. They need new transportation equipment, but only have limited access to traditional bank loans.

There are a cluster of logistics companies in various regions of the PRC (such as the Pearl River Delta Region) which have a strong demand for commercial vehicles. We have developed our finance leasing business in the PRC logistics industry, thereby broadening our sources of revenue during the Track Record Period. Since we started serving customers in the logistics industry in October 2015, the logistics industry has gradually become more important to our business growth. We currently only provide sale-leaseback transactions to our customers in the logistics industry.

In particular, we have cooperated with automobile dealers in Guangdong province, which have introduced to us many customers who have immediate capital needs to fund their purchases of commercial vehicles. Moreover, during the Track Record Period, we recruited two project managers who possessed experience in automobile industry and car loan processing, respectively, as well as one risk management manager who possessed relevant experience in conducting client due diligence and credit assessment work for equipment finance leasing business, in order to enhance our management's industry expertise. In addition, our business development department has carried out business development and marketing activities targeting the logistics finance leasing market, and our risk management department has arranged designated personnel to handle logistics finance leasing transactions. Furthermore, as part of our risk management system, we have prepared the business operation manual with respect to logistics finance leasing transactions and implemented relevant risk management measures.

### **Our Sales and Marketing Activities**

It generally takes from one week to one month for our risk management department to complete customer due diligence visits and obtain final approvals from our risk management committee for the customers which meet our requirements. The time from the final approvals to the execution of finance lease agreements varies case by case subject to the procurement process of leased assets. In any event, it takes no longer than six months from the customer due diligence visits to the execution of finance lease agreement. Please refer to the subsection headed “— Operational Workflow” in this section for further details.

We have carried out sales and marketing activities in accordance with our business strategies, which enables us to expand our customer base in Guangdong province and other parts of China. Our business development department visits potential customers onsite as part of our direct sales and marketing activities. They also visit the potential customers which intermediaries, automobile dealers and existing customers refer to us. After having reviewed the details of potential customers and proposed terms of finance leasing, our risk management department grants preliminary approvals for the customers which have met relevant criteria. They then conduct background research on, and onsite due diligence interviews with the customers, and investigate their operating and financial conditions. Once the final approvals for finance leasing transactions are granted, our Group enter into finance lease agreements with the customers.

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The following table sets forth a breakdown of our sales and marketing expenses for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Travelling expenses	1,130	51.6	2,018	100	3,242	97.2
Marketing expenses	1,058	48.4	—	—	92	2.8
<b>Total</b>	<b>2,188</b>	<b>100</b>	<b>2,018</b>	<b>100</b>	<b>3,334</b>	<b>100</b>

Travelling expenses consisted primarily of expenses for air flights and train tickets in relation to our sales and marketing and due diligence activities. Marketing expenses consisted primarily of expenses for marketing our business and promoting our brand awareness among potential customers, such as printing expenses of our Group's pamphlets and other marketing materials and procurement costs for free gifts to potential customers.

### *Direct Sales and Marketing*

We visit potential customers and participate in industrial exhibitions and events organised by industry associations in Guangdong province and other parts of China. We also obtain the information of potential customers through industry advertisements, business directories and online searches. We maintain relationships with our customers through telephone calls and personal meetings on a regular basis. We believe frequent communication is conducive to identifying customers' financial needs and business opportunities.

- *Onsite visits.* In addition to making phone calls, we conduct onsite visits of potential customers across China to promote our finance leasing services, identify the needs of potential customers and procure business opportunities. For FY2015, FY2016 and FY2017, our business development department conducted around 900, 1,000 and 1,003 visits to around 500, 550 and 847 potential customers in our target industries of printing and logistics, respectively. We conducted such visits mainly in Guangdong province during the Track Record Period as our customers in that province contributed a significant part of our revenue. Each employee in our business development department is designated to be in charge of certain geographical regions in terms of customer visits and to conduct sales and marketing activities in accordance with our marketing strategies and sales plans for that region. We keep records of customer visits and their specific requirements so that we can customise our services. We follow up with customers regularly. We made efforts to expand our customer base through onsite visits in 2015, 2016 and 2017. As our finance lease business grows into a mature platform and gains more recognition among customers, we have continued to visit potential customers and expand our customer base steadily.

After having reviewed the details of potential customers and proposed terms of finance leasing, and preliminary approvals are granted, our risk management department conducts onsite due diligence interviews with these customers. For FY2015, FY2016 and FY2017,

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our risk management department conducted due diligence interviews with around 14%, 28% and 19.8% of the potential customers which our business development department had visited, respectively. Once the final approvals for finance leasing transactions are granted, our Group enters into finance lease agreements with the customers.

- *Industrial exhibitions and trade fairs.* We attend various industrial exhibitions and trade fairs across China, such as the 9th Beijing International Technology Exhibition, China Machine Tool Exhibition, and the 6th International Exhibitions of Printing Technology and Equipment (organised in first-tier cities in China by the Ministry of Commerce and the Printing Technology Association of China). For FY2015, FY2016 and FY2017, our business development department participated in around nine, 11 and 13 industry exhibitions and trade fairs relating to our target industries of printing and logistics, respectively. At the exhibitions and trade fairs, our business development department introduces our finance leasing services to industry players. We obtain the contact details of visitors which indicate their interests in our services at the industrial events, and then follow up through phone calls and onsite visits. We believe that by participating in industrial events, we are able to introduce our finance leasing services to potential customers, enhance our brand awareness, conduct business promotion and expand our customer base.

### *Referrals by Intermediaries and Automobile Dealers*

During the Track Record Period, we established business cooperation with intermediaries and automobile dealers in our target industries of printing and logistics in China.

- *Printing industry.* Intermediaries facilitate purchases of printing equipment in China. In respect of finance leasing of printing equipment, some intermediaries directly refer to us equipment purchasers which have financing needs. For FY2015, FY2016 and FY2017, approximately eight, 24 and 30 intermediaries referred to us new customers, respectively, which subsequently entered into finance lease agreements with us.
- *Logistics industry.* There are automobile dealers which sell vehicles directly to purchasers, and intermediaries which facilitate automobile purchases, in China. In respect of financing leasing of vehicles, we enter into agreements with automobile dealers and pursuant to the terms of agreements they refer to us automobile purchasers which have financing needs. In addition, some intermediaries also refer to us automobile purchasers which have financing needs. For FY2015, FY2016 and FY2017, approximately two, 13 and three automobile dealers and intermediaries referred to us new customers, respectively, which subsequently entered into finance lease agreements with us.

We first obtain the contact information of intermediaries and automobile dealers through online searches, industry networking events and business referrals. We then make phone calls and visit intermediaries and automobile dealers regularly to establish business relationships. We conducted such visits mainly in Guangdong province during the Track Record Period as most of them are located in that province.

After our business cooperation begins, intermediaries and automobile dealers refer to us purchasers which have financing needs. We then contact directly and visit referred potential customers onsite for transaction evaluation. For FY2015, FY2016 and FY2017, our business development department visited around 40, 120 and 300 potential customers, which intermediaries and automobile

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dealers referred to us, in the PRC printing and logistics industries, respectively. Our risk management department further conducts due diligence interviews with certain of the customers which our business development department have visited. Once the final approvals for finance leasing transactions are granted, our Group enters into finance lease agreements with the customers which have met relevant criteria.

Our Directors confirmed that all the intermediaries and/or automobile dealers which referred potential customers to us during the Track Record are the Independent Third Parties, and our Group did not pay any fee, commission or other form of compensation to them.

### *Referrals by Existing Customers*

Benefited from our growing customer base, we receive referrals from our existing customers from time to time. During the Track Record Period, the existing customers which referred potential customers to us were mainly in the printing industry. After receiving referrals from our existing customers, we follow up continuously with telephone calls and/or on-site visits to potential customers referred by existing customers in order to identify their specific financing needs and provide them with customised services. In the event that a potential customer meets the relevant criteria during customer due diligence and requisite assessments, our Group subsequently enters into finance lease agreements with them.

### **Our Revenue Growth**

We started to enter into finance lease agreements with customers in 2014. We have expertise in the printing and logistics finance leasing industries in China, as well as a understanding of customers' characteristics and demands. Such knowledge, coupled with our quick response and loan application review process, enable us to meet the individualised demands of SME customers in our target industries. As such, we believe we are able to distinguish our services from those of other finance leasing companies. As we expand our customer base through our sales and marketing activities, we have entered into an increasing number of new finance lease agreements with customers. The terms of our finance lease agreements are generally from two to four years.

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The table below sets forth a breakdown of the number of customers that we procured by different sales and marketing activities and their revenue contribution for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	<i>Printing industry</i>	<i>Logistics industry</i>	<i>Printing industry</i>	<i>Logistics industry</i>	<i>Printing industry</i>	<i>Logistics industry</i>
<b>Direct sales and marketing</b>						
Subtotal number of customers . . . . .	50	4	106	22	131	38
<i>Number of new customers included</i> . . . . .	39	4	58	18	36	16
Revenue generated (RMB'000) . . . . .	9,111	25	20,117	797	26,007	3,052
Percentage to our revenue (%) . . . . .	83.6	0.2	68.0	2.7	50.0	5.9
<b>Referrals by intermediaries and automobile dealers</b>						
Subtotal number of customers . . . . .	10	10	39	66	76	71
<i>Number of new customers included</i> . . . . .	8	10	29	56	37	6
Revenue generated (RMB'000) . . . . .	1,515	52	5,983	1,569	16,489	4,739
Percentage to our revenue (%) . . . . .	13.9	0.5	20.2	5.3	31.7	9.1
<b>Referrals by existing customers</b>						
Subtotal number of customers . . . . .	2	—	8	—	8	—
<i>Number of new customers included</i> . . . . .	2	—	6	—	—	—
Revenue generated (RMB'000) . . . . .	200	—	1,135	—	1,773	—
Percentage to our revenue (%) . . . . .	1.8	—	3.8	—	3.4	—
<b>Total</b>						
Total number of customers <sup>(1)</sup> . . . . .	62	14	153	88	215	109
<i>Number of new customers included</i> . . . . .	49	14	93	74	73	22
Revenue generated (RMB'000) . . . . .	<u>10,825</u>	<u>77</u>	<u>27,235</u>	<u>2,366</u>	<u>44,269</u>	<u>7,791</u>
Sales related taxes . . . . .	(95)	—	(55)	—	—	—
<b>Revenue after sales related tax</b> . . . . .	<u>10,807</u>	<u>—</u>	<u>29,546</u>	<u>—</u>	<u>52,060</u>	<u>—</u>

*Note:*

- (1) For FY2015, two customers defaulted in lease payments and their business relationship with us were subsequently terminated. For FY2016, (i) two customers defaulted in lease payments and their business relationship with us were subsequently terminated; (ii) four customers voluntarily paid off the outstanding balances under the relevant finance lease agreements before maturity dates; and (iii) the terms of finance lease transactions with six customers were completed on maturity dates. For FY2017, (i) one customer defaulted in lease payments and its business relationship with us was subsequently terminated; (ii) 13 customers voluntarily paid off the outstanding balances under the relevant finance lease agreements before maturity dates; and (iii) the terms of finance lease transactions with 18 customers were completed on maturity dates.

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Direct sales and marketing, as well as referrals by intermediaries and automobile dealers, were two important means for us to procure potential customers, establish new business relationships and generate revenue growth during the Track Record Period.

- *Direct sales and marketing.* Our Group's revenue generated through our direct sales and marketing activities with printing customers increased by approximately RMB11.0 million, or by 120.9%, from approximately RMB9.1 million in FY2015 to approximately RMB20.1 million in FY2016, mainly attributable to an addition of 58 new printing customers in FY2016, which we procured through our direct sales and marketing activities. Moreover, our Group's revenue generated through our direct sales and marketing activities with printing customers increased by approximately RMB5.9 million, or by 29.4%, from approximately RMB20.1 million for FY2016 to approximately RMB26.0 million for FY2017, mainly attributable to an increase in the total number of printing customers, which we procured through our direct sales and marketing activities, from 106 for FY2016 to 131 for FY2017.
- *Referrals by intermediaries and automobile dealers.* Our Group's revenue generated through referrals by intermediaries with printing customers increased by approximately RMB4.5 million, or by 300.0%, from approximately RMB1.5 million in FY2015 to approximately RMB6.0 million in FY2016, mainly attributable to an addition of 29 new printing customers in FY2016, which intermediaries referred to us. Our Group's revenue generated through referrals by intermediaries with printing customers further increased by approximately RMB10.5 million, or by 175.0%, to approximately RMB16.5 million in FY2017, mainly attributable to an increase in the total number of printing customers, which intermediaries referred to us, from 39 for FY2016 to 76 for FY2017.

Moreover, our Group's revenue generated through referrals by intermediaries and automobile dealers with logistics customers increased by approximately RMB1.5 million, or by 2,884.6%, from approximately RMB52,000 in FY2015 to approximately RMB1.6 million in FY2016, mainly attributable to an addition of 56 new logistics customers in FY2016, which intermediaries and automobile dealers referred to us. Our Group's revenue generated through referrals by intermediaries and automobile dealers with logistics customers increased by approximately RMB3.1 million, or by 193.8%, to approximately RMB4.7 million in FY2017, mainly attributable to an increase in the total number of logistics customers, which intermediaries and automobile dealers referred to us, from 66 in FY2016 to 71 in FY2017.

- *Referrals by existing customers.* Our Group's revenue generated through referrals by existing printing customers increased during the Track Record Period as our existing customers referred to us more new customers which met the relevant criteria and subsequently entered into finance lease agreements with us.

Please refer to the subsection headed "Financial Information — Principal Components of Results of Operations" in this prospectus for further details.

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The following table sets forth a breakdown of our revenue by customer's industry for the years indicated. We entered into more than one agreements with some customers during the Track Record Period.

<b>Revenue</b>	<b>Year ended 31 December</b>					
	<b>2015</b>		<b>2016</b>		<b>2017</b>	
	<i>RMB</i> <i>'000</i>	%	<i>RMB</i> <i>'000</i>	%	<i>RMB</i> <i>'000</i>	%
<b>Printing</b> .....	10,825	99.3	27,235	92.0	44,269	85.0
<i>New agreements</i>						
Number of new agreements .....	53		101		92	
Revenue ( <i>RMB'000</i> ) .....	8,053	73.9	14,787	50.0	16,603	31.9
<i>Existing agreements</i>						
Number of existing agreements .....	13		66		167	
Revenue ( <i>RMB'000</i> ) .....	2,772	25.4	12,448	42.0	27,666	53.1
<b>Logistics</b> .....	77	0.7	2,366	8.0	7,791	15.0
<i>New agreements</i>						
Number of new agreements .....	16		117		63	
Revenue ( <i>RMB'000</i> ) .....	77	0.7	1,851	6.3	3,144	6.0
<i>Existing agreements</i>						
Number of existing agreements .....	—		16		133	
Revenue ( <i>RMB'000</i> ) .....	—	—	515	1.7	4,647	9.0
Total of revenue .....	<u>10,902</u>	<u>100.0</u>	<u>29,601</u>	<u>100.0</u>	<u>52,060</u>	<u>100.0</u>
Sales related taxes .....	(95)		(55)		—	
<b>Revenue after sales related tax</b> .....	<u>10,807</u>		<u>29,546</u>		<u>52,060</u>	

Our Group's revenue increased by approximately RMB18.7 million, or by 173.1%, from approximately RMB10.8 million in FY2015 to approximately RMB29.5 million in FY2016, mainly attributable to revenue from 218 new finance lease agreements entered during FY2016 as we expanded our business and customer base from 2015 to 2016, which consisted of 101 and 117 finance lease agreements entered into with printing customers and logistics customers, respectively. Moreover, our Group's revenue increased by approximately RMB22.6 million, or by 76.6%, to approximately RMB52.1 million in FY2017, mainly attributable to revenue from 155 new finance leasing agreements entered during FY2017, which consisted of 92 and 63 finance leasing agreements entered into with printing customers and logistics customers, respectively. Please refer to the subsection headed "Financial Information — Principal Components of Results of Operations" in this prospectus for further details.

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The following table sets out a breakdown of the number of our customers and revenue by geographical location for the years indicated:

	Year ended 31 December								
	2015			2016			2017		
	<i>No. of customers as at the year end</i>	<i>% of total revenue</i>	<i>% of total revenue</i>	<i>No. of customers as at the year end</i>	<i>% of total revenue</i>	<i>% of total revenue</i>	<i>No. of customers as at the year end</i>	<i>% of total revenue</i>	<i>% of total revenue</i>
	<i>Revenue</i>	<i>Revenue</i>	<i>Revenue</i>	<i>Revenue</i>	<i>Revenue</i>	<i>Revenue</i>	<i>Revenue</i>	<i>Revenue</i>	<i>Revenue</i>
	<i>RMB'000</i>			<i>RMB'000</i>			<i>RMB'000</i>		
Guangdong . . . . .	65	10,029	92.0	162	18,128	61.1	187	27,648	53.1
Zhejiang . . . . .	3	335	3.1	18	3,301	11.2	19	5,029	9.7
Shandong . . . . .	—	—	—	8	1,194	4.0	13	2,532	4.9
Jiangsu . . . . .	—	—	—	5	1,036	3.5	6	2,292	4.4
Sichuan . . . . .	—	—	—	5	511	1.7	8	1,843	3.5
Hunan . . . . .	2	208	1.9	5	965	3.3	7	1,730	3.3
Beijing . . . . .	1	95	0.9	3	523	1.8	5	1,551	3.0
Fujian . . . . .	—	—	—	1	283	1.0	4	1,265	2.4
Shanghai . . . . .	1	63	0.6	3	804	2.7	3	1,146	2.2
Heilongjiang . . . . .	—	—	—	1	497	1.7	4	1,032	2.0
Hebei . . . . .	—	—	—	3	493	1.7	5	989	1.9
Anhui . . . . .	—	—	—	2	511	1.7	5	982	1.9
Shaanxi (陕西) . . . . .	—	—	—	3	210	0.7	7	655	1.3
Chongqing . . . . .	—	—	—	2	333	1.1	2	389	0.7
Gansu . . . . .	—	—	—	1	166	0.6	1	276	0.5
Xinjiang . . . . .	1	125	1.1	2	312	1.1	2	185	0.4
Others <sup>(1)</sup> . . . . .	1	47	0.4	5	334	1.1	14	2,516	4.8
<b>Total</b> . . . . .	<b>74</b>	<b>10,902</b>	<b>100.0</b>	<b>229</b>	<b>29,601</b>	<b>100.0</b>	<b>292</b>	<b>52,060</b>	<b>100.0</b>
Sales related taxes . . . . .		(95)			(55)			—	
<b>Revenue after sales related taxes</b> . . . . .		<b>10,807</b>			<b>29,546</b>			<b>52,060</b>	

*Note:*

(1) Others include provinces of Henan, Liaoning, Shanxi (山西), Jiangxi, Hubei and Yunnan, as well as Guangxi autonomous region and Tianjin municipality.

The proportion of the revenue generated from our customers in Guangdong province out of our Group's total revenue decreased from 92.0% in FY2015 to 61.1% in FY2016, and further decreased to 53.1% in FY2017. As our printing customers in Guangdong province continued to contribute to a significant majority of our total revenue and all our logistics customers were in that province during the Track Record Period, we conducted our sales and marketing activities mainly in that province.

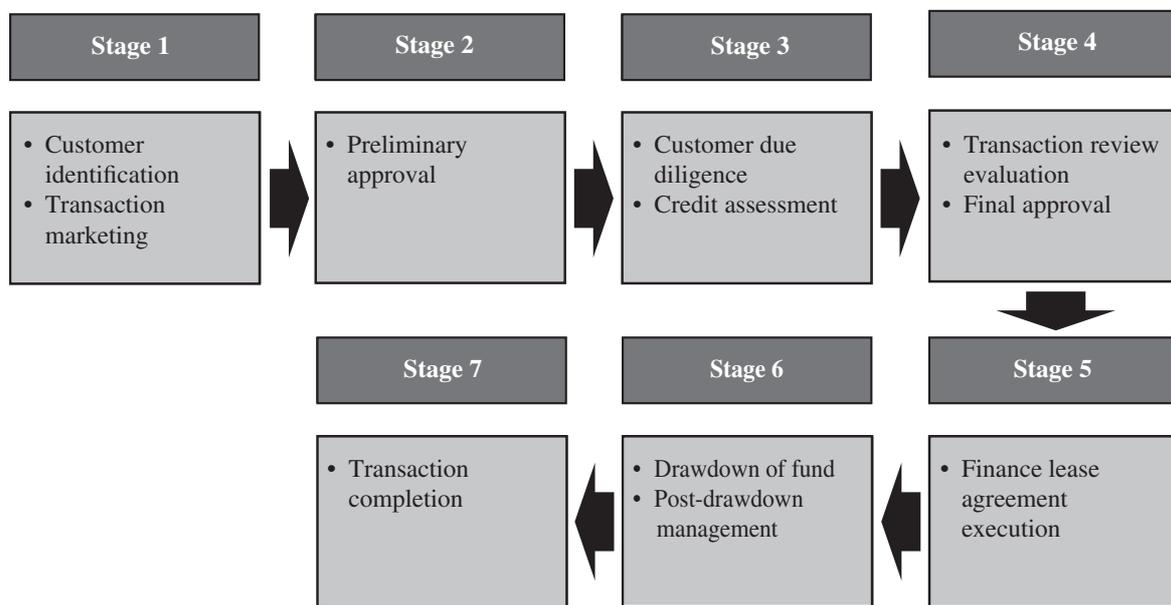
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### OPERATIONAL WORKFLOW

We have developed and implemented a systematic operational workflow for our finance leases. Under this workflow, we constantly apply comprehensive risk management measures and procedures to a finance lease transaction which involves the active participation of our different departments. The flowchart below sets out the process of our finance leasing business operations. It generally takes from one week to one month to complete stage 3 to stage 4. The time from stage 4 to stage 5 varies case by case subject to procurement process of lease asset. In any event, it takes no longer than six months from stage 3 to stage 5. Depending on the term of finance leases, it may take from two to four years from stage 5 until transaction completion. Please refer to the section headed “Risk Management and Operation” in this prospectus for more details in relation to our risk management procedures.



#### Stage 1: Customer Identification and Transaction Marketing

Our finance leasing transactions start with target customer identification process. Our business development department contacts target customers from time to time. Our business development department also conducts client development activities such as participating in exhibitions organised by industry association and other intermediaries to identify potential customers.

After conducting a preliminary research on and gaining the necessary knowledge about a target customer, our business development department prepares a detailed marketing plan and conducts transaction marketing which is customised to the specific group of our target customers.

Our business development department adopts diversified sales and marketing activities, including on-site marketing and telephone calls.

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### **Stage 2: Preliminary Approval**

Our business development department submits each transaction with details of potential customers and proposed terms of finance leases to our risk management department for evaluation and a preliminary approval.

For transactions which are not granted approvals, our risk management department keeps records (including reasons for not granting preliminary approvals) in our OA System for future reference purpose.

### **Stage 3: Customer Due Diligence and Credit Assessment**

Once a preliminary approval is granted with respect to a finance leasing transaction, our risk management department commences a customer due diligence process. The required time for customer due diligence depends on the relevant customer profile and business operation scale. Our risk management department conducts more detailed research on the background and creditworthiness of the customer by reviewing transaction information, conducting on-site visits and customer interviews, as well as investigate the customer's operating and financial conditions. Our risk management department then prepares a credit assessment report. For more details about how the customer due diligence is implemented, please refer to the section headed "Risk Management and Operation" in this prospectus.

### **Stage 4: Transaction Review Evaluation and Final Approval**

Our risk management department submits the credit assessment report to our risk management committee for further review.

We adopt an efficient evaluation and approval procedure for transaction evaluation with the purpose to cater for the needs of our SME customers. Depending on the type and size of the transaction, we arrange members of the risk management committee for review and approval. For more details about the transaction evaluation process and final approval, please refer to the section headed "Risk Management and Operation" in this prospectus.

### **Stage 5: Finance Lease Agreement Execution**

Upon final approval by the risk management committee, our risk management department prepares a finance lease agreement and other ancillary agreements.

After the finance lease agreement is duly executed, our risk management department monitors customer performance to ensure satisfaction of the conditions precedent to the finance leasing transaction. Please refer to the section headed "Risk Management and Operation" in this prospectus for further details.

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### Stage 6: Drawdown of Fund and Post-drawdown Management

All the information in relation to satisfaction of the conditions precedent to each finance lease agreement is recorded in our OA System. The head of our risk management department and the head of our finance and accounting department jointly review and approve the drawdown of fund according to terms of the finance lease agreement.

After the drawdown of fund, our risk management department and our business development department jointly conduct post-drawdown management during the term of the finance leasing transaction such as routine inspection, payment reminders, overdue warning and payment collection. For more details about our post-drawdown management mechanism, please refer to the section headed “Risk Management and Operation” in this prospectus.

### Stage 7: Transaction Completion

A finance leasing transaction is completed upon full performance of the finance lease agreement by relevant parties. Our finance and accounting department is responsible for ensuring that we have received all the lease payments and the ownership in the leased equipment is transferred back to our customer upon completion.

## OUR FINANCE LEASE AGREEMENTS

### Summary of Key Terms of Finance Lease Agreements

We have standard templates for our finance leasing services. A summary of the key terms of our finance lease agreement is set out below.

<b>Key terms</b>	<b>Summary</b>
<i>Term</i>	The term generally ranges from two to four years
<i>Equipment under lease</i>	Equipment under lease typically includes printing, packaging and die cutting equipment with respect to the printing industry, as well as commercial vehicles with respect to the logistics industry.
<i>Ownership of equipment under lease</i>	<ul style="list-style-type: none"><li>For printing finance leasing transactions, the ownership of leased equipment is transferred to us from the customer (in a sale-leaseback transaction) or the supplier (in a direct finance leasing transaction) before or upon commencement of the lease term, and then is transferred back to the customer upon expiry of the lease term.</li></ul>

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## BUSINESS

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### Key terms

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### Summary

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- For logistics finance leasing transactions (only sale-leaseback available), the ownership of leased vehicle remains with the customer throughout the lease term, and we retain the right to take possession of the leased vehicle as collateral in the event that the customer defaults to pay or seriously breaches any term of the finance lease agreement.

#### *Deposit*

We generally deduct a certain percentage of the financing amount as deposit (15 to 25% of the financing amount, if any) and customers draw down the remaining balance upon commencement of the lease term. Upon expiry of the lease term, such deposit may serve as final lease payment(s) in one or several instalment(s).

#### *Equipment delivery*

Within three working days after receiving the equipment, customer shall sign and provide the equipment delivery certificate to us.

#### *Valuation*

Valuation of the equipment under lease is based on fair market value, status and purchase price of the equipment.

#### *Insurance*

Customers shall provide commercial insurance coverage for the equipment under lease.<sup>(1)</sup>

#### *Interest, service fee and payment schedule*

Before drawdown of funds, customers pay us service fees. After drawdown of funds, customers make monthly lease payments in accordance with detailed repayment schedules in the finance lease agreement.

#### *Default*

If a customer fails to make lease payment and such default continues for a period of over 30 days, or the customer fails to perform its obligations specified in the finance lease agreement, we shall have the following rights: (i) to terminate the finance lease agreement and take possession of the leased assets; (ii) to demand the full payment promptly to settle the outstanding lease receivables; and (iii) to receive any default payment.

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#### *Note:*

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<sup>(1)</sup> Under the terms of finance lease agreements, customers shall purchase commercial insurance by themselves. In practice, we purchase commercial insurance on behalf of customers in the printing industry. For further details, please refer to the subsection headed “Business — Insurance” in this prospectus.

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### Key terms

### Summary

#### *Dispute resolution*

A dispute arising from the finance lease agreement shall be solved first through negotiation. If a dispute cannot be solved by negotiation, either party may submit the dispute to the courts pursuant to the terms of the finance lease agreement.

#### *Completion*

After full settlement of all lease payments and other fees payable, the finance leasing is completed.

#### *Termination*

A customer may terminate the finance lease agreement by giving us a 3-month prior written notice.

### Length of our Finance Lease Agreements

The following table sets forth the number and value of our finance lease agreements by length of lease for the periods/dates indicated:

	Year ended/As at 31 December											
	2015				2016				2017			
	Number of newly signed financial leasing agreements during the year	Value	Number of financial leasing agreements in progress as at end of the year	Value	Number of newly signed financial leasing agreements during the year	Value	Number of financial leasing agreements in progress as at end of the year	Value	Number of newly signed financial leasing agreements during the year	Value	Number of financial leasing agreements in progress as at end of the year	Value
	<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>	
<b>Length of lease</b>												
- Less than 2 years	1	1,500	1	1,500	3	3,975	3	3,975	—	—	1	2,500
- More than 2 years but less than 3 years	25	16,330	27	18,050	124	60,290	144	72,169	65	58,806	179	113,795
- More than 3 years to 4 years	43	93,530	51	106,900	91	203,580	138	301,560	90	220,803	209	482,783
<b>Total</b>	<b>69</b>	<b>111,360</b>	<b>79</b>	<b>126,450</b>	<b>218</b>	<b>267,845</b>	<b>285</b>	<b>377,704</b>	<b>155</b>	<b>279,609</b>	<b>389</b>	<b>599,078</b>

The average term of our finance lease agreements for FY2015, FY2016 and FY2017 was approximately 2.64, 2.48 and 2.54 years respectively.

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Up to the Latest Practicable Date, we have completed the full cycle of 85 finance lease agreements (the “**Completed Agreements**”). The following table sets forth the maturity profile of the Completed Agreements for the years indicated:

	Year ended 31 December											
	2014			2015			2016			2017		
	Number of the Completed Agreements entered during the year	Value	Proportion	Number of the Completed Agreements entered during the year	Value	Proportion	Number of the Completed Agreements entered during the year	Value	Proportion	Number of the Completed Agreements entered during the year	Value	Proportion
	<i>RMB'000</i>	%		<i>RMB'000</i>	%		<i>RMB'000</i>	%		<i>RMB'000</i>	%	
<b>Matured by</b>												
-31 December 2015	—	—	—	—	—	—	—	—	—	—	—	—
-31 December 2016	2	1,720	12.6	4	4,050	9.0	—	—	—	—	—	—
-31 December 2017	6	11,950	87.4	20	11,880	26.3	3	1,725	8.1	—	—	—
-As at the Latest Practicable Date	—	—	—	13	29,200	64.7	37	19,464	91.9	—	—	—
<b>Total</b>	<u>8</u>	<u>13,670</u>	<u>100.0</u>	<u>37</u>	<u>45,130</u>	<u>100.0</u>	<u>40</u>	<u>21,189</u>	<u>100.0</u>	<u>—</u>	<u>—</u>	<u>—</u>

### Leased Assets and Collateral/Guarantee

We generally finance a customer at an amount less than a certain percentage of the value of the leased asset (70.0% for printing equipment and 80.0% for a vehicle) under a finance lease agreement. After payment of service fee to us, the customer receives the net financing amount following deduction of deposits (generally 15 to 25% of the financing amount, if any). For a printing finance leasing transaction, we obtain the legal ownership of all leased equipment, retain the right to immediately and unilaterally repossess such leased equipment and realise their value, in the event that the customer defaults to pay or seriously breaches any material term of the finance lease agreement. For a logistics finance leasing transaction, the legal ownership of the leased vehicle remains with the customer and we enter into an additional security agreement to obtain security interest over the leased vehicle as collateral.

For each finance leasing transaction, we require guarantee(s) from the customer’s legal representative, ultimate owners, substantial shareholders, associated companies and/or third party companies.

For details of our range of coverage ratio for newly signed finance leases during the Track Record Period, please refer to the table below.

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### Coverage ratio range and loan to value ratio for newly signed finance leases as at end of year

	Year ended 31 December		
	2015	2016	2017
Type of leased assets			
- <i>Printing equipment</i> (RMB million)	0.90-6.50	0.40-11.4	0.53-14.28
- <i>Vehicles</i> (RMB million)	0.12-0.77	0.08-4.13	0.14-3.3
<b>Coverage ratio</b>			
Range of finance lease receivables (netting off deposit) (RMB million)	0.09-3.57	0.06-5.36	0.11-5.40
Range of coverage ratio of individual lease <sup>(1)(5)</sup>	1.00-5.26	1.00-7.45	1.00-3.53
Aggregate total coverage ratio <sup>(2)</sup>	1.86	1.85	1.78
<b>Loan to value ratio</b>			
Range of loan to value ratio of individual lease <sup>(3)</sup>	0.19-1.00	0.13-1.00	0.28-1.00
- <i>Printing equipment</i>	0.19-1.00	0.13-0.76	0.28-0.96
- <i>Vehicles</i>	0.75-0.80	0.43-1.00	0.75-1.00
Aggregate total loan to value ratio <sup>(4)</sup>	0.54	0.54	0.56

Notes:

- (1) The coverage ratio of individual lease is calculated as the leased asset value (book value) at the beginning of lease term divided by the relevant finance lease receivable at the beginning of lease term netting off deposit.
- (2) The aggregate total coverage ratio is calculated as, for all newly signed leases during the year, the aggregate amount of leased asset values (book value) at the beginning of relevant lease terms divided by the aggregate amount of relevant finance lease receivables at the beginning of lease terms netting off deposits.
- (3) The loan to value ratio is calculated as the relevant finance lease receivable at the beginning of lease term netting off deposit divided by the leased asset value (book value) at the beginning of lease term.
- (4) The aggregate total loan to value ratio is calculated as, for all newly signed leases during the year, the aggregate amount of relevant finance lease receivables at the beginning of lease terms netting off deposits divided by the aggregate amount of leased asset values (book value) at the beginning of relevant leased terms.
- (5) The range of coverage ratio of individual lease for FY2015, FY2016 and FY2017 is 1.00 - 5.26, 1.00 - 7.45 and 1.00 - 3.53, respectively. None of the coverage ratio during the Track Record Period was below 1.00. In general, the minimum coverage ratio by leased assets over any single finance lease receivable will not be lower than 1.00.

For details of our range of coverage ratio for outstanding finance lease receivable at the end of each year during the Track Record Period, please refer to the tables below.

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### Coverage ratio range and loan to value ratio range for outstanding finance lease receivable as at end of year

	As at 31 December		
	2015	2016	2017
Type of leased assets			
- <i>Printing equipment</i> (RMB million)	0.60-10.27	0.38-11.34	0.46-14.04
- <i>Vehicles</i> (RMB million)	0.12-0.77	0.08-4.10	0.07-3.83
Range of finance lease receivables (netting off deposit) (RMB million)	0.09-3.16	0.03-4.23	0.00-4.33
<b>Coverage ratio</b>			
Range of coverage ratio of individual lease <sup>(2)(6)(7)</sup>	1.26-11.44	1.15-24.69	1.26-685.24
Aggregate total coverage ratio <sup>(3)</sup>	2.62	2.76	3.45
<b>Loan to value ratio</b>			
Range of loan to value ratio of individual lease <sup>(4)</sup>			
- <i>Printing equipment</i>	0.09-0.70	0.04-0.72	0.00-0.65
- <i>Vehicles</i>	0.72-0.80	0.23-0.87	0.00-0.80
Aggregate total loan to value ratio <sup>(5)</sup>	0.38	0.36	0.29

Notes:

- (1) Leased asset value (net value) is calculated by subtracting the leased asset value (book value) by the corresponding leased asset's depreciation for the year ended.
- (2) The coverage ratio of individual lease is calculated as the leased asset value (net value) divided by the relevant finance lease receivable before impairment allowance as at the year-end netting off deposit.
- (3) The aggregate total coverage ratio is calculated as, for all outstanding leases as at the year-end, the aggregate amount of leased asset value (net value) divided by the total finance lease receivable before impairment allowance as at the year-end netting off the total amount of relevant deposits.
- (4) The loan to value ratio is calculated as the relevant finance lease receivable before impairment allowance as at the year-end netting off deposits, divided by the leased asset value (net value).
- (5) The aggregate total loan to value ratio is calculated as, for all outstanding leases as at the year end, the total finance lease receivable before impairment allowance as at the year-end netting off the total amount of relevant deposits divided by the aggregate amount of leased asset value (net value).
- (6) The range of coverage ratio of individual lease for FY2015, FY2016 and FY2017 is 1.26 - 11.44, 1.15 - 24.69 and 1.26-685.24, respectively. None of the coverage ratio during the Track Record Period was below 1.00. In general, the minimum coverage ratio by leased assets over any single finance lease receivable will not be lower than 1.00.
- (7) There was a lease contract which had a coverage ratio amounted to 2,285.39 in FY2017. We did not present such coverage ratio in this table, primarily because the finance lease receivable has almost been fully repaid and the outstanding amount is small. As the value of the underlying leased assets does not decrease significantly, its coverage ratio has become high.

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According to the Frost & Sullivan Report, the calculation methodology adopted for our Group's coverage ratio and loan to value ratio for newly signed finance leases and outstanding finance lease receivables, respectively, are in line with the industry.

### **Notifiable Transactions**

Pursuant to Rule 19.04(1)(c) of the GEM Listing Rules, the entering into or termination of finance leases where the financial effects of such leases have an impact on the balance sheet and/or profit and loss account of a GEM listed issuer constitutes a transaction under Chapter 19 of the GEM Listing Rules. In this regard, upon the Listing, our finance leasing activities may constitute notifiable transactions under Chapter 19 of the GEM Listing Rules, which will be subject to the relevant notification, announcement and shareholders' approval requirements. If our Group enters into or terminates any finance leases after Listing, we will ensure our compliance with the applicable requirements under Chapter 19 of the GEM Listing Rules, and will seek advice from external legal advisers where necessary for ensuring our full compliance with the GEM Listing Rules.

### **ASSET QUALITY**

#### **Asset Quality Classification**

We measure and monitor the asset quality of our lease receivables portfolio throughout the term of the lease. We classify our finance lease receivables using a five-category classification system, which is modelled with reference to (i) the statutory requirements relating to asset quality classification promulgated by the CBRC for finance lease companies and other financial institutions; and (ii) the asset quality classification system used by comparable finance lease companies in our industry. While there are no accounting standards that directly relate to our finance lease receivables classification system, our provisioning policies for financial assets are governed by relevant accounting standards.

#### **Classification Criteria**

To classify our finance lease receivables portfolio, we apply a series of criteria that are derived from our own internal regulations regarding the management of leased assets. These criteria are designed to assess the likelihood of repayment by the borrower and the collectability of principal and interest on our finance lease receivables. Our finance lease receivables classification criteria focus on a number of factors, to the extent applicable. Our lease classification criteria include:

- *Pass.* There is no reason to doubt that the loan principal and interest will not be paid by the lessee in full and/or on a timely basis. There is no reason whatsoever to suspect that the finance lease receivable will be impaired.
- *Special mention.* Even though the lessee has been able to pay the lease payments in a timely manner, there are still factors that could adversely affect its ability to pay, such as the circumstance where lease payments have been overdue for more than 30 days and the financial position of the lessee has worsened or its net cash flow has become negative, then the finance lease receivable for this finance lease agreement should be classified as special mention or lower.
- *Substandard.* The lessee's ability to pay is in question as it is unable to make its payments in full with its operating revenues, and we are likely to incur losses notwithstanding the

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enforcement of any guarantees underlying the lease agreement. We take into account other factors, for example, if lease payments have been overdue for more than 90 days, then the finance lease receivable for this lease agreement should be classified as substandard or lower.

- *Doubtful.* The lessee's ability to pay is in question as it is unable to make lease payments in full and/or on a timely basis with its operating revenues and we are likely to incur significant losses notwithstanding the enforcement of any guarantees underlying the lease agreement. We take into account other factors, for example, if lease payments have been overdue for more than 180 days, the finance lease receivable for this lease agreement shall be classified as doubtful or lower.
- *Loss.* After taking all possible steps or going through all necessary legal procedures, lease payments remain overdue or only a very limited portion has been recovered. We take into account other factors, for example, if lease payments have been overdue for more than 360 days, the finance lease receivable for this lease agreement shall be classified as a loss.

The following tables set forth the asset quality of our finance receivables and movements in our non-performing assets.

### Distribution of Finance Lease Receivables by Asset Quality

	As at 31 December		As at 31 December		As at 31 December	
	2015		2016		2017	
	<i>RMB</i>		<i>RMB</i>		<i>RMB</i>	
	<i>million</i>	%	<i>million</i>	%	<i>million</i>	%
Pass	99.4	100.0	270.0	100.0	338.0	97.9
Special mention	—	—	—	—	1.0	0.3
Substandard	—	—	—	—	6.1	1.8
Doubtful	—	—	—	—	—	—
Loss	—	—	—	—	—	—
Present value of minimum lease payment	99.4	100.0	270.0	100.0	345.1	100.0

### Non-performing assets<sup>(1)</sup>

#### Non-performing assets ratio<sup>(2)</sup>

—	—	—	—	6.1	1.8
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#### Notes:

- (1) Non-performing assets are defined as the finance lease receivables with the objective evidence of impairment as a result of one or more events that occur after initial recognition and such events have an impact on the estimated future cash flows of these finance lease receivables that can be reliably estimated. These finance lease receivables are classified as "substandard", "doubtful" or "loss".
- (2) Non-performing assets ratio is the percentage of non-performing assets over present value of minimum lease payment as of the applicable date.

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During the Track Record Period, our non-performing assets amounted to nil, nil and approximately RMB6.1 million for FY2015, FY2016 and FY2017 respectively, primarily due to the following reasons: (i) to reduce our credit risk for long-term development purpose, we start our non-performing asset recovery process upon that a customer's scheduled lease payment(s) remain unpaid and overdue for over 30 days; and (ii) once the non-performing asset recovery process commences, we terminate the relevant finance lease agreement, repossess the leased equipment and arrange disposal(s) through a proper procedure; use the proceeds from disposal sale to repay the original principal amount as well as all lease payments up to the date of termination; and require relevant guarantors to settle overdue lease payments by the customer. We have established effective risk management and internal control procedures to manage various risks relating to our business. Please refer to the subsection headed "Business — Our Competitive Strengths — We have implemented prudent risk management measures and internal control processes" in this prospectus for further details.

### **Movement and Recovery Status of Non-performing Asset**

For movement or recovery status of non-performing assets during the Track Record Period, please refer to the subsections headed "Business — Sustainability of Our Business — Collection of Finance Lease Receivables" and "Business — Risk Management and Operation — Asset Recovery" in this prospectus for further discussion.

### **Provisions for Finance Lease Receivables**

We assess our lease receivables for impairment, determine a level of allowance for impairment losses, and recognise any related provisions made in a year.

According to the Frost & Sullivan Report, our finance leasing operation is not regulated by the CBRC. We are not required to provide general provisions like the commercial banks and other financial institutions under the supervision of the CBRC. Instead, our provisioning policies are based on applicable accounting standards. We first assess whether impairment exists individually for finance lease receivables which had a history of past due. When we find no objective evidence of impairment for an individually assessed finance lease receivable, we aggregate the finance lease receivables with similar credit risk characteristics and collectively assess them for impairment. As at 31 December 2015, 2016 and 2017, our total impairment allowance amounted to approximately RMB0.9 million, RMB3.0 million and RMB8.5 million, respectively. Please refer to note 16 in the Accountant's Report in Appendix I in this prospectus for further details.

### **PRICING POLICY**

Our revenue consists entirely of income from finance leasing business. We do not set a defined range for interest rates charged by us to our customers, nor do we specify a fixed interest rate in the finance lease agreement. Instead, we stipulate a lump sum amount for the lease payment or payable by a customer in instalments (generally 24 months to 48 months) without dividing principal from interest for each instalment. Our business development department determines the lump sum amount of lease payment with reference to the value of underlying leased assets, taking into account various factors, including customer's profile, our financial costs, management costs, pricing offered by other finance leasing companies and our internal rate of return. We determine the value of the underlying leased assets at the inception of our lease agreements mainly based on the customer's purchase price of such leased asset. We also refer to the prices of similar equipment in our other finance lease

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agreements and consult with intermediaries and automobile dealers when necessary in determining its value. Our risk management department checks the relevant invoice and/or agreement for equipment purchase and verify the authenticity of the relevant invoices through the SAT national VAT invoices examination platform\* (國家稅務總局全國增值稅發票查驗平台). We generally finance a customer at an amount less than a certain percentage of the value of the leased asset (70% for printing equipment and 80% for a vehicle) under a finance lease agreement so as to ensure that the value of leased assets can fully cover the loan amount we provide to our customers. We proceed with the finance lease agreement with relevant customer only when: (1) the terms of the finance lease agreement are reached with relevant customer in accordance with our internal management requirements; and (2) the internal rate of return is acceptable to us.

We will adjust our pricing policy by reference to the market interest rate. Given that we did not depend much on bank and other borrowings during the Track Record Period, our business is not greatly affected by interest rates. We expect that we will gradually use bank borrowings to fund our capital need in the future for the purpose of diversifying funding channels. However, we believe our pricing policy is sufficient to reduce potential credit risk caused by fluctuating interest rates. Our internal rate of return is generally higher than comparable interest rates of bank borrowings.

We currently set the internal rate of return for customers in the logistics industry, with reference to the pricing offered by other finance leasing companies for leased vehicles. Generally, the internal rate of return for our customers in the logistics industry is lower than that in the printing industry. Apart from this, we apply the same pricing policy to all of our customers.

As at the Latest Practicable Date, there are no regulatory restrictions relating to the maximum or minimum interest rates charged by us to our customers under relevant PRC laws and regulations.

### SEASONALITY

During the Track Record Period, we were not subject to seasonality fluctuations that influence our business.

### SALES AND MARKETING

Our sales and marketing strategies mainly consist of direct sales and marketing, referrals by intermediaries and automobile dealers, as well as referrals by existing customers. Our business performance and the steadily increasing number of customers prove that our sales and marketing strategies are viable and effective.

As at the Latest Practicable Date, our business development department consisted of 14 employees who were responsible for sales and marketing nationwide. At present, our business development department is based in our headquarter in Shenzhen city. Our business development staff travel various regions, provinces and cities across China to conduct a significant number of site visits to business intermediaries and potential customers as well as participate in a variety of events and exhibitions. Our risk management department which consists of ten employees as at the Latest Practicable Date also provides support for sales and marketing activities. In the future, we plan to establish several sales and marketing centres in northern and eastern parts of China. Please refer to the subsection headed “Business — Reasons for Our Revenue Growth During the Track Record Period” in this prospectus for further details.

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### CUSTOMERS

Our customer base entirely consists of SMEs in the PRC printing and logistics industries. We have successfully expanded rapidly to various regions across China. We have 74, 229 and 292 customers as at 31 December 2015, 2016 and 2017, respectively. We had approximately six, 40 and 69 recurring customers for FY2015, FY2016 and FY2017, respectively. As at the Latest Practicable Date, we have 293 customers. The table below sets forth a revenue breakdown by customer geographical location during the Track Record Period:

Revenue	Year ended 31 December					
	2015		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%
Guangdong	10,029	92.0	18,128	61.1	27,648	53.1
Zhejiang	335	3.1	3,301	11.2	5,029	9.7
Shandong	—	—	1,194	4.0	2,532	4.9
Jiangsu	—	—	1,036	3.5	2,292	4.4
Sichuan	—	—	511	1.7	1,843	3.5
Hunan	208	1.9	965	3.3	1,730	3.3
Beijing	95	0.9	523	1.8	1,551	3.0
Fujian	—	—	283	1.0	1,265	2.4
Shanghai	63	0.6	804	2.7	1,146	2.2
Heilongjiang	—	—	497	1.7	1,032	2.0
Anhui	—	—	511	1.7	982	1.9
Hebei	—	—	493	1.7	989	1.9
Shaanxi (陝西)	—	—	210	0.7	655	1.3
Chongqing	—	—	333	1.1	389	0.7
Gansu	—	—	166	0.6	276	0.5
Xinjiang	125	1.1	312	1.1	185	0.4
Others <sup>(1)</sup>	47	0.4	334	1.1	2,516	4.8
Sub-total	<u>10,902</u>	<u>100.0</u>	<u>29,601</u>	<u>100.0</u>	<u>52,060</u>	<u>100.0</u>
Sales related taxes	<u>(95)</u>		<u>(55)</u>		<u>—</u>	
<b>Revenue after sales related tax</b>	<u><u>10,807</u></u>		<u><u>29,546</u></u>		<u><u>52,060</u></u>	

Note:

- (1) Others include provinces of Henan, Liaoning, Shanxi (山西), Jiangxi, Hubei, Yunnan, Guangxi autonomous region and Tianjin municipality.

Please refer to the subsection headed “Business — Reasons for Our Revenue Growth During the Track Record Period” in this prospectus for further details.

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### Selection Criteria

We have established a comprehensive system adopting certain criteria in our customer selection process. The following table sets out the details of our customer selection criteria:

<u>Requirements</u>	<u>Printing industry</u>	<u>Logistics industry</u>
Minimum operating period	two years	two years; or one year if the actual invested amount is no more than RMB500,000
Asset-liability ratio	After leasing: $\leq 60.0\%$ for sale-leaseback; $\leq 70.0\%$ for direct finance leasing	After leasing: $\leq 60.0\%$
Lease payment coverage ratio <sup>(1)</sup>	$\geq 1.0$	$\geq 1.0$
Structure of customer's downstream clients	Extra requirements <sup>(2)</sup> are imposed in the event that: (i) revenue from one downstream client of the customer exceeds 50.0% of its total revenue for the relevant period; or (ii) revenue from two downstream clients of the customer exceeds 70.0% of its total revenue for the relevant period.	Nil

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*Notes:*

- (1) Calculated as monthly net profit divided by lease payable plus other repayment.
- (2) Extra requirements include: (i) customer shall provide sales documents for downstream clients during the latest six months; (ii) the actual financing amount shall not exceed RMB3.0 million; and (iii) the actual financing ratio shall not exceed 50.0%.

### Five Largest Customers

For FY2015, FY2016 and FY2017, our five largest customers contributed to approximately 26.2%, 9.8% and 6.9% of our revenue respectively, and revenue derived from our largest customer accounted for approximately 6.4%, 2.5% and 1.7% of our revenue, respectively. All of our customers during the Track Record Period are independent third parties. To the knowledge of our Directors, none of our Shareholders who owns more than 5.0% of our issued Shares, Directors or any of their respective close associates had any interest in any of our top five customers during the Track Record Period.

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During the Track Record Period, our five largest customers by revenue are all SMEs in the PRC printing industry. For FY2015, FY2016 and FY2017, the aggregate revenue (before deduction of sales related taxes) derived from our five largest customers is approximately RMB2.9 million, RMB2.9 million and RMB3.6 million, respectively.

The following table sets out a summary of information on our five largest customers by revenue contribution for FY2015:

<b>Customer</b>	<b>Business activities</b>	<b>Business relationship starting year</b>	<b>Duration of lease term</b>	<b>Percentage of revenue attributable</b>
<i>Customer A</i>	a private company engaged in labelling printing and plastic box printing business	May 2015	Three years <sup>(1)</sup>	6.4%
<i>Customer B</i>	a private company engaged in labelling printing and sticky tabs printing business	December 2014	Three years	6.3%
<i>Customer C</i>	a private company mainly involved in production of drug packaging boxes and household chemical packaging boxes	December 2014	Three years	5.3%
<i>Customer D</i>	a private company mainly engaged in colour printing and packaging business	February 2015	Three years <sup>(2)</sup>	4.3%
<i>Customer E</i>	a private company mainly engaged in fast leaflet printing business	November 2014	Three years	3.9%

Notes:

- (1) In September 2015, Customer A defaulted in lease payments. The term of relevant finance lease agreement was terminated in November 2015. The leased asset was subsequently disposed of to an independent third party on 5 November 2015. The final settlement of outstanding balance in accordance with the terms of the finance lease agreement was made settled on 4 March 2016 by the independent third party.
- (2) In September 2016, Customer D voluntarily paid off the outstanding balance in accordance with the terms of the finance lease agreement and the relevant term was terminated as mutually agreed.

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The following table sets out a summary of information on our five largest customers by revenue contribution for FY2016:

<b>Customer</b>	<b>Business activities</b>	<b>Business relationship starting year</b>	<b>Duration of lease term</b>	<b>Percentage of revenue attributable</b>
<i>Customer F</i>	a private company engaged in packaging and printing business	January 2016	Three years	2.5%
<i>Customer G</i>	a private company engaged in book and newspaper printing and packaging business	June 2015	Three years	1.9%
<i>Customer B</i>	a private company engaged in printing and packaging business	December 2014	Three years	1.9%
<i>Customer H</i>	a private company engaged in printing business	December 2015	Three years	1.8%
<i>Customer I</i>	a private company engaged in printing business and packaging	September 2015	Three years	1.7%

The following table sets out a summary of information on our five largest customers by revenue contribution for FY2017:

<b>Customer</b>	<b>Business activities</b>	<b>Business relationship starting year</b>	<b>Duration of lease term</b>	<b>Percentage of revenue attributable</b>
<i>Customer J</i>	a private company engaged in packaging and printing business	October 2016	Three years	1.7%
<i>Customer K</i>	a private company engaged in packaging business	April 2016	Three years	1.5%
<i>Customer L</i>	a private company engaged in packaging and printing business	December 2016	Three years	1.3%
<i>Customer M</i>	a private company engaged in packaging business	December 2016	Three years	1.2%
<i>Customer N</i>	a private company engaged in printing and binding business	January 2017	Three years	1.2%

Please refer to the subsection headed “Business — Summary of Key Terms of Finance Lease Agreement” in this prospectus for the disclosure on details terms and conditions of finance lease agreements with our customers.

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### Credit and Risk Management with regards to Five Largest Customers

Taking into account our five largest customers' payment records and their business operation status, our risk management department considers our five largest customers to be well-established companies with stable cash flow. Further, the printing equipment for finance leasing is highly liquid assets which we believe can minimise our loss arising from delay or default in payment by our five largest customers. We believe the risk that our five largest customers fail to perform their respective repayment obligations under relevant finance lease agreements is relatively low. Other than disclosed in the prospectus, none of our five largest customers had any significant overdue payment or breached their respective finance lease agreements with us during the Track Record Period.

During the Track Record Period, eight customers defaulted in lease payments, among which we subsequently recovered lease payments from five customers thereunder but have not remained the lease payment for the remaining three customers as at the Latest Practicable Date. Please refer to the subsection headed "Business — Sustainability of our Business — Collection of Finance Lease Receivables" and the subsection headed "Risk Management and Operation — Asset Recovery — Non-performing assets recovery process" for further discussion. Please also refer to the subsection "Business — Legal Proceedings" in this prospectus for further details on the relevant legal proceeding. During the Track Record Period and up to the Latest Practicable Date, we have not received any complaints from our customers.

Please also refer to the risk factor headed "Risk Factors — We may not be able to enforce our rights to the leased assets and collaterals or guarantees and realise their value, or the value of the leased assets and collaterals or guarantees may not be sufficient to cover related finance lease receivables" in this prospectus for further disclosure on the relevant risks.

Please also refer to the subsection headed "Financial Information — Quantitative and Qualitative Disclosures about Financial Risks" for further disclosure on the relevant concentration risk and sensitivity analysis.

### Settlement Arrangements

During the Track Record Period, while a majority of our Group's customers made lease payments to us directly, a portion of them procured their related parties, such as the ultimate owners or legal representatives of the customers, the spouse or children (or a friend for an isolated case) of such ultimate owners or legal representatives, or employees of the customers (collectively, the "**Customers' Related Parties**"), to make lease payments on behalf of the customers (the "**Customers' Related Party Payments**"). Save for 19 Customers' Related Parties, all the Customers' Related Parties were also guarantors to the relevant customers under the lease transactions with the Group.

For FY2015, FY2016 and FY2017, five, 32 and 62 out of 62, 153 and 215 printing customers, and two, 31 and 50 out of 14, 88 and 109 logistics customers settled their lease payments through the Customers' Related Parties, respectively. Revenue from Customers' Related Party Payments represented approximately 5.4%, 13.1% and 13.1% of our Group's total revenue for FY2015, FY2016 and FY2017, respectively.

As confirmed by our Directors, the Customers' Related Parties are all independent third parties and do not have any past or present relationship with the Controlling Shareholders, Directors and senior management or their respective associates.

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To the best information and knowledge of our Directors, such arrangements of Customers' Related Party Payments were made mainly because (i) for the convenience to relevant customers and in order to save time and fees for their settlement; and (ii) it is not uncommon for the ultimate owners of private businesses to directly settle payables from their personal accounts on behalf of their businesses. Given that accepting Customers' Related Party Payments did not create any inconvenience to us and we are more concerned on the timely settlement of receivables from the relevant customers, we did not object to such arrangements previously.

With the Customers' Related Party Payments, we may be subject to various risks. Given that the Customers' Related Parties are not under the obligations to make lease payment directly to us, the Customers' Related Parties may claim against us for return of funds. Please refer to the subsection headed "Risk Factors — Risks Relating to Our Business — Certain customers settled their lease payments with us through their related parties during the Track Record Period and we may be subject to potential risks" in this prospectus for further details. Our Directors consider such risk is remote after taking into account the followings factors: (i) if a Customer's Related Party remits or deposits a certain amount of funds to us by mistake and would like us to refund the funds, it would have notified the bank or us shortly after the remittance or deposit was made; (ii) most of the Customers' Related Parties are also guarantors under the relevant finance lease agreements to guarantee the due performance of payment obligations by the relevant customers. If they claim refunds, the relevant customers would be in breach of their payment obligations and therefore the guarantors would be liable for such breach; and (iii) based on our historical experience and due inquiries, our Directors are of the view that it is unlikely that any of the Customers' Related Parties will make any claim against our Group in respect of the Customers' Related Party Payments.

To their best knowledge, our Directors have no grounds to believe that the Customers' Related Party Payments were proceeds or gains from the above crimes and further confirm that they have not committed any acts for the purpose of covering up or concealing any source and nature of any proceeds or gains from any crimes. Based on the above confirmation, our PRC Legal Advisers are of the view that risks of money laundering under the Criminal Law of the PRC (中華人民共和國刑法) is remote in relation to the Customers' Related Party Payments. As also advised by our PRC Legal Advisers, except as disclosed in this prospectus, our Directors are not aware that there is a material breach of the laws and regulations of the PRC in relation to the Customers' Related Party Payments.

To the best information and knowledge of our Directors, there has been no dispute between us and the Customers' Related Parties arising during the Track Record Period and up to the Latest Practicable Date, and there has been no claims made by any of the Customers' Related Parties or other parties against our Group for return of funds in relation to the Customers' Related Party Payments.

To attain better control over our receivables collection process and avoid any potential risks involved in the Customers' Related Party Payments, our Directors have determined to cease all Customers' Related Party Payments onwards. We have implemented series of measures to disallow Customers' Related Party Payments from new customers since October 2017. Prior to entering into the finance leasing agreements with our new customers, our staff explain clearly to them that we do not accept Customer's Related Party Payments. If the new customers insist on settling the payments through their related parties other than the contracting parties of financial leasing agreements, we will not enter into any business relationship with them. In addition, we require the new customers to provide their bank account information to ensure they have active bank accounts to make lease payments. Such accounts are also recorded in the relevant finance lease agreements. In respect of existing finance leasing transactions, we have also put in place internal control measures to gradually terminate Customers' Related Party Payments with them. Our business development department has notified our existing customers, through telephone calls or face to face meetings, that we have ceased to accept the Customers' Related Parties Payments and further requested the relevant customers to pay us directly. Furthermore, in the event that any fund is settled by a Customer's Related Party on behalf

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of a customer, our finance and accounting department sets aside the funds, make enquiry with our bank regarding the identity of remitter and return such funds to such party. Concurrently, our finance and accounting department requests immediate payment from the relevant customer directly. As a result of the implementation of the above internal control measures, the number of our customers who settled through Customers' Related Parties decreased from 108 as at 12 September 2017 to 26 as at the Latest Practicable Date. Each of these 26 customers and the relevant Customers' Related Party have entered into a supplemental agreement with us, pursuant to which the relevant customer has authorised the Customers' Related Party to make the Customers' Related Party Payments to us. As such, our PRC Legal Advisers were of the view that the risk of returning such funds to the Customers' Related Parties is remote.

Our Directors consider the cessation of Customers' Related Party Payments will not have any material effect on our business, as (i) our revenue derived from the Customers' Related Party Payments only accounted for approximately 5.4%, 13.1% and 13.1% of our total revenue for FY2015, FY2016 and FY2017 respectively; and (ii) up to the Latest Practicable Date, we have not received any notice or indications from our existing customers that they will terminate the business relationship with us because of the cessation of Customers' Related Party Payments. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our Group did not accept any third party payments except from the customers and Customers' Related Party for the settlement of lease payments.

### SUPPLIERS

Due to our business nature as a finance leasing services provider, we do not have major suppliers.

### LENDERS

During the Track Record Period, we diversified our financing sources and obtained funds through financial assets sold under repurchase agreements. We entered into financial assets sold under repurchase agreements with an independent third party asset management company. We sold our finance lease receivables and agreed to repurchase them later at the agreed date and price. With a term of one year, two tranches of the financial assets sold under repurchase agreements ended in May 2015 and December 2015, respectively. The amounts of the underlying assets for these two tranches were RMB31.4 million and RMB40.3 million as at 31 December 2015, respectively.

During the Track Record Period, we entered into framework agreements with an independent third party securities firm and an independent third-party finance leasing company which have provided financing to us in the aggregate amount of RMB300.0 million and RMB100.0 million, respectively, through financial assets sold under repurchase agreements within three years and two years, respectively, after the date of agreements. We have also entered into repurchase agreements with such finance leasing company to provide financing to one Group in the amount of RMB8.3 million through financial assets sold under the repurchase agreements, and we have also been in the course of negotiation with other independent third party financial institutions to seek additional financing for our future business development. Please refer to the subsection headed "Business — Sustainability of our Business — Funding Capabilities" and the subsection headed "Financial Information — Liquidity and Capital Resources" in this prospectus for further discussion on our funding portfolio during the Track Record Period.

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During the Track Record Period, we entered into a credit facility agreement with Hua Xia Bank Co., Limited, Shenzhen Yitian branch\* (華夏銀行股份有限公司深圳益田支行), the details of which are set out as below:

<b>Agreement</b>	<b>Term</b>	<b>Amount of credit limit</b>	<b>Amount of loan drawdown as at the Latest Practicable Date</b>
		<i>(RMB million)</i>	<i>(RMB million)</i>
Credit facility agreement	12 July 2017 to 12 July 2018	26.0	—

During the Track Record Period, we also entered into a credit facility agreement dated 30 December 2016 with Guangdong Huaxing Bank Co., Ltd. (廣東華興銀行股份有限公司) pursuant to which the bank granted us a credit facility of RMB30.0 million. The amount of loan drawn was fully repaid upon the expiration of the credit facility on 28 December 2017. Subsequent to the Track Record Period, we have entered into a new credit facility agreement with the abovementioned bank, the details of which are set out as below:

<b>Agreement</b>	<b>Term</b>	<b>Amount of credit limit</b>	<b>Amount of loan drawdown as at the Latest Practicable Date</b>
		<i>(RMB million)</i>	<i>(RMB million)</i>
Credit facility agreement	2 January 2018 to 14 December 2018	30.0	30.0

Apart from the aforesaid financial assets sold under repurchase agreements and bank borrowings, we did not rely on any interest-bearing loans, either from other banks or third party institutions, to operate our business during the Track Record Period. Please refer to note 4 of the Accountants' Reports in Appendix I to this prospectus for further details on the relevant finance costs.

## COMPETITION

Since our incorporation, we have positioned ourselves in the niche market as a finance leasing service provider to SMEs with customised financial solution in comparison to CBRC-regulated finance leasing companies and other large scale finance leasing companies. We have gained practicable knowledge and operational expertise of providing finance leasing services to SMEs. This enables us to maintain our competitive position in the finance leasing market.

Our ability to compete against our competitors is, to a significant extent, dependent on our ability to distinguish our services from those of our competitors through the following factors:

- Accessible and flexible solutions to our SME customers;

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## BUSINESS

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- Prudent risk management measures and internal control processes; and
- Our OA System which enhances our operational management and customer service capability.

In response to the competitive environment, we intend to continue to implement our business strategies to differentiate ourselves from our competitors and to enable us to compete effectively in the PRC finance leasing industry.

### INFORMATION TECHNOLOGY

The OA System is essential to many aspects of our business operations, including transaction processing, risk management, financial management and human resource management. The OA System is provided by Beijing Seeyon Software Co., Ltd.\* (北京致遠協創軟件有限公司), the predecessor of Beijing Seeyon Hulian Software Co., Ltd. (北京致遠互聯軟件股份有限公司), an independent third party, and the OA System is equipped with two computer software developed by us as listed in the subsection headed “Business — Intellectual Property — Copyright” in this prospectus. The system server and firewall of the OA System are configured and managed by us.

The OA System has integrated our business processes and financial systems, covering customer data, loan processing and substantially all the phases of our operational workflow. It can also be viewed online. With the OA System, our business can be conducted on a paperless basis and our salespersons can provide feedback even when working off-site.

We have also made use of our extensive customer base to establish big data analytics with the help of the OA System. The OA System has incorporated customer-tracking functions, covering existing customers and customers who have been contacted but have yet to sign-up for our services. Please refer to the subsection headed “Business — Our Competitive Strengths — We are committed to enhancing our operational management and customer service capability through our OA System” in this prospectus for more details of the OA System.

### INSURANCE

During the Track Record Period and up to the Latest Practicable Date, we purchased commercial insurance for leased assets on behalf of our customers in printing finance leasing transactions, whereas our customers purchased commercial insurance by themselves in logistics finance leasing transactions. The commercial insurance covers losses incurred as a result of natural disasters according to the terms and provisions of the commercial insurance policy. In particular, the commercial insurance policy has laid out coverage for losses as a result of theft or earthquake. Such terms and provisions of the commercial insurance coverage are in line with the usual practice in the finance leasing industry.

We have also purchased mandatory social insurance for our employees as required by government regulations.

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During the Track Record Period and up to the Latest Practicable Date, we have not experienced any business interruptions which had a material adverse effect on our business. Based on industry practice in the PRC and our experience in operating our businesses, our Directors are of the view that our insurance coverage is sufficient for our current operations and is in line with the industry norm. Please refer to the risk factor headed “Risk Factors — We may not have adequate insurance coverage to cover potential liabilities or losses” in this prospectus for further disclosure on relevant risks.

### INTELLECTUAL PROPERTY

#### Trademark

ZYY Shenzhen have entered into the Trademark Assignment and License Agreement with ZYY Holdings, pursuant to which ZYY Holdings agreed to assign all of its rights in connection with the applications for registrations of certain trademarks to ZYY Shenzhen. For details, please refer to the subsection headed “Connected Transactions — Exempt Continuing Connected Transactions” in this prospectus. As at the Latest Practicable Date, such trademarks or trademark applications have been assigned to ZYY Shenzhen pursuant to the Trademark Assignment and License Agreement. As at the Latest Practicable Date, we have one and 65 trademarks registered in Hong Kong and the PRC, respectively, and we also have 23 trademark applications. Please refer to the subsection headed “Statutory and General Information — B. Further Information About Our Business — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus for details.

#### Domain Name

As at the Latest Practicable Date, our Group has registered the following domain names which are material to our business:

<u>Domain name</u>	<u>Registered owner</u>	<u>Registration date</u>	<u>Expiry date</u>
ziyygroup.com	ZYY Shenzhen	27 February 2017	27 February 2022
ziyygroup.com.cn	ZYY Shenzhen	27 February 2017	27 February 2022
ziyygroup.cn	ZYY Shenzhen	27 February 2017	27 February 2022

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### Copyright

As at the Latest Practicable Date, our Group has registered the following computer software copyrights which are material to our business:

<u>Name of the computer software</u>	<u>Country of registration</u>	<u>Copyright owner</u>	<u>Registration No.</u>	<u>First publish date</u>	<u>Registration date</u>
ZIYUANYUAN Equipment Risk Control System Software V1.0 (紫元元設備租賃風險控制系統軟件V1.0)	PRC	ZYY Shenzhen	2016 SR264996	15 June 2016	19 September 2016
ZIYUANYUAN Leasing Equipment Management Platform System Software V1.0 (紫元元設備租賃管理平臺系統軟件V1.0)	PRC	ZYY Shenzhen	2016 SR265021	16 May 2016	19 September 2016

During the Track Record Period and up to the Latest Practicable Date, we do not license any of our intellectual property rights to any third parties. Our Directors confirm that as at the Latest Practicable Date, we were not involved in, as claimant or respondent, any proceedings that may be threatened or pending, or we have not received notice of any claims of infringement of, any intellectual property rights.

### EMPLOYEES

#### Overview

We are committed to recruiting, training and retaining skilled and experienced people throughout our operations. We intend to achieve this by offering competitive remuneration package as well as focusing on training and career development. We have implemented internal recruitment policies stipulating recruitment procedures, selection criteria and on-boarding formalities.

As at the Latest Practicable Date, we had 36 full-time employees in our headquarter in Shenzhen. The following table shows the breakdown of our full-time employees by department.

<u>Department</u>	<u>Number of Employees</u>
Risk management department	10
Business development department	14
Management	2
General administration department	7
Finance and accounting department	3
<b>Total</b>	<b>36</b>

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For FY2015, FY2016 and FY2017, we incurred staff costs of approximately RMB2.8 million, RMB4.9 million and RMB6.5 million, respectively, representing approximately 26.0%, 16.5% and 12.5% of our total revenue for the respective years.

### **Training and Development**

We aim to create a strong sense of community and a motivating environment for our employees to enhance employee loyalty and work dedication. In general, we recruit and determine employees' compensation based on their performance, qualifications, position and seniority. We place a strong emphasis on training and development of our employees. Our training programs include orientation courses for new employees, internal training courses and external training programs for existing employees.

Orientation courses are implemented to ensure that new employees are equipped with the necessary knowledge about our culture and human resource policies, including annual leave arrangements, salaries and welfare packages.

Internal training courses are aimed at developing the professional skills and industry knowledge of existing employees, so as to ensure that they are competent to handle their work and motivate them to actively make innovative contributions to our Group.

External training programs for existing employee are provided by engaging external academic personnel for the purpose of introducing diversified experiences. Our purposes are to integrate new perspectives into our business so as to enhance our ability to better cope with the constantly changing market environment. We hope that our employees remain competitive in the industry to serve our need for rapid development in future.

### **Employee Relations and Benefits**

We maintain good working relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, there was no employee labour union in our PRC operations. As at the Latest Practicable Date, our employees have not negotiated their terms of employment through any labour union or by way of collective bargaining agreements and we have not experienced any strikes or any labour disputes with our employees which have had or are likely to have a material effect on our business. During the Track Record Period, we have not experienced any strike or significant labour dispute which have materially affected our operations, and we consider our relations with our employees to be good.

In accordance with applicable PRC regulations, we have made contributions to social insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance) and housing funds for our employees. As at the Latest Practicable Date, we have, in all material respects, complied with all statutory social insurance obligations under the applicable PRC laws.

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### HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Our internal administrative policy has included work safety and occupational health issues. We provide our employees with annual medical checks. During the Track Record Period and up to the Latest Practicable Date, we did not incur any cost of compliance with applicable environmental protection or work safety rules and regulations, since we do not raise any material issues due to our nature of business. As at the Latest Practicable Date, we have not encountered any non-compliance issues with regard to any applicable laws and regulations on environmental protection or work safety, nor do we come across any claims or complaints from our employees, customer or the public in respect of work safety or health issues relating to our business operations.

### PROPERTIES

#### Owned Properties

As at Latest Practicable Date, we did not own any properties.

#### Leased Properties

On 30 December 2014, ZYY Shenzhen entered into a tenancy agreement (the “**Original Tenancy Agreement**”) with an independent third party to lease office space for our headquarter in Shenzhen. On 15 November 2017, ZYY Shenzhen and the lessor mutually agreed to terminate the Original Tenancy Agreement as ZYY Shenzhen agreed to move to another office premises owned by the same lessor and a new tenancy agreement (the “**New Tenancy Agreement**”) was entered by the parties accordingly. On 27 February 2017, our Company entered into a tenancy agreement with an independent third party to lease office space for our place of business in Hong Kong. The following table sets out the details of our leased properties:

<b>Address</b>	<b>Area (approximate sq. ft./m<sup>2</sup>)</b>	<b>Leased term</b>	<b>Monthly rent</b>
Unit A-01, 10th Floor, Block A, China Investment International Commerce Centre, 1061 Xiangmei Road, Futian District, Shenzhen city, Guangdong province, the PRC	300 sq. m <sup>2</sup>	16 November 2017 to 30 November 2020	RMB60,000.00 (exclusive of management fees and deposits)
Suite No. 2909, 29th Floor of Office Tower of Skyline Tower, No. 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong	1,281 sq. ft.	13 February 2017 to 12 February 2019	HK\$30,700 (exclusive of rate, government rent, management fee, air-conditioning charge and other outgoings)

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As at the Latest Practicable Date, the lessor of our leased building has obtained valid building ownership certificates and provided us with evidence that it has requisite titles or rights to lease the building to us. We registered the New Tenancy Agreement with the relevant authority of the PRC on 15 November 2017.

According to the GEM Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in lands or buildings, because as at 31 December 2017, the carrying amount of our property interest was less than 15.0% of our consolidated total assets.

For FY2015, FY2016 and FY2017, our total rental expenses were approximately RMB459,000, RMB467,000 and RMB808,000, respectively.

### LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we were involved in five legal proceedings: on 10 November 2016, ZYY Shenzhen as the plaintiff initiated one legal proceeding against the defendant, one of our customers who defaulted in payment under the finance lease agreement, and ZYY Shenzhen claimed for defaulted lease payments, liquidated damages, guarantee fees and legal fees. This legal proceeding was later withdrawn by us on 3 January 2017 since the defendant settled the payment under the finance lease agreement. On 18 October 2017, ZYY Shenzhen as the plaintiff initiated one legal proceeding against the defendant, one of our customers who defaulted in payment under the finance lease agreement, and ZYY Shenzhen claimed for termination of the relevant financial lease agreement, return of the leased assets, defaulted lease payments, damages, guarantee fees and legal fees. On 28 November 2017, ZYY Shenzhen as the plaintiff initiated three legal proceedings against one customer who defaulted in lease payments under three relevant finance lease agreements, and ZYY Shenzhen claimed for termination of these agreements, return of the underlying leased assets, defaulted lease payments, damages, guarantee fees and legal fees. We believe we have solid grounds to succeed on all the outstanding litigations and believe we will be able to recover a substantial portion of the claimed amount. Therefore, we believe the impairment allowance currently made under the provisioning policy of our Group was adequate to cover the finance lease receivable subject to legal proceedings. Apart from these five legal proceedings, during the Track Record Period and up to the Latest Practicable Date, we were not a party to any actual or pending litigation, legal dispute, claim or administrative proceedings of material importance to which our Company or any of its subsidiaries or any of our Directors is a party, and we are not aware of any material threatened litigation, legal dispute, claim or administrative proceedings against our Company or any of our subsidiaries or any of our Directors.

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## BUSINESS

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### APPROVAL AND COMPLIANCE

#### Licenses and Permits

The licenses and permits required for our operations in the PRC primarily include, enterprise business license issued by the local branch of SAIC and filing receipt issued by the Shenzhen Qianhai Shekou Management Committee of China (Guangdong) Pilot Free Trade Zone (中國(廣東)自由貿易試驗區深圳前海蛇口片區管理委員會) for operating business in finance leasing, leasing, purchasing domestic and overseas leased assets, repairing and disposing residual value of leased properties, finance leasing consultation and guarantee. In preparation of our proposed entry into the medical industry in the future, we have also obtained the permit for medical device operation (醫療機械經營許可證) issued by Shenzhen MQSC on 9 October 2016.

During the Track Record Period and up to the Latest Practicable Date: (i) we obtained all required licenses, approvals and permits from the relevant authorities that are required for our business operations, and such licenses, approvals and permits remained in full effect; (ii) no circumstances existed that would render the revocation or cancellation of any license, approval or permit, and we did not experience any material difficulty in obtaining or renewing any required license, approval or permit; and (iii) we were not admonished or penalised by the relevant government authorities for any material non-compliance in connection with our business operation.

Taking into account our on-going compliance with the relevant regulatory requirements, our Directors are of the view that there is no legal impediment to renew any licenses, approvals, registrations and permits that are required for our business operations with the relevant authorities.

#### Non-compliance

We are subject to extensive and complex national, provincial and local laws, rules and regulations with regard to our finance leasing business and capital structure, as set out in the section headed “Regulations” in this prospectus. During the Track Record Period and up to the Latest Practicable Date, we are in compliance with such applicable laws, rules and regulations in all material aspects.

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## RISK MANAGEMENT AND OPERATION

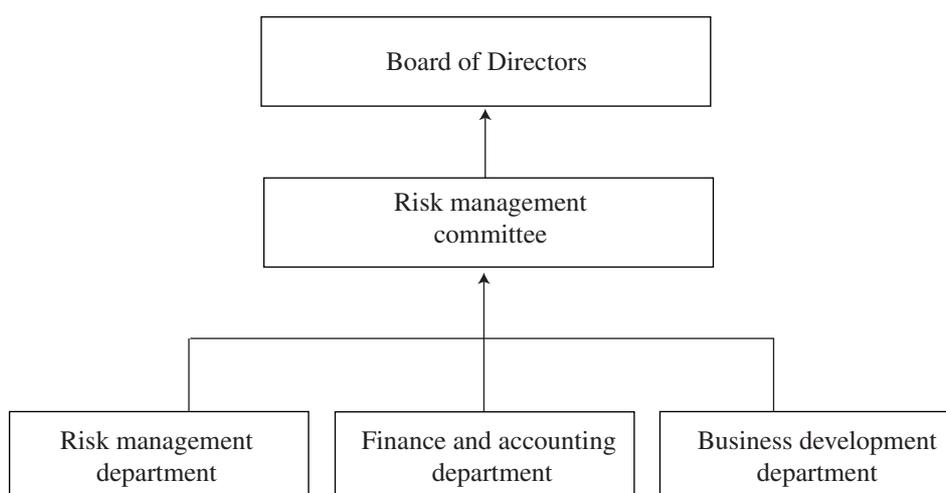
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### OVERVIEW

As a finance leasing company, we face a variety of risks in our daily business operations, including credit risk, liquidity risk, interest rate risk, operational risk, and legal and compliance risk. We recognise the importance of an effective risk management system for identifying and mitigating these risks. We have developed a risk management system tailored to the characteristics of our business operations, with a focus on managing the risks through comprehensive due diligence on the customer, independent information review and multi-level approval process. We continue to monitor and review the operation and performance of our risk management system, and to improve the system from time to time to adapt to the changes in market conditions and regulatory environment. The core principle of our risk management system is to minimise such risks in our business activities and to protect the long-term interests of our Group and our Shareholders.

### RISK MANAGEMENT SYSTEM FRAMEWORK

We have established a risk management system which consists of our Board of Directors, risk management committee, risk management department, business development department, and finance and accounting department. The organisational structure of our risk management system is illustrated below:



#### Board of Directors

Our Board of Directors is the highest level of our risk management system and is ultimately responsible for our overall risk management and oversees the risk management department, the finance and accounting department and the business development department. Our Board has also authorised our chief executive officer to manage and lead the risk management committee as well as evaluate the performance of our risk management department, finance and accounting department and business development department. With their experience and expertise, our Board have helped us build up a pragmatic and effective risk control and management system. For details of relevant qualifications and experience of the Board members, please refer to the subsection headed “Directors, Senior Management and Employees — Directors” in this prospectus.

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## RISK MANAGEMENT AND OPERATION

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### Risk Management Committee

Our risk management committee is the decision-making body in respect of risk management within normal course of finance leasing business, subject to the guidance and authorisation of our Board. The following are the primary duties of the risk management committee:

- ensure necessary measures are adopted by the senior management to identify, evaluate, measure, detect, control and mitigate risk;
- conduct regular review on the risk management reports submitted by senior management;
- review relevant documents and approve our finance leasing transactions;
- evaluate and implement our transaction evaluation policies;
- review the feasibility, risk prevention and mitigation measures of finance leasing transactions; and
- handle other risk-related issues during our operation that might have material adverse impact on our business.

As at the Latest Practicable Date, the risk management committee had the following members:

<b>Name</b>	<b>Position</b>	<b>Experience</b>
Mr. Zhang	Executive Director, chairman of the Board and chief executive officer	Approximately eight years of experience in corporate management and approximately three years of experience in finance leasing industry
Mr. Liu	Executive Director	Over 16 years of experience in financial services and investment industry
Mr. Zhang Junwei	Non-executive Director	Over three years of experience in financial and accounting services
Ms. Li Xiangying	Chief financial officer	Over 20 years of experience in financial and accounting services
Mr. Mou Peng	Risk management manager	Over 11 years of experience in finance-related work and over nine years of experience in enterprise risk management

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## **RISK MANAGEMENT AND OPERATION**

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### **Risk Management Department**

Our risk management department is mainly responsible for formulating risk management policies and rules as well as customer due diligence and implementation of risk management policies. As at the Latest Practicable Date, the total number of employees at our risk management department is ten.

Our risk management department is responsible for customer due diligence, including the on-site due diligence work at a certain customer's place of business, as well as relevant interviews and document researches. Through comprehensive customer due diligence process, our risk management department is able to have a complete understanding of the customer's operations and financial situation, and then produce a customer credit assessment report with assessment of the specific customer's financing needs and ability to make lease payments. It also supervises the post-drawdown management of each finance leasing transaction to ensure that the lease equipment is functioning properly and the customer is able to make all lease payments in accordance with the finance lease agreement. It provides relevant information for the Board of Directors and the risk management committee to evaluate and decide on our business strategies. In addition, our risk management department prepares finance lease agreements and other transaction documents, ensures satisfaction of the conditions precedent for fund drawdown, and attends to other matters relating to fund drawdown.

### **Business Development Department**

Our business development department is mainly responsible for our business promotion and marketing, market research, customer development and maintenance, customer identification and post-drawdown management of each finance leasing transaction.

### **Finance and Accounting Department**

Our finance and accounting department is responsible for managing risks that we face in relation to liquidity risks. As at the Latest Practicable Date, our finance and accounting department has three employees. For more details about how our finance and accounting department manages liquidity risk, please refer to the subsection headed "Risk Management and Operation — Liquidity Risk Management" in this prospectus.

## **MARKET RISK MANAGEMENT AND OPERATION**

Our current strategy is to focus on our existing targeted industries and steadily expand into a new industry within a specific period of time. Therefore, the main risks we face are the market risks of relevant customer industries that we are serving. When it comes to selecting an industry, we first interview industry associations as well as visit target customers in order to obtain a thorough understanding of the market conditions of the new industry. We are required to complete a strict internal review process regarding the new industry which we consider expanding into. We have greater preference for traditional or livelihood-type industries with a longer life cycle and adequate cash flow, such as the printing industry and the logistics industry in China. We believe that with our selection criteria of a new industry and prudent expansion strategy, we have been able to reduce the market risk.

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## RISK MANAGEMENT AND OPERATION

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### CREDIT RISK MANAGEMENT

Credit risk arises from a customer's inability or unwillingness to make timely payments in accordance with the terms of our finance leases. In order to manage such credit risks and based on the special features of SMEs, we have developed an effective credit risk management system that we believe to be suitable for our business.

#### Credit Risk Management Process

The table below illustrates the key processes of our credit risk management system in different stages of a finance leasing transaction.

<u>Risk management measures</u>	<u>Department and personnel involved</u>	<u>Duties and functions</u>
Transaction marketing	<ul style="list-style-type: none"><li>• Business development department</li></ul>	<ul style="list-style-type: none"><li>• Obtain basic information from the customer</li><li>• Make an initial assessment of whether the customer's financial conditions meet the preliminary criteria</li><li>• Collect and submit basic customer information and proposed terms of finance leases to the risk management department</li></ul>
Transaction preliminary approval	<ul style="list-style-type: none"><li>• Risk management department</li></ul>	<ul style="list-style-type: none"><li>• Review the customer's application materials</li><li>• Conduct an analysis on the transaction risks</li><li>• Grant preliminary approval</li></ul>
Transaction due diligence	<ul style="list-style-type: none"><li>• Risk management department</li></ul>	<ul style="list-style-type: none"><li>• Conduct due diligence on the customer's background, operating and financial conditions, as well as credit history and financing purpose</li><li>• Conduct on-site visits to the customer's place of business and interviews with the customer's representatives</li><li>• Prepare a credit assessment report</li></ul>
Internal evaluation	<ul style="list-style-type: none"><li>• Risk management department</li></ul>	<ul style="list-style-type: none"><li>• Review the transaction file and evaluate the due diligence process</li></ul>

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## RISK MANAGEMENT AND OPERATION

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Risk management measures	Department and personnel involved	Duties and functions
Transaction evaluation and final approval	<ul style="list-style-type: none"> <li>• Risk management committee</li>   <li>• Risk management committee or Board</li> </ul>	<ul style="list-style-type: none"> <li>• Review the credit assessment report submitted by the risk management department and evaluate the customer's financing needs, financing ability and associated risks</li>   <li>• Grant final approval by risk management committee after reviewing the credit assessment report</li> <li>• Approve major business decisions (such as entry into a new industry) by the Board</li> </ul>
Lease agreement execution	<ul style="list-style-type: none"> <li>• Risk management department</li>   <li>• Business development department</li>   <li>• Risk management department</li>   <li>• Finance and accounting department</li>   <li>• Business development department</li>   <li>• Risk management department</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare relevant finance lease agreement</li> <li>• Prepare remittance information</li>   <li>• Negotiate relevant finance lease agreements</li>   <li>• Review the terms of and conditions precedent to each finance lease agreement before the customer's drawdown of leasing fund</li>   <li>• Arrange for draw down of leasing funds</li>   <li>• Inspect operating and financial conditions of the customer as well as status of the leased equipment regularly</li> <li>• Collect overdue payment where necessary</li>   <li>• Implement the finance leasing management</li> <li>• Upon any negative signals or feedback arises, resolve them timely and immediately report to the risk management committee</li> </ul>
Asset recovery	<ul style="list-style-type: none"> <li>• Risk management department</li>   <li>• Risk management committee</li> </ul>	<ul style="list-style-type: none"> <li>• Formulate a recovery plan and upon the Board's approval, implement the plan</li>   <li>• Review and approve the recovery plan</li> </ul>

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## RISK MANAGEMENT AND OPERATION

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### Credit Risk Management Measures

#### *Transaction marketing*

Our business development department first conducts an initial discussion with a prospective customer and obtains the relevant basic information and documents. They then make a preliminary determination based on such information as to whether the customer meets our internal requirements.

To make any initial assessment, we mainly consider the customer's finance leasing purposes, industry nature, years of operating business, size of assets and liabilities, and financial performance. If the business development department finds the customer's financial condition to be acceptable, they pass the customer's application materials to our risk management department.

#### *Preliminary approval*

Once receiving the customer's application materials, our risk management department makes a preliminary assessment of the customer's capital needs, repayment ability, value and liquidity of the leased equipment, and major risks in association with the finance leasing transaction in order to determine whether the customer meets our customer entry criteria. The main contents of our preliminary review include:

- whether the customer's business is within the relevant scope of our target industry;
- whether the customer has obtained all required business licenses and approvals;
- whether the years of operation for the customer's business meets our requirements;
- whether the leased equipment meets our requirements;
- whether there are any negative records of the customer's company and its associated persons (including actual controllers, shareholders, legal representative(s) and/or their spouses) in relevant credit reports, public files and/or other sources;
- whether the assets and liabilities, as well as earnings, of the customer meet our requirements; and
- whether the customer uses finance leasing for a clear and specific purpose and meets our relevant requirements.

Our risk management department then provides their independent and professional opinion as to whether a preliminary approval can be granted.

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## RISK MANAGEMENT AND OPERATION

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### *Transaction due diligence*

Once the preliminary approval is granted, our risk management department conducts a complete due diligence of the application. When our risk management department has customer's application materials available, they schedule an appropriate time with the customer and conduct on-site visits to the customer's place(s) of business and ensure the completeness, authenticity and integrity of inspection. Based on the due diligence results, we then prepare the customer credit assessment report. The customer due diligence work shall follow the procedures outlined below:

- ***Field observation.*** Our risk management department conducts on-site inspections to the customer to understand its operating features and current business status. The main review criteria include:
  - *Production facilities.* Understand the production stages and critical control processes, take note of the customer's employees and their working attitude, as well as inspect raw materials and end-product warehouses; and
  - *Internal management.* Observe the internal management of the customer's business, including production processes; determine whether the department and sector structures and relevant functions are sound, reasonable and clearly identified;
- ***Customer on-site interview.*** Our risk management department conducts on-site interviews with the customer and discusses in details the customer's business experience, management's personality, management's character, management's family situations, current business situation and future development plans as well as any other information in order to obtain a comprehensive understanding of the customer's business and to determine the customer's credit risk level. The interview mainly covers the following contents:
  - date of incorporation of the customer's company, finance lease amount, business development and operating history;
  - work experiences and history of the customer's relevant personnel;
  - the customer's current business model, revenue, profits, client structure, billing and financial accounting methods;
  - existing assets and investment history of the customer's business;
  - the investment and financial information of the customer and all related persons;
  - the basic personal and family situation of all related persons and their assets and liabilities;
  - the specific purpose of the finance leasing transaction, and sources of repayment; and
  - the customer's future development plan.

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## RISK MANAGEMENT AND OPERATION

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- ***Finance due diligence.*** In order to fully understand the actual situation of the customer's assets and liabilities as well as its profit levels, our risk management department obtains the customer's basic financial information and original underlying business documents to calculate and cross-validate the information provided by the customer. Our focus is to objectively and prudently evaluate the veracity of the customer's information and the viability of the customer's financial health, as well as to identify any major risks or financial issues of the customer. Upon completion of the due diligence, our risk management department prepares a customer credit assessment report and provides their professional opinion regarding the transaction. If our risk management department considers the transaction to be feasible, they submit the transaction packet to the risk management committee for further review.

### ***Internal evaluation***

Our risk management department evaluates the customer transaction file including application materials, due diligence results, a customer credit assessment report and other documents. We make an internal assessment on whether we have carried out due diligence in accordance with our internal standards and requirements. We also evaluate and provide a view as to whether the customer's operating and financial conditions meet our criteria.

### ***Transaction evaluation and final approval***

Depending on the transaction type and the amount of funds involved, our risk management committee evaluates the transaction through review of the transaction packet or a committee meeting. Either a written consent or a meeting among members of our risk management committee has proper authority to approve a transaction. Each committee member has veto power to disapprove a transaction. Regardless of the opinions of other committee members, the transaction could be rejected upon one veto vote by any committee member. In the event that the transaction is referred by any of our risk management committee members, such committee member will abstain from voting to avoid conflict of interests and ensure an independent view is given by the risk management committee.

At the same time, each committee member has a right to make recommendations to amend the transaction details (such as reducing the finance lease amount or increasing the guarantee amount), and the committee reaches a consensus based on recommendations.

Our risk management committee decides whether to grant the final approval for a transaction after review. With respect to a major business decision (such as entry into our new target industry), our risk management committee first reviews the relevant documents. After all members agree with granting of an approval, our risk management committee submits the relevant documents to the Board of Directors which makes a decision after review.

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## RISK MANAGEMENT AND OPERATION

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### *Finance lease agreement execution*

After the final approval of the transaction, our risk management department prepares the finance lease agreement and other ancillary agreements (such as a guarantee agreement) which are then passed onto our business development department for negotiation of contract terms and signing of the relevant finance lease agreement. Our risk management department monitors and ensures satisfaction of the conditions precedent provided in the finance lease agreements, which usually include:

- relevant agreements have been properly signed;
- ownership of the leased equipment has been duly transferred to us in printing finance leasing transactions;
- the information of finance leasing agreement is duly registered with the Movable Financing Comprehensive Registration System of the PBOC Credit Reference Centre (中國人民徵信中心動產融資統一登記系統) ([www.zhongdengwang.org.cn](http://www.zhongdengwang.org.cn));
- the registration of leased vehicle with respect to logistic finance leasing transactions, or the registration of relevant collateral(s) with respect to printing finance leasing transactions (if applicable), is completed; and
- a GPS monitoring device has been installed for leased vehicles. Prior to May 2017, we requested the installation of surveillance cameras for leased printing equipment (i) which was located outside Guangdong province; (ii) which had considerable contract price in sales-leaseback transactions; or (iii) where deemed necessary by our risk management department. Since May 2017, we have requested the installation of surveillance cameras for the leased printing equipment of our newly signed direct lease transactions and sales-leaseback transactions.

### *Drawdown of funds and post-drawdown management*

All the information in relation to satisfaction of the conditions precedent is recorded in our OA System. The head of our risk management department as well as the head finance and accounting department jointly review and approve the drawdown of fund in respect of each finance lease transaction. For sale-leaseback transactions, we identify whether the leased equipment is on-site and carefully review the appearance, identification, type and operation status of leased equipment before drawdown.

Our post-drawdown management includes routine inspections, on-site inspections, daily supervision, as well as monthly review, of the collection status of finance lease receivable, repayment reminders, overdue collection and overdue warnings, as well as ongoing monitoring of our lease assets. The relevant procedures are listed below:

- *Routine inspection.* Our business development department makes telephone calls to the customer at least once a month for remote inspection. The remote inspection involves understanding the customer's operating conditions and net cash flow as well as the status of leased equipment. With respect to leased printing equipment for which a remote surveillance camera has been installed at the customer's business site, we arrange for video surveillance monitoring one to three times a week.

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- *On-site inspection.* We conduct on-site inspection and make inquiry (where necessary) to understand the customer's operating conditions, cash flow as well as the status of leased equipment. Generally, we conduct follow-up on-site visits at least once every half year. Where a GPS monitoring device or a surveillance camera has been installed on the leased assets, the frequency of on-site visit can be reduced to once a year. Where there are 12 consecutive payments on time by the customer, the frequency of onsite visit can be further reduced to at least once a year, subject to the approval by our risk management department. The risk management department reserves the discretion to increase or reduce the aforesaid frequency of on-site visits depending on different transactions.
- *Daily supervision of the collection status of finance lease receivables.* As part of our debt management procedures, our finance and accounting department internally circulates a detailed electronic daily log, which includes the name, amount due and payable to our Group, and collection status of the customers. In the event that the finance lease receivables are collected, we mark the relevant collection status to be "normal repayment" and record the repayment date in the log. In the event that the finance lease receivables are not collected, our finance and accounting department notifies our business development department of such overdue payment and our business development department follows up with the relevant customers. Our risk management department also conducts review on the collection status of finance lease receivables and prepares the monthly report.
- *Payment reminders.* Our business development department issues a reminder to the customer before the due date of relevant payment via telephone call, text message, or by visiting the customer's premises.
- *Overdue collection and overdue warning.* Under the circumstance where a customer fails to make a lease payment on time and dependent on the number of overdue days for relevant finance lease receivables, our business development department and/or risk management department make telephone collection calls, on-site collection requests and/or issue an overdue warning letter to collect lease payments. In particular, according to our internal procedure, we make telephone calls to the defaulting client on the first day immediately after the repayment becomes due. If such overdue continues, we further arrange on-site collections after seven days following the repayment due date; and where necessary, an overdue warning letter will be issued to the defaulting client. Our non-performing assets amounted to nil, nil, and approximately RMB6.1 million for FY2015, FY2016 and FY2017, respectively.
- *Ongoing monitor of our leased assets.* During the post-leasing stage, we continuously monitor the movement of leased assets' value. For example, GPS monitoring devices have been installed for leased vehicles. Prior to May 2017, we installed surveillance cameras for leased printing equipment (i) which was located outside Guangdong province; (ii) which had considerable contract price in sales-leaseback transactions; or (iii) where deemed necessary by our risk management department. Due to our enhanced internal control measures, since May 2017, we have installed surveillance cameras for all leased printing equipment of our newly signed direct lease transactions and sales-leaseback transactions. We also conduct regular follow-up on-site visits to inspect the status of leased equipment. We also arrange for our leased assets to be re-evaluated by independent appraisal agency where necessary, for example, in the event that we suspect the value of leased assets may materially deteriorate, or in the case of legal proceedings.

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## RISK MANAGEMENT AND OPERATION

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As our business further expands, we will continuously upgrade our OA System in order to better monitor and manage the collection status of the finance lease receivable. Moreover, we have made provision policy for finance lease receivables. For further details, please refer to the subsection headed “Business — Asset Quality — Provisions for Finance Lease Receivables” in this prospectus.

### **Asset Recovery**

#### *Initiation of the process*

To further reduce our credit risk for long-term development purpose, we will start our non-performing asset recovery process upon any of the following situation arises:

- the customer’s business will, or is very likely to, fall into an unsustainable situation or where there is potential or actual risk of winding up of the customer’s business;
- the customer’s controlling shareholder is facing actual or potential risk of bankruptcy;
- there is any substantial change in customer’s shareholdings (including change of control);
- there is any actual or pending litigation or administrative penalties, in which some or all of customer’s assets have been seized;
- where there is any suspicion that the customer is selling, leasing or re-mortgaging the leased equipment or is making an unauthorised transfer, sale or lease of the leased equipment;
- where there is any significant change in the personal or familial situation of the general manager, ultimate owner, legal representative or substantial shareholder(s) of the customer, which may have or already has a material adverse effect on the customer’s business;
- the customer provides guarantees to a third-party financing institution or a third party, which may bring greater risks to its repayment ability;
- the customer’s scheduled lease payment(s) remain unpaid and overdue for over 30 days; or
- any other event or situation which, in the opinion of our risk management department, likely bring material risks to the leased asset.

#### *Non-performing assets recovery process*

Our risk management department is responsible for formulating and implementing relevant non-performing asset recovery rules and developing a non-performing asset recovery process. The non-performing asset recovery process may include, but is not limited to, the following:

- suspend/terminate relevant finance lease agreement;
- dispose of the leased equipment through a proper procedure;

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## RISK MANAGEMENT AND OPERATION

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- use the proceeds from the disposal sale to repay the original principal amount and the lease payments up to the date of termination (netting off deposit);
- require relevant guarantor to settle overdue lease payments by the customer; and
- bring up proper legal action against the customer.

During the Track Record Period, there were three customers who defaulted in lease payments, which we have not recovered as at the Latest Practicable Date. As a result, we have classified these three defaulted lease payments as non-performing assets and have initiated the non-performing asset recovery process. We have required all the three customers as well as their guarantors to settle the overdue lease payments and have brought legal proceedings to two of the three customers. For details, please refer to the subsection headed “Business — Legal Proceedings” in this prospectus. For the remaining one customer, we expect to collect the overdue lease payment through negotiation as the relevant amount is small. The total non-performing assets as at 31 December 2017 amounted to approximately RMB6.1 million, and approximately RMB1.5 million in deposit has been forfeited due to their default in payment. For the remaining approximately RMB4.6 million we will recover through legal proceeding and negotiation with the customer.

### **Key Characteristics of our Credit Risk Management System**

In summary, our credit risk management system has the following characteristics:

- we conduct thorough due diligence for customer entry and selection independently by our business development department and risk management department. Our due diligence covers not only the customer itself but also its substantial shareholders and proposed guarantor;
- we evaluate the customer’s creditworthiness and ability to generate stable and sustainable revenue, and designate these parameters as the most important factors during the course of evaluation and approval of the finance lease;
- we evaluate the value and liquidity of assets under each finance leasing transaction and ensure the outstanding lease payments will be sufficiently covered by the value of leased assets;
- we have a multi-layer review and approval system that enables us to discuss the potential issues and risks associated with each of our finance leasing transactions; and
- we pay close attention to post-drawdown management and act promptly upon any “negative signal” arises.

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## RISK MANAGEMENT AND OPERATION

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### OPERATIONAL RISK MANAGEMENT

In order to prevent and minimise any operational risks as a result of inadequate or ineffective internal controls, corruption among staff, operating errors or other operational risks arising from external risk, we have taken the following measures:

- maintain a sound corporate governance structure and clearly define the responsibilities of the Board of Directors and senior management;
- maintain a stringent risk management system to ensure the independent functions of all the relevant departments, when discharging their risk management duties;
- establish regular training and educational programs;
- establish an evaluation mechanism for the regular review and analysis to ensure the applicability and effectiveness of existing risk management policies;
- create a file management system in which most risk management activities are recorded and archived;
- establish business cross-checking mechanisms in order to conduct random checks on ongoing finance leasing transactions; and
- set clear guidelines on responsibilities assigned to each person and department in order to enhance a sense of responsibility among staff and our ethical standards.

### LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that funds are not available to meet the liabilities as they fall due and may arise from value or maturity mismatches of assets and liabilities (including contingent liabilities arising from guarantees). Our finance and accounting department is primarily responsible for managing and controlling our liquidity risk by matching our assets and liabilities at a proportion so as to maintain sufficient levels of liquidity and fulfil our payment obligations to our lenders as such obligations come due.

We have adopted various measures to control and reduce our liquidity risk according to our internal policies and procedures established, including:

- *Monitor liquidity risk indicators.* Under our internal measures for liquidity risk management, we monitor a number of liquidity risk indicators such as the debt-to-asset ratio, liquidity ratio and interest rate. Our risk management committee is responsible for determining the liquidity risk management policies and the liquidity risk indicators. Our risk management department formulates and implements these policies. Our finance and accounting department is responsible for the weekly monitoring of the liquidity risk indicators and conducting specific liquidity management measures and adjustments on an as-needed basis.

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- *Conduct regularly liquidity check.* We regularly conduct checks on liquidity risk and formulate contingency plans according to the test results. If any liquidity risk indicator reveals areas of concern, we will report it to the management team in a timely manner and take mitigation measures within a specified timeframe. If any finance lease becomes overdue, we may take the following measures to mitigate the potential liquidity risk: (i) ensure payments from other finance lease receivable are not affected; (ii) repossess the leased assets or collateral and have them disposed of to ensure adequate liquidity; and (iii) obtain additional funding if and when required.

### LEGAL AND COMPLIANCE RISK MANAGEMENT

The business, capital structure, tax arrangement and other aspects of our business are subject to the laws, regulations and policies. Legal and compliance risk is the risk to our business, financial condition, result of operations and reputation, due to our failure to fulfil the requirements of relevant laws, regulations and policies. As at the Latest Practical Date, we have not experienced any material non-compliance with relevant legal requirement.

Laws, regulations and policies applicable to our Group may be subject to change from time to time, and if we are unable to respond to such changes in time, these changes may have a material effect on our operations. To effectively prevent against any non-compliance risk, we have implemented the following measures:

- closely follow up with any updates of applicable laws, regulations and policies;
- establish an effective internal training and evaluation mechanism so that our employees can fully understand and be updated with any changes in applicable laws, regulations and policies to avoid any non-compliance in normal course of business;
- establish a regular review mechanism in order to ensure our senior management remains adept and informed of the latest industry developments and rule changes; and
- retain professional legal advisers to advise on the internal and external risks of legal non-compliance in our business and for the consultation of our senior management team.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### OVERVIEW

On 24 February 2017, Mr. Zhang and Mr. Zhang Junwei entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert in respect of each member of our Group from the incorporation dates of the respective member of our Group and continue as at and after the date of the Concert Parties Confirmatory Deed. Details of the Concert Parties Confirmatory Deed are set out in the subsection headed “History and Reorganisation — Parties Acting In Concert” in this prospectus.

Immediately following the completion of the Capitalisation Issue and the Share Offer, and by virtue of the Concert Parties Confirmatory Deed, Mr. Zhang (through Hero Global) and Mr. Zhang Junwei (through Icon Global) will be collectively interested in 75.0% of the Shares in issue. Given the aforesaid and for the purpose of the GEM Listing Rules, Mr. Zhang, Mr. Zhang Junwei and their respective holding companies, namely Hero Global and Icon Global, are collectively considered as our Controlling Shareholders.

Our Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, none of the Controlling Shareholders, our Directors and their respective close associates is interested in any business which competes, or may compete, directly or indirectly, with the business of our Group, or would otherwise require disclosure under Rule 11.04 of the GEM Listing Rules.

### EXCLUDED BUSINESS OF OUR CONTROLLING SHAREHOLDERS

During the Track Record Period and up to the Latest Practicable Date, our Controlling Shareholders had been interested in the following companies which have been excluded from our Group (collectively the “**Excluded Group**”). Set out below is a table summarising the companies within the Excluded Group:

<u>Company name</u>	<u>Place of incorporation</u>	<u>Date of incorporation</u>	<u>Principal business</u>	<u>Shareholding structure as at the Latest Practicable Date</u>	<u>Status</u>	<u>Reasons for exclusion from our Group</u>
Zhuojunye Investment	PRC	18 May 2011	Property investment	100.0% owned by Mr. Zhang Junwei	Live	Due to the difference in principal business
ZYY Holdings	PRC	18 May 2011	Property investment and investment holding	40.0% owned by Mr. Zhang and 60.0% owned by Zhuojunye Investment	Live	Due to the difference in principal business

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Company name	Place of incorporation	Date of incorporation	Principal business	Shareholding structure as at the Latest Practicable Date	Status	Reasons for exclusion from our Group
Shenzhen Suhao	PRC	8 October 2003	Property development and providing human resource and administrative supports to ZYY Holdings and its subsidiaries	78.0% owned by ZYY Holdings and 22.0% owned by a company indirectly controlled by Ms. Shen's relative	Live	Due to the difference in principal business
Shenzhen Kapuxin No.1 Film and Television Media Company Limited*(深圳市卡普辛一號影視傳媒有限公司) ("Shenzhen Kapuxin")	PRC	18 December 2014	Film and television program production	80.0% owned by ZYY Holdings and 20.0% owned by an independent third party	Live	Due to the difference in principal business
Shenzhen Zitaiyuan Investment Limited*(深圳市紫泰元投資有限公司) ("Shenzhen Zitaiyuan")	PRC	23 July 2012	Property investment	75.0% owned by ZYY Holdings and 25.0% owned by Shenzhen Shengzhong	Live	Due to the difference in principal business
Shanghai Yunyi Information Technology Limited*(上海雲譯信息科技有限公司) ("Shanghai Yunyi")	PRC	29 June 2016	Information technology development and consultancy services	100.0% owned by Shenzhen Zitaiyuan	Live	Due to the difference in principal business
HK Haiyan International Trade Limited (香港海燕國際貿易有限公司)	Hong Kong	4 October 2012	General trading	100.0% owned by Shanghai Yunyi	Live	Due to the difference in principal business

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Company name	Place of incorporation	Date of incorporation	Principal business	Shareholding structure as at the Latest Practicable Date	Status	Reasons for exclusion from our Group
Shenzhen Shengzhong Industry Limited* (深圳市勝眾實業有限公司) (“Shenzhen Shengzhong”)	PRC	10 December 2009	No operation	100.0% owned by ZYY Holdings	Live	Due to its non-operation
Shenzhen Lingnan Property Construction Development Limited* (深圳市嶺南房地產工程開發有限公司)	PRC	18 May 2006	Property development	45.0% owned by ZYY Holdings and 55.0% owned by a company indirectly controlled by Ms. Shen’s relative	Live	Due to the difference in principal business
Shenzhen Jiajiu Catering Service Company Limited* (深圳市佳玖餐飲服務有限責任公司)	PRC	12 October 2017	Restaurant business	20.0% owned by Mr. Zhang Junwei, 40.0% owned by a relative of Mr. Zhang Junwei and the remaining 40.0% owned by two independent third parties	Live	Due to the difference in principal business
Shenzhen Heyu Siyan Catering Management Company Limited* (深圳市荷域私宴餐飲管理有限公司) (“Shenzhen Heyu”)	PRC	27 February 2013	Restaurant business	100% owned by ZYY Holdings	Live	Due to the difference in principal business

### REASONS FOR NON-INCLUSION OF THE EXCLUDED GROUP

Our Directors believe that it is in the interest of our Company and our Shareholders as whole that to exclude the Excluded Group from our Group for the purpose of the Listing because:

- (i) our Directors believe that there is a clear delineation in the business activities of our Group and that of the Excluded Group;

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (ii) our Directors believe that with the Deed of Non-competition and the corporate governance measures as mentioned below put into place after the Listing, any potential competition between our Group and the Excluded Group will be minimised and monitored; and
- (iii) the exclusion of the Excluded Group allows our Company to focus on developing and strengthening our finance leasing business.

Our Directors confirm that we have no plan to include the Excluded Group into our Group in the future.

### INDEPENDENCE OF OUR GROUP FROM THE CONTROLLING SHAREHOLDERS

Our Directors are of the view that our Group is capable of carrying on its business independently from our Controlling Shareholders and their respective close associates after the Listing for the following reasons:

#### Financial Independence

We have an independent financial system and make financial decisions according to our business needs. During the Track Record Period, our Group obtained financing through financial assets sold under repurchase agreements. Certain financial assets sold under the aforesaid repurchase agreements were guaranteed by Mr. Zhang, one of our Controlling Shareholders and ZYY Holdings, a company controlled by our Controlling Shareholders. Such guarantees had all been released upon the expiry of these transactions in relation to financial assets sold under repurchase agreements. In addition, certain bank borrowings of our Group were guaranteed by Mr. Zhang, Mr. Zhang Shengjie (張勝階), the father of Mr. Zhang and Mr. Zhang Junwei, and ZYY Holdings. Our Directors confirm that the above personal and corporate guarantees will be released and replaced by the corporate guarantees executed by our Group upon the Listing. For details, please refer to notes 22 and 23 in the Accountant's Report in Appendix I to this prospectus.

During the Track Record Period, our Group had certain amounts due from or due to our Controlling Shareholders and certain companies controlled by our Controlling Shareholders. As at 31 December 2016, we recorded an amount due to Hero Global of approximately RMB98.2 million, which was settled in the following ways: (i) the amount of RMB68.0 million was waived on 28 March 2017, which was accounted for as the deemed capital contribution by Hero Global; and (ii) the amount of approximately RMB25.5 million was capitalised on 31 May 2017. As at 31 December 2017, we have fully repaid all amounts due to Hero Global. Please refer to note 18 in the Accountant's Report in Appendix I to this prospectus for further details. All amounts due from or due to our Controlling Shareholders and the companies controlled by our Controlling Shareholders are non-trade nature and will be fully settled before the Listing.

Taking into consideration that (i) during and subsequent to the Track Record Period, we have entered into a framework agreement with one securities company, and a framework agreement and a repurchase agreement with one finance leasing company, all of which are Independent Third Parties, to obtain financings in the aggregate amount of RMB408.0 million through financial assets sold under the agreements, which demonstrate our ability to obtain financing independently without the support from our Controlling Shareholders; (ii) the personal and corporate guarantees provided by our Controlling Shareholders and/or related parties for certain of our banking facilities will be released and replaced by the corporate guarantee provided by our Company upon the Listing; and (iii) the

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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waiver and capitalisation of the amount due to Hero Global as mentioned above have enlarged the capital base of our Group, therefore our Directors are of the view that our Group will have sufficient capital for its financial needs without being dependent on our Controlling Shareholders. After the Listing, our working capital will be adequately funded by our operating income, bank borrowings, financial assets sold under repurchase agreements and the estimated net proceeds from the Share Offer. Please refer to the subsection headed “Business — Sustainability of Our Business — Funding Capabilities” in the prospectus for further details. Our Directors confirm that our Group has a stable financing strategy and will not rely on our Controlling Shareholders for financing after the Listing. Our finance and accounting department is capable of discharging the treasury functions for cash receipts and payments, accounting, reporting and internal control, independently of our Controlling Shareholders and their respective close associates.

Based on the above, our Directors are of the view that our Company is financially independent from our Controlling Shareholders and their close associates.

### Management Independence

Our management and operational decisions are made by our Board and senior management. Our Board of Directors consists of seven (7) Directors, comprising two (2) Executive Directors, two (2) Non-executive Directors and three (3) Independent Non-executive Directors. Our Directors are of the view that the Board of Directors and the senior management of our Group are able to function independently from our Controlling Shareholders for the following reasons:

- a. As at the Latest Practicable Date, save for Mr. Zhang, Mr. Zhang Junwei and Ms. Shen, there is no overlap of any other directors or management personnel between our Group and the Excluded Group. Set out below is a table summarizing the positions held by our Directors and management personnel of our Group and the Excluded Group as at the Latest Practicable Date:

<b>Name</b>	<b>Roles in our Group</b>	<b>Roles in the Excluded Group</b>	<b>Expected time allocated to our Group after Listing</b>
Mr. Zhang	Chairman, chief executive officer and an Executive Director, a director of each of members of our Group, and the legal representative and general manager of ZYY Shenzhen and Huafang Consultancy	Legal representative, executive director and general manager of ZYY Holdings; the legal representative and executive director of Shenzhen Zitaiyuan; and the legal representative of Shanghai Yunyi	Not less than 90.0% of his working time
Mr. Zhang Junwei	Non-executive Director	Legal representative, executive director and general manager of Zhuojunye Investment; head of financial department of Shenzhen Suhao; and supervisor of Shenzhen Heyu	Not less than 40.0% of his working time

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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Name	Roles in our Group	Roles in the Excluded Group	Expected time allocated to our Group after Listing
Ms. Shen	Non-executive Director and deputy manager of ZYY Shenzhen	Head of administrative department of Shenzhen Suhao	Not less than 40.0% of her working time

Mr. Zhang currently is the legal representative, executive director and general manager of ZYY Holdings, the legal representative and executive director of Shenzhen Zitaiyuan, and the legal representative of Shanghai Yunyi. In these three companies, Mr. Zhang's role is confined to formulating the overall development plan and business strategies. He was also responsible for overseeing the corporate financial matters of ZYY Holdings. He is not involved in the daily management and operation of such companies. Moreover, both Mr. Zhang Junwei and Ms. Shen will remain substantially involved in the management of the Excluded Group. They have only taken up the positions of Non-executive Directors in our Company. Mr. Zhang Junwei and Ms. Shen will not be involved in the daily operation of our Group but will provide their advice to our Board on the overall business operation, development and administration of our Group.

Our Directors are of the view that Mr. Zhang, Mr. Zhang Junwei and Ms. Shen will be able to fulfil their respective duties as the Executive Director and Non-executive Director even if they do not devote all of their working time to the business of our Group. Mr. Zhang, Mr. Zhang Junwei and Ms. Shen intend to spend not less than 90.0%, 40.0% and 40.0% of their working time to our Group after the Listing, respectively. During the Track Record Period, they spent a similar proportion of their working time on our business whilst they were engaged in other businesses at the same time. Our Group's business expanded with an increase in net profit during such period. Therefore, it is considered that the time devoted by them will be sufficient for our Group's business. As the potential competition between our Group and the Excluded Group will be minimised with the enforceability of the Deed of Non-competition as well as the implementation of the corporate governance measures, and given that Mr. Zhang and Mr. Zhang Junwei are not involved in any other business that are in competition with our business, our Director believe that the independence of the management of our Group will not be affected or compromised by the common directorships and common management personnel between our Group and the Excluded Group as disclosed above.

- b. each Director is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his personal interests;
- c. all of the Independent Non-executive Directors of the Company are independent of our Controlling Shareholders and their close associates;
- d. in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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Director(s) who has(have) interest in the proposed transaction shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum subject to the provision of our Articles of Association; and

- e. Our Group has established our own management, finance and accounting, general administration, human resources, business development, and risk management departments which are responsible for daily operations of our Group. Our Directors are satisfied that our Group's senior management team will be able to perform their roles in our Company independently from our Controlling Shareholders and their respective close associates after the Listing.

### Operational Independence

All essential administrative functions (such as finance and accounting, business development, risk management, general administration, information technology, and human resources functions) are carried out by our Group without the support of our Controlling Shareholders. Our customers and suppliers are all independent from our Controlling Shareholders and their respective close associates. Our Group does not rely on our Controlling Shareholders and their respective close associates, and has independent access to suppliers and customers. Our Group possesses an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses necessary to carry on and operate our business, and we have sufficient workforce to operate independently from our Controlling Shareholder and their respective close associates. Other than the transactions set out in the section head "Connected Transactions" in this prospectus in respect of the use of certain trademarks, no services, properties or facilities are intended to be provided to our Group by our Controlling Shareholders and/or their close associates subsequent to the Listing. As such, our Directors are of the view that there is no operational dependence by us on our Controlling Shareholders.

### NON-COMPETITION UNDERTAKING

Each of our Controlling Shareholders and Mr. Liu has entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee of our subsidiaries), pursuant to which our Controlling Shareholders and Mr. Liu have jointly and severally, irrevocably and unconditionally undertaken to and covenanted with our Company (for ourselves and for the benefit of our subsidiaries) that during the continuation of the Deed of Non-competition it or he would not, and would procure that its or his close associates (other than any member of our Group) would not, whether on its or his own account or in conjunction with or on behalf of any person, firm or company, whether directly or indirectly, carry on a business which is, or be interested or engaged in any form of business, including but not limited to any joint venture, alliance, cooperation and partnership which competes or is likely to compete directly or indirectly with the business currently or from time to time engaged by our Group, in the PRC and any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on such business from time to time (the "**Restricted Business**").

Such non-competition undertaking does not apply to holding shares of a company which conducts or is engaged in any Restricted Business provided that such shares are listed on a recognised stock exchange and (a) the total number of the shares held by each of the Controlling Shareholders and Mr. Liu and/or their respective close associates (in aggregate) does not amount to more than 5.0%

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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of the issued shares of such company; (b) the Controlling Shareholders and Mr. Liu and/or their respective close associates separately or collectively are not entitled to appoint a majority of the directors of that company; and (c) at least one shareholder of that company holding more shares than aggregate shares held by the Controlling Shareholders, Mr. Liu and/or their close associates.

The Deed of Non-competition shall take effect upon the Listing and shall expire on the earlier of:

- (a) the day on which the Shares cease to be listed on the Stock Exchange;
- (b) for our Controlling Shareholders, the day on which our Controlling Shareholders, separately or collectively, cease to be entitled to exercise or control 30.0% or more of the voting power at general meeting of our Company and together cease to be the largest single group of Shareholders of our Company; or
- (c) for Mr. Liu, the day on which he ceases to be our Director.

Pursuant to the Deed of Non-competition, each of our Controlling Shareholders and Mr. Liu has undertaken that if each of our Controlling Shareholders or Mr. Liu and/or his/its close associates is offered or becomes aware of any new business opportunity (the “**New Business Opportunity**”) that relates to the Restricted Business, whether directly or indirectly, to the extent it is permissible by the applicable law, (i) he/it shall promptly within ten Business Days notify our Company in writing of such Business Opportunity and provide such information which is reasonably necessary for our Company to consider whether or not to engage in such New Business Opportunity (the “**Offer Notice**”); and (ii) use his/its best endeavours to procure that such opportunity is offered to our Company (or any designated subsidiary) on terms no less favourable than the terms on which such New Business Opportunity is offered to him/it and/or his/its close associates.

The Board of our Company (excluding those who is/are interested in the New Business Opportunity) or committee authorised by the Board shall review the New Business Opportunity and decide whether to take up the New Business Opportunity. If our Company decides not to take up such New Business Opportunity for any reason, it shall notify our Controlling Shareholders or Mr. Liu (as the case may be) promptly. If our Company does not respond to our Controlling Shareholders or Mr. Liu (as the case may be) within thirty days from receiving the Offer Notice, our Company should be deemed to have decided not to take up such New Business Opportunity, and our Controlling Shareholders or Mr. Liu (as the case may be) and/or their respective close associates, may operate such New Business Opportunity on their own. In the event that our Company expressly in writing opposes our Controlling Shareholders or Mr. Liu (as the case may be) and/or his/its close associates to engage such New Business Opportunity on their own, then our Controlling Shareholders or Mr. Liu (as the case may be) and/or his/its close associates shall not engage in such New Business Opportunity.

In the event that any of Controlling Shareholders or Mr. Liu and/or his/its close associates wishes to transfer or otherwise dispose of the business purchased or established under the New Business Opportunity in the manner described above, such Controlling Shareholders or Mr. Liu and/or his/its close associates undertakes to grant an option to our Company, to the extent it is permissible by applicable laws and the GEM Listing Rules and within the terms of the Deed of Non-competition, to purchase part or whole of such business or operates such business.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### CORPORATE GOVERNANCE MEASURES

To avoid potential conflicts of interest, our Group will implement the following corporate governance measures to safeguard the interests of our Shareholders:

- a. our Company has appointed three (3) Independent Non-executive Directors. Our Directors believe that our Independent Non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Details of our Independent Non-executive Directors are set out in the section headed “Directors, Senior Management and Employees” in this prospectus;
- b. the Independent Non-executive Directors will review and examine on an annual basis the compliance with the Deed of Non-competition made by our Controlling Shareholders and Mr. Liu;
- c. our Company will disclose decisions with the basis on matters reviewed by the Independent Non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders and Mr. Liu in our annual report after the Listing;
- d. our Controlling Shareholders and Mr. Liu will make an annual declaration on compliance with their obligations under the Deed of Non-competition in the annual report; and
- e. our Company has appointed Guoyuan Capital as our compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors’ duties and internal controls. Please refer to the subsection headed “Directors, Senior Management and Employees — Compliance Adviser” in this prospectus for further details in relation to the appointment of compliance adviser.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective associates will be required to comply with the requirements of the GEM Listing Rule, including, where appropriate, the reporting, annual review, announcement and independent Shareholders’ approval requirements.

With the corporate governance measures set out above, our Directors believe that the interest of the Shareholders will be protected.

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## CONNECTED TRANSACTIONS

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### CONNECTED PERSON

ZYY Holding is owned as to 40% by Mr. Zhang and as to 60% by Mr. Zhang Junwei (through Zhuojunye Investment). Mr. Zhang is an Executive Director and a Controlling Shareholder. In addition, Mr. Zhang Junwei is a Non-executive Director and a Controlling Shareholder. As both Mr. Zhang and Mr. Zhang Junwei hold more than 30% of the shareholding in ZYY Holdings, hence ZYY Holdings is considered as an associate of both Mr. Zhang and Mr. Zhang Junwei and a connected person of our Company under Chapter 20 of the GEM Listing Rules.

### EXEMPT CONTINUING CONNECTED TRANSACTIONS

#### Trademark Assignment and License Agreement

##### *Background*

In August 2016, ZYY Holdings has applied for the trademarks, **紫元元**, in respect of all 45 classes of goods and services (“**ZYY Trademarks**”) in the PRC. ZYY Holdings, together with its subsidiaries, has invested in and operated property investment, property development, film and television program production, information technology development and consultancy services, and general trading business (“**Permitted Business**”). For details, please refer to the subsection headed “Relationship with Controlling Shareholders — Excluded Business of Our Controlling Shareholders” in this prospectus. In anticipation of the Share Offer, ZYY Shenzhen enters into the Trademark Assignment and License Agreement with ZYY Holdings to ensure our Group will continue to use the business name “紫元元” and its associated trademarks after the Listing.

##### *Parties*

ZYY Holdings (as the assignor and licensee); and

ZYY Shenzhen (as the assignee and licensor).

##### *Principal terms*

ZYY Shenzhen entered into a Trademark Assignment and License Agreement with ZYY Holdings on 28 March 2017, pursuant to which ZYY Holdings has agreed to assign all its rights in connection with the applications for registrations of ZYY Trademarks to ZYY Shenzhen with a nominal consideration of RMB1.0 (the “**Assignment**”). The parties shall apply for the transfer of ZYY Trademarks’ applications with the relevant PRC authorities within seven days after the execution of the Trademark Assignment and License Agreement. Upon the receipt of approval certification of the transfer, ZYY Shenzhen will grant ZYY Holdings a license to use the ZYY Trademarks in the Permitted Business on a non-exclusive basis in the PRC at nil consideration. Such license will expire on the third anniversary of the date of the Trademark Assignment and License Agreement, which is subject to renewal upon the request of ZYY Holdings, and each renewal shall be of a term of three years.

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## CONNECTED TRANSACTIONS

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### *Reasons for the transaction*

Considering that our Group has been using the business name “紫元元” since our establishment and we have built up credibility and reputation in the PRC finance leasing industry, our Directors believe that it is important that after completion of the Share Offer, we are able to continue to use the business name “紫元元” and its associated trademarks. As such, ZYY Holdings has agreed to assign all its rights in connection with the applications for registrations of the ZYY Trademarks in respect of all 45 classes of goods and services to ZYY Shenzhen at a nominal consideration. As a reciprocal arrangement, and because ZYY Holdings also needs to continue to use the ZYY Trademarks in the Permitted Business after the Assignment, ZYY Shenzhen has agreed to license the use of the ZYY Trademarks in the Permitted Business on a non-exclusive basis in the PRC to ZYY Holdings at nil consideration. Such license will expire on the third anniversary of the date of the Trademark Assignment and License Agreement.

### *Implication under the GEM Listing Rules*

Since the ZYY Trademarks will be assigned to ZYY Shenzhen at a nominal consideration and our Directors (including the Independent Non-executive Directors) are of the view that the Trademark Assignment and License Agreement is on normal, or more favourable to us, commercial terms. Each of the relevant percentage ratios in respect of the transactions contemplated under the Trademark Assignment and License Agreement calculated for the purpose of Chapter 20 of the GEM Listing Rules will, as our Directors currently expect, be less than 0.1%. By virtue of Rule 20.74(1)(a) of the GEM Listing Rules, the transactions contemplated under the Trademark Assignment and License Agreement will be fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### OVERVIEW

Our Board currently consists of seven Directors, comprising two Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. Our Board is supported by our senior management in the day-to-day management of our business. The following table sets out certain information in respect of our Directors and senior management members:

Name	Age	Position in our Company	Roles and responsibilities	Date of appointment as Director/senior management	Date of joining our Group	Relationship with other Directors and senior management
<b>Executive Directors</b>						
Mr. Zhang Junshen (張俊深)	31	Chairman, chief executive officer and Executive Director	Strategic planning, operation planning and overall management of our Group, and serving as chairman of our nomination committee	28 October 2016	28 May 2014	Elder brother of Mr. Zhang Junwei
Mr. Liu Zhiyong (劉智勇)	39	Executive Director	Developing customer base, introducing new customers, and formulating long-term development plan and business strategies for our Group	13 January 2017	13 January 2017	Nil
<b>Non-executive Directors</b>						
Mr. Zhang Junwei (張俊偉)	30	Non-executive Director	Advising our Board on the overall business operation, development and administration of our Group, and serving as a member of remuneration committee	13 January 2017	13 January 2017	Younger brother of Mr. Zhang Junwei
Ms. Shen Qingli (沈清麗)	31	Non-executive Director	Advising our Board on the overall business operation, development and administration of our Group, and serving as a member of our audit committee	13 January 2017	28 May 2014	Nil

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position in our Company	Roles and responsibilities	Date of appointment as Director/senior management	Date of joining our Group	Relationship with other Directors and senior management
<b>Independent Non-executive Directors</b>						
Mr. Chan Chi Fung Leo (陳志峰)	39	Independent Non-executive Director	Providing independent advice to our Board and serving as chairman of our audit committee, as well as a member of our remuneration committee and nomination committee	12 June 2018	12 June 2018	Nil
Mr. Li Zhensheng (李鎮生)	40	Independent Non-executive Director	Providing independent advice to our Board and serving as chairman of our remuneration committee, as well as a member of our audit committee and nomination committee	12 June 2018	12 June 2018	Nil
Mr. Chow Siu Hang (周兆恒)	42	Independent Non-executive Director	Providing independent advice to our Board	12 June 2018	12 June 2018	Nil
<b>Senior management</b>						
Ms. Li Xiangying (李香英)	42	Chief financial officer	Overseeing financial management, internal audit, cost control, budgeting and other finance-related matters of our Group	21 March 2017	1 September 2014	Nil
Mr. Mou Peng (牟鵬)	37	Risk management manager	Customer due diligence, credit assessment, supervising the post-drawdown performance and formulating risk management policies and rules of our Group	21 March 2017	28 May 2014	Nil
Mr. Yu Hongfeng (于洪峰)	50	Business development manager	Overall supervision of the business development department	13 April 2018	1 April 2018	Nil

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Name	Age	Position in our Company	Roles and responsibilities	Date of appointment as Director/senior management	Date of joining our Group	Relationship with other Directors and senior management
Mr. Du Dejun (杜德君)	32	Deputy business development manager	Assisting our business development manager in the supervision of our business development department	30 November 2017	10 August 2014	Nil

### DIRECTORS

The functions and duties of our Board include convening Shareholders' meetings, reporting on our Board's work at Shareholders' meetings, implementing the resolutions passed on these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, our Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association.

#### Executive Directors

**Mr. Zhang Junshen** (張俊深), aged 31, was appointed as our Director on 28 October 2016 and was redesignated as Executive Director on 13 January 2017. He is also the chairman of our Board, the chief executive officer and the chairman of our nomination committee. Mr. Zhang is also a director of each member company of our Group and the legal representative and general manager of ZYY Shenzhen and Huafang Consultancy. He is responsible for strategic planning, operation planning and overall management of our Group.

Mr. Zhang has approximately eight years of experience in general corporate management and approximately four years of experience in finance leasing industry. Prior to founding our Group, Mr. Zhang and his younger brother, Mr. Zhang Junwei, through ZYY Holdings and its subsidiaries, had invested in and operated primarily property investment and development businesses in the PRC. For details, please refer to the subsection headed "Relationship with Controlling Shareholders — Excluded Business of Our Controlling Shareholders" in this prospectus. From December 2009 to November 2016, Mr. Zhang worked at Shenzhen Shengzhong as general manager, mainly responsible for overseeing the sales and marketing department, formulating corporate and brand promotion strategies and the overall business development of the company. Since May 2011, Mr. Zhang has been the general manager, executive director and the legal representative of ZYY Holdings, responsible for formulating the overall development plan and business strategies, and overseeing its corporate financial matters, including budgeting, fund raising activities, bank borrowings and internal controls regarding fund safety.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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As an Executive Director, chairman of our Board and the chief executive officer of our Group, Mr. Zhang has taken a leading role in the decision making, operation, management of our Group as follows: (i) Mr. Zhang worked with our senior management to actively participate in discussion and formulation of our business operation manual, risk management policies and internal control procedures; (ii) based on Mr. Zhang's financial experience and his increasing practical knowledge of the finance leasing industry acquired through his involvements in our business, he has formulated the development plan and business strategies for our Group; (iii) Mr. Zhang has established relationships with risk management personnel, equipment valuers, lawyers and other professionals who have extensive experience in the finance leasing industry during the market research stage, and our Group has obtained from them useful industry information, and opportunities to join industrial networking events; (iv) Mr. Zhang attended weekly meetings with our senior management and made decisions based on the discussions and/or recommendations by our senior management; (v) Mr. Zhang led our risk management committee to approve all of our finance leasing transactions; (vi) Mr. Zhang was responsible for our fund-raising activities and he negotiated and executed on behalf of our Group the financial assets repurchase agreements and the credit facility agreements with banks; and (vii) Mr. Zhang also identified and recruited key management personnel with extensive experience in the finance leasing or other finance industry, which were crucial to our business operation.

Mr. Zhang was the legal representative and general manager of Wuhua Jieying Planting and Farming Limited\* (五華傑盈種養有限公司) (the “**Wuhua Jieying**”). The principal business activity as stated in its business license was pomelo and citrus planting as well as poultry farming. On 28 December 2012, the local authority revoked the business licence of Wuhua Jieying due to its failure to complete the annual inspection in that year. Mr. Zhang confirmed that Wuhua Jieying had not commenced any business activity before such revocation (the “**Revocation**”) and was solvent at the time of the Revocation. As at the Latest Practicable Date, Mr. Zhang has not received any notification in respect of liability, penalty, action or proceeding from the PRC authorities as a result of the Revocation. Wuhua Jieying was later dissolved and deregistered on 24 July 2015.

According to the Company Law of the PRC (《中華人民共和國公司法》) and the Provisions on Administration of Enterprise Legal Person's Legal Representative Registration (《企業法人法定代表人登記管理規定》), the legal representative of a PRC enterprise whose business license has been revoked due to violation of the PRC laws and was personally liable to such revocation, is prohibited from serving legal representative, director, supervisor and senior management roles in any other PRC enterprise for a period of three years starting from the date of revocation. During the three-year period following the revocation of Wuhua Jieying's business license (i.e. from 28 December 2012 to 28 December 2015), Mr. Zhang was the legal representative, director and general manager of ZYY Shenzhen and Huafang Consultancy. The reasons of Mr. Zhang's acting as the legal representative, director and general manager of ZYY Shenzhen and Huafang Consultancy within three-year period after the Revocation were that: (i) Mr. Zhang was not familiar with relevant laws and regulations; (ii) Mr. Zhang has never received any notification, or been informed of any non-compliance records, from relevant competent authorities which indicated his personal liability regarding the Revocation; and (iii) Shenzhen AIC has approved Mr. Zhang's acting as the legal representative, director and general manager of ZYY Shenzhen and Huafang Consultancy.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Our PRC legal advisers have advised that nothing comes to their attention that indicated Mr. Zhang was personally liable to the Revocation, and even if Mr. Zhang is personally liable to such Revocation and thus subject to such three-year period restriction, because the three-year period during which Mr. Zhang had been prohibited from serving a legal representative, director and senior management roles in PRC companies has expired and currently there exists no circumstance which prohibits Mr. Zhang from doing so, Mr. Zhang is qualified to serve the legal representative, director and senior management roles at ZYY Shenzhen and Huafang Consultancy in accordance with relevant PRC laws and regulations. Moreover, our PRC legal advisers have advised that the stipulated maximum penalty for breach of the three-year period restriction is a fine of RMB100,000 as well as the revocation of business licence and business registration of relevant PRC company. Pursuant to a telephone interview with an officer of Shenzhen AIC, the lower-level authority of Shenzhen MQSC in charge of company registration, Shenzhen AIC has confirmed that (1) nothing came to their attention that Mr. Zhang is personally liable to the Revocation and therefore would prohibit Mr. Zhang from serving legal representative, director and senior management roles in the PRC companies; (2) no penalty would be imposed by Shenzhen AIC on Mr. Zhang, ZYY Shenzhen or Huafang Consultancy due to the Revocation and/or the fact that Mr. Zhang has served as their legal representative, directors and/or senior management; and (3) Shenzhen AIC would not order ZYY Shenzhen or Huafang Consultancy to replace Mr. Zhang with anyone else as their legal representatives, directors or senior management due to the Revocation. Our PRC legal advisers consider Shenzhen AIC and relevant officer who provided the above confirmations are the competent government authority and personnel to confirm the registration circumstances and post-registration status of ZYY Shenzhen and Huafang Consultancy.

Although it is theoretically possible that provincial or higher-level authorities may have different views on the above mentioned incident, considering (i) ZYY Shenzhen and Huafang Consultancy have obtained written confirmations dated 13 February 2017 and 17 February 2017, respectively, from Shenzhen MQSC, which is the appropriate and competent authority to provide such confirmations, confirming that there is no record that ZYY Shenzhen and Huafang Consultancy had breached any market and quality supervision laws and regulations, including industry and commerce laws since their respective incorporation dates up to 31 January 2017; (ii) as at the Latest Practicable Date, neither ZYY Shenzhen, Huafang Consultancy nor Mr. Zhang had received any notification, warning, penalty or other actions from the relevant PRC authorities in respect of the aforesaid breach; (iii) nothing came to their attention that indicated Mr. Zhang was personally liable to the Revocation; and (iv) the three-year period expired in 28 December 2015, our PRC legal advisers opine that the possibility that the relevant PRC authorities would impose any penalty on us for the aforesaid incidents is remote.

Mr. Zhang is vice president of Shenzhen Federation of Young Entrepreneurs\* (深圳市青年企業家聯合會), a committee member of the Seventh Committee of Shenzhen Federation of Youth\* (深圳市青年聯合會第七屆委員會) and a member of the People's Congress Legal Work Committee of Futian District, Shenzhen Municipality\* (深圳福田區人大法律工作委員會), and was elected in 2015 as a deputy to the Sixth Municipal People's Congress of Shenzhen\* (深圳市第六屆人大代表).

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

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Liu Zhiyong (劉智勇)** (the “**Mr. Liu**”), aged 39, joined our Group on 13 January 2017 and was appointed as our Executive Director on the same date. Mr. Liu is responsible for developing customer base, introducing new customers to, as well as formulating long-term development plan and business strategies for our Group.

Mr. Liu has over 16 years of experience in the financial services and investment industry. From August 2001 to October 2010, Mr. Liu worked at the Shenzhen Huanggang Branch (深圳皇崗支行) (“**Huanggang Branch**”) and Shenzhen Aihua Branch (深圳愛華支行) (“**Aihua Branch**”) of China Merchants Bank Co., Ltd.\* (中國招商銀行股份有限公司). He was appointed as the manager of personal loan department in Huanggang Branch in March 2007 and subsequently promoted to branch manager of Aihua Branch in August 2008. During his work at Huanggang Branch and Aihua Branch, Mr. Liu was mainly responsible for risk management, promotion and development of credit business, and has gained extensive experience in the finance leasing industry.

Since 2011, Mr. Liu has established or invested in various companies across different industries. The following table set out the details of Mr. Liu’s major investments:

Name of company	Principal business activity	Date of incorporation	Place of incorporation	Position	Period of service
Shenzhen Zhongjin Langsheng Investment Management Limited* (深圳市中金朗晟投資管理有限公司)	Provision of financial advisory and management services for investment projects	20 May 2011	The PRC	Legal representative, executive director and general manager	From May 2011 to March 2017
Shenzhen Zhongbao Science and Technology Limited* (深圳中保科技互聯網有限公司) (“ <b>Shenzhen Zhongbao</b> ”)	Development, promotion and sale of information technology solutions and products	9 September 2016	The PRC	Legal representative, executive director and general manager	From September 2016 to April 2017
Zhongbao Scientific Innovation (Shenzhen) Internet Science and Technology Limited* (中保科創(深圳)互聯網科技有限公司)	Investment holding company for Shenzhen Zhongbao	21 June 2016	The PRC	Supervisor	From June 2016 until now
Shenzhen Maocun Electronic Technology Limited* (深圳矛村電子科技有限公司)	Development, marketing and sales of integrated circuits	9 September 2015	The PRC	Supervisor	From September 2015 until now

Mr. Liu confirmed that his roles in the above companies are confined to advising on the overall development plan and business strategies of these companies, and the daily operation of these companies are mainly handled by his business partners. To fulfil his duties as Executive Director of our Company, Mr. Liu confirmed that he will dedicate not less than 80.0% of his working time to our

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Group after the Listing. Our Directors believe that the appointment of Mr. Liu as our Executive Director will contribute to our Board with his extensive experiences in the financial services and investment industry, strengthen our management's industry expertise, and enhance our overall management capabilities.

Mr. Liu also confirmed that, to the best of his knowledge, information and belief after having made all reasonable enquiries, he and his close associates are not interested in any business, which competes, or may compete, directly or indirectly, with the business of our Group. Mr. Liu has entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee of our subsidiaries), pursuant to which, among others, he has undertaken to and covenanted with our Company (for ourselves and for the benefit of our subsidiaries) that during the effective term of the Deed of Non-competition, he shall not, and shall procure that his close associates shall not, whether on its or his own account or in conjunction with or on behalf of any person, firm or company, whether directly or indirectly, carry on a business which is, or be interested or engaged in any form of business which competes or is likely to compete directly or indirectly with the business currently or from time to time engaged by our Group. Please refer to the subsection headed "Relationship with Controlling Shareholders — Non-competition Undertaking" in this prospectus for detail of the Deed of Non-competition.

Mr. Liu was the responsible officer of Shenzhen Qiaoxiang Branch of China Merchants Bank Co., Ltd. \* (中國招商銀行股份有限公司深圳僑香支行) (the "CMB Qiaoxiang Branch") when it was dissolved and deregistered on 23 October 2009. Mr. Liu confirmed that the CMB Qiaoxiang Branch was solvent at the time when it was being dissolved, and the dissolution was voluntary by way of submitting an application to the relevant PRC authority. The CMB Qiaoxiang Branch had never commenced business prior to the application of dissolution. It was dissolved due to the internal restructuring of China Merchants Bank Co. Ltd. As at the Latest Practicable Date, Mr. Liu has not received any notification in respect of liability, penalty, action or proceeding from the PRC authorities as a result of such dissolution.

Mr. Liu has been a non-practising member of the Shenzhen Institute of Chartered Accountants\* (深圳市註冊會計師協會) since December 2005. Mr. Liu graduated with a bachelor's degree in international finance from the University of International Business and Economics (對外經濟貿易大學) in the PRC in July 2001.

### Non-executive Directors

**Mr. Zhang Junwei (張俊偉)**, aged 30, was appointed as our Non-executive Director on 13 January 2017. He is also a member of our remuneration committee. He is responsible for advising our Board on the overall business operation, development and administration of our Group.

Mr. Zhang Junwei has approximately seven years of experience in general corporate management and investments. Prior to founding our Group, Mr. Zhang Junwei, together with Mr. Zhang, through ZYY Holdings and its subsidiaries, had invested in and operated primarily property investment and development businesses in the PRC. For details, please refer to the subsection headed "Relationship with Controlling Shareholders — Excluded Business of Our Controlling Shareholders" in this prospectus. Since May 2011, Mr. Zhang Junwei has been the general manager, executive director and

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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the legal representative of Zhuojunye Investment, mainly responsible for overseeing its properties investment activities. Mr. Zhang Junwei joined Shenzhen Suhao (a subsidiary of ZYY Holdings) in November 2013 as head of finance department. He was responsible for overseeing the investment activities of ZYY Holdings.

During the Track Record Period, Mr. Zhang Junwei was not involved in the daily operation of our Group. He was primarily responsible for providing advices and opinions to our management on the overall business operation, development and administration of our Group. As member of risk management committee, Mr. Zhang Junwei conducts review on our risk management policies and measures and oversees the relevant implementation conducted by different departments. In addition, as a Controlling Shareholder and a director of ZYY Shenzhen, Mr. Zhang Junwei participated in the directors' meetings as well as major meetings with our senior management, provided his opinions, and acted in concert with Mr. Zhang for all material issues and decisions in relation to our business, so as to consolidate and maintain overall control of our Group.

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

**Ms. Shen Qingli (沈清麗)**, aged 31, was appointed as our Non-executive Director on 13 January 2017. She is also a member of our audit committee. Ms. Shen joined our Group in May 2014 and worked as a director and deputy manager of ZYY Shenzhen. She is responsible for advising our Board on overall operation, development and administration of our Group.

Ms. Shen has more than eight years of experience in corporate management and administrative matters. From November 2013 up to present, Ms. Shen has held the position of administrative director at Shenzhen Suhao. The principal business of Shenzhen Suhao is property development in the PRC. For details, please refer to the subsection headed "Relationship with Controlling Shareholders — Excluded Business of our Controlling Shareholders" in this prospectus. From February 2010 to December 2012, Ms. Shen worked at Shenzhen Zhonghai Wuzhou Logistics Limited\* (深圳中海五洲物流有限公司) as a human resource and remuneration manager.

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

### Independent Non-executive Directors

**Mr. Chan Chi Fung Leo (陳志峰) ("Mr. Chan")**, aged 39, was appointed as our Independent Non-executive Director on 12 June 2018. He is also the chairman of our audit committee and a member of our nomination committee and remuneration committee. Mr. Chan is responsible for providing independent advice to our Board.

Mr. Chan has over 15 years of experience in finance and accounting industry. He also has extensive knowledge and expertise on capital markets transactions (such as initial public offerings, and merger and acquisitions). Mr. Chan's experience enables him to give valuable advice to our Group on the latest trend of the financial market, provide us practical ideas in funding solutions and their intended applications, and help our Group to formulate business strategies for our finance leasing business. Mr. Chan's experience and expertise in the accounting field also enables him to support our operations through providing advice on our financial reporting process, risk management measures and overall corporate governance. Since October 2017, Mr. Chan has been the responsible officer and

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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managing director of Red Solar Capital Limited, a company providing advisory services on corporate finance. For May 2016 to October 2017, Mr. Chan was the managing director of LY Capital Limited. From May 2015 to April 2016, Mr. Chan was a deputy managing director of VBG Capital Limited. From December 2011 to April 2015, he served with CITIC Securities International Company Limited and his last position was a director at corporate finance department. From August 2007 to December 2011, he worked at BNP Paribas (Asia Pacific) Limited and his last position was an associate at corporate finance department. From June 2006 to July 2007, he was an associate at corporate finance department of CCB International Capital Limited. From January 2005 to June 2006, he was an executive at Kingsway Group Services Limited. From September 2001 to March 2004, he was a staff accountant at Ernst & Young.

Since August 2017, Mr. Chan has been an independent non-executive director of Sisram Medical Ltd, the shares of which is listed on the main board of the Stock Exchange (stock code: 1696).

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

**Mr. Li Zhensheng (李鎮生) (“Mr. Li”)**, aged 40, was appointed as our Independent Non-executive Director on 12 June 2018. He is also the chairman of our remuneration committee, and a member of our nomination committee and the audit committee. Mr. Li is responsible for providing independent advice to our Board.

Mr. Li has more than 15 years of experience in finance, private equity investment and asset management industry. Mr. Li's experience in the PRC finance market and his past roles at the management level enables him to oversee the management of our Group independently and provide independent judgement on business strategies, performance, resources and standard of conduct, especially in the context of the PRC financial market, of our Group. Since February 2015, Mr. Li has been the executive director of Shenzhen Haishi Group Co., Ltd.\* (深圳市海石集團有限公司) and the director and chief executive officer of Shenzhen Haishi Fund Management Co., Ltd.\* (深圳市海石基金管理有限公司). Since June 2016, Mr. Li has been the chairman of Shenzhen Qianhai Mingsheng Information Consulting Co., Ltd.\* (深圳前海銘晟信息諮詢有限公司) and the chairman of Shenzhen Qianhai Pengze Private Equity Fund Management Co. Ltd.\* (深圳市前海鵬澤股權投資基金管理有限公司) since October 2014. Since December 2013, Mr. Li has also been vice president of Shenzhen Qianhai Agricultural Products Investment Management Co., Ltd.\* (深圳市前海農產品投資管理公司). From July 2012 to February 2015, Mr. Li worked as director and executive officer of Shenzhen Huaxia Yuanjing Fund Management Co., Ltd.\* (深圳市華夏遠景基金管理有限公司). From February 2008 to July 2012, Mr. Li worked at Guosen Securities Co., Ltd.\* (國信證券股份有限公司) and his last position was the assistant to general manager and the manager of institution department. From 2000 to 2008, Mr. Li worked at China Guangfa Bank\* (中國廣發銀行) and his last position was the manager of credit department.

Mr. Li was a director of Jieyang City Hai Ji Xing Agricultural Products Wholesale Market Business Management Company Limited\* (揭陽市海吉星農產品批發市場經營管理有限公司) (“**Hai Ji Xing**”) when it was dissolved and deregistered in 2016. Mr. Li confirmed that Hai Ji Xing was solvent at the time when it was being dissolved, and the dissolution was voluntary by way of submitting an application to the relevant PRC authority. Hai Ji Xing was dissolved as a result of its cessation of business. As at the Latest Practicable Date, Mr. Li has not received any notification in respect of liability, penalty, action or proceeding from the PRC authorities as a result of such dissolution.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Li has been registered as Chinese Registered Career Manager (中國註冊職業經理人) with China Enterprise Evaluation Association (中國企業評價協會) since May 2006.

Mr. Li obtained a bachelor's degree of international finance from the Guangdong University of Foreign Studies (廣東外語外貿大學) in the PRC in June 2000.

**Mr. Chow Siu Hang (周兆恒) ("Mr. Chow")**, aged 42, was appointed as our Independent Non-executive Director on 12 June 2018. Mr. Chow is responsible for providing independent advice to our Board.

Mr. Chow has over 18 years of experience in finance and accounting industry. He also has extensive knowledge and expertise on capital market transactions including initial public offerings, financial advisory, and merger and acquisitions. All his experience in the corporate finance market and investment banking enables him to support our Group's operations through providing advices on funding solutions and their intended applications, and to assist our Group in formulating our overall business strategies and development plan. Since April 2018, Mr. Chow has been the managing director of Essence Corporate Finance (Hong Kong) Limited. From December 2016 to February 2018, Mr. Chow worked at Celestial Capital Limited and his last position was managing director and head of investment banking group. From August 2016 to December 2016, Mr. Chow was a managing director and head of corporate finance of CEB International Capital Corporation Limited. From September 2011 to August 2016, Mr. Chow worked at BOCOM International (Asia) Limited and his last position was an executive director of investment banking department. From September 2007 to August 2011, Mr. Chow worked at BOCI Asia Limited and his last position was an associate director of corporate finance department. From January 2006 to August 2007, Mr. Chow worked at Haitong International Capital Limited (formerly Taifook Capital Limited) and his last position was an assistant manager of corporate finance department.

Mr. Chow has been a fellow member of HKICPA and the Association of Chartered Certified Accountants.

Mr. Chow obtained his bachelor's degree in accountancy from the City University of Hong Kong in November 1998.

### GENERAL

Save as disclosed above, each of our Directors has confirmed that:

- i) he or she does not hold and has not held any other directorships in listed companies during the last three years immediately prior to the date of this prospectus;
- ii) there is no other information in respect of our Directors that should be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules; and
- iii) there is no other material matter relating to our Directors that needs to be brought to the attention of our Shareholders.

Our Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 11.04 of the GEM Listing Rules.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### SENIOR MANAGEMENT

**Ms. Li Xiangying (李香英) (“Ms. Li”)**, aged 42, was appointed as the chief financial officer of our Group on 21 March 2017. Ms. Li joined our Group in September 2014 and worked as the chief financial officer of ZYY Shenzhen. She is responsible for overseeing the financial management, internal audit, cost control, budgeting and other finance-related matters of our Group.

Ms. Li has over 23 years of experience in the finance and accounting industry. Prior to joining our Group, Ms. Li worked as the chief financial officer of Shenzhen Suhao from September 2013 to August 2014. From August 1994 to August 2013, Ms. Li worked at Shenzhen Pengcheng Accountant\* (深圳鵬城會計師事務所有限公司) and her last position was a project manager, where she was responsible for auditing, internal control and tax planning work for listed companies, state-owned enterprises and foreign-owned enterprises in the PRC.

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

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

Mr. Mou has over nine years of working experience in risk management. From April 2013 to January 2014, Mr. Mou was the project director at Shenzhen Zhongxing Supply Chain Management Limited\* (深圳市中興供應鏈有限公司) where he was responsible for supervising client credit assessments in the supply chain management work. From March 2012 to January 2013, Mr. Mou served as manager of the integrated management department at Eternal Asia Supply Chain Management Ltd\* (深圳市怡亞通供應鏈股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 002183), where he was in charge of strategic planning and risk management advisory of an e-commerce platform. In January 2008, Mr. Mou started to work at Shenzhen Branch of the Postal Savings Bank of China Co., Ltd., a company listed on the Stock Exchange (stock code: 1658) (the “**PSBOC SZ Branch**”). In November 2009, he was promoted to the deputy head of the credit and loan department of the Xinan Division of the PSBOC SZ Branch, and later left PSBOC SZ Branch in February 2012. At PSBOC SZ branch, Mr. Mou was responsible for credit management and client due diligence work, and gained extensive experience in due diligence work, post-loan management and operation management. From August 2004 to June 2007, Mr. Mou worked as a clerk of human resource management at Shenzhen Branch of China Postal Group Company\* (中國郵政集團公司深圳市分公司).

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

**Mr. Yu Hongfeng (于洪峰) (“Mr. Yu”)**, aged 50, was appointed as the business development manager of our Group on 16 April 2018. He joined our Group in April 2018 and is responsible for the overall supervision and daily management of our business development department.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Yu has around six years' experience in the finance leasing industry. Mr. Yu worked at the Zhongkezhi Holding Group Limited\* (中科智控股集團有限公司) from August 2003 to January 2006, Shenzhen Zhongkezhi Financing Guarantee Company Limited\* (深圳中科智融資擔保有限公司) from February 2006 to March 2011 and Shenzhen Zhongkezhi Guanqi Investment Company Limited\* (深圳中科智冠旗投資有限公司) from April 2011 and January 2013. From February 2013 to September 2015, he served as general manager in Fullin Financial Leasing (Shenzhen) Co., Ltd. (富銀融資租賃(深圳)有限公司), the predecessor of FY Financial (Shenzhen) Co., Ltd. (富銀融資租賃(深圳)股份有限公司), the shares of which have been listed on GEM (stock code: 8452). From October 2015 to April 2016, he worked as executive director at Shenzhen Dongfang Huamei Financial Leasing Management Company\* (深圳市東方華美融資租賃管理有限公司). From April 2016 to March 2018, he served as general manager of Shenzhen Jinhaixia Financial Leasing Company\* (深圳金海峽融資租賃有限公司), a wholly own subsidiary of Xiamen ITG Group Corp., Ltd (廈門國貿集團股份有限公司), the shares of which have been listed on Shanghai Stock Exchange (stock code: 600755). Mr. Yu was mainly responsible for the overall management and supervision of these finance leasing companies.

Mr. Yu graduated from Xi'an Shiyou University (西安石油大學), the PRC with a three-year diploma in finance accounting in June 1987. He also completed a postgraduate programme in corporate management from Jilin University (吉林大學), the PRC in June 2000.

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

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

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

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### JOINT COMPANY SECRETARIES

**Ms. Li Xinpei (李新培) (“Ms. Li”)**, aged 24, was appointed as our joint company secretary on 13 January 2017. Ms. Li has approximately four years of experiences in company secretarial and administration practice. Ms. Li joined our Group in August 2014 as the administration officer at ZYY Shenzhen. On April 2015, Ms. Li’s employment was transferred to Shenzhen Suhao and she worked as assistant to general manager at Shenzhen Suhao. In February 2017, Ms. Li rejoined ZYY Shenzhen and worked as assistant to general manager in ZYY Shenzhen. With her past work experiences, Ms. Li is familiar with administration matters and operations of our Group.

Ms. Li obtained a bachelor’s degree of finance from Twintech International University College of Technology in Malaysia through online learning courses on 15 April 2016.

**Mr. Tang Chi Chiu (鄧志釗) (“Mr. Tang”)**, aged 34, was appointed as our joint company secretary on 21 February 2017. Since December 2016, Mr. Tang has been a joint company secretary of ISDN Holdings Limited, a company listed on the Stock Exchange (stock code: 1656) and a senior manager of Goal Alliance Business Services Limited, which is a corporate secretarial services company. Since December 2011, he has been a director of TANDEM (HK) Professional Services Limited (formerly known as Caesar Professional Services Limited), a provider of company secretarial services for private companies and listed companies. In these two positions, Mr. Tang provides professional advice and performs company secretarial duties as required under the GEM Listing Rules and the Companies Ordinance. Since January 2017, Mr. Tang has been the chief financial officer of Shun Tung Engineering Company Limited. From May 2012 to July 2013, he acted as the finance manager of Fortune Case Limited. From January 2010 to November 2011, he acted as an assistant manager of ShineWing (HK) CPA Limited, where he had started as semi-senior accountant and was subsequently promoted to senior accountant before further promoted to finance manager. From February 2007 to April 2009, Mr. Tang was a senior accountant at HLB Hodgson Impey Cheng Limited.

Mr. Tang is currently registered as a member CPA (practising) of the HKICPA and he obtained a bachelor of business administration (honours) in accountancy and a master of science in finance from the City University of Hong Kong in November 2006 and July 2016, respectively.

### COMPLIANCE OFFICER

Mr. Zhang was appointed as the compliance officer of our Company on 21 March 2017. Please refer to the subsection headed “Directors, Senior Management and Employees — Directors — Executive Directors” in this prospectus for the profile of Mr. Zhang.

### BOARD COMMITTEES

We have established the following committees in our Board of Directors: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with terms of reference established by our Board of Directors.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### **Audit Committee**

We have established our audit committee on 12 June 2018 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the Corporate Governance Code. Our audit committee consists of three members: one Non-executive Director, being Ms. Shen, and two Independent Non-executive Directors, being Mr. Chan and Mr. Li. Mr. Chan serves as chairman of our audit committee. The primary duties of our audit committee are to review and supervise the financial reporting process, risk management and internal control system of our Group.

### **Remuneration Committee**

We have established our remuneration committee on 12 June 2018 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the Corporate Governance Code. Our remuneration committee consists of three members: two Independent Non-executive Directors, being Mr. Chan and Mr. Li, and one Non-executive Director, being Mr. Zhang Junwei. Mr. Li serves as chairman of our remuneration committee. The primary duties of our remuneration committee are to evaluate and make recommendations to our Board on the remuneration policy for our Directors and senior management of our Group.

### **Nomination Committee**

We have established our nomination committee on 12 June 2018 with written terms of reference in compliance with Corporate Governance Code. Our nomination committee consists of three members: one Executive Director, being Mr. Zhang, and two Independent Non-executive Directors, being Mr. Chan and Mr. Li. Mr. Zhang serves as chairman of our nomination committee. The primary duties of our nomination committee are to identify, screen and recommend to our Board appropriate candidates to serve as directors of our Company, to oversee the process for evaluating the performance of our Board, and to recommend to our Board and monitor nomination guidelines for our Company.

Our Directors are of the view that our corporate governance practices are based on principles and code provisions set out in the Corporate Governance Code. Except for the deviation from paragraph A.2.1 of the Corporate Governance Code as stated below, our Company's corporate governance practices have complied with the Corporate Governance Code.

Paragraph A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhang is the chairman of our Board and the chief executive officer of our Group. Considering that Mr. Zhang has been operating and managing our Group since inception, our Board believes that it is in the best interest of our Group to have Mr. Zhang taking up both roles for effective management and business development of our Group. Therefore, our Board considers that the deviation from paragraph A.2.1 of the Corporate Governance Code is appropriate in such circumstances.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive their compensation in the form of salaries, bonuses, contributions to pension schemes and other benefits, subject to applicable laws, rules and regulations. The aggregate amount of compensation paid to our Directors for FY2015, FY2016 and FY2017 was approximately RMB161,000, RMB161,000 and RMB323,000, respectively. The aggregate amount of compensations paid to the five highest paid individual employees (excluding the Directors of our Company) of our Group for the years ended 31 December 2015, 2016 and 2017 was approximately RMB0.9 million, RMB1.7 million and RMB2.2 million, respectively.

Our Executive Directors receive compensation in the form of salaries, bonuses, contributions to pensions schemes and other benefits subject to applicable laws, rules and regulations. Further details on our Executive Directors' compensation are summarised in the subsection headed "C. Further Information about our Directors and Substantial Shareholders — 1. Directors — (b) Service contracts and letters of appointment" in Appendix IV to this prospectus.

Our Non-executive Directors and Independent Non-Executive Directors receive fees from our Company. All Directors receive reimbursements from our Company for expenses which are necessary and reasonably incurred for providing services to our Company and for executing matters in relation to the operations of our Company. Save as disclosed above, our Directors are not entitled to receive any other special benefits from our Company. The compensation of our Directors is determined by our Board which, following the Listing, will receive recommendation from our remuneration committee which will take into account of applicable laws, rules and regulations.

### COMPLIANCE ADVISER

We have appointed Guoyuan Capital as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, our compliance adviser will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Share Offer in a manner different from that details in this prospectus or where our business activities, development or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares, the possible development of a false market or any other matters.

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

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## SHARE CAPITAL

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### AUTHORISED AND ISSUED SHARES

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Capitalisation Issue and the Share Offer:

<b>Authorised share capital</b>	<i>HK\$</i>
1,000,000,000 Shares of par value HK\$0.10 each	100,000,000
<b>Issued and to be issued, fully paid or credited as fully paid</b>	
1,010,000 Shares in issue immediately prior to the Share offer	101,000
298,990,000 Shares to be issued pursuant to the Capitalisation Issue	29,899,000
<u>100,000,000</u> Shares to be issued pursuant to the Share Offer	<u>10,000,000</u>
<u>400,000,000</u> Total	<u>40,000,000</u>

### ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the Shares are issued pursuant to the Share Offer and the Capitalisation Issue. The above does not take into account any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

### PUBLIC FLOAT REQUIREMENTS

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all time thereafter, our Company must maintain the minimum prescribed percentage of 25.0% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

### RANKING

The Offer Shares will rank *pari passu* in all respects with all other shares now in issue or to be issued as mentioned in this prospectus, and will rank in full for all dividends and other distributions hereafter declared, paid or made on the Shares in respect of a record date which falls after the date of this prospectus save for any entitlements under the Capitalisation Issue.

### CAPITALISATION ISSUE

Pursuant to the resolutions in writing of our Shareholders passed on 12 June 2018, subject to the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, our Directors are authorised to allot and issue a total of 298,990,000 Shares credited as fully paid at par to the holders of Shares on the register of members of our Company at the close of business on 12 June 2018 (or as they may direct) in proportion to their respective shareholdings (as nearly as possible without involving fractions) by way of capitalisation of the sum of HK\$29,899,000 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares.

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## SHARE CAPITAL

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### GENERAL MANDATE TO ISSUE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the subsection headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company which shall not exceed the aggregate of:

- 20.0% of the total number of shares of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue; and
- the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Director may, in addition to the Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip divided scheme or similar arrangement, or on the exercise of any option granted.

This mandate will expire at the earliest of:

- at the conclusion of our Company’s next annual general meeting; or
- at the expiry of the period within which our Company is required by the Articles of Association or the Cayman Companies Law or any other application Laws to hold its next general meeting; or
- the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further information of this general mandate, please refer to the subsection headed “Statutory and General Information — A. Further Information About Our Company and Our Subsidiaries — 3. Resolutions in writing of our Shareholders passed on 12 June 2018” in Appendix IV to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the subsection headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this prospectus, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares not more than 10.0% of the total number of Shares of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue.

This mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Share are listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with the GEM Listing Rules.

A summary of the relevant GEM Listing Rules is set out in the subsection headed “Statutory and General Information — A. Further Information about Our Company and Our Subsidiaries — 6. Repurchase of Shares by our Company” in Appendix IV to this prospectus.

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## SHARE CAPITAL

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This mandate will expire at the earliest of:

- at the conclusion of our Company's next annual general meeting; or
- at the expiry of the period within which our Company is required by the Articles of Association or the Cayman Companies Law or any other application Laws to hold its next annual general meeting; or
- the time when such mandate is varied or revoked by any ordinary resolution of our Shareholders in general meeting.

For further information of this general mandate, please refer to the subsection headed "Statutory and General Information — A. Further Information About Our Company and Our Subsidiaries — 6. Repurchase of Shares by our Company" in Appendix IV to this prospectus.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

The circumstances under which general meeting and class meeting are required are provided in the Articles of Association, the summary of which is set out in Appendix III to this prospectus.

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## SUBSTANTIAL SHAREHOLDERS

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So far as our Directors are aware, the following persons will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in our Shares or underlying Shares, which would be required to be disclosed to us and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or will be, directly, or indirectly, interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

<u>Name</u>	<u>Nature of interest</u>	<u>Number of Shares interested immediately following completion of the Capitalisation Issue and the Share Offer</u>	<u>Approximate percentage of interest in our Company immediately following completion of the Capitalisation Issue and the Share Offer</u>
Hero Global <sup>(1), (2)</sup>	Beneficial owner; interest held jointly with another person	300,000,000 Shares	75.0%
Mr. Zhang <sup>(1), (2)</sup>	Interest of a controlled corporation; interest held jointly with another person	300,000,000 Shares	75.0%
Ms. Tang <sup>(4)</sup>	Interest of spouse	300,000,000 Shares	75.0%
Icon Global <sup>(1), (3)</sup>	Beneficial owner; interest held jointly with another person	300,000,000 Shares	75.0%
Mr. Zhang Junwei <sup>(1), (3)</sup>	Interest of a controlled corporation; interest held jointly with another person	300,000,000 Shares	75.0%

*Notes:*

- (1) On 24 February 2017, our ultimate Controlling Shareholders, namely Mr. Zhang and Mr. Zhang Junwei entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert in respect of each member of our Group from the incorporation dates of the respective members of our Group and continue as at and after the date of the Concert Parties Confirmatory Deed, details of which are set out in the subsection headed “History and Reorganisation—Parties Acting in Concert” in this prospectus. As such, pursuant to the parties acting in concert arrangement, each of our Controlling Shareholders, namely Hero Global (being wholly owned by Mr. Zhang), Mr. Zhang, Icon Global (being wholly owned by Mr. Zhang Junwei) and Mr. Zhang Junwei, is deemed to be interested in 75.0% of the issued share capital of our Company immediate following completion of the Capitalisation Issue and the Share Offer.
- (2) 300,000,000 Shares in which Mr. Zhang is interested consist of the following: (i) 219,801,980 Shares held by Hero Global, a company wholly owned by Mr. Zhang, in which Mr. Zhang is deemed to be interested under the SFO; and (ii) 80,198,020 Shares in which Mr. Zhang is deemed to be interested as a result of being a party acting in concert with Mr. Zhang Junwei.

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## SUBSTANTIAL SHAREHOLDERS

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

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Share Offer and the Capitalisation Issue, have interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10.0% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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*You should read this section in conjunction with our Group's audited consolidated financial information, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus (the "Consolidated Financial Information"). Our Group's Consolidated Financial Information has been prepared in accordance with HKFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our Group's experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depend on a number of risks and uncertainties over which our Group does not have control. For further information, see the section headed "Risk Factors" in this prospectus.*

### OVERVIEW

We are engaged in providing equipment-based finance leasing services to SME customers in the printing and logistics industries in the PRC. Since the commencement of our finance leasing business in 2014, we have focused our efforts on providing finance leasing services to the printing and logistics industries in various provinces, municipalities, and autonomous regions in the PRC, where we have established connections with industry players and gained operational expertise. Our finance lease offering comprises direct finance leasing and sale-leaseback. The PRC printing equipment finance leasing market has significant growth opportunities. Compared to other types of leased assets, the printing equipment under our finance leasing transactions generally has a lower asset depreciation rate, a longer life cycle and a higher scrap value. According to the Frost & Sullivan Report, the New Contract Volume of this market grew from RMB8.3 billion in 2011 to RMB14.6 billion in 2017 with a CAGR of 9.9% during such period. Seeing the tremendous capital need from SMEs in the printing industry in China, our co-founders and our Controlling Shareholders, Mr. Zhang and Mr. Zhang Junwei, have seized such opportunity and expanded our business rapidly in this market.

Leveraging on our operational experience and practical knowledge in delivering finance leasing services to customers in the printing industry, we have further capitalised on the growth momentum of transportation equipment finance leasing market in China, focusing on provision of finance leasing services to customers who purchase and operate commercial vehicles for logistics purpose. We have taken full advantages of the characteristics of a relatively small financing amount, quick completion time and relatively low costs in relation to vehicle leasing business. Our finance leasing business for customers in the logistics industry has grown accordingly.

Our diversified customer base consisting of SME customers in our target industries of printing and logistics in China has also been growing. A large number of SMEs have emerged in these two industries in recent years and they have difficulty in access to traditional bank loans. Our finance leasing services become efficient financing channels for SME customers. We provided services to approximately 74 SME customers in these two industries in five provinces as well as the municipalities of Beijing and Shanghai as at 31 December 2015. Our customer base significantly expanded to approximately 292 SME customers in these two industries across 24 provinces, municipalities and autonomous regions in China as at 31 December 2017. Going forward, we intend to further develop our finance leasing business by targeting new industries which we believe have stable income streams, strong government supports and sustainable drives for growth.

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## FINANCIAL INFORMATION

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We recorded revenue growth during the Track Record Period. Our revenue increased by 173.1% from approximately RMB10.8 million for FY2015 to approximately RMB29.5 million for FY2016, and further increased by 76.6% to approximately RMB52.1 million for FY2017. Our net finance lease receivables also increased by 171.5% from approximately RMB98.4 million as at 31 December 2015 to approximately RMB267.2 million as at 31 December 2016, and further increased by 26.1% to approximately RMB337.0 million as at 31 December 2017. Furthermore, we have established effective risk management and internal control procedures which are tailored to the characteristics of our business operations. Our comprehensive risk management system coordinated among our various departments and risk management committee have enabled us to identify any potential default of our customers and take remedial actions to enhance the security of leased assets at an early stage. As we entered into more finance leasing agreements with customers, we have developed our risk management system to be tailored to the characteristics of our business, and our non-performing assets ratio remained low for FY2015, FY2016, and FY2017, being 0.0%, 0.0%, and approximately 1.8% respectively.

### RECENT DEVELOPMENT

Subsequent to the Track Record Period, we have continued to extend our client base in the PRC printing and logistics industry. From 31 December 2017 up to the Latest Practicable Date, we entered into 42 new finance lease agreements with customers in the PRC printing industry with an aggregate value of approximately RMB111.9 million and five new finance lease agreements with customers in the PRC logistics industry with an aggregate value of approximately RMB3.7 million. As at the Latest Practicable Date, we have entered into 242 finance lease agreement with customers in the PRC printing industry with an aggregate value of approximately RMB576.9 million and 139 finance lease agreements with customers in the PRC logistic industry with an aggregate value of approximately RMB86.3 million. During the Track Record Period and up to the Latest Practicable Date, we have completed the full cycle of 85 finance lease agreements, under which we fully collected receivables from our customers upon expiry of relevant lease terms. The revenue recognised for these 85 financial lease agreements amounted to approximately RMB16.6 million. On 2 January 2018, we entered into a credit facility agreement with a bank, pursuant to which the bank agreed to grant a new credit facility of RMB30.0 million.

Save for the professional fees of approximately HK\$3.0 million estimated to be incurred in connection with the Listing, which will be recorded in our consolidated financial information as expenses for the year ending 31 December 2018, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position, or prospects of our Group since 31 December 2017, being the date to which the latest audited consolidated financial statements of our Group were made up.

### BASIS OF PRESENTATION

Our Company is an exempted company incorporated in the Cayman Islands under the laws of the Cayman Islands on 28 October 2016. Through a corporate reorganisation as further explained in the section headed “History and Reorganisation — Reorganisation” in this prospectus, our Company became the holding company of the subsidiaries now comprising our Group on 22 December 2016. The Group resulting from the Reorganisation, which involves interspersing the Company, and its subsidiaries, is regarded as a continuing entity. Accordingly, the Historical Financial Information has been prepared on the basis as if the Company had always being the holding company of the Group.

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## FINANCIAL INFORMATION

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The consolidated statements of profit or loss and other comprehensive income and consolidated statements of cash flows which include the financial performance and cash flows of the companies now comprising the Group for FY2015 and FY2016 have been prepared as if the Company had always been holding company of the Group and the current group structure had been in existence throughout those two years, or since the respective dates of establishment/incorporation of the relevant entity where these are shorter periods, and taking into account the acquisition of HK Lixin during FY2015.

The consolidated statement of financial position at 31 December 2015 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date, taking into account the respective dates of establishment/incorporation or acquisition of the relevant entity.

The Historical Financial Information has been prepared based on accounting policies which conform with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

### CRITICAL ACCOUNTING POLICIES

Our Group has identified certain accounting policies that are significant to the preparation of the Consolidated Financial Information in accordance with HKFRSs. These significant accounting policies are important for an understanding of the financial condition and results of operation of our Group. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgment related to accounting items such as assets, liabilities, income and expenses. We base our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Actual results may differ under different assumptions and conditions.

Our Directors believe that the estimates and judgments were accurate during the Track Record Period by comparing with actual results, and we confirm that there was no material change in our accounting policies, estimates and underlying assumptions during the Track Record Period, and as at the Latest Practicable Date, we did not expect to make any changes to such estimates and underlying assumptions in light of our current business operations.

Our management has identified certain accounting policies and estimates that are most critical to the preparation of our Consolidated Financial Information. Please refer to notes 4 and 5 to the Accountant’s Report in Appendix I to this prospectus for details.

### Leasing

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

#### (i) Our 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.

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### (ii) Our Group as lessee

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

### Revenue recognition

Revenue is measured at fair value of consideration received or receivable for services provided in the normal course of business, net of sales related taxes.

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

Financial leasing services income mainly consisted of finance lease income and is recognised over the period of lease.

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

### Key source of estimation uncertainty

#### *Estimate impairment of finance lease receivable*

When there is objective evidence of impairment loss, we take into consideration an estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

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## FINANCIAL INFORMATION

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### SUMMARY OF HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The selected financial information from our consolidated statements of profit or loss and other comprehensive income for the Track Record Period set forth below is extracted from, and should be read in conjunction with, the Accountants' Report included in Appendix I to this prospectus.

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	10,807	29,546	52,060
Interest income and other investment gain	50	104	17
Exchange gain/(loss), net	156	99	(47)
Staff costs	(2,815)	(4,875)	(6,528)
Impairment losses on finance lease receivable	(930)	(2,075)	(5,526)
Impairment losses on other receivable	—	—	(379)
Other operating expenses	(2,961)	(3,268)	(5,900)
Listing expenses	—	(4,225)	(8,907)
Finance costs	(3,349)	(7,770)	(8,848)
Profit before taxation	958	7,536	15,942
Taxation	(278)	(2,319)	(6,377)
Profit and total comprehensive income for the year	<u>680</u>	<u>5,217</u>	<u>9,565</u>
Profit and total comprehensive income for the year attributable to:			
- Owners of the Company	488	5,217	9,565
- Non-controlling interests	192	—	—
	<u>680</u>	<u>5,217</u>	<u>9,565</u>

### FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial condition and results of operations have been, and will continue to be, affected by a number of factors, including those set out below and in the section headed "Risk Factors" in this prospectus.

#### Interest Rate Environment

Our results of operations depend to a great extent on our net interest income from our finance leasing business, which is our interest income minus our interest expense. The interest rate we charge our SME customers is an important factor that influences our revenue. The interest rate charged to a customer is primarily dependent upon risk profile of the customer, value of assets underlying the finance lease over time and characteristics of the industry where the customer operates.

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Market interest rates directly affect our interest expense, which in turn has a direct effect on our net interest income. During the Track Record Period, our interest expense was largely determined by the interest rates that we were charged for our financial assets sold under repurchase agreements, which are sensitive to many factors over which we have no control, including the regulatory framework of the banking and financial sectors in the PRC and domestic and international economic and political conditions. In recent years, as part of the overall reform of the banking system, the PBOC has implemented a series of initiatives designed to gradually liberalise interest rates and move towards a more market-based interest rate regime. Currently, RMB-denominated loans which are loaned by commercial banks are subject to minimum rates based on the PBOC benchmark interest rates, but are not subject to any maximum rates. Adjustments to PBOC benchmark interest rates have an effect on the average market interest rates for loans.

### **Asset Quality and Provisioning Policy**

The quality of our interest-earning assets, primarily comprising our finance lease receivables, is affected by the customers we select and the relevant industries where these customers operate. Our risk management system and implementing measures enable us to minimise our credit risk and ensure our asset quality. We assess our provisions based on non-performing finance lease receivables on an individual basis and our performing finance lease receivables on a collective basis. We first assess whether impairment exists individually for financial lease receivables which had a history of past due. When we find no objective evidence of impairment exists for an individually assessed financial lease receivable, we group the financial lease receivables with similar credit risk characteristics and collectively assess them for impairment. Moreover, we closely monitor our non-performing assets and provide for impairment if we determine there is little likelihood of future payment. As a result of our effective risk management system and comprehensive measures, our non-performing assets amounted to nil, nil and approximately RMB6.1 million for FY2015, FY2016 and FY2017, respectively. Our provision for finance lease receivables amounted to approximately RMB0.9 million, RMB3.0 million and RMB8.5 million as at 31 December 2015, 2016 and 2017, respectively.

The amount of non-performing assets may fluctuate in the future due to continuous growth in our interest-earning assets portfolio and/or deterioration in the quality of our interest-earning assets portfolio. Factors which are not under our control, such as macroeconomic development which affects the business and operating environment of our customers, may affect the level of impairment in our current portfolio of interest-earning assets or the level of new interest-earning assets that become impaired in the future.

### **Funding Capabilities**

One of the major factors in determining the success of our efforts to expand our operations is whether we can sustain and strengthen our funding capacities. As our services depend upon financing and access to cash, any expansion of our business will need to be supported with additional funding from various sources. During the Track Record Period, our funding sources include our own capital, cash generated from operating activities, shareholder's contribution, bank borrowings and financial assets sold under repurchase agreements. We will continue to maintain a diversified portfolio of funding sources and seek opportunities to lower our financing costs along with our business expansion. Furthermore, the estimated net proceeds from Share Offer presents a source of funding for us. After the Share Offer, as we become a public company, we expect to have better access to capital markets and therefore enhance our funding capabilities. Our ability to continue to access additional funding may be influenced by factors affecting the PRC and global credit environment over which we

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have no control, including the cyclical nature of the credit supply and any changes in policies or regulations or new policies and regulations that affect these funding sources. Any developments such as these that affect our ability to sustain our funding or to expand our business would impact our business and profitability.

### PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

#### Revenue

During the Track Record Period, our revenue was principally derived from finance leasing income for the provision of finance leasing services to our customers in printing and logistics industries in the PRC. For the FY2015, FY2016 and FY2017, revenue derived from our customers in the printing industry accounted for approximately 99.3%, 92.0% and 85.0% of our total revenue, respectively. The following table sets forth a breakdown of our finance leasing income by industry for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Printing	10,825	99.3	27,235	92.0	44,269	85.0
Logistics	77	0.7	2,366	8.0	7,791	15.0
Sub-total	10,902	100.0	29,601	100.0	52,060	100.0
Sales related taxes ( <i>Note</i> )	(95)		(55)		—	
Revenue after sales related tax	10,807		29,546		52,060	

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*Note:* For FY017, input VAT exceeded output VAT, and therefore our Group incurred no sales related tax.

Revenue from the printing industry continues to be our largest revenue contributor. The increase in revenue derived from the printing industry over the Track Record Period was mainly attributable to the increasing demand for printing equipment in China and our efforts in securing new customers in this industry.

Revenue from the logistics industry increased in FY2016 as compared to that in FY2015, and further increased for FY2017, as a result of our efforts in securing new customers and expanding into Guangzhou to strengthen our foothold in this industry. The leased vehicles generally requires a relatively small amount of funds, which allow us to fully utilise unused capital and generate income. Moreover, the entire process of a logistics finance leasing transaction from customer identification to transaction completion generally takes a relatively short period of time. Such type of transaction also involves less manpower and resources, and the relevant costs are relatively lower as compared to the costs for printing finance leasing transaction. Our finance leasing business for customers in the

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logistics industry has grown rapidly from approximately 0.7% of the total revenue before sales related-taxes in FY2015 to approximately 8.0% of the total revenue before sales-related taxes in FY2016, and further to approximately 15.0% of the total revenue before sales-related-taxes for FY2017.

We classified our finance leasing services into two categories: (i) sale-leaseback; and (ii) direct finance leasing. For the FY2015, FY2016 and FY2017, revenue derived from sale-leaseback accounted for approximately 100.0%, 94.1% and 90.3% of our total revenue before sales related taxes, respectively. The following table sets forth a breakdown of our finance leasing income by type of finance leasing service for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Sale-leaseback	10,902	100.0	27,864	94.1	46,987	90.3
Direct finance leasing	—	—	1,737	5.9	5,073	9.7
Sub-total	10,902	100.0	29,601	100.0	52,060	100.0
Sales related taxes ( <i>Note</i> )	(95)		(55)		—	
Revenue after sales related tax	10,807		29,546		52,060	

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*Note:* For the year ended 31 December 2017, input VAT exceeded output VAT, and therefore our Group incurred no sales related tax.

### Interest income and other investment gain

Interest income and other investment gain includes bank interest income and investment gain of structured deposits.

### Exchange Gain/(Loss), Net

Exchange gain/(loss), net includes net foreign exchange gain/(loss) due to fluctuations in RMB against HKD and USD respectively.

### Staff Costs

Staff costs include primarily Director's remuneration, employee salaries, allowances and other staff benefits as well as employee retirement benefits scheme contributions. Staff costs amounted to approximately RMB2.8 million, RMB4.9 million, and RMB6.5 million for the FY2015, FY2016 and FY2017, respectively, representing 26.0%, 16.5% and 12.5% of total revenue for the corresponding period. Such increase was mainly attributable to the increase in head count and staff salaries for existing staff.

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### Impairment losses on Finance Lease Receivable

We are not required to provide general provisions as commercial banks and other financial institutions which the CBRC regulates. Our provisioning policies are based on the applicable accounting standards. We first assess whether impairment exists individually for financial lease receivables which had a history of past due. When we find no objective evidence of impairment exists for an individually assessed financial lease receivable, we include the financial lease receivables with similar credit risk characteristics and collectively assess them for impairment.

We recognised an impairment loss of approximately RMB0.9 million, RMB2.1 million and RMB5.5 million, for the FY2015, FY2016 and FY2017, respectively. The increase in impairment loss over the Track Record Period was primarily due to an increase in collective impairment allowance as a result of an increase in finance lease receivable due to our business growth.

### Other Operating Expenses

Other operating expenses include primarily sales and marketing expenses, rental expenses and other expenses.

The following table sets forth a breakdown of our other operating expenses by nature for the years indicated:

	For the year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Sales and marketing	2,188	2,018	3,335
Rental	459	467	808
Other <sup>(1)</sup>	314	783	1,757
Other operating expenses	<u>2,961</u>	<u>3,268</u>	<u>5,900</u>

*Note:*

(1) Other mainly included insurance expenses, consultation fees and miscellaneous expenses.

### Finance Costs

Finance costs consist of (i) interest incurred on financial assets sold under repurchase agreements; (ii) imputed interest expense on interest-free deposits from finance lease customers and (iii) interest on bank borrowings. Our borrowings are utilised for our business operations. During the Track Record Period, we had implemented four financial assets sold under repurchase agreements and two bank loans, all of which were repayable within one year. Given that our bank loan was granted on 30 December 2016, interest incurred in relation to such bank loan during FY2017 was approximately RMB1.2 million.

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Imputed interest expense on interest-free deposits from finance lease customers is calculated using the effective interest method. For details, please refer to note 9 of the Accountants' Reports in Appendix I to this prospectus.

### Taxation

The PRC enterprise income tax rate applicable to ZYY Shenzhen and Huafang Consultancy is 25.0%. During the Track Record Period, ZYY Shenzhen and Huafang Consultancy were not entitled to any special tax treatment.

### NET INTEREST MARGIN

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest income <sup>(1)</sup>	10,902	29,601	52,060
Interest expense <sup>(2)</sup>			
Interest on financial assets sold under repurchase agreements	(2,528)	(4,628)	(373)
Imputed interest expense on interest-free deposits from finance lease customers	(821)	(3,142)	(7,276)
Interest on bank borrowings repayable within one year	—	—	(1,199)
Net interest income <sup>(3)</sup>	7,553	21,831	43,212
Interest income yield <sup>(4)</sup>	16.9%	16.5%	15.6%
Interest expense rate <sup>(5)</sup>	8.8%	10.6%	8.9%
Net interest spread <sup>(6)</sup>	8.1%	5.9%	6.7%
Net interest margin <sup>(7)</sup>	11.7%	12.2%	13.0%

*Notes:*

- (1) Revenue derived from our finance leasing business excluding sales related taxes.
- (2) Interest expense is the finance cost of our finance leasing business.
- (3) Net interest income is calculated by subtracting interest expense by interest income.
- (4) Calculated by dividing interest income by the average monthly total balance of interest-earning assets (2015: RMB64,377,725; 2016: RMB178,915,630; 2017: RMB333,194,067).
- (5) Calculated by dividing interest expense by the average monthly total balance of interest-bearing liabilities (2015: RMB38,087,799; 2016: RMB73,232,755; 2017: RMB99,522,799).

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(6) Net interest spread is the difference between the average yield on the average balance of the interest-earning assets and the average cost of the average balance of the interest-bearing liabilities. Calculated as the difference between the interest income yield and the interest expense rate.

(7) Net interest margin is the ratio of net interest income to the average balance of the interest-earning assets. Calculated by dividing net interest income by the average monthly balance of total interest-earning assets.

Our net interest spread decreased to approximately 5.9% in FY2016 from 8.1% in FY2015. The decrease was primarily due to an increase in the interest expense rate. Our interest expense rate in FY2016 increased to approximately 10.6% from 8.8% in FY2015. The increase was primarily due to our interest expense which increased by approximately 132.0% whereas our average monthly total balance of our interest-bearing liabilities increased by only approximately 92.3%. This was principally a result of additional interest incurred from financial assets sold under repurchase agreement, and an increase in imputed interest expense on interest-free deposits from finance lease customers which is a result of an increase in the number of finance lease agreements.

Our net interest spread increased to approximately 6.7% in FY2017 from approximately 5.9% in FY2016. The increase was primarily due to a decrease in interest expense rate. Our interest expense rate decreased to approximately 8.9% in FY2017 from approximately 10.6% in FY2016, was primarily due to a decrease of our interest expense which increased by approximately 13.9% only whereas our average monthly total balance of our interest-bearing liabilities increased by approximately 35.9%. This was principally a result of a substantial decrease of interests on financial assets sold under repurchase agreements caused by the financial assets sold under repurchase agreements became due in the FY2017 which lowered our interest on financial assets sold under repurchase agreements.

Our net interest margin for FY2016 increased to approximately 12.2% from approximately 11.7% for FY2015. This slight increase was due to an increase of approximately 189.0% in net interest income whereas our average balance of total interest-earning assets increased by approximately 177.9%. Our net interest margin increased to approximately 13.0% for FY2017 from approximately 12.2% in FY2016. This increase was primarily due to an increase of approximately 97.9% in net interest income whereas our average monthly total balance of total interest-earning assets increased by approximately 86.2%.

	<b>Range of effective interest rate charged</b>		
	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	%	%	%
Printing	11.6 to 22.7	7.4 to 22.7	7.4 to 22.7
Logistics	6.6 to 10.1	6.3 to 16.7	6.3 to 17.3

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	Average effective interest rate charged		
	As at 31 December		
	2015	2016	2017
	%	%	%
Printing	14.9	14.4	14.5
Logistics	8.6	10.1	10.4

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*Notes:*

- (1) The effective interest rates listed in the tables above included revenue derived from our finance leasing business and are based on the outstanding finance lease receivable.

### YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

#### FY2017 compared to FY2016

##### Revenue

Our Group's revenue increased by approximately RMB22.6 million or 76.6% from approximately RMB29.5 million for FY2016 to approximately RMB52.1 million for FY2017. The aforesaid increase was mainly attributable by: (i) the finance lease agreements entered in FY2016 which have a tenor of three years; and (ii) the 155 new finance lease agreements signed during FY2017, which consisted of 92 and 63 new finance lease agreements entered into with printing customers and logistics customers, respectively.

##### Interest income and other investment gain

Interest income and other investment gain decreased by approximately RMB87,000 or 83.7% from approximately RMB104,000 for FY2016 to approximately RMB17,000 for FY2017. Such decrease was primarily due to (i) a decrease in our interest-bearing bank deposits and (ii) the fact that the Group did not place any structured deposits in FY2017, no investment gain of structure deposits were recognised.

##### Exchange gain/(loss), net

We recorded an exchange gain of approximately RMB99,000 for FY2016 and an exchange loss of approximately RMB47,000 for FY2017 as a result of a decrease in the amount of HK dollars-denominated funds for FY2017 while HK dollars depreciated against RMB from 2016 to the end of 2017.

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### Staff costs

Staff costs increased by approximately RMB1.6 million or 32.7% from approximately RMB4.9 million for FY2016 to approximately RMB6.5 million for FY2017 as we incurred (i) approximately RMB0.4 million for recruitment of 10 new staff members; (ii) approximately RMB1.0 million for salary increments of our staff; and (iii) approximately RMB0.2 million for other staff benefits.

### Impairment losses on finance lease receivable

Our impairment loss on finance lease receivable increased by approximately RMB3.4 million or 161.9% from approximately RMB2.1 million for FY2016 to approximately RMB5.5 million for FY2017. Such increase was mainly attributable (i) to an increase in collective impairment allowance as a result of an increase of 155 finance lease agreements; and (ii) an increase in individual impairment allowance as a result of non-performing asset during FY2017.

### Other operating expenses

Other operating expenses increased by approximately RMB2.6 million or 78.8% from approximately RMB3.3 million for FY2016 to approximately RMB5.9 million for FY2017. Such increase was due to an increase in sales and marketing expenses, rental expenses and other expenses.

Our sales and marketing expenses increased by approximately 65.0% or RMB1.3 million from approximately RMB2.0 million for FY2016 to approximately RMB3.3 million for FY2017. For FY2017, we had increased the amount of resources to expand our customer base and strengthen our foothold in the finance leasing industry in China, as a result our sales and marketing expenses increased for FY2017.

Our rental expenses increased by approximately 60% or RMB0.3 million from approximately RMB0.5 million for FY2016 to approximately RMB0.8 million for FY2017. Such increase was mainly attributable to the rental expenses incurred for new office premises in Hong Kong leased by HK Lixin for administrative purpose since March 2017.

Our other expenses increased by approximately 125.0% or RMB1.0 million from approximately RMB0.8 million for FY2016 to approximately RMB1.8 million for FY2017. Such increase was mainly attributable to an increase in depreciation of our furniture and office equipment due to our new purchases and an increase in legal fees in relative to the non-performing assets.

### Finance costs

Finance costs increased by approximately RMB1.0 million or 12.8% from approximately RMB7.8 million for FY2016 to approximately RMB8.8 million for FY2017. Such increase was primarily attributable to (i) the increase in imputed interests on interest free deposits from finance lease customers as a results of increase in the number of finance lease agreement and (ii) the interest charged on the new bank loan provided by a bank in 30 December 2016 which was fully repaid in December 2017.

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### **Taxation**

Income tax expense increased by approximately RMB4.1 million or 178.3% from approximately RMB2.3 million for FY2016 to RMB6.4 million for FY2017. Such increase was mainly attributable to an increase in profit before taxation for FY2017.

### **Profit and total comprehensive income for the year**

Our profit and total comprehensive income was approximately RMB5.2 million for FY2016, while our profit was approximately RMB9.6 million for FY2017, primarily as a combined effect of the increase in revenue amounted to approximately RMB22.6 million and the increase in the impairment losses on finance lease receivable, other operating expense, listing expenses and the income tax expenses.

### **FY2016 compared to FY2015**

#### **Revenue**

Our Group's revenue increased by approximately RMB18.7 million or 173.1% from approximately RMB10.8 million in FY2015 to approximately RMB29.5 million in FY2016. The aforesaid increase was mainly attributable to revenue from 218 new finance lease agreements signed during FY2016 due to business expansion of our Group, which consisted of 101 and 117 new finance lease agreements entered into with printing customers and logistics customers in that year, respectively.

#### **Interest income and other investment gain**

Interest income and other investment gain increased by approximately RMB54,000 or 108.0% from approximately RMB50,000 in FY2015 to approximately RMB104,000 in FY2016. Such increase was primarily due to an increase in the average amount of interest-bearing bank deposits as well as an increase in investment gain of structured deposits during FY2016.

#### **Exchange gain/(loss), net**

Exchange gain, net decreased by approximately RMB57,000 or 36.5% from approximately RMB156,000 in FY2015 to approximately RMB99,000 in FY2016 as a result of the decrease in the amount of HK dollars held by our Group during FY2016, and HK dollars appreciated against RMB during the period.

#### **Staff costs**

Staff costs increased by approximately RMB2.1 million or 75.0% from approximately RMB2.8 million in FY2015 to approximately RMB4.9 million in FY2016 as we incurred (i) approximately RMB1.0 million from recruitment of twelve new staff members to support our business growth; and (ii) approximately RMB1.1 million from salary increments of our staff.

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### **Impairment losses on finance lease receivable**

Our impairment loss on finance lease receivable increased by approximately RMB1.2 million or 133.3% from approximately RMB0.9 million in FY2015 to approximately RMB2.1 million in FY2016. Such increase was mainly attributable to an increase in finance lease receivable of approximately RMB168.8 million as a result of an additional 218 finance lease agreements we entered into during FY2016.

### **Other operating expenses**

Other operating expenses increased slightly by approximately RMB0.3 million or 10.0% from approximately RMB3.0 million in FY2015 to approximately RMB3.3 million in FY2016. Such increase was due to an increase in other expenses, partially offset by a decrease in sales and marketing expenses.

Our sales and marketing expenses decreased by approximately 9.1% or approximately RMB0.2 million from approximately RMB2.2 million in FY2015 to approximately RMB2.0 million in FY2016. Our sales and marketing expenses were relatively higher in FY2015 as we had dedicated a significant amount of resources to expand our customer base and strengthen our foothold in the finance leasing industry in China.

Our rental expenses remained relatively stable from FY2015 to FY2016.

Our other expenses increased by approximately 166.7% or approximately RMB0.5 million from approximately RMB0.3 million in FY2015 to approximately RMB0.8 million in FY2016. Such increase was mainly attributable to an increase in insurance expenses and consultation fees due to our business expansion.

### **Finance costs**

Finance costs increased by approximately RMB4.5 million or 136.4% from approximately RMB3.3 million in FY2015 to approximately RMB7.8 million in FY2016. Such increase was primarily attributable to the additional interest incurred from financial assets sold under repurchase agreement and the increase in imputed interest on interest-free deposits from finance lease customers as a result of an increase in the number of finance lease customers during FY2016.

### **Taxation**

Income tax expense increased by approximately RMB2.0 million or 666.7% from approximately RMB0.3 million in FY2015 to RMB2.3 million in FY2016. Such increase was mainly attributable to an increase in profit before taxation from approximately RMB1.0 million in FY2015 to approximately RMB7.5 million in FY2016.

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### Profit and total comprehensive income for the year

Our profit and total comprehensive income for the year increased by 642.9% to approximately RMB5.2 million for FY2016 from approximately RMB0.7 million in FY2015. Such increase was mainly due to the 173.1% increase in revenue as a result of our business expansion in FY2016, and the relatively lower growth rates of staff costs, impairment losses on finance lease receivable, other operating expenses and finance costs, as compared with the growth rate of revenue during the same period.

### LIQUIDITY AND CAPITAL RESOURCES

We had met our liquidity requirements principally through a combination of cash generated from operating activities, shareholder's contribution, financial assets sold under repurchase agreements and bank borrowings during the Track Record Period. Upon the Listing, our sources of funds will be a combination of internal generated funds, cash received through financial assets sold under repurchase agreements, bank borrowings and net proceeds from the Share Offer. As at the Latest Practicable Date, we had not experienced any difficulty in raising funds by bank borrowings and we had not experienced any liquidity problems in settling our payables in the normal course of business and repaying our bank borrowings when they fall due.

### Cash Flows

The following table sets forth the cash flows for the years indicated:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash used in operating activities	(64,116)	(118,225)	(16,608)
Net cash (used in) from investing activities	(90,658)	90,832	300
Net cash from financing activities	154,018	23,841	15,933
Net decrease in cash and cash equivalents	(756)	(3,552)	(375)
Cash and cash equivalents at the beginning of the year	7,265	6,402	2,683
Effect of foreign exchange rate changes	(107)	(167)	16
Cash and cash equivalents at end of the year representing bank balances and cash	<u>6,402</u>	<u>2,683</u>	<u>2,324</u>

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### **Net cash used in operating activities**

Our major operating cash flows are derived mainly from profit before tax, being adjusted for impairment losses on finance lease receivables, impairment losses on other receivable, depreciation of furniture and office equipment, loss on disposal of furniture and office equipment, finance costs, interest income and other investment gain and the effects of changes in working capital and tax paid. Cash inflow is mainly from receipts of payment for our finance lease services and deposits from our finance lease customers. Cash outflow from operating activities is used primarily on payment for funding our finance leasing transactions.

For the FY2015, we had net cash used in operating activities of approximately RMB64.1 million, primarily as a result of operating cash flow before movements in working capital of approximately RMB5.2 million, adjusted to reflect (i) an increase in prepayments and other receivables of approximately RMB3.6 million primarily due to early termination of finance lease arrangement; and (ii) an increase of approximately RMB78.8 million in finance lease receivable and an increase in deposits from finance lease customers and deferred income of approximately RMB15.5 million due to our business growth.

For the FY2016, we had net cash used in operating activities of approximately RMB118.2 million, primarily as a result of operating cash flow before movements in working capital of approximately RMB17.4 million, adjusted to reflect (i) an increase in prepayments and other receivables of approximately RMB0.1 million primarily due to an increase in other tax recoverable; and (ii) an increase of approximately RMB170.8 million in finance lease receivable and an increase in deposits from finance lease customers and deferred income of approximately RMB38.3 million due to our business growth.

For the FY2017, we had net cash used in operating activities of approximately RMB16.6 million, primarily as a result of operating cash flow before movements in working capital of approximately RMB30.9 million, adjusted to reflect (i) an increase in finance lease receivable of approximately RMB75.3 million primarily due to the expansion of our business; and (ii) an increase in deposits from finance lease customers and deferred income of approximately RMB26.1 million primarily due to our business growth.

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For illustration, the table below shows the summary of the adjusted cash flows from operating activities before the changes in working capital after consideration of (i) the notional interest for the amount due to a shareholder; and (ii) after excluding the listing expenses during the Track Record Period:

	For the year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	958	7,536	15,942
Add: Notional interest for the amount due to a shareholder <sup>(1)</sup>	—	(2,376)	(1,388)
Adjusted profit before taxation	<u>958</u>	<u>5,160</u>	<u>14,554</u>
Adjustments for:			
Depreciation of furniture and office equipment	22	97	193
Loss on disposal of furniture and office equipment	—	—	1
Finance costs	3,349	7,770	8,848
Notional interest for the amount due to a shareholder <sup>(1)</sup>	—	2,376	1,388
Impairment losses on finance lease receivable	930	2,075	5,526
Impairment losses on other receivable	—	—	379
Interest income	(50)	(104)	(17)
Operating cash flows before movements in working capital	5,209	17,374	30,872
Add: Listing expenses	—	4,225	8,907
Adjusted cash flow	<u>5,209</u>	<u>21,599</u>	<u>39,779</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Adjusted cash flow <sup>(2)</sup>	<u>6,253</u>	<u>25,929</u>	<u>47,754</u>

*Notes:*

(1) The amount for FY2016 was calculated based on the amount due to a shareholder of approximately RMB74.2 million commencing from 27 July 2016 (the remaining amount of RMB24.0 million represented the consideration payable for the acquisition of 45.0% equity interest of ZYY Shenzhen, which is capital in nature and no interest would be charged) and using our Group's bank borrowing interest rate of 7.4% per annum.

The amount for FY2017 was calculated the amount due to a shareholder of approximately RMB74.2 million and the waiver of an amount to Hero Global by HK Linxin of RMB68.0 million from 1 January 2017 to 28 March 2017 and 29 March 2017 to 30 May 2017, respectively (the remaining amount of RMB24.0 million represented the consideration payable for the acquisition of 45.0% equity interest of ZYY Shenzhen, which is capital in nature and no interest would be charged) and using our Group's bank borrowing interest rate of 7.4% per annum.

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- (2) Based on the exchange rate of HK\$1.000 = RMB0.833 which was the exchange rate prevailing on 31 December 2017, for illustration purpose only.

As shown in the table above, our Group was able to meet the minimum cash flow requirements under Rule 11.12A of the GEM Listing Rules after consideration of the notional interest for the amount due to a shareholder.

### **Net cash (used in) from investing activities**

For the FY2015, we had net cash used in investing activities of approximately RMB90.7 million, which was mainly attributable to the net effect of the placement and redemption of freely redeemable structured deposits in an aggregated balance of approximately RMB245.0 million during the FY2015, fund used in acquisition of HK Lixin of RMB49,000 and net advances to related parties of approximately RMB90.7 million.

For the FY2016, we had net cash generated from investing activities of approximately RMB90.8 million, which was mainly attributable to the net effect of the placement and redemption of freely redeemable structured deposits in an aggregated balance of approximately RMB27.0 million during the FY2016, net repayments from related parties of approximately RMB91.5 million and the interest received from interest-bearing bank deposits of RMB49,000.

For the FY2017, we had net cash generated from investing activities of approximately RMB0.3 million, mainly attributable to the net repayments from related parties of approximately RMB0.5 million, and the purchases of furniture, office equipment and a trademark of approximately RMB0.2 million.

### **Net cash from financing activities**

For the FY2015, we had net cash from financing activities of approximately RMB154.0 million, which was mainly attributable to capital injection from controlling shareholders of approximately RMB76.3 million, cash receipts from financial assets sold under repurchase agreements of approximately RMB65.0 million and capital injection from HK Lixin of approximately RMB12.7 million.

For the FY2016, we had net cash from financing activities of approximately RMB23.8 million, which was mainly attributable to an increase in advances from individual controlling shareholder/related parties of approximately RMB127.0 million, repayment to related parties of approximately RMB28.9 million, repayment of financial assets sold under repurchase agreements of approximately RMB65.0 million, bank borrowings raised of approximately RMB15.0 million and fund used in acquisition of remaining 45.0% equity interest of ZYY Shenzhen of approximately RMB24.0 million.

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For the FY2017, we had net cash from financing activities of approximately RMB15.9 million, mainly attributable to an advance from controlling individual shareholder/related parties of approximately RMB63.1 million, which was partially offset by repayments to related parties of approximately RMB37.9 million, the net repayment of bank borrowings of approximately RMB15.0 million, the cash receipt from financial assets sold under repurchase agreement of approximately RMB8.3 million and listing expense paid of approximately RMB1.4 million.

Although we recorded operating cash outflow of approximately RMB64.1 million, RMB118.2 million and RMB16.6 million for FY2015, FY2016 and FY2017, respectively, our Directors are of the view and the Sole Sponsor concurs, that we are able to meet our working capital and liquidity requirement for at least the next 12 months from the date of this prospectus due to (i) our cash inflow from repayments of our finance lease customers pursuant to the terms of the relevant finance lease agreements; (ii) the estimated net proceeds of approximately HK\$50.8 million (assuming an Offer Price of HK\$0.8 per Offer Share, being the mid point of the indicative Offer Price range) from the Share Offer; and (iii) our continuous efforts to obtain external funding to meet our operating needs. On 20 March 2017 and 28 June 2017, we had entered into a framework agreement and a supplemental agreement to the framework agreement, respectively, with an independent third party securities company to provide financing to our Group in the aggregate amount of RMB300.0 million through financial assets sold under repurchase agreements within three years after the date of agreement. The interest rate is fixed at a 50% markup of the PBOC's interest rate and the repayment schedule is 365 days. Further, on 20 June 2017, we entered into a repurchase agreement with an independent third party finance leasing company to provide financing to our Group in the amount of RMB8.0 million through financial assets sold under the agreement. The repurchase price is 109% of the transfer price and the repayment schedule is 365 days. Moreover, on 20 July 2017, we entered into a framework agreement with such finance leasing company to provide financing to our Group in an aggregate amount of RMB100.0 million through financial assets sold under repurchase agreements within two years after the date of agreement. In addition, we entered into a credit facility agreement with a bank on 7 August 2017, pursuant to which the bank agreed to grant us a credit facility of RMB26.0 million. Subsequent to the Track Record Period, we entered into a credit facility agreement with a bank on 2 January 2018, pursuant to which the bank agreed to provide us a credit facility of RMB30.0 million. Thus, taken into account the above considerations, our Directors are of the opinion that we will have sufficient funds to meet in full our financial obligations as and when they fall due.

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### Capital Management

We monitor our gearing ratio, which is calculated as bank borrowings and financial assets sold under repurchase agreements divided by total equity plus bank borrowings and financial assets sold under repurchase agreements. The following table sets out the gearing ratio as the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings	—	15,000	—
Financial assets sold under repurchase agreements	64,963	—	8,713
Total equity	<u>118,072</u>	<u>107,260</u>	<u>210,351</u>
Debt and equity	183,035	122,260	219,064
Gearing ratio	35.5%	12.3%	4.0%

Our gearing ratio as at 31 December 2015, 2016 and 2017 was 35.5%, 12.3% and 4.0%, respectively. The decrease in our gearing ratio over the Track Record Period was mainly attributable to the increase in financial assets sold under repurchase agreements in FY2017 and the increase in reserves due to the issuance of new shares of our company and the deemed capital contribution from a shareholder in FY2017.

### Measures of Foreign Investment in the Leasing Industry

In accordance with the Measures of Foreign Investment in the Leasing Industry, ZYY Shenzhen's assets at risk should not exceed ten times its equity. As shown below, we have historically been able to maintain this ratio between 1.7 times to 2.6 times our equity:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	207,090	285,171	351,908
Less: Bank balances and cash	<u>6,402</u>	<u>2,683</u>	<u>2,324</u>
Total assets at risk	200,688	282,488	349,584
Total equity	118,072	107,260	210,351
Ratio of assets at risk to equity	<u>1.7</u>	<u>2.6</u>	<u>1.7</u>

As depicted above, we have consistently complied with the requirements of the Measures of Foreign Investment in the Leasing Industry during the Track Record Period.

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### WORKING CAPITAL

Our Directors confirm that, taking into consideration the financial resources presently available to us, including cash and cash equivalents on hand, the internally generated funds, the credit facilities maintained with financial institutions and the estimated net proceeds of the Share Offer, we are satisfied that we will have sufficient working capital for our present requirements for at least the next 12 months commencing on the date of this prospectus.

### CAPITAL COMMITMENTS

We did not have any capital commitment as at 31 December 2015, 2016 and 2017.

### OPERATING LEASE COMMITMENTS

As at 31 December 2015, 2016 and 2017, the commitment for future minimum lease payments under non-cancellable operating lease are payable as follows:

#### As lessee

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

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	431	452	997
After one year but within five years	452	—	1,438
Total	<u>883</u>	<u>452</u>	<u>2,435</u>

Save as disclosed above, our Directors confirm that we do not have any other operating lease arrangements as at the Latest Practicable Date.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we did not have any material off-balance sheet arrangements or contingencies.

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### NET CURRENT ASSETS

The table below sets forth our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at
	2015	2016	2017	30 April 2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
<b>CURRENT ASSETS</b>				
Finance lease receivable — current portion	43,498	130,179	186,798	196,934
Prepayments and other receivable	4,447	5,553	7,461	9,339
Amount due from related parties	96,686	5,139	—	2,200
Bank balances and cash	6,402	2,683	2,324	3,424
Total current assets	<u>151,033</u>	<u>143,554</u>	<u>196,583</u>	<u>211,897</u>
<b>CURRENT LIABILITIES</b>				
Other payables and accrued charges	3,754	2,152	7,677	3,919
Deposits from finance lease customers — current portion	736	5,166	20,971	15,869
Deferred income — current portion	1,754	5,751	8,922	9,364
Financial assets sold under repurchase agreements	64,963	—	8,713	8,963
Bank borrowings	—	15,000	—	30,000
Amounts due to related parties	1,528	1,148	26,351	2,900
Amount due to a shareholder	—	98,234	—	—
Tax payable	231	1,398	5,461	3,940
Total current liabilities	<u>72,966</u>	<u>128,849</u>	<u>78,095</u>	<u>74,955</u>
<b>NET CURRENT ASSETS</b>	<u><u>78,067</u></u>	<u><u>14,705</u></u>	<u><u>118,488</u></u>	<u><u>136,942</u></u>

We recorded net current assets of approximately RMB78.1 million, RMB14.7 million and RMB118.5 million as at 31 December 2015, 2016 and 2017, respectively. The decrease in the net current assets of approximately RMB63.4 million in FY2016 was mainly due to a decrease in the amount due from related parties of approximately RMB91.5 million, an increase in bank borrowings of approximately RMB15.0 million and an increase in amount due to a shareholder of approximately RMB98.2 million, partially offset by the repurchase of financial assets sold under repurchase agreements of approximately RMB65.0 million and an increase in finance lease receivable — current portion of approximately RMB86.7 million.

The increase in the net current assets of approximately RMB103.8 million in FY2017 was mainly due to (i) the full settlement of the amount due to a shareholder of approximately RMB98.2 million of which RMB68.0 million was waived on 28 March 2017, RMB25.5 million was satisfied through capitalisation on 31 May 2017 and the remaining amount was settled in FY2017; and (ii) the increase in the finance lease receivable — current portion amounting to approximately RMB56.6 million.

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The decrease in our current assets as at 31 December 2016, as compared to that as at 31 December 2015, was mainly attributable to a decrease in amounts due from related parties as a result of repayment and a decrease in bank balances and cash, partially offset by an increase in finance lease receivable due to our business growth.

The increase in our current liabilities as at 31 December 2016, as compared to that as at 31 December 2015, was mainly attributable to an increase in the amount due to a shareholder and an increase in deposits from finance lease customers, partially offset by the repurchase of financial assets sold under repurchase agreements.

Our current assets position improved by approximately RMB53.0 million, from approximately RMB143.6 million as at 31 December 2016 to approximately RMB196.6 million as at 31 December 2017. The improvement in our current assets position was primarily attributable to an increase in finance lease receivable-current portion of approximately RMB56.6 million.

Our current liabilities decreased by approximately RMB50.7 million, from approximately RMB128.8 million as at 31 December 2016 to approximately RMB78.1 million as at 31 December 2017. The decrease in our current liabilities was primarily attributable to the settlement in amounts due to a shareholder of approximately RMB98.2 million.

Our current assets increased by approximately RMB15.3 million, from approximately RMB196.6 million as at 31 December 2017 to approximately RMB211.9 million as at 30 April 2018. The increase was primarily attributable to an increase in finance lease receivable-current portion of approximately RMB10.1 million.

Our current liabilities decreased by approximately RMB3.1 million, from approximately RMB78.1 million as at 31 December 2017 to approximately RMB75.0 million as at 30 April 2018. The decrease was a net effect mainly attributable to the increase in bank borrowings of approximately RMB30.0 million, a decrease in deposits from finance lease customers of approximately RMB5.1 million, a decrease in amounts due to related parties of approximately RMB23.5 million and decrease in tax payable of approximately RMB1.5 million.

Our net current assets increased by approximately RMB18.4 million, from approximately RMB118.5 million as at 31 December 2017 to approximately RMB136.9 million as at 30 April 2018. The increase was mainly attributable to the combined effect of the increase in both current assets and current liabilities as at 30 April 2018.

### **Finance Lease Receivable**

Finance lease receivable is mainly secured by the leased assets, customers' deposit and guarantees granted by independent third parties. None of the finance leases granted by our Group to our independent customers were guaranteed by our Group or any related parties of our Group. As at 31 December 2016, finance lease receivable amounted to approximately RMB267.2 million, representing an increase of approximately 171.5% as compared to approximately RMB98.4 million as at 31 December 2015. The increase was primarily attributable to our business growth, whereas the number of finance lease agreements increased from 79 as at 31 December 2015 to 285 as at 31 December 2016.

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Our financial lease receivable further increased by approximately 26.1%, or approximately RMB69.8 million, from approximately RMB267.2 million as at 31 December 2016 to approximately RMB337.0 million as at 31 December 2017, as a result of the expansion of our business, whereas the number of finance lease agreements increased from 285 as at 31 December 2016 to 389 as at 31 December 2017.

The following table sets forth the percentage of finance lease receivable by customer's industry as at the date indicated:

	As at 31 December		
	2015	2016	2017
Printing	94.7%	81.7%	84.2%
Logistics	5.3%	18.3%	15.8%

### Maturity of Finance Lease Receivable

The following table sets forth a breakdown of the aggregate value of our finance lease receivable before impairment allowance, by the time period when our finance lease agreement becomes due:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	43,938	131,981	192,834
1-2 years	39,105	101,799	123,673
2-3 years	16,313	35,628	28,159
3 years and beyond	—	789	830
Total finance lease receivable before impairment allowance	99,356	270,197	345,496

As set forth in the table above, our finance lease receivable due within one year as at 31 December 2016 approximately triples our finance lease receivable due within one year as at 31 December 2015. Our finance lease receivable due within one year as at 31 December 2017 increased by approximately 46.1% compared to that as at 31 December 2016. Further, our finance lease receivable due between one to two years as at 31 December 2016 was approximately 2.6 times of the finance lease receivable due between one to two years as at 31 December 2015. Our finance lease receivable due between one to two years as at 31 December 2017 increased by approximately 21.5% compared to that as at 31 December 2016. Such increase was mainly attributable to our business growth as reflected by an additional 218 finance lease agreements signed by our Group during the FY2016 and an additional 155 finance lease agreements signed by the Group during FY2017.

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### Movements of Finance Lease Receivable

The following table sets forth the movements of our finance lease receivable before impairment allowance during the Track Record Period, including our finance lease receivable before impairment allowance as at 31 December 2015, 2016 and 2017 attributable to the new finance lease agreements during the FY2015, FY2016 and FY2017, respectively, and the contribution by our five largest customers to these amounts:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finance lease receivable balance before impairment allowance at 1 January	20,518	99,356	270,197
Additions during the year	111,360	267,807	279,609
Settlements during the year	<u>(32,522)</u>	<u>(96,966)</u>	<u>(204,310)</u>
Finance lease receivable balance before impairment allowance at 31 December	<u>99,356</u>	<u>270,197</u>	<u>345,496</u>

	For the year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%

### Contribution by five largest customers

Additions during the year	14,000	12.6	8,800	3.3	9,000	3.2
Settlements during the year	10,087	31.0	8,130	8.4	9,809	4.8

As set forth in the table above, additions of our finance lease receivable during the year were approximately RMB111.4 million, RMB267.8 million and RMB279.6 million for FY2015, FY2016 and FY2017, respectively. Contributions by our five largest customers to finance lease receivable attributable to new finance lease agreements during the year were approximately 12.6%, 3.3% and 3.2% for FY2015, FY2016 and FY2017, respectively. Settlements of our finance lease receivable during the year were approximately RMB32.5 million, RMB97.0 million and RMB204.3 million for FY2015, FY2016 and FY2017, respectively. Contributions by our five largest customers to settlements of finance lease receivable during the year were approximately 31.0%, 8.4% and 4.8% for FY2015, FY2016 and FY2017, respectively.

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### Credit Quality

The following is a credit quality analysis of finance lease receivable. In the event that an instalment repayment of a finance lease receivable is past due, the entire outstanding balance of the finance lease receivable is classified as past due.

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	99,356	268,372	333,156
Past due but not individually impaired	—	1,825	6,226
Past due and for the consideration of recognising individual impairment allowance	—	—	6,114
Subtotal	99,356	270,197	345,496
Less: Collective impairment allowance	(930)	(3,005)	(5,485)
Individual impairment allowance	—	—	(3,046)
	98,426	267,192	336,965

The table below sets forth an aging analysis based on due dates of finance lease receivables which were past due but not individually impaired and past due and for the consideration of recognising individual impairment allowance:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Less than one month	—	1,825	5,238
More than one month	—	—	7,102
	—	1,825	12,340

As at 31 December 2015, 2016 and 2017, finance lease receivable before impairment allowance of nil, approximately RMB1.8 million and RMB12.3 million was past due respectively, and collective impairment allowance and individual impairment allowances has been provided. For details please refer to note 16 in the Accountant's Report in Appendix I in this prospectus.

As at the Latest Practicable Date, approximately RMB6.2 million has been recovered, representing approximately 50.2% of finance lease receivable before impairment allowance past due at 31 December 2017.

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### **Certain Other Assets**

Other components of our assets consist primarily of (i) bank balances and cash; (ii) amounts due from related parties; and (iii) prepayments and other receivables.

Bank balances and cash were approximately RMB6.4 million, RMB2.7 million and RMB2.3 million as at 31 December 2015, 2016 and 2017, respectively. For the FY2016 and FY2017, we experienced a decrease in bank balances and cash of approximately RMB3.7 million and RMB0.4 million, respectively as a result of funding needs from our new finance lease customers.

Amounts due from related parties were approximately RMB96.7 million, RMB5.1 million and nil as at 31 December 2015, 2016 and 2017, respectively, which were non-trade nature and would be settled before the Listing. The decrease in amounts due from related parties during the Track Record Period was primarily due to repayments from related parties.

Prepayments and other receivable were approximately RMB4.4 million, RMB5.6 million and RMB7.5 million as at 31 December 2015, 2016 and 2017, respectively. The increase in prepayments and other receivables as at 31 December 2016 compared to that as at 31 December 2017 was mainly due to the increase of deferred listing expenses of approximately RMB3.0 million and the increase in the security deposits of RMB1.1 million, partially offset by a decrease in the value-added tax recoverable. As at 31 December 2015, 2016 and 2017, other receivables included other account receivables of approximately RMB3.1 million, RMB0.3 million and RMB0.4 million from finance lease agreement which had been early terminated. During FY2017, such amount of approximately RMB0.4 million was assessed as uncollectible by the management of the Group and therefore impaired.

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## FINANCIAL INFORMATION

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### INDEBTEDNESS

#### Borrowings

As at the close of business on 30 April 2018, being the latest practicable date for the purpose of this indebtedness statement (“**Indebtedness Date**”), we had (i) total bank borrowings of approximately RMB30.0 million, (ii) financial assets sold under repurchase agreements of approximately RMB9.0 million; and (iii) amounts due to related parties of approximately RMB2.9 million. Set out below is the breakdown of our total borrowings as at 30 April 2018:

	<b>As at</b> <b>30 April</b>
	<b>2018</b>
	<i>RMB'000</i>
Bank borrowings — due within one year Guaranteed and secured	<u>30,000</u>
Financial assets sold under repurchase agreements, unguaranteed and secured	<u>8,963</u>
Amounts due to related parties, unguaranteed and unsecured	<u>2,900</u>

The bank borrowings of RMB30.0 million was guaranteed by (i) a corporate guarantee from ZYY Holdings; and (ii) personal guarantees from Mr. Zhang and Mr. Zhang Shengjie (who is the father of Mr. Zhang and Mr. Zhang Junwei); and secured by charges over certain finance lease receivables of our Group. Our Directors confirm that the aforesaid personal and corporate guarantees will be released and replaced by the corporate guarantees to be provided by our Company upon the Listing. The financial asset sold under repurchase agreements of approximately RMB9.0 million was secured by charges over certain finance lease receivables. Our Group’s funds obtained through financial assets sold under repurchase agreements were primarily used in financing our operations. As at the Latest Practicable Date, our Directors confirmed that there has been no material change in the Group’s indebtedness and contingent liabilities since 30 April 2018.

#### Facilities

As at the close of business on 30 April 2018, we also have (i) unutilised banking facilities of approximately RMB26.0 million; and (ii) two framework agreements regarding unutilised credit facilities of approximately RMB399.7 million through financial assets sold under the repurchase agreements to be entered with securities company and/or finance leasing company.

Save for the framework agreement entered into with an independent third party securities company to provide financing to the Group in the aggregate amount of RMB300.0 million through financial assets sold under repurchase agreements within three years after the date of agreement, a framework agreement with an independent third-party finance leasing company to provide financing to our Group in an aggregate amount of RMB100.0 million through financial assets sold under the repurchase agreements within two years after the date of agreement, a repurchase agreement with such

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finance leasing company to provide financing to our Group in the amount of RMB8.0 million through financial assets sold under an agreement and credit facility agreements entered with two banks to provide us credit facilities of RMB26.0 million and RMB30.0 million, respectively, our Group does not have any concrete material external debt financing plans.

As at 31 December 2016, the weighted average effective interest rate of our Group's secured bank borrowings was at approximately 7.4% per annum. As at 31 December 2015, 2016 and 2017, the weighted average effective interest rate of our Group's financial assets sold under repurchase agreements were at approximately 11.0%, nil and 10.0% per annum, respectively.

During the Track Record Period, financial assets sold under repurchase agreements and bank borrowings agreement were entered into with the lenders under normal standard terms and conditions and do not contain any special restrictive covenants. During the Track Record Period and as of the Latest Practicable Date, none of our lenders had claimed default against us under any of the terms in the financial assets sold under repurchase agreements and bank borrowings agreement.

Save as disclosed above and apart from intra-group liabilities, at the close of business on 30 April 2018, we did not have outstanding loans, debt securities outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, debt securities, mortgages, charges, finance leases or hire purchases commitments, capital commitments, guarantees or other contingent liabilities.

As at 30 April 2018, our Group had outstanding indebtedness of amounts due to related parties of approximately RMB2.9 million which was unsecured, interest-free and repayable on demand. These amount will be settled before the Listing.

### **Certain Other Liabilities**

Other components of our liabilities consist primarily of deposits from our finance lease customers. Lease deposits are collected from our finance lease customers and are calculated based on a certain percentage of the entire value of finance lease agreement. When the finance lease agreement expires and all liabilities and obligations under the finance lease agreement had been fulfilled, the lessor must return the full lease deposits to the lessee. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the relevant finance lease agreement.

Deposits from finance lease customers were approximately RMB14.1 million, RMB47.3 million and RMB76.7 million as at 31 December 2015, 2016 and 2017, respectively. Deposits from finance lease customers increased during the Track Record Period primarily as a result of additional 218 new finance lease agreements signed in the FY2016 and an addition of 155 new finance lease agreements signed in the FY2017.

### **SUBSEQUENT EVENTS**

For significant events that took place subsequent to 31 December 2017, please refer to the subsection headed "34. Events After The Reporting Period" in the Accountants' Report in Appendix I to this prospectus.

## FINANCIAL INFORMATION

### RELATED PARTY BALANCES AND TRANSACTIONS

#### Balances with Related Parties

The following table sets forth, for the dates indicated, our amounts due from related parties:

	As at 31 December <sup>(3)</sup>		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Zhuojunye Investment <sup>(1)</sup>	33,000	—	—
ZYY Holdings <sup>(2)</sup>	63,518	3,372	—
Mr. Zhang <sup>(1)</sup>	168	1,467	—
Mr. Zhang Junwei <sup>(1)</sup>	—	300	—
	96,686	5,139	—

*Notes:*

- (1) Such amount represents balances arising from funding activities with related parties.
  
- (2) Such amount included (i) balances arising from funding activities with related parties; and (ii) deposits from finance lease customers (“**Deposits**”) with an accumulated amount of RMB12,887,700 which were received by ZYY Holdings directly from customers on behalf of ZYY Shenzhen based on the instructions made by ZYY Shenzhen to its customers; and (iii) finance lease income from ZYY Shenzhen’s customers in the amount of RMB4,630,320 which were billed and collected by ZYY Holdings, pursuant to the service agreements (“**Service Agreements**”) entered into between ZYY Holdings and the relevant customers. ZYY Holding actually designated ZYY Shenzhen to provide services under the Service Agreements, which consist of customer interviews, analysis of their financial needs and formulation of financial leasing plans for customers. Such services facilitated the subsequent entering into the financing lease agreements by the customers with ZYY Shenzhen. The service fees collected under the Service Agreements was re-charged by ZYY Shenzhen to ZYY Holdings in the same year. Our Directors are of the view that such amounts was treated as part of the financial lease income of ZYY Shenzhen, because (i) the services under the Service Agreement were actually provided by ZYY Shenzhen and the costs and expenses related to the provision of services were borne by ZYY Shenzhen and (ii) the services provided were ancillary to, and in close connection with, the subsequent provision of financial leasing services by ZYY Shenzhen. Our Directors confirmed such arrangements are in line with the industry norm that finance leasing companies in the PRC charge service fees under separate service agreements on top of lease payments. Under such arrangements, the service fees paid under service agreements would not be recognised as customers’ financial costs. As portion of the payments are in the form of service fees, the remaining portion in the form of lease payments would be less than that in the situation where all are in the form of lease payments. We adopted similar arrangements by arranging our customers to sign the Service Agreements with ZYY Holdings and charge service fees besides lease payments, which our Directors believe was in line with market practice so as to enable the terms of our financial lease contracts more comparable with other industry players. In addition, ZYY Shenzhen directed ZYY Holdings to collect deposits because in early 2015, ZYY Shenzhen has yet to build up its track record and reputation in the financial leasing industry. Compared with ZYY Shenzhen, ZYY Holdings is more established with major property investments. Therefore, our customers preferred to pay the deposits to ZYY Holdings rather than ZYY Shenzhen, as they considered ZYY Holdings as more creditworthy. There were no similar arrangements in the FY2016 nor the FY2017. For details, please refer to note 31 (b) in the Accountants’ Report in Appendix I to this prospectus.
  
- (3) For details, please refer to note 18 in the Accountants’ Report to Appendix I to this prospectus.

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The following table sets forth, for the dates indicated, our amounts due to related parties:

	As at 31 December <sup>(2)</sup>		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
HK Haiyan International Trade Limited <sup>(1)</sup>	1,448	171	171
Shanghai Yunyi Information Technology Limited <sup>(1)</sup>	—	977	—
ZYY Holdings	—	—	13,500
Shenzhen Kapuxin No. 1 Film and Television Media Company Limited* (深圳市卡普辛一號影視傳媒有限公司)	—	—	12,680
Mr. Zhang Junwei <sup>(1)</sup>	80	—	—
	1,528	1,148	26,351

As at the Latest Practicable Date, approximately RMB21.0 million of the amounts due to related parties balance has been settled. In the opinion of the Directors of the Company, the amounts due to related parties as at 31 December 2017, will be fully settled prior to the Listing.

Notes:

- (1) Such amount represents balances arising from funding activities with related parties.
- (2) For details, please refer to note 18 in the Accountants' Report in Appendix I to this prospectus.

### Guarantee Provided by Related Parties

During the Track Record Period, Mr. Zhang, Mr. Zhang Shengjie and ZYY Holdings have provided the following guarantees to secure bank and other borrowings for ZYY Shenzhen:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Zhang and ZYY Holdings <sup>(1)</sup>	64,963	—	—
Mr. Zhang, Mr. Zhang Shengjie and ZYY Holdings <sup>(2)</sup>	—	15,000	—
	64,963	15,000	—

Notes:

- (1) Such amount represents financial assets sold under repurchase agreements. The guarantees provided in relation to the same had all been released upon the expiry of these transactions during the FY2016. For details, please refer to note 22 in the Accountants' Report in Appendix I to this prospectus.

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- (2) Such amount represents bank borrowings. For details, please refer to note 23 in the Accountants' Report in Appendix I to this prospectus.

Our Directors confirm that the guarantees provided by related parties in relation to bank borrowings will be released upon the Listing.

Our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to us than terms available from independent third parties and were fair and reasonable and in the interest of the Shareholders as a whole.

### MATERIAL ADVERSE CHANGE

Save for the professional fees of approximately HK\$3.0 million estimated to be incurred in connection with the Listing, which will be recorded in our consolidated financial information as expenses for the year ending 31 December 2018, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position, or prospects of our Group since 31 December 2017, being the date to which the latest audited consolidated financial statements of our Group were made up.

### LISTING EXPENSES

Our Directors are of the view that the financial results of our Group for the year ending 31 December 2018 are expected to be adversely affected by, among others, our Listing expenses, the nature of which is non-recurring.

Our Directors estimate that the total amount of expenses in relation to the Listing, primarily consisting of fees paid and payable to professional parties and underwriting commission, is approximately HK\$29.2 million, including approximately HK\$9.8 million which is directly attributable to the issue of the Offer Shares and is expected to be accounted for as a deduction from equity upon the Listing. The remaining amount of approximately HK\$19.4 million, which cannot be so deducted, will be charged to profit or loss. Out of the approximately HK\$19.4 million that will be charged to profit or loss, nil, HK\$5.3 million and HK\$11.1 million have been charged during the years ended 31 December 2015, 2016 and 2017, respectively, and approximately HK\$3.0 million was incurred for the year ending 31 December 2018.

### DIVIDEND AND DISTRIBUTABLE RESERVES

Our Company has no fixed dividend policy. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial condition, working capital, capital requirements and other factors our Board may deem relevant.

We will re-evaluate our dividend policy annually. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

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As at the Latest Practicable Date, our Company has no distributable reserves available for distribution to our Shareholders.

### FINANCIAL INSTRUMENTS

As at the Latest Practicable Date, we have not entered into any financial instruments for hedging purposes.

### KEY FINANCIAL RATIOS

	For the year ended 31 December		
	2015	2016	2017
Net profit margin <sup>(1)</sup>	6.3%	17.7%	18.4%
Return on equity <sup>(2)</sup>	0.4%	4.9%	4.5%
Return on total assets <sup>(3)</sup>	0.2%	1.8%	2.7%
	As at 31 December		
	2015	2016	2017
Current ratio <sup>(4)</sup>	2.1 times	1.1 times	2.5 times
Gearing ratio <sup>(5)</sup>	35.5%	12.3%	4.0%
Debt to equity ratio <sup>(6)</sup>	49.6%	11.5%	3.0%

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*Notes:*

- (1) Net profit margin is calculated by dividing net profit by revenue for the relevant period and multiplying the resulting value by 100.0%.
- (2) Return on equity is calculated by the net profit attributable to the owners of the Company for each reporting period during the Track Record Period divided by the total equity as at the end of each reporting period during the Track Record Period and multiplied by 100.0%.
- (3) Return on total assets is calculated by the net profit attributable to the owners of the Company for each reporting period during the Track Record Period divided by the total assets as at the end of each reporting period during the Track Record Period and multiplied by 100.0%.
- (4) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting period during the Track Record Period.
- (5) Gearing ratio is calculated based on the interest-bearing bank borrowings and financial assets sold under repurchase agreements divided by the total equity plus bank borrowings and financial assets sold under repurchase agreements as at the end of each reporting period during the Track Record Period and multiplied by 100.0%.
- (6) Debt to equity ratio is calculated based on the net debt (all interest-bearing debt net of cash and cash equivalents) divided by the total equity at the end of a given period and multiplied by 100.0%.

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### Net profit margin

Our Group's net profit margin increased from approximately 6.3% for the FY2015 to 17.7% for the FY2016. Such increase was mainly due to the 642.9% increase in net profit from RMB0.7 million in FY2015 to RMB5.2 million in FY2016, which outweighed the 173.1% increase in revenue for the FY2016. The substantial increase in net profit for the FY2016 was mainly driven by the growth of revenue and the relatively lower growth rates of staff costs, impairment losses on finance lease receivable, other operating expenses and finance costs, as compared with the growth rate of revenue, for the FY2016.

Our Group's net profit margin increased from approximately 17.7% to 18.4% for FY2017, which was mainly due to the increase of approximately 76.2% in revenue for FY2017, outweigh the increase in costs of the company for FY2017.

### Return on equity

Our Group's return on equity increased from approximately 0.4% for the FY2015 to approximately 4.9% for the FY2016. Such increase was mainly due to an increase in net profit by 642.9% for the FY2016 together with a decrease in the total equity.

Our Group's return on equity decreased slightly from approximately 4.9% for the FY2016 to approximately 4.5% for the FY2017. Such decrease was mainly due to an increase in total equity by approximately 96.1% despite of an increase in the net profit by approximately 83.3% for the FY2017. The increase in equity for the FY2016 was mainly represented by the waiver of an amount due to Hero Global by HK Lixin of RMB68 million which is accounted as a deemed capital contribution from a shareholder.

### Return on total assets

Our Group's return on total assets increased from approximately 0.2% for the FY2015 to approximately 1.8% for the FY2016. Such increase was mainly due to an increase in net profit by 642.9% for the FY2016, which outweighs the 37.7% increase in total assets of the Group for the FY2016.

Our Groups' return on total assets increased from approximately 1.8% for the FY2016 to approximately 2.7% for the FY2017, which was mainly due to an increase in net profit by 83.3% for FY2017, which outweighed the approximately 23.4% increase in total assets of the Group for the respective year.

### Current ratio

Our Group's current ratio decreased from approximately 2.1 times as at 31 December 2015 to approximately 1.1 times as at 31 December 2016. Such decrease was mainly due to an increase in current liabilities as at 31 December 2016 as a result of an amount due to a shareholder, amounting to approximately RMB98.2 million. The amount has been settled in FY2017.

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Our Groups' current ratio increased from approximately 1.1 times as at 31 December 2016 to approximately 2.5 times as at 31 December 2017, mainly due to a decrease in current liabilities as at 31 December 2017 as a result of the settlement of an amount due to a shareholder mainly through (i) a deemed capital contribution by a shareholder and (ii) capitalisation of the relevant debt.

### Gearing ratio

Our Group's gearing ratio decreased from approximately 35.5% as at 31 December 2015 to approximately 12.3% as at 31 December 2016. Such decrease was mainly due to the repurchase of financial assets sold under the repurchase agreements in FY2016.

Our Groups' gearing ratio decreased from approximately 12.3% as at 31 December 2016 to approximately 4.0% as at 31 December 2017. The decrease in our gearing ratio was mainly attributable to the increase in financial assets sold under repurchase agreements as at 31 December 2017 and the increase in reserves due to the issuance of new shares of our company and the deemed capital contribution from a shareholder as at 31 December 2017.

### Debt to equity ratio

Our debt-to-equity ratio decreased from approximately 49.6% as at 31 December 2015 to approximately 11.5% as at 31 December 2016. Such decrease was mainly due to the repurchase of financial assets sold under the repurchase agreements.

Our Groups' debt-to-equity ratio decreased from approximately 11.5% as at 31 December 2016 to approximately 3.0% as at 31 December 2017, which was mainly due to a decrease in current liabilities as at 31 December 2017 as a result of the settlement of an amount due to a shareholder through capitalisation of the relevant debt.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

### Currency Risk

Our Group has foreign currency denominated monetary assets, and thus exposing our Group to foreign currency risk.

The carrying amounts of our Group's foreign currency denominated monetary assets, including short-term bank deposits and bank balances at the reporting date are as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
<b>Assets</b>			
HK\$	4,630	947	18
US\$	—	196	4

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Our Group currently does not have a foreign exchange hedging policy to eliminate the currency exposures. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

### *Sensitivity analysis*

Our Group is mainly exposed to the effects of fluctuation in RMB against US\$/HK\$.

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

	<b>US\$/HK\$ impact</b>		
	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
US\$			
Decrease in profit for the year	—	(10)	—
HK\$			
Decrease in profit for the year	(174)	(45)	1

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the year end exposure does not reflect the exposure during the Track Record Period.

### **Interest Rate Risk**

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

Our Group is also exposed to fair value interest rate risk in relation to fixed-rate financial assets sold under repurchase agreements, fixed-rate bank borrowings, fixed-rate finance lease receivable and deposits from finance lease customers. Our Group does not have a fair value interest rate risk hedging policy.

The management of our Group monitors the related interest exposure closely to ensure the interest rate risks are maintained at an acceptable level. Our Group's exposures to interest rates on financial assets and liabilities are mainly concentrated on the fluctuation of the interest rate prescribed by the People's Bank of China rate arising from bank balances in which the management of our Group considered the effect is immaterial.

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### Credit Risk

As at 31 December 2015, 2016 and 2017, our Group's maximum exposure to credit risk which may cause a financial loss to our 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 finance lease receivable, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of our Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk of our Group is significantly reduced.

The credit risk on liquid funds (i.e. structured deposits, and bank balances) is limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Our Group's concentration of credit risk on finance lease receivable (the "Receivables") as at 31 December 2015, 2016 and 2017 includes five major counterparties accounting for approximately 19.8%, 9.0% and 7.4% of the Receivables, respectively. The management of our 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.

Our Group is exposed to the concentration of geographical risk on revenue which is generated mostly from customers located in the Guangdong province, the PRC during the Track Record Period. Our Group has closely monitored the business performance of these customers in the PRC and will consider diversifying its customer base as appropriate.

Our Group is also exposed to concentration of credit risk due to the fact that the receivables are mainly due from customers in the printing industry in the PRC. As at 31 December 2015, 2016 and 2017, approximately 94.7%, 81.7% and 84.2% of the receivables were due from customers in the printing industry, respectively. The Group has closely monitored the market intelligence of this industry and the business performance of its customers to ensure timely collection of the receivables.

### Liquidity Risk

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows.

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

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### Liquidity tables

	Weighted average effective interest rate	On demand	Within 1 month	1 to 3 months	4 to 12 months	1 to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 31 December 2015</b>									
<b>Assets</b>									
Finance lease receivable	14.77	—	4,595	9,493	41,613	44,781	17,004	117,486	98,426
Other receivable	—	3,066	—	—	—	—	69	3,135	3,135
Amounts due from related parties	—	96,686	—	—	—	—	—	96,686	96,686
Bank balances and cash	0.35	6,402	—	—	—	—	—	6,402	6,402
<b>Total assets</b>		<b>106,154</b>	<b>4,595</b>	<b>9,493</b>	<b>41,613</b>	<b>44,781</b>	<b>17,073</b>	<b>223,709</b>	<b>204,649</b>
<b>Liabilities</b>									
Other payables	—	—	661	—	—	—	—	661	661
Deposits from finance lease customers	12.68	—	—	—	820	5,033	12,690	18,543	14,147
Financial assets sold under repurchase agreements	11.02	—	—	—	72,119	—	—	72,119	64,963
Amounts due to related parties	—	1,528	—	—	—	—	—	1,528	1,528
<b>Total liabilities</b>		<b>1,528</b>	<b>661</b>	<b>—</b>	<b>72,939</b>	<b>5,033</b>	<b>12,690</b>	<b>92,851</b>	<b>81,299</b>
<b>As at 31 December 2016</b>									
<b>Assets</b>									
Finance lease receivable	13.77	125	14,827	28,728	116,887	115,306	40,045	315,918	267,192
Other receivable	—	344	—	—	—	69	—	413	413
Amounts due from related parties	—	5,139	—	—	—	—	—	5,139	5,139
Bank balances and cash	0.22	2,683	—	—	—	—	—	2,683	2,683
<b>Total assets</b>		<b>8,291</b>	<b>14,827</b>	<b>28,728</b>	<b>116,887</b>	<b>115,375</b>	<b>40,045</b>	<b>324,153</b>	<b>275,427</b>
<b>Liabilities</b>									
Other payables	—	—	1,668	—	—	—	—	1,668	1,668
Deposits from finance lease customers	12.68	—	42	42	5,538	26,753	27,604	59,979	47,265
Bank borrowings	7.40	—	92	185	15,832	—	—	16,109	15,000
Amounts due to related parties	—	1,148	—	—	—	—	—	1,148	1,148
Amount due to a shareholder	—	98,234	—	—	—	—	—	98,234	98,234
<b>Total liabilities</b>		<b>99,382</b>	<b>1,802</b>	<b>227</b>	<b>21,370</b>	<b>26,753</b>	<b>27,604</b>	<b>177,138</b>	<b>163,315</b>

## FINANCIAL INFORMATION

	Weighted average effective interest rate	On demand	Within 1 month	1 to 3 months	4 to 12 months	1 to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 31 December 2017</b>									
<b>Assets</b>									
Finance lease receivable	13.83	1,937	20,061	41,854	163,918	132,426	35,345	395,541	336,965
Other receivable	—	491	4	—	834	—	351	1,680	1,301
Bank balances and cash	0.35	2,324	—	—	—	—	—	2,324	2,324
<b>Total assets</b>		<u>4,752</u>	<u>20,065</u>	<u>41,854</u>	<u>164,752</u>	<u>132,426</u>	<u>35,696</u>	<u>399,545</u>	<u>340,590</u>
<b>Liabilities</b>									
Other payables	—	870	—	—	—	—	—	870	870
Deposits from finance lease customers	12.68	—	746	726	21,367	40,231	30,285	93,355	76,717
Amounts due to related parties	—	26,351	—	—	—	—	—	26,351	26,351
Financial assets sold under repurchase agreements	10.00	—	—	—	9,091	—	—	9,091	8,713
<b>Total liabilities</b>		<u>27,221</u>	<u>746</u>	<u>726</u>	<u>30,458</u>	<u>40,231</u>	<u>30,285</u>	<u>129,667</u>	<u>112,651</u>

### DISCLOSURE REQUIRED UNDER GEM LISTING RULES

The Directors confirm that as at the Latest Practicable Date, there were no circumstances which would give rise to a disclosure required under Rules 17.15 to 17.21.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

See the subsection headed “Business — Our Business Strategies” in this prospectus for a detailed discussion of our future plans.

### USE OF PROCEEDS

#### Net proceeds

The table below sets forth the estimated net proceeds of the Share Offer which we will receive after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Share Offer:

	<u>Estimated net proceeds</u>
Assuming an Offer Price of HK\$0.80 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)	HK\$50.8 million
Assuming an Offer Price of HK\$1.00 per Offer Share (being the high-end of the Offer Price range stated in this prospectus)	HK\$69.8 million
Assuming an Offer Price of HK\$0.60 per Offer Share (being the low-end of the Offer Price range stated in this prospectus)	HK\$31.8 million

We intend to use the net proceeds of the Share Offer for the following purposes:

- (i) approximately 88.6%, or HK\$45.0 million, of the net proceeds for developing our existing finance leasing business in the PRC printing and logistics industries;
- (ii) approximately 6.9%, or HK\$3.5 million, of the net proceeds for expanding our business in these two industries in northern and eastern parts of China;
- (iii) approximately 2.2%, or HK\$1.1 million, of the net proceeds for exploring our new target industries for our finance leasing business; and
- (iv) approximately 2.3%, or HK\$1.2 million, of the net proceeds for funding our general working capital needs.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the estimated Offer Price range.

To the extent that the net proceeds are not immediately applied to the above purpose and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. Should our Directors decide to re-allocate the intended use of proceeds to other business plans to a material extent and/or there is to be any material modification to the use of proceeds as described above, our Company will make an announcement in accordance with the GEM Listing Rules.

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## FUTURE PLANS AND USE OF PROCEEDS

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### Implementation plans

Set out below is the expected timeline from the Latest Practicable Date to 31 December 2020 for our Group to deploy the abovementioned net proceeds amounted to approximately HK\$50.8 million (assuming an Offer Price of HK\$0.80 per Share, being the mid-point of the indicative Offer Price range) to be raised from the Share Offer, in accordance with the implementation of our future plans.

(i) *The period from the Latest Practicable Date to 31 December 2018*

<u>Business strategies</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
	<i>(HK\$'000)</i>	
Develop our existing finance leasing business in the printing industry and the logistics industry	40,000	Investment in new printing equipment finance leasing transactions by providing funds for purchase of printing equipment
	5,000	Investment in new logistics equipment finance leasing transactions by providing funds for purchase of logistics equipments
Expand our business in northern and eastern parts of China	200	Travelling for business development
	300	Recruitment and remuneration for new salespersons
	240	Rent and other expenses for our administration office in Kowloon, Hong Kong
	130	Establishment of new branches/ representative offices <sup>(1)</sup>
	40	Purchases of office facilities
	20	Attending industrial seminars and other activities
Explore new industries for our finance leasing business	250	Market research and travelling for business development
	50	Employee training in relation to our entry into new industries
	<u>50</u>	<u>Employee training for risk management</u>
Sub-total	46,280	

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## FUTURE PLANS AND USE OF PROCEEDS

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(ii) *The period from the 1 January 2019 to 30 June 2019*

<u>Business strategies</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
	<i>(HK\$'000)</i>	
Develop our existing finance leasing business in the printing industry and the logistics industry	— <sup>(2)</sup>	Investment in new printing equipment finance leasing transactions by providing funds for purchase of printing equipment
	— <sup>(2)</sup>	Investment in new logistics equipment finance leasing transactions by providing funds for purchase of logistics equipments
Expand our business in northern and eastern parts of China	200	Travelling for business development
	300	Recruitment and remuneration for new salespersons
	180	Rent and other expenses for our administration office in Kowloon, Hong Kong
	110	Establishment of new branches/ representative offices
	—	Purchases of office facilities
Explore new industries for our finance leasing business	—	Attending industrial seminars and other activities
	—	Market research and travelling for business development
	—	Employee training in relation to our entry into new industries
	—	Employee training for risk management
Sub-total	<u>790</u>	

*Notes:*

- (1) We have plan to set up one branch/representative office in northern China and one branch/representative office in eastern China respectively.
- (2) Subsequent to 31 December 2018, our Group will finance the remaining investments in new printing and logistics equipment by way of (i) rent repayments from current leases; and (ii) funds obtained through banking facilities and financial assets sold under repurchase agreements.

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## FUTURE PLANS AND USE OF PROCEEDS

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(iii) *The period from the 1 July 2019 to 31 December 2019*

<u>Business strategies</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
	<i>(HK\$'000)</i>	
Develop our existing finance leasing business in the printing industry and the logistics industry	—	Investment in new printing equipment finance leasing transactions by providing funds for purchase of printing equipment
	—	Investment in new logistics equipment finance leasing transactions by providing funds for purchase of logistics equipments
Expand our business in northern and eastern parts of China	100	Travelling for business development
	300	Recruitment and remuneration for new salespersons
	180	Rent and other expenses for our administration office in Kowloon, Hong Kong
	—	Establishment of new branches/ representative offices
	—	Purchases of office facilities
	20	Attending industrial seminars and other activities
Explore new industries for our finance leasing business	250	Market research and travelling for business development
	50	Employee training in relation to our entry into new industries
	<u>50</u>	<u>Employee training for risk management</u>
Sub-total	950	

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## FUTURE PLANS AND USE OF PROCEEDS

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(iv) *The period from the 1 January 2020 to 30 June 2020*

<u>Business strategies</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
	<i>(HK\$'000)</i>	
Develop our existing finance leasing business in the printing industry and the logistics industry	—	Investment in new printing equipment finance leasing transactions by providing funds for purchase of printing equipment
	—	Investment in new logistics equipment finance leasing transactions by providing funds for purchase of logistics equipments
Expand our business in northern and eastern parts of China	100	Travelling for business development
	300	Recruitment and remuneration for new salespersons
	180	Rent and other expenses for our administration office in Kowloon, Hong Kong
	—	Establishment of new branches/ representative offices
	—	Purchases of office facilities
	—	Attending industrial seminars and other activities
Explore new industries for our finance leasing business	—	Market research and travelling for business development
	—	Employee training in relation to our entry into new industries
	—	Employee training for risk management
Sub-total	580	

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## FUTURE PLANS AND USE OF PROCEEDS

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(v) *The period from the 1 July 2020 to 31 December 2020*

<b>Business strategies</b>	<b>Use of proceeds</b>	<b>Implementation plan</b>
	<i>(HK\$'000)</i>	
Develop our existing finance leasing business in the printing industry and the logistics industry	—	Investment in new printing equipment finance leasing transactions by providing funds for purchase of printing equipment
	—	Investment in new logistics equipment finance leasing transactions by providing funds for purchase of logistics equipments
Expand our business in northern and eastern parts of China	100	Travelling for business development
	300	Recruitment and remuneration for new salespersons
	180	Rent and other expenses for our administration office in Kowloon, Hong Kong
	—	Establishment of new branches/ representative offices
	—	Purchases of office facilities
	20	Attending industrial seminars and other activities
Explore new industries for our finance leasing business	250	Market research and travelling for business development
	50	Employee training in relation to our entry into new industries
	<u>50</u>	<u>Employee training for risk management</u>
Sub-total	950	

(vi) *Before 31 December 2020*

	<b>Use of proceeds</b>
	<i>(HK\$'000)</i>
General working capital	<u>1,250</u>
Total	<u><u>50,800</u></u>

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## FUTURE PLANS AND USE OF PROCEEDS

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We intend to use approximately HK\$45.0 million to develop our existing finance leasing business in the PRC printing and logistic industries and based on the printing finance lease agreements on hand as at the Latest Practicable Date, the loan amounts to be provided and the equipment to be acquired under these agreements, our Directors expect to use the net proceeds from the Share Offer to acquire 20 printing equipment. Printing equipment we planned to purchase includes, but not limited to, normal printing machines, intermittent rotary printing machines (間歇式輪轉機), plus light printing machines (上光印刷機), automatic label printing machines (全自動商標模切機), automatic offset duplicator (自動膠印機) and some other printing supporting equipment. The number and types of logistics equipment to be acquired by using the proceeds will be determined based on the requests of our future customers. Logistics equipment includes trucks, containers and cargo handling equipment.

We also intend to use approximately HK\$1.1 million to explore new industries for our finance leasing business, where approximately HK\$0.7 million will be used to prepare our Group at the exploratory stage for our planned entry into the PRC medical device industry as well as to gain a good understanding of relevant risk management measures during the period from the Latest Practicable Date to 31 December 2019, with the implementing steps, including but not limited to, market research, business development and employee training. The remaining amount of approximately HK\$0.35 million will be utilised by 31 December 2020 to explore other target industries to be identified by us in the future.

### Basis and assumptions

The implementation plan formulated by our Directors is based on the following general assumptions:

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no material change in the funding requirement for each of our Group's future plan described in this prospectus from the amount as estimated by our Directors;
- there will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no material change in the bases or rates of taxation applicable to the activities of our Group;
- There will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group; and
- our Group will not be materially affected by the risk factors as set out under the section headed "Risk Factors" in this prospectus.

### REASONS FOR THE LISTING

Our Directors believe that the Listing of the Shares on GEM is beneficial to our Company and our Shareholders as a whole for the following reasons:

- ***Provide funds for our future business:*** The net proceeds of the Share Offer will provide financial resources to our Group to achieve our business strategies which will further

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## FUTURE PLANS AND USE OF PROCEEDS

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strengthen our market position and expand our market share. Please refer to the subsection headed “Business — Our Business Strategies” in this prospectus for further details. As at 31 December 2017, the Company had unutilised credit facilities of approximately RMB425.7 million comprising (i) banking facilities of RMB26 million; and (ii) two framework agreements (the “**Framework Agreements**”) which provide us with access to credit facilities of approximately RMB399.7 million through financial assets sold under the repurchase agreements to be entered with securities company and/or finance leasing company.

We entered into the Framework Agreements mainly due to the following reasons:

- (a) the Framework Agreements were mainly negotiated as an alternative funding which can be utilised by us when we encounter temporary shortage of funds. Our Directors consider that in the event that such situation arise, such funding channels could help us to tackle our short-term financial needs, reduce the effect of market volatilities to our business operation and maintain our financial health.
- (b) In accordance with our business strategies, we will continue to expand the finance leasing business and enter into new markets, such as northern and eastern parts of China in the future. The Framework Agreements also provide us with potential financial resources to fund our expansion in the event that the net proceeds from the Listing are not sufficient and we do not have any unutilised banking facilities at the relevant time.
- (c) In the past, we had approached commercial banks or financial institutions for financing. However, most banks or financial institutions would require personal guarantees from our Controlling Shareholders to secure the borrowings. In comparison, the terms of the Framework Agreements do not require our Controlling Shareholders to provide personal guarantees for providing financing to our Group. The Framework Agreements allow us to meet our financial needs without recourse to our Controlling Shareholders, and therefore ensure our Group to maintain financial independence from our Controlling Shareholders after the Listing.

However, the Framework Agreements are short term loan arrangements mostly with only 1 year tenor while the term of our finance lease agreements are generally from two to four years, thus the Framework Agreements are not ideal choices to finance the purchases of printing and logistic equipment in relation to our finance lease services. We have to repay the funds under these facilities before we recover full purchase cost of equipment from our customers under the lease agreements, which may have an adverse effect to our cashflow and liquidity position. Further, the funds obtained through the Framework Agreements may have a relatively higher interest rate compared with other means of financing, which would increase our financial cost. Up to the Latest Practicable Date, we only utilised approximately RMB340,000 through financial assets sold under the Framework Agreements to fund the purchase of the equipment.

Moreover, in the event that we raise financing request under the Framework Agreements, the relevant securities company or financial lease company will enter into specific repurchase agreements with us, pursuant to which we will sell financial assets to them in exchange of funds and we need to repurchase such financial assets in accordance with the repayment schedule. Upon the receipt of our financing requests, the relevant securities company or financial lease company may consider, inter alia, whether they have available funds and their own financing costs at the relevant time, in order to determine whether to enter into repurchase agreements with us and the amount of funds to be provided to us.

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## FUTURE PLANS AND USE OF PROCEEDS

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To the best knowledge of our Directors after making all reasonable enquiries, the scale and capital size of such securities company and financial lease company are relatively small as compared with commercial banks. Therefore, the risk that we may not be able to obtain sufficient funds under the Framework Agreements in the future is relatively high, as compared with banking facilities offered by commercial banks. Based on the above, our Directors consider the Framework Agreement cannot provide us a stable source of long-term funding that our Group may rely upon for our long-term business development.

As at the Latest Practicable Date, we have entered into two credit facility agreements with two banks to provide us credit facilities of RMB26.0 million and RMB30.0 million, respectively. Based on our Directors' understanding, the amounts of credit facilities granted by these banks were determined with reference to our size, scale of operations and the collaterals that we could provide at the relevant time, and it was difficult for us to obtain additional credit facilities with substantial amounts other than the existing ones from these two banks.

Taking into account the limited usage of the Framework Agreements and the difficulty for us in obtaining more bank borrowings, our Directors are of the view that the Listing will be beneficial to our Company and our long term business development, as the Listing not only brings the net proceeds to fund our operation, but also enhances our funding capabilities by providing us a better access to the capital markets and enabling us to seek banking facilities under more favourable terms. In this way, our Group could obtain more funding under both streams to satisfy our long-term needs.

- ***Enhance our corporate profile and recognition:*** A public listing status will also enhance our corporate profile and recognition and assist us in reinforcing our brand awareness and image. We believe that a public listing status on GEM could attract potential customers and suppliers who are more willing to establish business relationship with a listed company. It will also generate reassurance among our Group's existing customers, suppliers and lenders and strengthen our competitiveness in the market.
- ***Enable our Group to have access to capital market:*** The Listing will enable our Group to have access to capital market for raising funds both at the time of Listing and at later stages. The Listing would strengthen our capital base and assist us in future business development of our Group.
- ***Provide liquid market in the trading of our Shares:*** A public listing status on GEM may provide our Company a broader shareholder base which could potentially lead to a more liquid market in the trading of our Shares.
- ***Enhance internal control and corporate governance practices:*** We also believe that the stringent disclosure requirements of the Stock Exchange would lead to higher transparency and credibility of our Group, and our internal control and corporate governance practices could be further enhanced following the Listing.

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## UNDERWRITING

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### **PUBLIC OFFER UNDERWRITERS**

Guoyuan Capital (Hong Kong) Limited

Future Land Resources Securities Limited

### **UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **Public Offer**

##### *Public Offer Underwriting Agreement*

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering 10,000,000 Offer Shares for subscription by public in Hong Kong at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to (i) the Stock Exchange granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and (ii) certain other conditions set out in the Public Offer Underwriting Agreement (including, among others, the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company agreeing on the Offer Price), the Public Offer Underwriters have agreed, severally but not jointly, to subscribe for, or procure subscribers to subscribe for, their respective applicable proportions of the Public Offer Shares on the terms and subject to the conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. The Public Offer Shares are fully underwritten pursuant to the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

##### *Grounds for termination of the Public Offer Underwriting Agreement*

If any of the events set out below shall occur at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) shall be entitled by notice (orally or in writing) given to our Company to terminate the Public Offer Underwriting Agreement with immediate effect:

- (a) there shall develop, occur or come into force:
  - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in the PRC, Hong Kong, the BVI, the Cayman Islands or any other jurisdiction(s) relevant to our Company and our subsidiaries or any other similar event which in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) has or is likely to have a material adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material way; or

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## UNDERWRITING

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- (ii) any change (whether or not permanent) in national, regional, international, financial, military, industrial or economic conditions or prospects, stock market, fiscal or political conditions, regulatory or market conditions and matters and/or disasters in the PRC, Hong Kong, the BVI, the Cayman Islands or any other jurisdiction(s) relevant to our Company and our subsidiaries or any other similar event which in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) has or is likely to have a material adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material way; or
- (iii) without prejudice to sub-paragraph (i) of paragraph above, the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (iv) any event, or series of events, beyond the control of the Public Offer Underwriters (including, without limitation, acts of government, strikes, lockout, fire, explosion, flooding, civil commotion, acts of war or acts of God or accident) would or might adversely affect any member of our Group or its present or prospective shareholders in their capacity as such; or
- (v) any change or development occurs involving a prospective change in taxation or in exchange control in the PRC, Hong Kong, the BVI, the Cayman Islands or any other jurisdiction(s) to which any member of our Group is subject or the implementation of any exchange controls which in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) would or might adversely affect any member of our Group or its present or prospective shareholders in their capacity as such in a material way; or
- (vi) any litigation or claim of material importance to the business, financial or operations of our Group being threatened or instituted against any member of our Group; or
- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly, in the PRC, Hong Kong, the BVI, the Cayman Islands or any other jurisdiction(s) relevant to our Company and our subsidiaries; or
- (viii) any government authority, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-government regulatory authority, or any court, tribunal or arbitrator, whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign, or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any members of our Group or Director; or
- (ix) order or petition for the winding up of any members of our Group or any composition or arrangement made by any members of our Group with its creditors or a scheme of arrangement entered into by any members of our Group or any resolution for the winding up of any members of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any members of our Group or anything analogous thereto occurring in respect of any members of our Group; or

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## UNDERWRITING

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- (x) any such event, which, individually, or in the aggregate, in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), (i) has or may have a material adverse effect on the success of the Share Offer, or the level of applications under the Public Offer or the level of interest under the Placing; or (ii) has or will or may have a material adverse effect on the assets, liabilities, business, prospects, trading or financial position of our Group as a whole; or (iii) makes it inadvisable or impracticable to proceed with the Share Offer; or (iv) has or will or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof; or
  
- (b) there comes to the notice of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) any matter or event showing any of the representations and warranties contained in the Public Offer Underwriting Agreement to be untrue or inaccurate or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect considered by the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material or showing any of the obligations or undertakings expressed to be assumed by or imposed on our Company or the warrantors under the Public Offer Underwriting Agreement not to have been complied with in any respect considered by the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material; or
  
- (c) there comes to the notice of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) any breach on the part of our Company or any of the warrantors of any provisions of the Public Offer Underwriting Agreement in any respect which is considered by the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material; or
  
- (d) any statement contained in this prospectus, notices, advertisements, announcements, application proof prospectus, post hearing information pack, the submissions, documents or information provided to the Sole Sponsor, the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), the Stock Exchange, the legal adviser to the Sole Sponsor and the Public Offer Underwriters and any other parties involved in the Share Offer which in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or
  
- (e) matters have arisen or have been discovered which would, if this prospectus, notices, advertisements, announcements, application proof prospectus, post hearing information pack was to be issued at that time, constitute, in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) a material omission of such information; or
  
- (f) there is any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of our Group which in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) is material; or

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## UNDERWRITING

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- (g) the approval of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue or to be issued pursuant to the Capitalisation Issue and under the Share Offer is refused or not granted, other than subject to customary conditions, on or before 8:00 a.m. (Hong Kong time) on the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (h) any expert, who has given opinion or advice which are contained in this prospectus, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or advices and references to its name included in the form and context in which it respectively appears prior to the issue of this prospectus; or
- (i) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer; or
- (j) there comes to the notice of the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers or any of the Public Offer Underwriters any information, matter or event which in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters):
  - (i) is inconsistent in any material respect with any information contained in the Declaration and Undertaking with regard to Directors given by any Directors pursuant to the Share Offer; or
  - (ii) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group.

### Undertakings to the Stock Exchange

#### *Undertaking by our Company*

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that except pursuant to the Share Offer, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of our Shares or our securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

#### *Undertaking by our Controlling Shareholders*

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of the Controlling Shareholders undertakes to the Stock Exchange and to our Company that except pursuant to the Share Offer, they will not and shall procure the relevant registered holder will not at any time:

- (a) during the period commencing on the date by reference to which disclosure of his/her/its interests in our Company is made in this prospectus and ending on the date falling six months from the Listing Date (the “**First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which he/she/it is shown by this prospectus to be the beneficial owners; or

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## UNDERWRITING

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- (b) in the six-month period commencing on the expiry of the First Six-month Period set out in paragraph (a) above (the “**Second Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities mentioned in paragraph (a) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders, collectively, would cease to be a controlling shareholder of our Company for the purposes of the GEM Listing Rules.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholdings is made in this prospectus and to the date which is 12 months from the Listing Date, they will:

- (a) when they pledge or charge any securities of our Company or interests therein beneficially owned by them in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when they receive indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

### **Undertakings pursuant to the Public Offer Underwriting Agreement**

Each of the Controlling Shareholders, jointly and severally, has given an undertaking to each of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters that, without the prior written consent of the Sole Sponsor and the Sole Bookrunner (on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, none of the Controlling Shareholders will, and will procure that none of its close associates will:

- (i) during the First Six-month Period, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) (the foregoing restriction is expressly agreed to include the Controlling Shareholders from engaging in any hedging or other transactions which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of any Shares even if such Shares would be disposed of by someone other than the Controlling Shareholders, respectively. Such prohibited hedging or other transactions would include without limitation any put or call option with respect to any Shares or with respect to any security that includes, relates to or derives any significant part of its value from such Shares); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities

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of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other members of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforementioned period); and

- (ii) during the Second Six-month Period, enter into any of the transactions specified in (a), (b) or (c) under paragraph (i) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he, she or it will cease to be a “controlling shareholder” (as the term is defined in the GEM Listing Rules) of our Company or cease to hold, directly or indirectly, a controlling interest of over 30.0% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer, in any of the companies controlled by him, her or it and/or any of his, her or its close associate which owns such Shares or interests as aforesaid; and
  
- (iii) until the expiry of the Second Six-month Period, in the event that he, she or it enters into any of the transactions specified in (a), (b) or (c) under paragraph (i) above or offers to or agrees to or announces any intention to effect any such transaction, he, she or it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Except for the offer of the Offer Shares pursuant to the Share Offer and the issue and allotment of Shares pursuant to the Capitalisation Issue as disclosed in this prospectus, during the First Six-month Period, our Company undertakes to each of the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters not to, and to procure each member of our Group not to, without the prior written consent of the Sole Sponsor and the Sole Bookrunner (on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the GEM Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other members of our Group, as applicable); or

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## UNDERWRITING

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- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such members of our Group, as applicable); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such members of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforementioned period). In the event that, during the Second Six-month Period, our Company enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of our Company, our Controlling Shareholders and executive Directors undertakes to each of the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters to procure our Company to comply with the undertakings in this paragraph.

Each of our Company, our Controlling Shareholders and executive Directors undertakes to and covenants with the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters that save with the prior written consent of the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), no company in our Group will during the First Six-month Period purchase any securities of our Company.

Without prejudice to the above, each of our Controlling Shareholders undertakes and covenants with our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters that:

- (i) save with the prior written consent from the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) and to the extent as allowed under the GEM Listing Rules, during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is 12 months from the Listing Date, he, she or it shall not and shall procure that none of his, her or its close associates shall pledge or charge or create any other rights or encumbrances in any Shares or any interest therein owned by him, her or it or any of their close associates or in which he, she or it or any of their close associates is, directly or indirectly, interested immediately following completion of the Share Offer (or any other Shares or securities of or interest in our Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise) or any share or interest in any company controlled by him, her or it or any of their close associates which is the beneficial owner (directly or indirectly) of such Shares or interest therein as aforesaid (or any other shares or securities of or interest in the company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); and

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- (ii) in the event that notification is given to the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), when he, she or it or any of their close associates shall pledge, charge or create any encumbrance or other right or any of the Shares or interests referred to in (i) above, he, she or it shall give prior written notice of not less than two business days to the Stock Exchange, our Company, the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) giving details of the number of Shares, shares in the company which is the beneficial owner of such Shares, or the interests as aforementioned, the identities of the pledgee or person (the “Mortgagee”) in favour of whom the pledge, charge, encumbrance or interest is created and further if he, she or it or any of their close associates is aware of or receives indications or notice, either verbal or written, from the Mortgagee that the Mortgagee will dispose of or transfer any of the Shares or interests referred to in (i) above, he, she or it will immediately notify the Stock Exchange, our Company, the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in writing of such indications and provide details of such disposal or transfer to the Stock Exchange, our Company, the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) as they may require.

Our Company undertakes and covenants with the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters that our Company shall forthwith inform the Sole Sponsor, the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) and the Stock Exchange in writing immediately after our Company has been informed of the matters referred to in paragraph (ii) above and our Company shall, if so required by the Stock Exchange or the GEM Listing Rules, disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

### **Commissions and expenses**

According to the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive an underwriting commission of 5.0% of the aggregate Offer Price of the Public Offer Shares.

In consideration of the Sole Sponsor’s services in sponsoring the Share Offer, the Sole Sponsor will receive an advisory fee. Such underwriting commission and advisory fee, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer which are currently estimated to be approximately HK\$29.2 million in aggregate (assuming an Offer Price of HK\$0.80 per Offer Share (being the midpoint of the indicative Offer Price of HK\$0.60 to HK\$1.00 per Offer Share)), are to be borne by us.

### **The Placing**

In connection with the Placing, it is expected that our Company and the Placing Underwriters will enter into the Placing Underwriting Agreement. Under the Placing Underwriting Agreement, our Company will offer our Placing Shares for subscription and purchase by professional, institutional and other investors at the Offer Price payable in full on subscription and purchase in Hong Kong dollars, on and subject to the terms and conditions set out in the Placing Underwriting Agreement and the placing documents. It is expected that the Placing Underwriters will agree to severally underwrite for our Placing Shares.

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## UNDERWRITING

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### UNDERWRITERS' INTEREST IN OUR COMPANY

Save for the interests and obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in the shares of any of our Group's members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group.

### Sole Sponsor's interest in our Company

Save for (i) the advisory and documentation fees to be paid to the Sole Sponsor in connection with the Share Offer; (ii) the advisory fee to be paid to the Sole Sponsor as our Company's compliance adviser pursuant to the requirements under Rules 6A.19 of the GEM Listing Rules; and (iii) their interests and obligations under the Underwriting Agreements, neither the Sole Sponsor nor any of its close associates has or may have, as a result of the Share Offer, any interest in any class of securities in our Company or any of its subsidiaries (including options or rights to subscribe for such securities).

No director or employee of the Sole Sponsor who is involved in providing advice to our Company has or may have, as a result of the Share Offer, any interest in any class of securities of our Company or any of its subsidiaries (including options or rights to subscribe for such securities that may be subscribed for or purchased by any such director or employee pursuant to the Share Offer). No director or employee of the Sole Sponsor has a directorship in the Company or any of its subsidiaries. The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 6A.07 of the GEM Listing Rules.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### **DETERMINING THE OFFER PRICE**

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on or around Thursday, 28 June 2018 or such later date as may be agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters).

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$1.00 per Offer Share and is expected to be not less than HK\$0.60 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, not later than the morning of the last day for lodging applications under the Public Offer.

If, for any reason, the Offer Price is not agreed between us and the Sole Bookrunner (for itself and on behalf of the Underwriters) on or before the Price Determination Date, the Share Offer will not proceed and will lapse.

Announcement of the final Offer Price, together with the level of indication of interests in the Placing and the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on Friday, 6 July 2018.

### **Offer Price range**

The Offer Price will not be more than HK\$1.00 per Offer Share and is expected to be not less than HK\$0.60 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range as stated in this prospectus.

### **Price payable on application**

Applicants for Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$1.00 for each Public Offer Share (plus the brokerage, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK\$4,040.31 per board lot of 4,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$1.00 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

If, for any reason, our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before the Price Determination Date, the Share Offer will not proceed and will lapse. Further details are set out in the section headed “How to Apply for Public Offer Shares” in this prospectus.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### **Change to Offer Price range**

The Sole Bookrunner (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during a bookbuilding process in respect of the Placing, and with the consent of our Company, reduce the number of the Offer Shares being offered under the Share Offer and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day lodging applications under the Public Offer, cause there to be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.ziyygroup.com](http://www.ziyygroup.com) notices of reduction in the number of the Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of the Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised number of the Offer Shares and/or Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics, and any other financial information in this prospectus which may change as a result of any such reduction.

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants who have submitted their applications for Public Offer Shares before such an announcement is made may subsequently withdraw their applications in the event that such an announcement is subsequently made. In the absence of any notice being published in relation to a reduction in the number of the Offer Shares and/or the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

### **CONDITIONS OF THE SHARE OFFER**

Acceptance of all applications for the Offer Shares is conditional upon, among others, the satisfaction of all of the following conditions:

#### **1. Listing**

the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and such grant and permission not subsequently being revoked prior to the Listing Date;

#### **2. Underwriting Agreements**

- (i) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)) and such obligations not being terminated in accordance with the terms of the respective Underwriting Agreements;

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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- (ii) the execution and delivery of the Placing Underwriting Agreement prior to or on the Price Determination Date; and

### 3. Price determination

the Offer Price having been determined and the execution of the Price Determination Agreement on or before the Price Determination Date.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Share Offer will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the sub-section headed “How to Apply for Public Offer Shares — 13. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

### THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 100,000,000 Offer Shares will be made available under the Share Offer, of which 90,000,000 Placing Shares (subject to reallocation), representing 90% of the initial Offer Shares, will initially be conditionally placed with selected professional, institutional and other investors under the Placing. The remaining 10,000,000 Public Offer Shares (subject to reallocation), representing 10% of the initial Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters will underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

Investors may apply for Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

#### The Placing

Our Company is expected to offer initially 90,000,000 Placing Shares (subject to reallocation) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer and approximately 22.5% of our Company’s enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue. The Placing is expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

It is expected that the Placing Underwriters or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

Our Company, our Directors, the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

The Placing is expected to be subject to the conditions as stated in the sub-section headed “Structure and Conditions of the Share Offer — Conditions of the Share Offer” in this section.

### **The Public Offer**

Our Company is initially offering 10,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong at the Offer Price under the Public Offer, representing 10% of the total number of Offer Shares offered under the Share Offer. Subject to reallocation of Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Public Offer will represent approximately 2.5% of our Company’s enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the Offer Price being agreed on or before the Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$1.00 per Share plus 1.0% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Public Offer is liable to be rejected.

Multiple or suspected multiple applications and any application for more than 10,000,000 Public Offer Shares (being 100% of the Public Offer Shares initially available under the Public Offer) are liable to be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over-subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### BASIS OF ALLOCATION OF THE OFFER SHARES

Pursuant to Guidance Letter HKEx-GL91-18 and Practice Note 6 of the GEM Listing Rules issued by the Stock Exchange, the allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) In the event that the Placing Shares are fully subscribed or oversubscribed under the Placing:
  - (i) if the Public Offer Shares are undersubscribed, the Sole Bookrunner will have the discretion to reallocate all or any of the unsubscribed Public Offer Shares from the Public Offer to the Placing;
  - (ii) if the Public Offer Shares are fully subscribed or oversubscribed and the number of Shares validly applied for under the Public Offer represents less than 15 times of the initial number of the Public Offer Shares, then up to 10,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will increase up to 20,000,000 Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer;
  - (iii) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the initial number of the Public Offer Shares, then up to 20,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will increase to 30,000,000 Shares, representing 30% of the number of the Offer Shares initially available under the Share Offer;
  - (iv) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the initial number of the Public Offer Shares, then up to 30,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will increase to 40,000,000 Shares, representing 40% of the number of the Offer Shares initially available under the Share Offer; and
  - (v) if the number of Shares validly applied for under the Public Offer represents 100 times or more than the initial number of the Public Offer Shares, then up to 40,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will increase to 50,000,000 Shares, representing 50% of the number of the Offer Shares initially available under the Share Offer.
- (b) In the event that the Placing Shares are undersubscribed under the Placing:
  - (i) if the Public Offer Shares are undersubscribed, the Share Offer shall not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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- (ii) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times of the initial number of the Public Offer Shares, then up to 10,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will increase up to 20,000,000 Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer.

In the event of reallocation of Offer Shares between the Placing and the Public Offer in the circumstances where (x) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are fully subscribed or oversubscribed by less than 15 times under paragraph (a)(ii) above or (y) the Placing Shares are undersubscribed and the Public Offer Shares are fully subscribed or oversubscribed under paragraph (b)(ii) above, the Offer Price shall be fixed at HK\$0.60 per Offer Share (being the low-end of the indicative Offer Price range stated in this prospectus).

In the event of a reallocation of Offer Shares from Placing to the Public Offer in circumstances under paragraph (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

The Sole Bookrunner (for itself and on behalf of the Underwriters) may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 6 of the GEM Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer (i.e. 20,000,000 Offer Shares). In each case, based on the additional Offer Shares reallocated to the Public Offer, the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Sole Bookrunner (for itself and on behalf of the Underwriters) deems appropriate, subject to Guidance Letter HKEx-GL91-18. In addition, subject to Guidance Letter HKEx-GL91-18, the Sole Bookrunner (for itself and on behalf of the Underwriters) may in its sole and absolute discretion reallocate Offer Shares from the Placing to the Public Offer in order to ensure the existence of an open market.

Details of any reallocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Friday, 6 July 2018.

### COMMENCEMENT OF DEALINGS

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Monday, 9 July 2018 under the GEM stock code 8223. The Shares will be traded in board lots of 4,000 Shares each.

### SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

In respect of the dealings in the Shares which may be settled through CCASS, investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 1. HOW TO APPLY

If you apply for the Public Offer Shares, then you may not apply for or indicate an interest for the Placing Shares.

To apply for the Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application. Our Company, the Sole Sponsor, the Sole Bookrunner and their respective agents and nominees may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you (or the person(s) for whose benefit you are applying):

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Sole Sponsor, the Sole Bookrunner or their respective agents and nominees may accept or reject it at its discretion, and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- are a Director or chief executive officer of our Company and/or any of our subsidiaries;
- are a connected person of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- are an associate of any of the above; and/or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

### 3. APPLYING FOR THE PUBLIC OFFER SHARES

#### Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 25 June 2018 until 12:00 noon on Thursday, 28 June 2018 from:

- (a) any of the following address of the Public Offer Underwriters:

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

Future Land Resources Securities Limited  
Flat B, 20/F, Guangdong Investment Tower,  
148 Connaught Road Central,  
Sheung Wan, Hong Kong

- (b) or any of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

<b>District</b>	<b>Branch Name</b>	<b>Address</b>
Hong Kong Island	Queen's Road Central Branch	Basement, Ground Floor and First Floor of 122 QRC, Nos.122-126 Queen's Road Central, Hong Kong
	Quarry Bay Branch	Shop SLG1, Sub-Lower Ground Floor, Westlands Gardens, Nos.2-12, Westlands Road, Quarry Bay, Hong Kong

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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District	Branch Name	Address
Kowloon	Jordan Branch	1/F, JD Mall, No.233 Nathan Road, Jordan, Kowloon
	Lai Chi Kok Branch	Shop G06, G/F, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Lai Chi Kok, Kowloon
New Territories	Yuen Long Branch	G/F, 197-199 Castle Peak Road, Yuen Long, New Territories
	Tai Wo Branch	Shop 216, 2/F, Tai Wo Plaza, Tai Wo Estate, Tai Po, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 25 June 2018 until 12:00 noon on Thursday, 28 June 2018 from:

- (i) the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- (ii) your stockbroker.

### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited — ZIYUANYUAN Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Monday, 25 June 2018 — 9:00 a.m. to 5:00 p.m.  
Tuesday, 26 June 2018 — 9:00 a.m. to 5:00 p.m.  
Wednesday, 27 June 2018 — 9:00 a.m. to 5:00 p.m.  
Thursday, 28 June 2018 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 28 June 2018, the last application day or such later time as described in the paragraph headed "9. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person of whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor, the Sole Bookrunner and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;
- (ii) agree to comply with the Cayman Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and their respective agents and nominees will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### 5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

#### General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Centre  
1/F, One & Two Exchange Square,  
8 Connaught Place, Central,  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Hong Kong Branch Share Registrar.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
  - (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and their respective agents and nominees will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
  - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for the Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Cayman Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- (a) instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- (b) instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the final Offer Price is less than the Offer Price per Public Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- (c) instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Monday, 25 June 2018	— 9:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Tuesday, 26 June 2018	— 8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Wednesday, 27 June 2018	— 8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
Thursday, 28 June 2018	— 8:00 a.m. <sup>(1)</sup> to 12:00 noon

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*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Monday, 25 June 2018 until 12:00 noon on Thursday, 28 June 2018 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, 28 June 2018, the last application day or such later time as described in the paragraph headed “9. Effect of Bad Weather on the Opening of the Application Lists” in this section.

### **No Multiple Applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### **Personal Data**

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banker, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## **6. WARNING FOR ELECTRONIC APPLICATIONS**

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 28 June 2018.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of our Company;
- control more than half of the voting power of our Company; or
- hold more than half of the issued share capital of our Company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 4,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the subsection headed “Structure and Conditions of the Share Offer — Determining the Offer Price” in this prospectus.

### 9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 28 June 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 28 June 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

### 10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Friday, 6 July 2018 on the Company’s website at [www.ziyygroup.com](http://www.ziyygroup.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at [www.ziyygroup.com](http://www.ziyygroup.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Friday, 6 July 2018;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Friday, 6 July 2018 to 12:00 midnight on Thursday, 12 July 2018;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 6 July 2018 to Wednesday, 11 July 2018 on a Business Day;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 6 July 2018 to Tuesday, 10 July 2018 at all the receiving bank's designated branches and sub branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinances (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinances) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) **If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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(iii) **If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company, the Sole Sponsor, the Sole Bookrunner, or the Joint Lead Managers believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 10,000,000 Public Offer Shares initially offered under the Public Offer.

### 12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.00 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure and Conditions of the Share Offer — Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 6 July 2018.

### 13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Friday, 6 July 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s). Share certificates will only become valid at 8:00 a.m. on Monday, 9 July 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### **(i) *If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 6 July 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk. If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Friday, 6 July 2018 by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 6 July 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 6 July 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 6 July 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply via Electronic Application Instructions to HKSCC*

*Allocation of Public Offer Shares*

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 6 July 2018, or, on any other date determined by HKSCC or HKSCC Nominees.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in “Publication of Results” in this section on Friday, 6 July 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 6 July 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Friday, 6 July 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 6 July 2018.

### 14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report set out on pages I-1 to I-57, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZIYUANYUAN HOLDINGS GROUP LIMITED AND GUOYUAN CAPITAL (HONG KONG) LIMITED**

**Introduction**

We report on the historical financial information of Ziyuanyuan Holdings Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-57, which comprises the consolidated statements of financial position of the Group as at 31 December 2015, 2016 and 2017, the statements of financial position of the Company as at 31 December 2016 and 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-57 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 25 June 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting Accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's consolidated financial position as at 31 December 2015, 2016 and 2017, of the Company's financial position as at 31 December 2016 and 2017, and of the Group's consolidated financial performance and consolidated cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

### ***Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Companies (Winding up and Miscellaneous Provisions) Ordinance***

### ***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

### ***Dividends***

We refer to Note 13 to the Historical Financial Information which states that no dividends have been paid by the Company since its incorporation.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
25 June 2018

**HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company, and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December		
		2015	2016	2017
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	7	10,807	29,546	52,060
Interest income and other investment gain	8	50	104	17
Exchange gain/(loss), net		156	99	(47)
Staff costs	11	(2,815)	(4,875)	(6,528)
Impairment losses on finance lease receivable	16	(930)	(2,075)	(5,526)
Impairment losses on other receivable		—	—	(379)
Other operating expenses		(2,961)	(3,268)	(5,900)
Listing expenses		—	(4,225)	(8,907)
Finance costs	9	<u>(3,349)</u>	<u>(7,770)</u>	<u>(8,848)</u>
Profit before taxation		958	7,536	15,942
Taxation	10	<u>(278)</u>	<u>(2,319)</u>	<u>(6,377)</u>
Profit and total comprehensive income for the year	11	<u>680</u>	<u>5,217</u>	<u>9,565</u>
Profit and total comprehensive income for the year attributable to:				
- Owners of the Company		488	5,217	9,565
- Non-controlling interests		<u>192</u>	<u>—</u>	<u>—</u>
		<u>680</u>	<u>5,217</u>	<u>9,565</u>
		<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
		<i>cents</i>	<i>cents</i>	<i>cents</i>
Basic earnings per share	14	<u>0.71</u>	<u>1.81</u>	<u>3.20</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

## THE GROUP

	NOTES	As at		
		31 December		
		2015	2016	2017
		RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>				
Furniture and office equipment	15	109	831	700
Finance lease receivable - non-current portion	16	54,928	137,013	150,167
Deferred tax assets	25	1,020	3,773	4,349
Prepayments for acquisition of a trademark		—	—	109
		<u>56,057</u>	<u>141,617</u>	<u>155,325</u>
<b>Current assets</b>				
Finance lease receivable - current portion	16	43,498	130,179	186,798
Prepayments and other receivable	17	4,447	5,553	7,461
Amounts due from related parties	18	96,686	5,139	—
Bank balances and cash	19	6,402	2,683	2,324
		<u>151,033</u>	<u>143,554</u>	<u>196,583</u>
<b>Current liabilities</b>				
Other payables and accrued charges	20	3,754	2,152	7,677
Deposits from finance lease customers				
- current portion	16	736	5,166	20,971
Deferred income - current portion	21	1,754	5,751	8,922
Financial assets sold under repurchase agreements	22	64,963	—	8,713
Bank borrowings	23	—	15,000	—
Amounts due to related parties	18	1,528	1,148	26,351
Amount due to a shareholder	18	—	98,234	—
Tax payable		231	1,398	5,461
		<u>72,966</u>	<u>128,849</u>	<u>78,095</u>
<b>Net current assets</b>		<u>78,067</u>	<u>14,705</u>	<u>118,488</u>
<b>Non-current liabilities</b>				
Deferred income - non-current portion	21	2,641	6,963	7,716
Deposits from finance lease customers				
- non-current portion	16	13,411	42,099	55,746
		<u>16,052</u>	<u>49,062</u>	<u>63,462</u>
<b>Net assets</b>		<u>118,072</u>	<u>107,260</u>	<u>210,351</u>

	NOTE	As at		
		31 December		
		2015	2016	2017
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Capital and reserves</b>				
Share capital	24	118,093	87	88
Reserves		<u>(21)</u>	<u>107,173</u>	<u>210,263</u>
<b>Total equity attributable to owners of the Company</b>		<u>118,072</u>	<u>107,260</u>	<u>210,351</u>

## STATEMENTS OF FINANCIAL POSITION

## THE COMPANY

	NOTES	As at 31 December	
		2016	2017
		RMB'000	RMB'000
<b>Non-current asset</b>			
Investment in a subsidiary	32	36,451	61,977
<b>Current assets</b>			
Amount due from a subsidiary ( <i>note i</i> )		24	24
Deferred listing expenses	17	—	4,000
		24	4,024
<b>Current liabilities</b>			
Accrued listing expenses/issue cost	20	—	6,300
Amounts due to subsidiaries ( <i>note i</i> )		—	10,832
		—	17,132
<b>Net current assets (liabilities)</b>		24	(13,108)
<b>Net assets</b>		36,475	48,869
<b>Capital and reserves</b>			
Share capital	24	87	88
Reserves ( <i>note ii</i> )		36,388	48,781
<b>Total equity</b>		36,475	48,869

Notes:

- (i) Amounts due from (to) subsidiaries

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

- (ii) Reserves of the Company

	Share premium	Accumulated loss	Total
	RMB'000	RMB'000	RMB'000
As at 28 October 2016 (date of incorporation)	—	—	—
Issue of shares ( <i>Note 2</i> )	36,388	—	36,388
As at 31 December 2016	36,388	—	36,388
Issue of shares	25,525	—	25,525
Loss and total comprehensive expense for the year	—	(13,132)	(13,132)
As at 31 December 2017	61,913	(13,132)	48,781

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Capital reserve and other reserve	Statutory reserve	Accumulated profits	Sub-total			
	RMB'000	RMB'000	RMB'000 (note i)	RMB'000 (note ii)	RMB'000	RMB'000	RMB'000		
As at 1 January 2015	9,300	—	—	15	42	9,357	20,392	29,749	
Profit and total comprehensive income for the year	—	—	—	—	488	488	192	680	
Transferred to statutory reserve	—	—	—	68	(68)	—	—	—	
Capital injection from HK Lixin (as defined in Note 2)	—	—	—	—	—	—	12,685	12,685	
Capital injection from the Controlling Individual Shareholders to ZYY Shenzhen (as defined in Note 2)	76,290	—	—	—	—	76,290	—	76,290	
Acquisition of HK Lixin (Notes 2 and 26)	32,503	—	(566)	—	—	31,937	(33,269)	(1,332)	
As at 31 December 2015	118,093	—	(566)	83	462	118,072	—	118,072	
Profit and total comprehensive income for the year	—	—	—	—	5,217	5,217	—	5,217	
Transferred to statutory reserve	—	—	—	695	(695)	—	—	—	
Capital injection from Hero Global (as defined in Note 2)	7,947	—	—	—	—	7,947	—	7,947	
Insertion of the Company and Honor Global (Note 2)	(125,977)	36,388	89,589	—	—	—	—	—	
Acquisition of 45% equity interest of ZYY Shenzhen (Note 2)	—	—	(24,000)	—	—	(24,000)	—	(24,000)	
Issue of shares	24	—	—	—	—	24	—	24	
As at 31 December 2016	87	36,388	65,023	778	4,984	107,260	—	107,260	
Profit and total comprehensive income for the year	—	—	—	—	9,565	9,565	—	9,565	
Transferred to statutory reserve	—	—	—	2,036	(2,036)	—	—	—	
Issue of shares (note iii)	1	25,525	—	—	—	25,526	—	25,526	
Deemed contribution from a shareholder (note iv)	—	—	68,000	—	—	68,000	—	68,000	
As at 31 December 2017	88	61,913	133,023	2,814	12,513	210,351	—	210,351	

## Notes:

- (i) Capital reserve and other reserve as at 31 December 2016 represents (i) the reserve arising from the acquisition of 55% equity interest of ZYY Shenzhen through acquisition of HK Lixin; (ii) the difference between the aggregate of the issued capital of HK Lixin and ZYY Shenzhen directly attributable to the Controlling Individual Shareholders and the net assets value of HK Lixin upon insertion of the Company and Honor Global as part of the Reorganisation (as defined in Note 2); and (iii) the consideration paid on the acquisition of the remaining 45% equity interest of ZYY Shenzhen by HK Lixin from the Controlling Individual Shareholders as part of the Reorganisation.
- (ii) Pursuant to the articles of association of the subsidiary established in the People's Republic of China (the "PRC"), it is required to appropriate 10% or an amount to be determined by its directors of its profit after taxation in accordance with the relevant PRC regulations before any distribution of dividends to owners each year to the statutory surplus reserve until the balance reaches 50% of its registered capital.
- (iii) On 31 May 2017, the Company issued and allotted 10,000 new ordinary shares with a par value of HK\$0.1 each to Hero Global and the consideration of which was satisfied by capitalisation of an amount due by the Group to Hero Global of RMB25,526,000.
- (iv) This represents the waiver of an amount due to Hero Global by HK Lixin of RMB68,000,000 as at 28 March 2017 which is accounted for as deemed capital contribution from a shareholder.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTE	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
<b>OPERATING ACTIVITIES</b>			
Profit before taxation	958	7,536	15,942
Adjustments for:			
Depreciation of furniture and office equipment	22	97	193
Loss on disposal of furniture and office equipment	—	—	1
Finance costs	3,349	7,770	8,848
Impairment losses on finance lease receivable	930	2,075	5,526
Impairment losses on other receivable	—	—	379
Interest income and other investment gain	(50)	(104)	(17)
Operating cash flows before movements in working capital	5,209	17,374	30,872
Increase in finance lease receivable	(78,838)	(170,841)	(75,299)
Increase in prepayments and other receivable	(3,598)	(74)	(876)
(Decrease) increase in other payables and accrued charges	(1,253)	926	5,485
Increase in deposits from finance lease customers and deferred income	15,482	38,295	26,100
Cash used in operations	(62,998)	(114,320)	(13,718)
PRC Enterprise Income Tax paid	(1,118)	(3,905)	(2,890)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(64,116)</b>	<b>(118,225)</b>	<b>(16,608)</b>
<b>INVESTING ACTIVITIES</b>			
Placement of structured deposits	(245,000)	(27,000)	—
Advances to related parties	(140,292)	(26,938)	(3,900)
Purchase of furniture and office equipment and a trademark	(35)	(819)	(172)
Redemption of structured deposits	245,034	27,055	—
Repayments from related parties	49,570	118,485	4,355
Acquisition of HK Lixin	26	49	—
Bank interest income received	16	49	17
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(90,658)</b>	<b>90,832</b>	<b>300</b>

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
FINANCING ACTIVITIES			
Capital injection from the Controlling Individual Shareholders/Hero Global	76,290	7,947	—
Cash receipts from financial assets sold under repurchase agreements	64,963	—	8,340
Capital injection from HK Lixin	12,685	—	—
Advances from Controlling Individual Shareholder/related parties	80	126,989	63,128
Bank borrowings raised	—	15,000	15,000
Repayments of financial assets sold under repurchase agreements	—	(64,963)	—
Acquisition of remaining 45% equity interest of ZYY Shenzhen	—	(24,000)	—
Repayments to a shareholder/related parties	—	(28,945)	(37,925)
Interest paid	—	(7,156)	(1,199)
Repayments of bank borrowings	—	—	(30,000)
Issue costs paid	—	(1,031)	(1,411)
NET CASH FROM FINANCING ACTIVITIES	<u>154,018</u>	<u>23,841</u>	<u>15,933</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(756)	(3,552)	(375)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	7,265	6,402	2,683
Effect of foreign exchange rate changes	<u>(107)</u>	<u>(167)</u>	<u>16</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR REPRESENTING BANK BALANCES AND CASH	<u>6,402</u>	<u>2,683</u>	<u>2,324</u>

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1. GENERAL**

The Company is an exempted company incorporated in the Cayman Islands on 28 October 2016. The Company's immediate and ultimate holding company is Hero Global Limited ("Hero Global"), a limited liability company incorporated in the British Virgin Islands (the "BVI"). The addresses of the registered office and principal place of business are stated in the "Corporate Information" section of the prospectus of the Company dated 25 June 2018 (the "Prospectus").

The Company is an investment holding company. The principal activities of the Group are the provision of finance leasing services in the PRC. The principal activities of the subsidiaries are set out in Note 32.

**2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with HKFRSs issued by the HKICPA.

During the Track Record Period, the business of the Group was carried out by Ziyuanyuan (Shenzhen) International Finance Leasing Company Limited ("ZYY Shenzhen") and its wholly owned subsidiary, Shenzhen Huafang Management Consulting Limited ("Shenzhen Huafang") since its establishment on 6 September 2015, both being limited liability companies established in the PRC.

Prior to 28 December 2015, ZYY Shenzhen was 45% (in aggregate) owned by two individuals, namely Mr. Zhang Junshen ("Mr. Zhang JS") and Mr. Zhang Junwei ("Mr. Zhang JW"), the younger brother of Mr. Zhang JS. Based on the actual capital injected into ZYY Shenzhen, Mr. Zhang JS and Mr. Zhang JW effectively owned ZYY Shenzhen as to a percentage, ranging from 31% to 75% (in aggregate) during the period from 1 January 2015 to 28 December 2015 and as at 28 December 2015, the effective holding was 72%. Due to their control over the board of directors (further details are set out in Note 32 (note c)), Mr. Zhang JS and Mr. Zhang JW (collectively the "Controlling Individual Shareholders") were considered to have control over ZYY Shenzhen. On 28 December 2015, Hero Global, a company which is wholly owned by Mr. Zhang JS, acquired the remaining 55% equity interest of ZYY Shenzhen, through acquisition of HK Lixin Trade Co., Limited ("HK Lixin"), from the non-controlling shareholder for a consideration of HK\$36,000,000 and since then, ZYY Shenzhen became wholly owned by the Controlling Individual Shareholders collectively. Therefore, ZYY Shenzhen has always been jointly and ultimately controlled by the Controlling Individual Shareholders in respect of its business operation, financial management and all other major decisions.

On 28 October 2016, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with the initial authorised share capital of HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each. Upon its incorporation, the Company allotted and issued one share fully paid at par to the initial subscriber, an independent third party. On the same day, such fully-paid share was transferred to Hero Global at par.

On 24 February 2017, each of the Controlling Individual Shareholders, executed the Acting in Concert Deed, whereby they confirmed the existence of their acting in concert arrangements in the past, as well as their intention to continue to act in the above manner upon the proposed listing to consolidate their control over the Group until the Acting in Concert Deed is terminated by them in writing. With regard to each of the Controlling Individual Shareholders, he will not be bound by the Acting in Concert Deed when he ceases to have any equity interest in the Company. According to the Acting in Concert Deed, the Controlling Individual Shareholders have agreed to continue to vote on any resolution to be passed by at any shareholders' meeting of the Company in an unanimous manner.

In preparation for the listing of the Company's shares on the Stock Exchange (the "Listing"), the Group underwent a group restructuring (the "Reorganisation") which involved a) insertion of the Company and its wholly owned subsidiary incorporated in the BVI, Honor Global Holdings Limited ("Honor Global") between Hero Global and HK Lixin on 4 November 2016 by issuance of 729,999 shares to Hero Global; and b) acquisition of 45% equity interest of ZYY Shenzhen by HK Lixin from the Controlling Individual Shareholders on 12 December 2016 for a consideration of RMB24,000,000. The Reorganisation was completed on 23 December 2016 where the Company issued 270,000 shares, which were credited as fully paid at par value, to Icon Global Holding Limited, a company incorporated in the BVI and wholly owned by Mr. Zhang JW.

Further details of the above are disclosed in the subsection headed "History and Reorganisation — Reorganisation" of the Prospectus.

The Group resulting from the Reorganisation, which involves interspersing the Company and its subsidiaries, is regarded as a continuing entity. Accordingly, the Historical Financial Information has been prepared on the basis as if the Company had always being the holding company of the Group.

The consolidated statements of profit or loss and other comprehensive income and consolidated statements of cash flows which include the financial performance and cash flows of the companies now comprising the Group for the year ended 31 December 2015 and 31 December 2016 have been prepared as if the Company had always been holding company of the Group and the current group structure had been in existence throughout those two years, or since the respective dates of establishment/incorporation of the relevant entities where these are shorter periods, and taking into account the acquisition of HK Lixin during the year ended 31 December 2015.

The consolidated statement of financial position at 31 December 2015 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date, taking into account the respective dates of establishment/incorporation or acquisition of the relevant entities.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

### **3. ADOPTION OF NEW AND REVISED HKFRSs**

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the HKFRSs, which are effective for the accounting period beginning on 1 January 2017 throughout the Track Record Period.

*New and amendments to HKFRSs in issue but not yet effective*

At the date of this report, the HKICPA has issued the following new and amendments to HKFRSs, which are not yet effective. The Group has not early applied these new and amendments to HKFRSs.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers and the related Amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>2</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

***HKFRS 9 Financial Instruments***

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 that are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that

have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss; and

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

*Classification and measurement:*

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

*Impairment:*

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and finance lease receivable that subject to the impairment provisions upon application of HKFRS 9 by the Group.

The impairment requirements are applied retrospectively by adjusting the opening retained earnings at 1 January 2018, with no requirement to restate prior periods. The directors of the Company do not intend to restate comparative information for the application of HKFRS 9 when preparing the consolidated financial statements of the Group for the year ending 31 December 2018.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for finance lease receivable that result from transactions that are within the scope of HKAS 17. The Group assessed and quantified the financial impact to the finance lease receivable of the Group as at 1 January 2018 upon the application of the expected credit loss model of HKFRS 9. These estimates are based on accounting policies, assumptions, judgements and estimation techniques that remain subject to change until the Group finalises its financial statements for the year ending 31 December 2018.

Based on the assessment by the directors of the Company, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would not be material different as compared to the accumulated amount recognised under HKAS 39 as at 31 December 2017.

***HKFRS 15 Revenue from Contracts with Customers***

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 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 or services. Specifically, the standard introduces a 5-step 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 the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company have assessed the impact on application of HKFRS 15, since all the revenue of the Group are finance lease income, which is not in the scope of HKFRS 15, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

***HKFRS 16 Leases***

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group had non-cancellable operating lease commitments of RMB2,435,000 as disclosed in note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB351,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above but will not have a material impact on the Group's financial performance in the foreseeable future.

The directors of the Company do not anticipate that the application of the other new standards and amendments to standards will have significant impact on the future financial statements of the Group.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

The Historical Financial Information has been prepared in accordance with the accounting policies set out below which are in conformity with HKFRSs issued by the HKICPA and includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

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

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

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

The principal accounting policies are set out below.

### **Basis of consolidation**

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interest even if this result in the non-controlling interest has a deficit balance.

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

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

#### ***Changes in the Group's ownership interests in existing subsidiaries***

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted after, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

#### **Investment in a subsidiary**

Investment in a subsidiary is included in the Company's statements of financial position at cost less any identified impairment loss. The results of the subsidiary are accounted for by the Company on the basis of dividend received and receivable.

#### **Revenue recognition**

Revenue is measured at fair value of consideration received or receivable for services provided in the normal course of business, net of sales related taxes.

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

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

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

#### **Furniture and office equipment**

Furniture and office equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

#### ***Impairment on furniture and office equipment***

At the end of the reporting period, the Group reviews the carrying amounts of its assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of a relevant asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised 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, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

#### **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

#### **Borrowing costs**

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

**Retirement benefit costs**

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

**Short-term employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period that related services are rendered at the undiscounted amount of the benefits expected to be paid in exchange of that service.

**Leasing**

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

***The Group as lessor***

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

***The Group as lessee***

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

**Taxation**

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary

differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Current and deferred tax is recognised in profit or loss.

### **Financial instruments**

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

#### ***Financial assets***

The Group's financial assets are classified as FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

***Effective interest method***

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

Interest income is recognised on an effective interest basis other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

***Financial assets at FVTPL***

Financial assets are classified as at FVTPL when the financial assets are either held for trading or it is designated as at FVTPL on initial recognition.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in other gains line item in the consolidated statements of comprehensive income.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including finance lease receivable, other receivable, amounts due from related parties and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

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

*Impairment of financial assets*

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

Objective evidence of impairment could include:

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

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

For certain categories of financial asset, such as finance lease receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

*Financial liabilities and equity instruments*

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

***Equity instruments***

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

***Effective interest method***

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

Interest expense is recognised on an effective interest basis.

***Financial liabilities***

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

***Derecognition***

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

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

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

***Financial assets sold under repurchase agreements***

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

**5. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group’s accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

**Estimate impairment of finance lease receivable**

When there is objective evidence of impairment loss, the Group takes into consideration an estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amounts of finance lease receivable at 31 December 2015, 2016 and 2017 were RMB98,426,000, RMB267,192,000 and RMB336,965,000, respectively (net of impairment allowance at 31 December 2015, 2016 and 2017 of RMB930,000, RMB3,005,000 and RMB8,531,000, respectively). Details of the finance lease receivable are disclosed in Note 16.

**Recognition of deferred taxation**

Deferred tax assets at 31 December 2015, 2016 and 2017 of RMB1,020,000, RMB3,773,000 and RMB4,349,000, respectively in relation to the deferred income and allowance of doubtful debts were recognised in the Group’s consolidated statements of financial position. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than or more than expected, a material reversal or recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or recognition takes place. Details of the deferred tax are disclosed in Note 25.

**6. SEGMENT INFORMATION**

The directors of the Company have determined that the Group has only one operating and reportable segment throughout the Track Record period, as the Group principally provides finance leasing services in the PRC, and the executive directors of the Company, being the chief operating decision maker of the Group, review the consolidated financial position and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group.

The Company is an investment holding company and the principal place of the Group's operations is in the PRC. The Group's revenue and non-current assets are principally derived from or located in the PRC.

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

**7. REVENUE**

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

**8. INTEREST INCOME AND OTHER INVESTMENT GAIN**

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank interest income	16	49	17
Investment gain of structured deposits (note)	<u>34</u>	<u>55</u>	<u>—</u>
	<u>50</u>	<u>104</u>	<u>17</u>

note: During each of the two years ended 31 December 2016, the Group placed certain structured deposits with expected, but not guaranteed return rates ranging from 2.3% to 3.6%, depending on the market price of underlying financial instruments, including government and corporate bonds and other debt securities. The Group did not place such deposits during the year ended 31 December 2017.

## 9. FINANCE COSTS

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interests on financial assets sold under repurchase agreements	2,528	4,628	373
Imputed interests on interest-free deposits from finance lease customers	821	3,142	7,276
Interests on bank borrowings repayable within one year	—	—	1,199
	<u>3,349</u>	<u>7,770</u>	<u>8,848</u>

## 10. TAXATION

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The charge (credit) comprises:			
Current tax			
PRC Enterprise Income Tax	1,170	5,072	6,953
Deferred tax (Note 25)	<u>(892)</u>	<u>(2,753)</u>	<u>(576)</u>
	<u>278</u>	<u>2,319</u>	<u>6,377</u>

No provision for Hong Kong Profits Tax has been made in the Historical Financial Information as the Group has no operation in Hong Kong and therefore the Group has no assessable income during the Track Record Period.

Under the Enterprise Income Tax Law of PRC (the "EIT Law") and the Implementation Regulation of the EIT Law, the subsidiaries in the PRC are subject to the tax rate of 25% during the Track Record Period.

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

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Profit before taxation	<u>958</u>	<u>7,536</u>	<u>15,942</u>
Tax at the domestic income tax rate in the PRC of 25%	240	1,884	3,986
Tax effect of expenses not deductible for tax purposes	<u>38</u>	<u>435</u>	<u>2,391</u>
Taxation for the year	<u><u>278</u></u>	<u><u>2,319</u></u>	<u><u>6,377</u></u>

#### 11. PROFIT FOR THE YEAR

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Profit for the year has been arrived at after charging:			
Directors' remuneration (Note 12)	161	161	323
Salaries, allowances and other staff benefits	2,326	4,185	5,567
Staff's retirement benefit scheme contributions	<u>328</u>	<u>529</u>	<u>638</u>
Total staff costs	<u>2,815</u>	<u>4,875</u>	<u>6,528</u>
Loss on disposal of furniture and office equipment	—	—	1
Depreciation of furniture and office equipment	22	97	193
Auditor's remuneration	—	4	79
Minimum lease payments under operating leases in respect of properties	<u>459</u>	<u>467</u>	<u>808</u>

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

### (a) Directors and the Chief Executive

Mr. Zhang JS was appointed as an executive director, the Chairman and the Chief Executive of the Company on 28 October 2016. Mr. Liu Zhiyong, Mr. Zhang JW and Ms. Shen Qingli were appointed as the directors of the Company on 13 January 2017. The emoluments paid or payable to the directors and the Chief Executive of the Company (including emoluments paid or payable for their services as employees/directors of other group entities prior to their becoming directors of the Company) by the entities comprising the Group during the Track Record Period, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, are as follows:

Name of directors	Directors' fee	Salaries and other benefits	Retirement benefits scheme contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>For the year ended 31 December 2015</i>				
Executive directors:				
Mr. Zhang JS	—	144	17	161
Mr. Liu Zhiyong	—	—	—	—
Non-executive directors:				
Mr. Zhang JW	—	—	—	—
Ms. Shen Qingli	—	—	—	—
	<u>—</u>	<u>144</u>	<u>17</u>	<u>161</u>

Name of directors	Directors'	Salaries and	Retirement	Total
	fee	other	benefits	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>For the year ended 31 December 2016</i>				
Executive directors:				
Mr. Zhang JS	—	144	17	161
Mr. Liu Zhiyong	—	—	—	—
Non-executive directors:				
Mr. Zhang JW	—	—	—	—
Ms. Shen Qingli	—	—	—	—
	<u>—</u>	<u>144</u>	<u>17</u>	<u>161</u>

Name of directors	Directors'	Salaries and	Retirement	Total
	fee	other	benefits	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>For the year ended 31 December 2017</i>				
Executive directors:				
Mr. Zhang JS	—	285	38	323
Mr. Liu Zhiyong	—	—	—	—
Non-executive directors:				
Mr. Zhang JW	—	—	—	—
Ms. Shen Qingli	—	—	—	—
	<u>—</u>	<u>285</u>	<u>38</u>	<u>323</u>

The executive directors' emoluments shown above were for services of Mr. Zhang JS, the Chief Executive of the Company, in connection with the management of the affairs of the Company and the Group.

(b) **Five highest paid employees**

The five highest paid individuals of the Group include nil, nil and one director of the Company for the years ended 31 December 2015, 2016 and 2017, respectively, whose emoluments are included in the disclosures above. The emoluments of the remaining five, five and four individuals for the years ended 31 December 2015, 2016 and 2017, respectively, are as follows:

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and other staff benefits	824	1,593	2,039
Staff's retirement benefits scheme contributions	<u>71</u>	<u>97</u>	<u>132</u>
	<u>895</u>	<u>1,690</u>	<u>2,171</u>

The emoluments of each of the above employees were all within HK\$1,000,000 for the Track Record Period.

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the Chief Executive of the Company or the five highest paid employees of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or the Chief Executive of the Company waived any emoluments during the Track Record Period.

**13. DIVIDENDS**

No dividend was paid or proposed for ordinary shareholders of the Company since its incorporation or any of its subsidiaries during the Track Record Period, nor has any dividend been proposed by the Company since the end of the reporting period.

## 14. EARNINGS PER SHARE

The basic earnings per share is calculated based on the profit attributable to owners of the Company and the weighted average number of ordinary shares for the year on the assumption that the Reorganisation and the capitalisation issue as described in the subsection headed “History and Reorganisation — Reorganisation” of the Prospectus had been effective since 1 January 2015.

	<u>Year ended 31 December</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
<i>Earnings (RMB'000):</i>			
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>488</u>	<u>5,217</u>	<u>9,565</u>
<i>Number of shares ('000):</i>			
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>68,973</u>	<u>287,743</u>	<u>298,779</u>

No diluted earnings per share is presented as there was no potential dilutive ordinary share in issue during the Track Record Period.

## 15. FURNITURE AND OFFICE EQUIPMENT

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>COST</b>			
As at the beginning of the year	98	133	952
Additions	35	819	63
Disposal	—	—	(2)
As at the end of the year	<u>133</u>	<u>952</u>	<u>1,013</u>
<b>ACCUMULATED DEPRECIATION</b>			
As at the beginning of the year	2	24	121
Charge for the year	22	97	193
Eliminated on disposal	—	—	(1)
As at the end of the year	<u>24</u>	<u>121</u>	<u>313</u>
<b>CARRYING VALUES</b>			
As at the end of the year	<u>109</u>	<u>831</u>	<u>700</u>

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

## 16. FINANCE LEASE RECEIVABLE/DEPOSITS FROM FINANCE LEASE CUSTOMERS

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 December			As at 31 December		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Finance lease receivable comprises:						
Within one year	55,701	160,567	227,770	43,938	131,981	192,834
In more than one year but not more than five years	<u>61,785</u>	<u>155,351</u>	<u>167,771</u>	<u>55,418</u>	<u>138,216</u>	<u>152,662</u>
	117,486	315,918	395,541	99,356	270,197	345,496
Less: Unearned finance income	<u>(18,130)</u>	<u>(45,721)</u>	<u>(50,045)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Present value of minimum lease payments	<u>99,356</u>	<u>270,197</u>	<u>345,496</u>	<u>99,356</u>	<u>270,197</u>	<u>345,496</u>
Less: Collective impairment allowance	(930)	(3,005)	(5,485)	(930)	(3,005)	(5,485)
Individual impairment allowance	<u>—</u>	<u>—</u>	<u>(3,046)</u>	<u>—</u>	<u>—</u>	<u>(3,046)</u>
Subtotal	<u>(930)</u>	<u>(3,005)</u>	<u>(8,531)</u>	<u>(930)</u>	<u>(3,005)</u>	<u>(8,531)</u>
	<u>98,426</u>	<u>267,192</u>	<u>336,965</u>	<u>98,426</u>	<u>267,192</u>	<u>336,965</u>
Analysed for reporting purposes as:						
Current assets				43,498	130,179	186,798
Non-current assets				<u>54,928</u>	<u>137,013</u>	<u>150,167</u>
				<u>98,426</u>	<u>267,192</u>	<u>336,965</u>

As at 31 December 2015, 2016 and 2017, the effective interest rates of the above finance leases range from 6.6% to 22.7%, 6.3% to 22.7% and 6.3% to 22.7%, respectively, per annum.

The following is a credit quality analysis of finance lease receivable. In the event that an instalment repayment of a finance lease receivable is past due, the entire outstanding balance of the finance lease receivable is classified as past due.

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	99,356	268,372	333,156
Past due but not individually impaired	—	1,825	6,226
Past due and for the consideration of recognising individual impairment allowance	<u>—</u>	<u>—</u>	<u>6,114</u>
Subtotal	99,356	270,197	345,496
Less: Collective impairment allowance	(930)	(3,005)	(5,485)
Individual impairment allowance	<u>—</u>	<u>—</u>	<u>(3,046)</u>
	<u>98,426</u>	<u>267,192</u>	<u>336,965</u>

Movements of collective and individual impairment allowances on finance lease receivable during the Track Record Period are as follows:

	<b>Collective impairment allowance</b>	<b>Individual impairment allowance</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2015	—	—	—
Provision during the year	<u>930</u>	<u>—</u>	<u>930</u>
As at 31 December 2015	930	—	930
Provision during the year	<u>2,075</u>	<u>—</u>	<u>2,075</u>
As at 31 December 2016	3,005	—	3,005
Provision during the year	<u>2,480</u>	<u>3,046</u>	<u>5,526</u>
As at 31 December 2017	<u>5,485</u>	<u>3,046</u>	<u>8,531</u>

Finance lease receivable is mainly secured by the leased assets which are used in printing industry and logistics industry and customers' deposits where applicable. Customers' deposits are collected and calculated based on a certain percentage of the entire value of the lease contract. The deposits are returned to the customers in portion over the lease contract or in full by end of lease period according to the terms of the lease contract. When the lease contract expires and all liabilities and obligations under the lease contract had been fulfilled, the lessor must return the full lease deposits to the lessee. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contract. As at 31 December 2015, 2016 and 2017, customers' deposits of RMB14,147,000, RMB47,265,000 and RMB76,717,000, respectively were received in advance. There was no unguaranteed residual value of leased assets and no contingent rent arrangement that needed to be recognised during the Track Record Period.

The Group first assesses whether impairment exists individually for finance lease receivables that are having history of past due. If the Group determines that no objective evidence of impairment exists for an individually assessed finance lease receivable, whether significant or not, it includes the finance lease receivables with similar credit risk characteristics and collectively assesses them for impairment.

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

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Overdue by:</i>			
Less than one month	—	125	343
More than one month but less than three months	—	—	8
	<u>—</u>	<u>125</u>	<u>351</u>

Management reviews and assesses for impairment individually based on customers' repayment history and the values of the assets pledged. Included in the individual impairment allowance are individually impaired finance lease receivables with aggregate amounts of nil, nil and RMB3,046,000 as at 31 December 2015, 2016 and 2017 respectively of which the customers are in financial difficulties and the Group is currently taking legal actions against them.

As at 31 December 2015, 2016 and 2017, the entire outstanding balance of the past due but not individual impaired finance lease receivable were nil, RMB1,825,000 and RMB6,226,000 respectively. Collective impairment allowances of nil, RMB456,000 and RMB1,204,000 were provided on these past due but not individual impaired finance lease receivables as at 31 December 2015, 2016 and 2017 respectively.

## 17. PREPAYMENTS AND OTHER RECEIVABLE

## THE GROUP

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Security deposits	69	69	1,189
Prepaid listing expenses/issue costs	1,307	375	—
Deferred issue costs	—	1,031	4,000
Prepayments	5	85	1
Value-added tax recoverable	—	3,649	2,159
Other receivable (note)	<u>3,066</u>	<u>344</u>	<u>112</u>
	<u>4,447</u>	<u>5,553</u>	<u>7,461</u>

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	<b>As at 31 December</b>	
	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Deferred issue costs	<u>—</u>	<u>4,000</u>

note: As at 31 December 2015, 2016 and 2017, other receivable included other account receivables of RMB3,060,000, RMB339,000 and RMB379,000, respectively, from finance lease arrangement which had been early terminated. During the year ended 31 December 2017, an amount of RMB379,000 was assessed as uncollectible by the management of the Group and therefore was impaired.

## 18. AMOUNT(S) DUE FROM (TO) RELATED PARTIES/A SHAREHOLDER

Particulars of the amounts due from related parties are disclosed as follows:

Relationship	As at 1 January 2015	As at 31 December			Maximum outstanding			
		Year ended 31 December			Year ended 31 December			
		2015	2016	2017	2015	2016	2017	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Shenzhen Zhuojunye Investment Limited*	Related party (note)	—	33,000	—	—	33,000	33,000	—
Shenzhen Ziyuanyuan Investment Holdings Limited ("ZYY Holdings")*	Related party (note)	5,689	63,518	3,372	—	63,518	63,518	3,372
Mr. Zhang JS	Controlling Individual Shareholder	—	168	1,467	—	168	1,968	2,387
Mr. Zhang JW	Controlling Individual Shareholder	—	—	300	—	—	300	300
		<u>5,689</u>	<u>96,686</u>	<u>5,139</u>	<u>—</u>			

Particulars of the amounts due to related parties are disclosed as follows:

Relationship	As at 31 December			
	2015	2016	2017	
	RMB'000	RMB'000	RMB'000	
HK Haiyan International Trade Limited	Related party (note)	1,448	171	171
Shanghai Yunyi Information Technology Limited*	Related party (note)	—	977	—
ZYY Holdings	Related party (note)	—	—	13,500
深圳市卡普辛一號影視傳媒有限公司	Related party (note)	—	—	12,680
Mr. Zhang JW	Controlling Individual Shareholder	80	—	—
		<u>1,528</u>	<u>1,148</u>	<u>26,351</u>

Particulars of the amount due to a shareholder are disclosed as follows:

Relationship	As at 31 December			
	2015	2016	2017	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Hero Global	Immediate holding company	—	98,234	—

\* English translated name is for identification purpose only

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

The amounts are non-trade in nature, unsecured and repayable on demand. In the opinion of the directors of the Company, the amounts as at 31 December 2017 will be fully settled prior to the completion of the Listing.

#### 19. BANK BALANCES AND CASH

Bank balances and cash of the Group carry interest at market rates as follows:

	As at 31 December		
	2015	2016	2017
	%	%	%
Range of interest rates (per annum)	0.01 to 0.35	0.01 to 0.35	0.35

Bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hong Kong dollar (“HK\$”)	4,630	947	18
United States dollar (“US\$”)	—	196	4
	<u>4,630</u>	<u>1,143</u>	<u>22</u>

## 20. OTHER PAYABLES AND ACCRUED CHARGES

## THE GROUP

	<u>As at 31 December</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accrued listing expenses/issue costs	—	—	6,300
Advance receipts from prospective customers	417	1,578	572
Interest payable	2,528	—	—
Other tax payables	131	25	40
Other accrued charges	434	459	467
Other payables	244	90	298
	<u>3,754</u>	<u>2,152</u>	<u>7,677</u>

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	<u>As at 31 December</u>	
	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Accrued listing expenses/issue costs	<u>—</u>	<u>6,300</u>

## 21. DEFERRED INCOME

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

## 22. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finance lease receivable	<u>64,963</u>	<u>—</u>	<u>8,713</u>
Carrying amount repayable*:			
Within one year and shown under current liabilities	<u>64,963</u>	<u>—</u>	<u>8,713</u>

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

As at 31 December 2015, all the financial assets sold under repurchase agreements were fixed-rate borrowings carrying interest at rates ranging from 11.01% to 11.02% per annum.

As at 31 December 2017, all the financial assets sold under repurchase agreements were fixed-rate borrowings carrying interest at the rate of 10.00% per annum.

As at 31 December 2015, all the financial assets sold under repurchase agreements were guaranteed by Mr. Zhang JS and ZYY Holdings, a company owned by the Controlling Individual Shareholders and secured by charges over certain finance lease receivables of the Group with an aggregate carrying value of RMB71,664,000. Details of the transfers of financial assets are set out in Note 30.

As at 31 December 2017, all the finance assets sold under repurchase agreements were secured by charges over certain finance lease receivables of the Group with an aggregate carrying value of RMB8,860,000 and certain security deposits (included in other receivable) of the Group with an aggregate carrying value of RMB834,000. Details of the transfers of financial assets are set out in Note 30.

**23. BANK BORROWINGS**

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Secured and guaranteed bank borrowings	<u>—</u>	<u>15,000</u>	<u>—</u>
Carrying amounts repayable*:			
Within one year and shown under current liabilities	<u>—</u>	<u>15,000</u>	<u>—</u>

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

As at 31 December 2016, all the bank borrowings were fixed-rate borrowings carrying interest at the rate of 7.40% per annum.

As at 31 December 2016, all the bank borrowings were guaranteed by Mr. Zhang JS, Mr. Zhang Shengjie, father of Mr. Zhang JS and Mr. Zhang JW and ZYY Holdings. As at 31 December 2016, the loan commitment of RMB30,000,000 was secured by charges over certain finance lease receivables of the Group with the aggregate carrying amounts of RMB50,006,000. The bank facility and the loan commitment were no longer available as at 31 December 2017, but subsequently renewed in January 2018.

**24. SHARE CAPITAL**

The share capital as at 1 January 2015 and 31 December 2015 represented the combined share capital of following companies attributable to owners of the Company:

**THE GROUP**

	<b>As at</b>	<b>As at</b>
	<b>1 January</b>	<b>31 December</b>
	<b>2015</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
HK Lixin	—	32,503
ZYY Shenzhen	<u>9,300</u>	<u>85,590</u>
	<u>9,300</u>	<u>118,093</u>

The share capital as at 31 December 2016 and 2017 represented the issued share capital of the Company amounted to RMB87,000 and RMB88,000, respectively (see below).

## THE COMPANY

	<u>Number of shares</u>	<u>Amount</u> <i>HK\$</i>
<b>Authorised:</b>		
As at 28 October 2016 (date of incorporation), 31 December 2016 and 2017 at HK\$0.1 each	<u>3,800,000</u>	<u>380,000</u>
<b>Issued and fully paid:</b>		
As at 28 October 2016 (date of incorporation)	1	—
Issue of shares	<u>999,999</u>	<u>100,000</u>
As at 31 December 2016	1,000,000	100,000
Issue of shares (note)	<u>10,000</u>	<u>1,000</u>
As at 31 December 2017	<u>1,010,000</u>	<u>101,000</u>
		<i>RMB'000</i>
<b>Shown in the statements of financial position:</b>		
As at 31 December 2016		<u>87</u>
As at 31 December 2017		<u>88</u>

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

**25. DEFERRED TAX ASSETS**

The followings are the major deferred tax assets recognised by the Group and movements thereon during the Track Record Period:

	<b>Allowances for bad and doubtful debts</b>	<b>Temporary difference arising from finance lease income</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2015	—	128	128
Credit to profit or loss	<u>233</u>	<u>659</u>	<u>892</u>
As at 31 December 2015	233	787	1,020
Credit to profit or loss	<u>519</u>	<u>2,234</u>	<u>2,753</u>
As at 31 December 2016	752	3,021	3,773
Credit (charge) to profit or loss	<u>1,476</u>	<u>(900)</u>	<u>576</u>
As at 31 December 2017	<u>2,228</u>	<u>2,121</u>	<u>4,349</u>

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the subsidiaries in the PRC. Deferred taxation has not been provided for in the Historical Financial Information in respect of temporary differences attributable to the retained profits of the subsidiaries in the PRC amounting to approximately RMB1 million, RMB9 million and RMB25 million as at 31 December 2015, 2016 and 2017 respectively, as the Group is able to control the timing of the reversal of the temporary differences and the directors of the Company considered that the subsidiaries in the PRC will not distribute any dividend in the foreseeable future.

**26. ACQUISITION OF HK LIXIN**

On 28 December 2015, Hero Global completed the acquisition of the entire 100% equity interest of HK Lixin. Except for being an investment holding company which holds 55% equity interest of ZYY Shenzhen, HK Lixin did not carry on any other business. The transaction has been accounted as an equity transaction with a non-controlling shareholder.

The assets and liabilities of HK Lixin other than its 55% equity interest of ZYY Shenzhen, at the completion date were as follows:

	<u>RMB'000</u>
Bank balances	49
Amounts due from related parties	168
Other payables	(101)
Amounts due to related parties	<u>(1,448)</u>
Net liabilities	<u><u>(1,332)</u></u>
<b>Cash inflow arising on acquisition of HK Lixin:</b>	
Cash and cash equivalents acquired and included in cash flows from investing activities	<u><u>49</u></u>

## 27. OPERATING LEASE COMMITMENTS

As at 31 December 2015, 2016 and 2017, the commitments for future minimum lease payments under non-cancellable operating leases are as follows:

### As lessee

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

	<u>As at 31 December</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	431	452	997
After one year but within five years	<u>452</u>	<u>—</u>	<u>1,438</u>
	<u><u>883</u></u>	<u><u>452</u></u>	<u><u>2,435</u></u>

**28. RETIREMENT BENEFIT SCHEME**

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

Total costs recognised in profit or loss in respect of contributions paid or payable to the scheme by the Group for each of the three years ended 31 December 2017 are RMB345,000, RMB546,000 and RMB676,000, respectively.

**29. CAPITAL RISK MANAGEMENT**

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

The capital structure of the Group consists of amounts due to related parties/a shareholder, financial assets sold under repurchase agreements and bank borrowings as set out in Notes 18, 22 and 23, respectively and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

**30. FINANCIAL INSTRUMENTS****Categories of financial instruments****THE GROUP**

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Financial assets</b>			
Loans and receivables	<u>106,223</u>	<u>8,235</u>	<u>3,625</u>
Finance lease receivable	<u>98,426</u>	<u>267,192</u>	<u>336,965</u>
<b>Financial liabilities</b>			
Amortised cost	<u>81,299</u>	<u>163,315</u>	<u>112,651</u>

## THE COMPANY

As at 31 December 2016

**Financial assets**

Loans and receivables	24	24
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**Financial liabilities**

Amortised cost	—	10,832
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**Financial risk management objectives and policies**

The Group's major financial instruments include finance lease receivable, other receivable, bank balances and cash, other payables, deposits from finance lease customers, amounts due from (to) related parties, amount due to a shareholder, financial assets sold under repurchase agreements and bank borrowings.

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

**Market risk***Currency risk*

The Group has foreign currency denominated monetary assets, and thus exposing the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets, including short-term bank deposits and bank balances at the reporting date are as follows:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Assets</b>			
HK\$	4,630	947	18
US\$	—	196	4

The Group currently does not have a foreign exchange hedging policy to eliminate the currency exposures. However, the management of the Group monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

*Sensitivity analysis*

The Group is mainly exposed to the effects of fluctuation in RMB against US\$/HK\$.

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

	US\$/HK\$ impact		
	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
US\$:			
Decrease in profit for the year	—	(10)	—
HK\$:			
Decrease in profit for the year	<u>(174)</u>	<u>(45)</u>	<u>1</u>

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the year end exposure does not reflect the exposure during the Track Record Period.

***Interest rate risk***

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

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

The management of the Group monitors the related interest exposure closely to ensure the interest rate risks are maintained at an acceptable level. The Group's exposures to interest rates on financial assets and liabilities are mainly concentrated on the fluctuation of the interest rate prescribed by the People's Bank of China arising from bank balances in which the management considered the effect is immaterial.

**Credit risk**

As at 31 December 2015, 2016 and 2017, 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 finance lease receivable, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

The credit risk on liquid funds (i.e. structured deposits and bank balances) is limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk on finance lease receivable (the "Receivables") as at 31 December 2015, 2016 and 2017 includes five major counterparties accounting for 19.8%, 9.0% and 7.4% of the Receivables, respectively. The management of 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 geographical risk on revenue which is generated mostly from customers located in the Guangdong province, the PRC during the Track Record Period. The management of the Group has closely monitored the business performance of these customers in the PRC and will consider diversifying its customer base as appropriate.

The Group is also exposed to concentration of credit risk due to the fact that the receivables are mainly due from customers in the printing industry in the PRC. As at 31 December 2015, 2016 and 2017, approximately 94.7%, 81.7% and 84.2% of the Receivables were due from customers in the printing industry, respectively. The Group has closely monitored the market intelligence of this industry and the business performance of its customers to ensure timely collection of the Receivables.

**Liquidity risk**

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows.

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

## Liquidity tables

## THE GROUP

	Weighted average effective interest rate	Overdue/ on demand	Within 1 month	1 to 3 months	4 to 12 months	1 to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 31 December 2015</b>									
<b>Assets</b>									
Finance lease receivable	14.77	—	4,595	9,493	41,613	44,781	17,004	117,486	98,426
Other receivable	—	3,066	—	—	—	—	69	3,135	3,135
Amounts due from related parties	—	96,686	—	—	—	—	—	96,686	96,686
Bank balances and cash	0.35	6,402	—	—	—	—	—	6,402	6,402
Total assets		<u>106,154</u>	<u>4,595</u>	<u>9,493</u>	<u>41,613</u>	<u>44,781</u>	<u>17,073</u>	<u>223,709</u>	<u>204,649</u>
<b>Liabilities</b>									
Other payables	—	—	661	—	—	—	—	661	661
Deposits from finance lease customers	12.68	—	—	—	820	5,033	12,690	18,543	14,147
Financial assets sold under repurchase agreements	11.02	—	—	—	72,119	—	—	72,119	64,963
Amounts due to related parties	—	1,528	—	—	—	—	—	1,528	1,528
Total liabilities		<u>1,528</u>	<u>661</u>	<u>—</u>	<u>72,939</u>	<u>5,033</u>	<u>12,690</u>	<u>92,851</u>	<u>81,299</u>
<b>As at 31 December 2016</b>									
<b>Assets</b>									
Finance lease receivable	13.77	125	14,827	28,728	116,887	115,306	40,045	315,918	267,192
Other receivable	—	344	—	—	—	69	—	413	413
Amounts due from related parties	—	5,139	—	—	—	—	—	5,139	5,139
Bank balances and cash	0.22	2,683	—	—	—	—	—	2,683	2,683
Total assets		<u>8,291</u>	<u>14,827</u>	<u>28,728</u>	<u>116,887</u>	<u>115,375</u>	<u>40,045</u>	<u>324,153</u>	<u>275,427</u>
<b>Liabilities</b>									
Other payables	—	—	1,668	—	—	—	—	1,668	1,668
Deposits from finance lease customers	12.68	—	42	42	5,538	26,753	27,604	59,979	47,265
Bank borrowings	7.40	—	92	185	15,832	—	—	16,109	15,000
Amounts due to related parties	—	1,148	—	—	—	—	—	1,148	1,148
Amount due to a shareholder	—	98,234	—	—	—	—	—	98,234	98,234
Total liabilities		<u>99,382</u>	<u>1,802</u>	<u>227</u>	<u>21,370</u>	<u>26,753</u>	<u>27,604</u>	<u>177,138</u>	<u>163,315</u>

**APPENDIX I**
**ACCOUNTANTS' REPORT**

	Weighted average effective interest rate	Overdue/ on demand	Within 1 month	1 to 3 months	4 to 12 months	1 to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 31 December 2017</b>									
<b>Assets</b>									
Finance lease receivable	13.83	1,937	20,061	41,854	163,918	132,426	35,345	395,541	336,965
Other receivable	—	491	4	—	834	—	351	1,680	1,301
Bank balances and cash	0.35	2,324	—	—	—	—	—	2,324	2,324
Total		<u>4,752</u>	<u>20,065</u>	<u>41,854</u>	<u>164,752</u>	<u>132,426</u>	<u>35,696</u>	<u>399,545</u>	<u>340,590</u>
<b>Liabilities</b>									
Other payables	—	870	—	—	—	—	—	870	870
Deposits from finance lease customers	12.68	—	746	726	21,367	40,231	30,285	93,355	76,717
Amounts due to related parties	—	26,351	—	—	—	—	—	26,351	26,351
Financial assets sold under repurchase agreements	10.00	—	—	—	9,091	—	—	9,091	8,713
Total		<u>27,221</u>	<u>746</u>	<u>726</u>	<u>30,458</u>	<u>40,231</u>	<u>30,285</u>	<u>129,667</u>	<u>112,651</u>

**THE COMPANY**

	<u>On demand</u>	<u>Total undiscounted cash flows</u>	<u>Carrying amount</u>
<b>As at 31 December 2016</b>			
<b>Assets</b>			
Amount due from a subsidiary	<u>24</u>	<u>24</u>	<u>24</u>
<b>As at 31 December 2017</b>			
<b>Assets</b>			
Amount due from a subsidiary	<u>24</u>	<u>24</u>	<u>24</u>
<b>Liabilities</b>			
Amounts due to subsidiaries	<u>10,832</u>	<u>10,832</u>	<u>10,832</u>

**Fair value**

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

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

### Transfers of financial assets

The following was the Group's finance lease receivable as at 31 December 2015, 2016 and 2017 that were transferred to a financial institution by discounting those finance lease receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these factoring assets, it continues to recognise the full carrying amount of the finance lease receivable and has recognised the cash received on the transfer as financial assets sold under repurchase agreements (Note 22).

These financial assets are carried at amortised cost in the Group's consolidated statements of financial position:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount of transferred assets	71,664	—	8,860
Carrying amount of associated liabilities	<u>(64,963)</u>	<u>—</u>	<u>(8,713)</u>
Net position	<u>6,701</u>	<u>—</u>	<u>147</u>

## 31. RELATED PARTY TRANSACTIONS

### (a) Balances

Details of the balances with related parties are set out in the consolidated statements of financial position and Note 18.

### (b) Related party transactions

Save as disclosed in Notes 2, 22, 23 and below, during the Track Record Period, the Group did not enter into other transactions with related parties. Prior to 30 November 2015, deposits from finance lease customers with an accumulated amount of RMB12,887,700 were received by ZYY Holdings directly from customers on behalf of ZYY Shenzhen based on the instructions made by ZYY Shenzhen to its customers. Pursuant to the relevant agreements signed among ZYY Shenzhen, ZYY Holdings and ZYY Shenzhen's customers, substantial rights and obligations adhered to these deposits belonged to ZYY Shenzhen. Upon execution of an agreement on 28 December 2015 between ZYY Shenzhen and ZYY Holdings, the above-mentioned amount was transferred back to ZYY Shenzhen. In addition, during the period from 20 January 2015 to 31 December 2015, finance lease income

receipts from ZYY Shenzhen's customers amounted to RMB4,630,320 were billed and collected by ZYY Holdings and the same amount was re-charged by ZYY Shenzhen to ZYY Holdings in the same year. There were no similar arrangements as mentioned above in the years ended 31 December 2016 and 2017.

(c) **Compensation of key management personnel**

During the Track Record Period, the remuneration of key management personnel which represent the directors of the Company and senior management is as follows:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other allowances	510	1,146	1,984
Retirement benefits scheme contributions	45	76	142
	<u>555</u>	<u>1,222</u>	<u>2,126</u>

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

**32. PARTICULARS OF SUBSIDIARIES**

The Company has direct and indirect shareholders/equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and share capital/ registered capital	Shareholding/equity interest attributable to the Company as				Principal activities	Notes
			As at 31 December			As at the date of this report		
			2015	2016	2017			
<i>Directly held:</i>								
Honor Global	The BVI 28 October 2016	US\$50,000	N/A	100%	100%	100%	Investment holding	(a)
<i>Indirectly held:</i>								
HK Lixin	Hong Kong 6 March 2013	HK\$50,000,000	100%	100%	100%	100%	Investment holding	(b)
ZYY Shenzhen	The PRC 28 May 2014	US\$30,000,000	100%	100%	100%	100%	Provision of financial leasing services	(a) & (c)
Shenzhen Huafang 深圳市華方管理諮詢有限公司	The PRC 6 September 2015	RMB2,000,000	100%	100%	100%	100%	Provision of consultancy services	(a) & (c)

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

notes:

- (a) No audited financial statements of Honor Global, ZYY Shenzhen and Shenzhen Huafang have been prepared since their respective dates of incorporation/establishment as they are incorporated/established in the jurisdictions where there are no statutory audit requirements.
- (b) The statutory financial statements of HK Lixin for the years ended 30 June 2015, 2016 and 2017 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us.
- (c) The directors of the Company assessed whether or not the Group had control in ZYY Shenzhen and Shenzhen Huafang prior to the acquisition of HK Lixin based on whether the Controlling Individual Shareholders had the practical ability to direct their relevant activities unilaterally. The articles of association of ZYY Shenzhen has set out that resolutions of relevant activities require at least two-thirds of the votes in the board of director's meeting. According to the articles of association of ZYY Shenzhen, the Controlling Individual Shareholders, through ZYY Holdings, had the ability to appoint two out of three directors of ZYY Shenzhen.

### 33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Financing cash flow			Non-cash changes			As at 31 December 2015	
	As at 1 January 2015	Cash in	Cash out	Net cash from (used in) financing activities	Interest accruals	Acquisition of HK Lixin (Note 26)		Foreign exchange movement
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Other payable - interest payable	—	—	—	—	2,528	—	—	2,528
Financial assets sold under repurchase agreements	—	64,963	—	64,963	—	—	—	64,963
Amounts due to related parties	—	80	—	80	—	1,448	—	1,528

	As at 1 January 2016	Financing cash flow		Net cash from (used in) financing activities	Non-cash changes		As at 31 December 2016
		Cash in	Cash out		Accruals	Foreign exchange movement	
Other payable - interest payable	2,528	—	(7,156)	(7,156)	4,628	—	—
Financial assets sold under repurchase agreements	64,963	—	(64,963)	(64,963)	—	—	—
Bank borrowings	—	15,000	—	15,000	—	—	15,000
Amounts due to related parties	1,528	13,709	(14,089)	(380)	—	—	1,148
Amount due to a shareholder	—	113,280	(14,856)	98,424	—	(190)	98,234
Accrued issue costs	—	—	(1,031)	(1,031)	1,031	—	—

	As at 1 January 2017	Financing cash flow		Net cash from (used in) financing activities	Accruals	Non-cash changes			As at 31 December 2017
		Cash in	Cash out			Foreign exchange movement	Transfer of indebtedness to Controlling Individual Shareholders (note i)	Deemed capital contribution from a shareholder (note ii)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other payable - interest payable	—	—	(1,199)	(1,199)	1,199	—	—	—	—
Bank borrowings	15,000	15,000	(30,000)	(15,000)	—	—	—	—	—
Financial assets sold under repurchase agreements	—	8,340	—	8,340	373	—	—	—	8,713
Amounts due to related parties	1,148	63,128	(37,925)	25,203	—	—	—	—	26,351
Amount due to a shareholder	98,234	—	—	—	—	(24)	(4,684)	(93,526)	—
Accrued issue costs	—	—	(1,411)	(1,411)	2,969	—	—	—	1,558

Notes:

- (i) During the year ended 31 December 2017, amounts due to a shareholder of RMB2,684,000 in May and RMB2,000,000 in July, respectively, were assumed by Controlling Individual Shareholders, namely Mr. Zhang JS and Mr. Zhang JW to set off the corresponding amount due from Controlling Individual Shareholders.
- (ii) Details of this major non-cash transaction are set out in notes (iii) and (iv) of the consolidated statements of changes in equity.

**34. EVENTS AFTER THE REPORTING PERIOD**

Save as elsewhere disclosed in this report, subsequent to 31 December 2017, the following significant events took place:

On 12 June 2018, written resolutions of the shareholders of the Company were passed to approve the followings:

- (a) the share option scheme of the Company was unconditionally adopted and principal terms of which are summarised in Appendix IV to the Prospectus. No option was granted as at the date of this report.
- (b) Pursuant to a written resolution passed by the shareholders of the Company, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of additional 996,200,000 ordinary shares of HK\$0.10 each, and subject to the share offer becoming unconditional and the share premium account of the Company having sufficient balance, the directors of the Company will be authorised to, among other things, capitalise the amount of approximately HK\$29,899,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par a total of 298,990,000 shares for allotment and issue to the shareholders of the Company as at 12 June 2018 in proportion to their shareholding in the Company.

Saved as aforesaid, there were no significant events took place subsequent to 31 December 2017.

**35. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2017 and up to the date of this report.

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report on the historical financial information of the Group for each of the three years ended 31 December 2017 issued by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I of this document (the "Accountants' Report"), and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I of this prospectus.

### A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted consolidated net tangible assets of Ziyuanyuan Holdings Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**") which has been prepared in accordance with Rule 7.31 of The GEM Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of illustrating the effect of the proposed share offer by the Company of its shares (the "**Share Offer**"), as if the Share Offer had taken place on 31 December 2017.

The statement of the unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Share Offer been completed as at 31 December 2017 or at any future dates. It is prepared based on the audited consolidated net tangible assets of the Group as at 31 December 2017 as set out in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of the Group as at 31 December 2017	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2017	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share as at 31 December 2017	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK\$ (Note 4)
Based on an Offer Price of HK\$0.60 per Share	210,351	40,002	250,353	0.63	0.76
Based on an Offer Price of HK\$1.00 per Share	210,351	71,668	282,019	0.71	0.85

- (1) The audited consolidated net tangible assets of the Group as at 31 December 2017 is based on the audited consolidated net assets of the Group of RMB210,351,000 as extracted from the Accountants' Report set forth in Appendix I to this Prospectus.
- (2) The adjustment to the unaudited pro forma statement of consolidated net tangible assets of the Group reflects the estimated net proceeds from the Share Offer to be received by the Company. The estimated net proceeds from the Share Offer is based on 100,000,000 shares at the Share Offer Price of HK\$0.60 and HK\$1.00, being the low-end and high-end of the stated Share Offer price range, per Share, after deduction of the estimated underwriting fees and other related expenses incurred or expected to be incurred by the Group (excluding listing expenses which have been charged to profit or loss up to 31 December 2017 by the Group) and does not take into account any Shares which may be issued or

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## APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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repurchased pursuant to the Company's general mandate. The proceeds from the Share Offer are converted from Hong Kong Dollars to Renminbi at an exchange rate of RMB0.833 to HK\$1, which was the exchange rate prevailing on 31 December 2017. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is calculated after the adjustments referred to in note (2) above and based on 400,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue assumed to be on 31 December 2017. It does not take into account any Shares which may be issued or repurchased pursuant to our Company's general mandate.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is converted from Renminbi into Hong Kong dollars at the rate of RMB0.833 to HK\$1, which was the exchange rate prevailing on 31 December 2017. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollar, or vice versa, at that rate or at other rates or at all.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2017 to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2017.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.*

**Deloitte.**

**德勤**

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**To the Directors of Ziyuanyuan Holdings Group Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Ziyuanyuan Holdings Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 December 2017 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 25 June 2018 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed listing on GEM of the Stock Exchange of Hong Kong Limited by way of Share Offer (the “**Share Offer**”) on the Group's financial position as at 31 December 2017 as if the Share Offer had taken place at 31 December 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended 31 December 2017, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

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- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
25 June 2018

*This Appendix contains a summary of the Memorandum and Articles of Association. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. As stated in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix V in this prospectus, a copy of the Articles of Association is available for inspection.*

*Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.*

*The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 October 2016 under the Cayman Companies Law. The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (“**Memorandum**”) and its Amended and Restated Articles of Association (“**Articles**”).*

## **1. MEMORANDUM OF ASSOCIATION**

1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

## **2. ARTICLES OF ASSOCIATION**

The Articles were adopted on 12 June 2018 with effect from the Listing Date. A summary of certain provisions of the Articles is set out below.

### **2.1 Shares**

#### **2.1.1 Classes of shares**

The share capital of the Company consists of ordinary shares.

#### **2.1.2 Variation of rights of existing shares or classes of shares**

Subject to Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The

provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

#### **2.1.3 *Alteration of capital***

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

#### **2.1.4 *Transfer of shares***

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

#### ***2.1.5 Power of the Company to purchase its own shares***

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

#### ***2.1.6 Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

#### ***2.1.7 Calls on shares and forfeiture of shares***

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20.0% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20.0% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20.0% per annum as the Board may prescribe.

## **2.2 Directors**

### ***2.2.1 Appointment, retirement and removal***

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the

Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (a) resign;
- (b) dies;
- (c) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (d) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (e) he is prohibited from being or ceases to be a director by operation of law;
- (f) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (g) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (h) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

***2.2.2 Power to allot and issue shares and warrants***

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

***2.2.3 Power to dispose of the assets of the Company or any of its subsidiaries***

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

**2.2.4 *Borrowing powers***

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

**2.2.5 *Remuneration***

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

***2.2.6 Compensation or payments for loss of office***

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

***2.2.7 Loans and provision of security for loans to Directors***

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

***2.2.8 Disclosure of interest in contracts with the Company or any of its subsidiaries***

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (a) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (d) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (e) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

#### ***2.2.9 Proceedings of the Board***

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

#### **2.3 Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

## 2.4 Meetings of member

### 2.4.1 *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

### 2.4.2 *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (a) at least two members;
- (b) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

- (c) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

#### ***2.4.3 Annual general meetings***

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

#### ***2.4.4 Notices of meetings and business to be conducted***

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95.0% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

#### ***2.4.5 Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

#### ***2.4.6 Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

### **2.5 Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

## **2.6 Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

2.6.1 all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

2.6.2 all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

2.6.3 the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20.0% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

### **2.7 Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

### **2.8 Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3.6 of this Appendix.

### **2.9 Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

2.9.1 if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

2.9.2 if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

### **2.10 Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

## **3 CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 28 October 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

### **3.1 Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

### **3.2 Share capital**

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

3.2.1 paying distributions or dividends to members;

3.2.2 paying up unissued shares of the company to be issued to members as fully paid bonus shares;

3.2.3 any manner provided in section 37 of the Cayman Companies Law;

3.2.4 writing-off the preliminary expenses of the company; and

3.2.5 writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

### **3.3 Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

### **3.4 Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

### **3.5 Dividends and distributions**

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

### **3.6 Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

### **3.7 Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

### **3.8 Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

### **3.9 Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

### **3.10 Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

3.10.1 no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

3.10.2 no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

- (a) on or in respect of the shares, debentures or other obligations of the Company; or
- (b) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 9 May 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

### **3.11 Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**3.12 Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

**3.13 Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**3.14 Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

**3.15 Register of Directors and officers**

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

**3.16 Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

### **3.17 Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75.0% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

### **3.18 Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90.0% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the

transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

### **3.19 Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

## **4 GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "2. Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES****1. Incorporation**

Our Company was incorporated in the Cayman Islands on 28 October 2016 under the Cayman Companies Law as an exempted company with limited liability. The registered office of our Company is at Sertus Incorporations (Cayman) Limited, Sertus Chambers, Governors Square, Suite #5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands. Our Company has established a place of business in Hong Kong at Suite No. 2909, 29th Floor of Office Tower of Skyline Tower, No.39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong, and has been registered with the Companies Registry in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Cap. 622) on 22 March 2017. Mr. TANG Chi Chiu (鄧志釗) of Room A, 21/F., 128 Wellington Street, Central, Hong Kong, has been appointed as the authorised representative of the Company for acceptance of service of process in Hong Kong.

As our Company was incorporated in the Cayman Islands, our operation is subject to the Cayman Companies Law and our constitution which comprises the Memorandum and Articles of Association. A summary of certain aspects of the Cayman Companies Law and a summary of certain provisions of our Memorandum and the Articles of Associations are set out in Appendix III to this prospectus.

**2. Changes in share capital of our Company**

As at the date of incorporation, our Company had an authorised share capital of HK\$380,000, divided into 3,800,000 shares of par value HK\$0.10 each.

The following sets out the changes in the share capital of our Company since its incorporation up to the date of this prospectus:

One Share was allotted and issued fully paid at par to the subscriber which is transferred to Hero Global on 28 October 2016 on the incorporation date of the Company.

On 4 November 2016, Hero Global transferred 100.0% issued shares of HK Lixin to Honor Global in consideration of our Company allotting and issuing 729,999 Shares credited as fully paid to Hero Global at the direction of Mr. Zhang.

On 23 December 2016, our Company allotted and issued 270,000 fully paid Shares to Icon Global at par value.

On 31 May 2017, our Company allotted and issued 10,000 fully paid Shares to Hero Global at the subscription price of approximately RMB25,526,000, which was satisfied by capitalising an amount due by our Company to Hero Global of approximately RMB25,526,000.

Pursuant to resolution in writing of our Shareholders passed on 12 June 2018, our authorised share capital was increased from HK\$380,000 divided into 3,800,000 Shares of par value HK\$0.10 each to HK\$100,000,000 divided into 1,000,000,000 Shares of par value HK\$0.10 each by creation of an additional 996,200,000 Shares.

Immediately following completion of the Share Offer and the Capitalisation Issue, the issued share capital of our Company will be HK\$40,000,000 divided into 400,000,000 Shares of par value HK\$0.10 each, all fully paid or credited as fully paid and 600,000,000 Shares will remain unissued.

Save for aforesaid and as mentioned in the subsection headed “—3. Resolutions in writing of our Shareholders passed on 12 June 2018” below, there has been no alteration in the share capital of the Company since its incorporation.

### 3. Resolutions in writing of our Shareholders passed on 12 June 2018

Pursuant to the written resolutions passed by our Shareholders on 12 June 2018, among other things:

- (a) our Company approved and adopted the Memorandum and the Articles of Association with effect upon the Listing;
- (b) conditional on (i) the Listing Division granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; (ii) the Offer Price having been duly determined in accordance with the terms of the Underwriting Agreements and the execution and delivery of the Underwriting Agreements; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with their terms or otherwise, in each case on or before the dates and times specified in the Underwriting Agreements (unless to the extent such conditions are validly waived on or before such dates and times) and in any event no later than the date falling 30 days after the date of the issue of this prospectus:
  - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank *pari passu* with the then existing Shares in all respects;
  - (ii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, the Capitalisation Issue was approved, and our Directors were authorised to capitalise an amount of HK\$29,899,000 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 298,990,000 Shares for allotment and issue to the person(s) whose names appear on the register of members of our Company at the close of business on 12 June 2018 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions;
  - (iii) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with (otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under any share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our

Shareholders in general meeting or pursuant to the Capitalisation Issue and the Share Offer), the unissued Shares with the total number not exceeding 20.0% of the number of Shares of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer.

Such mandate to remain in effect until the earliest of:

- (1) at the conclusion of the next annual general meeting of our Company;
  - (2) at the expiry of the period within which the next annual general meeting of our Company is required by the Articles of Association or the Cayman Companies Law or any other applicable laws to be held; or
  - (3) the time when such mandate is varied or revoked by any ordinary resolution of our Shareholders in general meeting;
- (iv) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares no more than 10.0% of the total Share of our Company in issue immediately following completion of the Capitalisation Issue and the Share Offer, such mandate to remain in effect until the earliest of:
- (1) at the conclusion of the next annual general meeting of our Company;
  - (2) at the expiry of the period within which the next annual general meeting of our Company is required by the Articles of Association or the Cayman Companies Law or any other applicable laws to be held; or
  - (3) the time when such mandate is varied or revoked by any ordinary resolution of our Shareholders in general meeting; and
- (v) conditional on the passing of the resolutions referred to in sub-paragraphs (iii) and (iv) above, the general unconditional mandate mentioned in sub-paragraph (iii) above was extended by the addition to the aggregate number of Shares which may be allotted, issued or dealt with by our Directors pursuant to such general mandate an amount representing the number of issued Share of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (iv) above provided that such extended amount shall not exceed 10% of the aggregate number of shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue.

#### 4. Reorganisation

In order to rationalise our structure and prepare for the Listing, our Group has undertaken several restructuring steps. Details of the Reorganisation are set out in the section headed “History and Reorganisation” in this prospectus.

## 5. Changes in share capital of our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are referred to the Accountants' Report as set out in Appendix I in this prospectus.

Save as disclosed in the section headed "History and Reorganisation" in this prospectus and in the Accountants' Report set out in the Appendix I in this prospectus, the Company has no other subsidiaries.

Save as disclosed in this prospectus, there have been no alterations in the share capital of our subsidiaries within the two years immediately preceding the date in this prospectus.

## 6. Repurchase of Shares by our Company

### (a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

#### (i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a listed company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by our Shareholders on 12 June 2018, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of not more than 10.0% of the aggregate number of our Company's Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer, the Repurchase Mandate shall remain in effect until the earliest of the conclusion of our next annual general meeting, or the expiration of the period within which we are required by our Articles of Association or the Cayman Companies Law or any other applicable laws to hold our next annual general meeting or the date on which the Repurchase Mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

#### (ii) *Source of funds*

Repurchases by our Company must be financed out of funds legally available for the purpose in accordance with the Memorandum and the Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands.

A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time.

(iii) *Trading restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10.0% of the aggregate number of shares in issue at the date of the passing of the relevant resolution granting the Repurchase Mandate. A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5.0% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The GEM Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant minimum prescribed percentage as required by the Stock Exchange.

(iv) *Status of repurchased Shares*

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) *Suspension of repurchase*

A listed company may not make any repurchase of securities on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one (1) month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules), and in each case ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances and provided that a waiver one all or any of the restrictions under the GEM Listing Rules has been granted by the Stock Exchange. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the GEM Listing Rules.

(vi) *Reporting requirements*

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any

day on which our Company may make a purchase of Shares. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid. The directors' report is also required to contain reference to the purchase made during the year and the directors' reasons for making such purchases. The listed company shall make arrangements with its broker who effects the purchase to provide the listed company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the listed company to report to the Stock Exchange.

(vii) *Core connected persons*

According to the GEM Listing Rules, a company is prohibited from knowingly repurchase securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of such company or any of its subsidiaries or any of their close associates and a core connected person shall not knowingly sell his/her/its securities to our Company on the Stock Exchange.

(b) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after the completion of the Capitalisation Issue and the Share Offer, could accordingly result in up to 40,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(c) *Reasons for repurchases*

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share.

(d) *Funding of repurchase*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company or from sum standing to the credit of the shares premium account of our Company or the proceeds of a fresh issue of shares made for the purpose of the purchase, or subject to the Cayman Companies Law and if so authorised by the Articles of Association, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sum standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Law and if so authorised by the Articles of Association, out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or its subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Memorandum and Articles of Association and the applicable laws of the Cayman Islands. Our Company has not repurchased any Shares in the previous six months.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event that the Repurchase Mandate is exercised.

As a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company will increase and such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code due to any repurchase which may be made pursuant to the Repurchase Mandate immediately after the Listing.

## **B. FURTHER INFORMATION ABOUT OUR BUSINESS**

### **1. Summary of Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date in this prospectus and are or may be material:

- (a) share transfer agreement executed by Hero Global and Honor Global dated 4 November 2016, pursuant to which Honor Global agreed to acquire 100.0% of the issued share capital of HK Lixin in consideration of the allotment and issue of 729,999 Shares by our Company to Hero Global, credited as fully paid;
- (b) an instrument of transfer dated 4 November 2016 and stamped on 27 March 2017 entered into between Hero Global (as transferor) and Honor Global (as transferee) for the transfer of 50,000,000 shares in HK Lixin in consideration of the allotment and issue of 729,999 Shares by our Company to Hero Global, credited as fully paid;
- (c) a bought and sold note dated 4 November 2016 and stamped on 27 March 2017 entered into between Hero Global (as transferor) and Honor Global (as transferee) pursuant to which Honor Global acquired 50,000,000 shares in HK Lixin from Hero Global in consideration of the allotment and issue of 729,999 Shares by our Company to Hero Global, credited as fully paid;

- (d) share transfer agreement (股權轉讓協議書) executed by HK Lixin and ZYY Holdings dated 12 December 2016, pursuant to which HK Lixin acquired 45.0% equity interest of ZYY Shenzhen from ZYY Holdings at the consideration of RMB24,000,000;
- (e) deed of waiver and release (豁免及解除契約) executed by Hero Global and HK Lixin dated 28 March 2017, pursuant to which Hero Global irrevocably and unconditionally released and discharge HK Lixin from payment of an amount due to Hero Global of RMB68,000,000;
- (f) deed of novation and assignment dated 31 May 2017 executed by Mr. Zhang, Mr. Zhang Junwei, Hero Global, ZYY Shenzhen and HK Lixin, pursuant to which (i) Hero Global assumed the debt of RMB1,400,000 and RMB300,000 owing to ZYY Shenzhen by Mr. Zhang and Mr. Zhang Junwei respectively (in aggregate, RMB1,700,000, hereafter referred to as the “**ZYY Debt**”); and (ii) ZYY Shenzhen assigned the ZYY Debt owing to ZYY Shenzhen by Hero Global to HK Lixin;
- (g) deed of novation and set off dated 31 May 2017 executed by Mr. Zhang, Hero Global and HK Lixin, pursuant to which (i) Hero Global assumed the debt in the amount of RMB987,384.24 (the “**Zhang Debt**”) owing to HK Lixin by Mr. Zhang; and (ii) the Zhang Debt together with the ZYY Debt as mentioned above were set off against the debt of RMB30,213,091 owing by HK Lixin to Hero Global;
- (h) deed of novation and capitalisation dated 31 May 2017 executed by Hero Global, HK Lixin and our Company, pursuant to which (i) our Company assumed the debt of RMB25,525,706.76 (the “**Debt**”) owing by HK Lixin to Hero Global; and (ii) our Company allotted and issued 10,000 fully paid Share at the subscription price in a sum equivalent to the Debt and such subscription price was satisfied by capitalising the Debt;
- (i) deed of novation and assignment dated 30 July 2017 executed by Mr. Zhang, Hero Global, ZYY Shenzhen and HK Lixin, pursuant to which (i) Hero Global assumed the debt of RMB2,000,000 owing to ZYY Shenzhen by Mr. Zhang (the “**Ziyuanyuan Debt**”); and (ii) ZYY Shenzhen assigned the Ziyuanyuan Debt owing ZYY Shenzhen by Hero Global to HK Lixin;
- (j) a trademark assignment and license agreement (商標轉讓及許可使用協議) (the “**Trademark Assignment and License Agreement**”) dated 28 March 2017 entered between ZYY Holdings and ZYY Shenzhen, pursuant to which ZYY Holdings agreed to assign all of its rights in connection with the applications for registrations of certain trademarks (as defined in the Trademark Assignment and License Agreement) to ZYY Shenzhen;
- (k) the Deed of Non-competition;
- (l) the Deed of Indemnity; and
- (m) the Public Offer Underwriting Agreement.

## 2. Intellectual property rights of our Group

## (a) Trademark

ZYY Shenzhen have entered into the Trademark Assignment and License Agreement with ZYY Holdings, pursuant to which ZYY Holdings agreed to assign all of its rights in connection with the applications for registrations of certain trademarks to ZYY Shenzhen. For details, please refer to the subsection headed “Connected Transactions — Exempt Continuing Connected Transactions” in this prospectus. As at the Latest Practicable Date, such trademarks or trademark applications have been assigned to ZYY Shenzhen pursuant to the Trademark Assignment and License Agreement. Details of such trademarks or trademark applications are set out below:

<u>Trademark</u>	<u>Country of registration</u>	<u>Trademark No. with class</u>	<u>Registration date</u>	<u>Registrant</u>	<u>Expiry date</u>
<b>紫元元</b>	The PRC	21075248 (class 1), 21075249 (class 2), 21075632 (class 4), 21075758 (class 6), 21076252 (class 7), 21076178 (class 8), 21076786 (class 13), 21077036 (class 15), 21075072 (class 17), 21075139 (class 18), 21075287 (class 19), 21075587 (class 20), 21075494 (class 22), 21075662 (class 23), 21075858 (class 24), 21076168 (class 26), 21076222 (class 27), 21076312 (class 28), 21075125 (class 32), 21075373 (class 33), 21075217 (class 34), 21075732 (class 36), 21076175 (class 37), 21076255 (class 38), 21076320 (class 39), 21076401 (class 40), 21076498 (class 41), 21076932 (class 42), 21077201 (class 44), 21077166 (class 45), 21075139 (class 16)	21 October 2017	ZYY Shenzhen	20 October 2027

<u>Trademark</u>	<u>Country of registration</u>	<u>Trademark No. with class</u>	<u>Registration date</u>	<u>Registrant</u>	<u>Expiry date</u>
	The PRC	21075529 (class 3), 21076677 (class 10), 21076574 (class 11), 21076730 (class 12), 21077123 (class 14), 21075669 (class 21), 21075921 (class 25), 21076322 (class 29), 21076748 (class 30), 21075079 (class 31), 21076837 (class 43)	21 December 2017	ZYY Shenzhen	20 December 2027

<u>Trademark application</u>	<u>Place of application</u>	<u>Application No. with class</u>	<u>Applicant</u>	<u>Application date</u>
	The PRC	21076597 (class 9), 21075360 (class 35)	ZYY Shenzhen	23 August 2016

As at the Latest Practicable Date, our Group was also the registered proprietor of the following trademarks.

<u>Trademark</u>	<u>Country of registration</u>	<u>Trademark No. with Class</u>	<u>Registration date</u>	<u>Registrant</u>	<u>Expiry date</u>
	Hong Kong	303618621 (class 35, 36, 41 and 43)	4 December 2015	ZYY Shenzhen	3 December 2025
	The PRC	23232217 (class 13), 23232203 (class 14), 23235176 (class 39)	7 March 2018	ZYY Shenzhen	6 March 2028
	The PRC	23229634 (class 4), 23229992 (class 6), 23231240 (class 8), 23231782 (class 10), 23231838 (class 11), 23232472 (class 15), 23233388 (class 17), 23234877 (class 20), 23234780 (class 22), 23230795 (class 23), 23233562 (class 31), 23233830 (class 34), 23234864 (class 36), 23235016 (class 37), 23235089 (class 38), 23234986 (class 40), 23236444 (class 45)	14 March 2018	ZYY Shenzhen	13 March 2028

<u>Trademark</u>	<u>Country of registration</u>	<u>Trademark No. with Class</u>	<u>Registration date</u>	<u>Registrant</u>	<u>Expiry date</u>
	The PRC	23232632 (class 27), 23233136 (class 28)	21 March 2018	ZYY Shenzhen	20 March 2028

As at the Latest Practicable Date, we also have the following trademark applications:

<u>Trademark application</u>	<u>Place of application</u>	<u>Application No. with class</u>	<u>Applicant</u>	<u>Application date</u>
	The PRC	23228651 (class 1), 23228807 (class 2), 23229494 (class 3), 23229721 (class 5), 23230662 (class 7), 23231653 (class 9), 23233146 (class 16), 23233766 (class 18), 23234767 (class 19), 23235079 (class 21), 23232485 (class 24), 23232631 (class 25), 23232408 (class 26), 23233244 (class 29), 23233460 (class 30), 23233698 (class 32), 23234259 (class 35), 23235651 (class 41), 23236146 (class 42), 23236262 (class 43), 23236313 (class 44)	ZYY Shenzhen	21 March 2017

(b) **Domain name**

As at the Latest Practicable Date, our Group has registered the following domain names:

<u>Domain name</u>	<u>Registered owner</u>	<u>Registration date</u>	<u>Expiry date</u>
ziyygroup.com	ZYY Shenzhen	27 February 2017	27 February 2022
ziyygroup.com.cn	ZYY Shenzhen	27 February 2017	27 February 2022
ziyygroup.cn	ZYY Shenzhen	27 February 2017	27 February 2022

Information contained in the above websites does not form part of this prospectus.

(c) **Copyrights**

As at the Latest Practicable Date, our Group has registered the following computer software copyrights which are material to our business:

<b>Name of the computer software</b>	<b>Country of registration</b>	<b>Copyright owner</b>	<b>Registration No.</b>	<b>First publish date</b>	<b>Registration date</b>
ZIYUANYUAN Equipment Risk Control System Software V1.0 (紫元元設備租賃風險控制系統軟件V1.0)	PRC	ZYY Shenzhen	2016 SR264996	15 June 2016	19 September 2016
ZIYUANYUAN Leasing Equipment Management Platform System Software V1.0 (紫元元設備租賃管理平台系統軟件V1.0)	PRC	ZYY Shenzhen	2016 SR265021	16 May 2016	19 September 2016

Save as disclosed herein, there are no other intellectual property rights which are or may be material to our business.

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 1. Directors

#### (a) Disclosure of interest

#### **Interests and short positions of our Directors and chief executive of our Company in our Shares, underlying shares and debentures of our Company and its associated corporations**

Immediately following completion of the Share Offer and the Capitalisation Issue, the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to

therein, or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, once the Shares are listed, are as follows:

(i) *Long position in our Shares*

<u>Name of Director</u>	<u>Capacity/nature of interest</u>	<u>Number of Shares held/interested in</u>	<u>Approximate percentage of shareholding in our Company</u>
Mr. Zhang <sup>(1),(2)</sup>	Interest in controlled corporation; interest held jointly with another person	300,000,000 Shares (long position)	75.0%
Mr. Zhang Junwei <sup>(1),(3)</sup>	Interest in controlled corporation; interest held jointly with another person	300,000,000 Shares (long position)	75.0%

*Notes:*

- (1) On 24 February 2017, Mr. Zhang and Mr. Zhang Junwei entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert in respect of each member of our Group from the incorporation dates of the respective member of our Group and continue as at and after the date of the Concert Parties Confirmatory Deed, details of which are set out in the subsection headed “History and Reorganisation — Parties Acting in Concert” in this prospectus.
- (2) 300,000,000 Shares in which Mr. Zhang is interested consist of (i) 219,801,980 Shares held by Hero Global, a company wholly owned by Mr. Zhang, in which Mr. Zhang is deemed to be interested under the SFO; and (ii) 80,198,020 Shares in which Mr. Zhang is deemed to be interested as a result of being a party acting in concert with Mr. Zhang Junwei.
- (3) 300,000,000 Shares in which Mr. Zhang Junwei is interested consist of (i) 80,198,020 Shares held by Icon Global, a company wholly owned by Mr. Zhang Junwei, in which Mr. Zhang Junwei is deemed to be interested under the SFO; and (ii) 219,801,980 Shares in which Mr. Zhang Junwei is deemed to be interested as a result of being a party acting in concert with Mr. Zhang.

(ii) *Long position in the ordinary shares of associated corporations*

<u>Name of Directors</u>	<u>Name of associated corporation</u>	<u>Capacity/nature of interest</u>	<u>Number and class of securities</u>	<u>Approximate percentage of shareholding</u>
Mr. Zhang	Hero Global	Beneficial owner	50,000 ordinary shares	100.0%
Mr. Zhang Junwei	Icon Global	Beneficial owner	100 ordinary shares	100.0%

(b) **Service contracts and letters of appointment**(1) *Executive Directors' service contracts*

Each of Mr. Zhang and Mr. Liu, being our Executive Directors has entered into a service contract with our Company on 12 June 2018. The terms and conditions of each of such service contracts are similar in all material aspects. Each service contract is for an initial term of three years with effect from the Listing Date and shall continue thereafter unless and until it is terminated by our Company or our Director giving to the other not less than three months' prior notice in writing. Under the service contract, the initial annual salary payable to our Executive Directors is as follows, and such salary will be reviewed annually by our Board and the remuneration committee of our Company:

<b>Name of Executive Director</b>	<b>HK\$ (per annum)</b>
Mr. Zhang	120,000
Mr. Liu	120,000

Subject to approval of the Board and the remuneration committee of our Company, each of our Executive Directors is entitled to a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of that Executive Director. Each of our Executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of annual salary and discretionary bonus payable to himself.

(2) *Non-executive Directors' letters of appointment*

Each of Mr. Zhang Junwei and Ms. Shen, being all our Non-executive Directors, has entered into a letter of appointment with our Company on 12 June 2018. Each letter of appointment is for an initial term of three years commencing from the Listing Date and shall continue thereafter unless terminated by either party giving at least three months' notice in writing. Under the letters of appointment, the annual director's fees payable to our Non-executive Directors are as follow:

<b>Name of Non-executive Directors</b>	<b>HK\$ (per annum)</b>
Mr. Zhang Junwei	120,000
Ms. Shen Qingli	120,000

(3) *Independent Non-executive Directors' letters of appointment*

Each of Mr. Chan Chi Fung Leo, Mr. Li Zhensheng and Mr. Chow Siu Hang, being all our Independent Non-executive Directors, has entered into a letter of appointment with our Company on 12 June 2018. Each letter of appointment is for an initial term of three years commencing from the Listing Date and shall continue thereafter unless terminated by either party giving at

least three month's notice in writing. Under the letters of appointment, the annual director's fees payable to our independent non-executive Directors are as follow:

<u>Name of Independent Non-executive Directors</u>	<u>HK\$ (per annum)</u>
Mr. Chan Chi Fung Leo	120,000
Mr. Li Zhensheng	120,000
Mr. Chow Siu Hang	120,000

Save as aforesaid, none of our Directors has or is proposed to have a service contract/letter of appointment with our Company or any of its subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

**(4) Director's remuneration**

The aggregate of the remuneration (including salaries and allowance, if any) paid and benefits in kind granted by our Group to our Directors in respect of FY2015, FY2016 and FY2017 was approximately RMB161,000, RMB161,000 and RMB323,000, respectively.

Under the arrangements currently in force, we estimated the aggregate of the remuneration (including salaries and allowance, if any) and benefits in kind payable to our Directors for the year ending 31 December 2018 to be approximately RMB775,000.

**2. Substantial Shareholders**

So far as is known to our Directors, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in our Shares or underlying shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

<u>Name</u>	<u>Capacity</u>	<u>Number of Shares held/interested in</u>	<u>Approximate percentage of shareholding in our Company</u>
Hero Global <sup>(1)</sup>	Beneficial owner; interests held jointly with another person	300,000,000 Shares (long position)	75.0%

Name	Capacity	Number of Shares held/interested in	Approximate percentage of shareholding in our Company
Icon Global <sup>(1)</sup>	Beneficial owner; interests held jointly with another person	300,000,000 Shares (long position)	75.0%
Ms. Tang <sup>(2)</sup>	Interest of spouse	300,000,000 Shares (long position)	75.0%

*Notes:*

- (1) On 24 February 2017, our ultimate Controlling Shareholders, namely Mr. Zhang and Mr. Zhang Junwei entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert in respect of each member of our Group from the incorporation dates of the respective members of our Group and continue as at and after the date of the Concert Parties Confirmatory Deed, details of which are set out in the subsection headed “History and Reorganisation—Parties Acting in Concert” of this prospectus. As such, pursuant to the parties acting in concert arrangement, each of our Controlling Shareholders, namely Hero Global (being wholly owned by Mr. Zhang), Mr. Zhang, Icon Global (being wholly owned by Mr. Zhang Junwei) and Mr. Zhang Junwei, is deemed to be interested in 75.0% of the issued share capital of our Company.
- (2) Ms. Tang is the spouse of Mr. Zhang, and she is deemed, or taken to be, interested in all Shares in which Mr. Zhang is interested in for the purposes of the SFO.

### 3. Agency fees or commissions received

Save as disclosed the subsection headed “Underwriting — Commissions and expenses” in this prospectus, no commissions, discounts, brokerage or other special terms were granted by our Group to any person (including our Directors and experts referred in the subsection headed “D. Other information — 5. Qualification of experts” below in this Appendix to the prospectus) within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

### 4. Disclaimers

Save as disclosed herein:

- (a) our Directors are not aware of any person who immediately following completion of the Share Offer and the Capitalisation Issue will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group;

- (b) none of our Directors nor chief executive of our Company has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once our Shares are listed on the Stock Exchange.
- (c) none of our Directors nor the experts named in the subsection headed “D. Other information — 5. Qualifications of experts” in this Appendix to this prospectus has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors nor the experts named in the subsection headed “D. Other information — 5. Qualification of experts” below in this Appendix to this prospectus is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or our Shareholders who are interested in more than 5.0% of the issued share capital of our Company has any interests in the five largest customers; and
- (f) none of the experts named in the subsection headed “D. Other information — 5. Qualification of experts” in this Appendix to this prospectus has any shareholding in any member in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in our Group.

## **D. OTHER INFORMATION**

### **1. Tax and Other Indemnities**

Hero Global, Mr. Zhang, Icon Global and Mr. Zhang Junwei (collectively, the “**Indemnifiers**”) have, under the Deed of Indemnity, given joint and several indemnities to our Company for itself and as trustee for our subsidiaries in connection with, among other things:

- a) any liability for estate duty which is or hereafter become payable by any member of our Group under or by virtue of the provisions of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in Hong Kong or any part of the world by reason of death of any person at any time and by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional;

- b) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the Share Offer becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which the Share Offer becomes unconditional, but the Indemnifiers will not be liable for any taxation claim under the Deed of Indemnity to the extent that:
- i) specific provision, reserve or allowance has been made for such taxation or taxation claim in the audited consolidated accounts of our Company or any member of our Group for the Track Record Period;
  - ii) such taxation arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
  - iii) the taxation arises in the ordinary course of business of our Company and/or any members of our Group after 31 December 2017 up to and including the date on which the Share Offer becomes unconditional;
- c) any penalties, claims, actions, demands, proceedings, judgments, losses, payments, liabilities, damages, settlement payments, costs, administrative or other charges, fees, expenses and fines of whatever nature (which shall include legal fees and costs) which may be imposed on, suffered or incurred by any member of our Group as a result of directly or indirectly or in connection with:
- i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise, instituted by or against any member of our Group in relation to any act, non-performance, omission, events or otherwise occurred on or before the date on which the Share Offer becomes unconditional;
  - ii) the implementation of the Reorganisation undergone by our Group in preparation for the Listing and/or disposal or acquisition of the equity interest in any member of our Group since the date of incorporation of each member of our Group and up to the date on which the Share Offer becomes unconditional; and
  - iii) any non-compliance with the applicable laws, rules or regulations by any member of our Group on or before the date on which the Share Offer becomes unconditional,

except that provision, reserve or allowance has been made for such liabilities in the audited consolidated financial statements of our Company for the Track Record Period (if any).

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

## 2. **Litigation**

During the Track Record Period and up to the Latest Practicable Date, we were involved in five legal proceedings: on 10 November 2016, ZYY Shenzhen as the plaintiff initiated one legal proceeding against the defendant, one of our customers who defaulted in payment under the finance lease agreement, and ZYY Shenzhen claimed for finance lease interests, damages and legal fees. This legal proceeding was later withdrawn by us since the defendant settled the payment under the finance lease agreement. On 18 October 2017, ZYY Shenzhen as the plaintiff initiated one legal proceeding against the defendant, one of our customers who defaulted in payment under the finance lease agreement, and ZYY Shenzhen claimed for termination of the relevant finance lease agreement, return of the leased asset, defaulted lease payments, damages, guarantee fees and legal fees. On 28 November 2017, ZYY Shenzhen as the plaintiff initiated three legal proceedings against the defendant, one of our customers who defaulted in payments under three finance lease agreements, and ZYY Shenzhen claimed for termination of the relevant finance lease agreements, return of the leased assets, defaulted lease payments, damages, guarantee fees and legal fees. Apart from these five legal proceedings, no member of our Group, was engaged in any litigation, arbitration or claim of material importance, and our Directors are not aware of any litigation, arbitration or claim of material importance by or against our Group, pending or threatened.

## 3. **Sponsor**

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 6A.07 of the GEM Listing Rules.

The Sole Sponsor will receive a sponsor's fee in the amount of HK\$4.3 million for acting as the sponsor of the Listing.

## 4. **Compliance adviser**

In accordance with the requirements of the GEM Listing Rules, our Company have appointed Guoyuan Capital as compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company comply with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

## 5. **Qualification of experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
Guoyuan Capital	A corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities for the purpose of SFO

<u>Name</u>	<u>Qualification</u>
Deloitte Touche Tohmatsu	Certified public accountants
Han Kun Law Offices	Legal advisers as to the PRC law
Appleby	Legal advisers as to Cayman Islands law
Frost & Sullivan	Industry consultant

#### 6. **Consents of experts**

Each of the experts referred to in the subsection headed “D. Other information — 5. Qualification of experts” in this Appendix has each given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

#### 7. **Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) so far as applicable.

#### 8. **Bilingual prospectus**

The English language and Chinese language versions in this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

#### 9. **Preliminary expenses**

The preliminary expenses incurred and paid by our Company were approximately HK\$32,838.

#### 10. **Taxation of holders of Shares**

##### (a) **Hong Kong**

Dealings in Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

**(b) The Cayman Islands**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(c) Consultation with professional advisers**

Intended holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealings in our Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of our Shares resulting from their subscription for, purchase, holding or disposal of or dealings in our Shares or exercising any rights attaching to them.

**11. Promoter**

Our Company has no promoter for the purpose of the GEM Listing Rules.

**12. Miscellaneous**

- (a) Save as disclosed in this section and the sections headed “History and Reorganisation” and “Underwriting” in this prospectus, within the two years preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
  - (iii) no commission has been paid or payable (excluding commission payable to sub-underwriter) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company;
- (b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) no founder, management or deferred shares of our Company or any of our subsidiaries has been issued or agreed to be issued;

- (d) our Directors confirm that, up to the date of this prospectus, save as disclosed in the subsection headed “Financial Information — Material Adverse Change” in this prospectus, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2017 (being the date to which the latest audited consolidated financial statements of the Group were made up) and up to the date of the Latest Practicable Date;
- (e) there has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this prospectus;
- (f) none of experts named in the subsection headed “D. Other information — Qualifications of experts” in this Appendix to this prospectus: (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.
- (g) no company within our Group is presently listed on any stock exchange or traded on any trading system and no part of the shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of our Shares or loan capital on any other stock exchange;
- (h) our Company has no outstanding convertible debt securities;
- (i) all necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement; and
- (j) there are no arrangements under which future dividends are waived or agreed to be waived.

**1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the **WHITE** and **YELLOW** Application Forms;
- (b) a copy of each of the material contracts referred to in the subsection headed “B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix IV to this prospectus; and
- (c) the written consents referred to in the section headed “D. Other Information — 6. Consents of Experts” in Appendix IV to this prospectus.

**2. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Miao & Co. (in association with Han Kun Law Offices) at 2001-02 Hutchison House, 10 Harcourt Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the Accountants’ Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for the years ended 31 December 2015, 2016 and 2017;
- (d) the letter issued by Deloitte Touche Tohmatsu relating to our unaudited pro forma financial information, the texts of which is set out in Appendix II in this prospectus;
- (e) the PRC legal opinions issued by Han Kun Law Offices, our PRC legal advisers, in respect of certain aspects of our Group in the PRC;
- (f) the letter of advice prepared by Appleby, our legal advisers as to the law of the Cayman Islands, summarizing certain aspects of the Cayman Companies Law and referred to in Appendix III to this prospectus;
- (g) the material contracts referred to in the subsection headed “B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix IV to this prospectus;
- (h) the written consents referred to in the subsection headed “D. Other Information — 6. Consents of Experts” in Appendix IV to this prospectus;
- (i) the service contracts and letters of appointment referred to in the subsection headed “C. Further information about our Directors and substantial Shareholders — (b) Service contracts and letters of appointment” in Appendix IV to this prospectus;
- (j) the Cayman Companies Law; and
- (k) the industry report on the PRC finance leasing industry prepared by Frost & Sullivan.



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